

**FINANCE BOARD COMMITTEE MEETING
TUESDAY, SEPTEMBER 24, 2013
4:00 PM
SUPERINTENDENT OFFICE**

**OUR VISION
NO BOUNDARIES TO LEARNING**

**OUR MISSION
TO DEVELOP THE POTENTIAL IN EACH PERSON THROUGH ACADEMIC &
EXTRA-CURRICULAR PROGRAMS**

AGENDA

Preliminary Levy Item	2
Bond Refunding	3

**2013 PAYABLE 2014 PRELIMINARY LEVY EXPLANATION
PRINCETON**

	Actual School Year 2014	Preliminary September School Year 2015	DIFFERENCE	
GENERAL LEVY				
LEARNING LEVY	\$ 811,402.20	\$ 767,804.98	\$ (43,597.22)	
CAREER & TECHNICAL	\$ 66,252.87	\$ 43,033.25	\$ (23,219.62)	
SAFE SCHOOLS	\$ 116,521.80	\$ 126,381.60	\$ 9,859.80	
HEALTH & SAFETY	\$ 93,038.12	\$ 136,474.51	\$ 43,436.39	
OPERATING CAPITAL	\$ 259,731.56	\$ 181,998.37	\$ (77,733.19)	
TRANSITION LEVY	\$ 13,354.60	\$ 12,089.69	\$ (1,264.91)	
EQUITY LEVY	\$ 279,066.72	\$ 262,736.16	\$ (16,330.56)	
DEFERRED MAINTENANCE	\$ 132,303.43	\$ 122,213.46	\$ (10,089.97)	
ALT TEACHER COMP(Qcomp)	\$ -	\$ 160,269.54	\$ 160,269.54	
BUILDING LEASE	\$ 518,095.62	\$ 524,975.39	\$ 6,879.77	
GENERAL ED LEVY	\$ -	\$ 41,752.20	\$ 41,752.20	
TOTAL	\$ 2,289,766.92	\$ 2,379,729.15	\$ 89,962.23	
ADJUSTMENTS	2014	2015		
EQUITY	\$ 8,050.75	\$ 10,968.45		
TRANSITION	\$ 251.13	\$ 353.59		
OPERATING CAPITAL	\$ 2,002.92	\$ 1,385.77		
ALT TEACHER COMP	\$ -	\$ 412.29		
REEMPLOYMENT INSURANCE	\$ 67,615.42	\$ (73,149.00)		
CAREER & TECHNICAL	\$ (3,945.60)	\$ -		
SAFE SCHOOLS ADJ	\$ (1,526.10)	\$ (1,545.90)		
HEALTH & SAFETY	\$ (6,382.72)	\$ (726.30)		
DEFERRED MAINTENANCE ADJ	\$ -	\$ (3,746.64)		
FACILITY ADJUSTMENT	\$ (199,256.30)	\$ (195,696.12)		
LEASE LEVY ADJ	\$ 3,531.81	\$ (4,068.35)		
ABATEMENT ADJUSTMENT	\$ 7,327.77	\$ (5,546.01)		
TOTAL ADJUSTMENTS	\$ (122,330.92)	\$ (271,358.22)		
TOTAL GEN. LEVY	\$ 2,167,436.00	\$ 2,108,370.93	\$ (59,065.07)	
COMMUNITY EDUCATION LEVY	2014	2015	DIFFERENCE	
STANDARD COMMUNITY ED	\$ 122,863.33	\$ 112,134.47	\$ (10,728.86)	
EARLY CHILDHOOD	\$ 52,523.55	\$ 47,228.41	\$ (5,295.14)	
HOME VISITING	\$ 2,352.00	\$ 2,337.60	\$ (14.40)	
SCHOOL AGE CARE (disabled)	\$ 68,000.00	\$ 90,240.00	\$ 22,240.00	
ADJUSTMENTS	\$ 2,824.50	\$ (13,538.20)	\$ (16,362.70)	
TOTAL CE LEVY	\$ 248,563.38	\$ 238,402.28	\$ (10,161.10)	
DEBT SERVICE LEVY	2014	2015	DIFFERENCE	
GENERAL DEBT	\$ 2,653,044.31	\$ 2,563,449.09	\$ (89,595.22)	
TOTAL DEBT LEVY	\$ 2,653,044.31	\$ 2,563,449.09	\$ (89,595.22)	
TOTAL LEVY	\$ 5,069,043.69	\$ 4,910,222.30	\$ (158,821.39)	-3.13%

District chose to underlevy Alternative Teacher Comp(Qcomp) on the Final Pay 2013 Levy
\$ 185,146.38

September 24, 2013

Pre-Sale Report for

Independent School District No. 477
(Princeton), Minnesota

\$1,800,000 General Obligation School Building Refunding
Bonds, Series 2013A



Prepared by:

Gary Olsen
Financial Advisor

And

Jodie Zesbaugh
Financial Advisor

Executive Summary of Proposed Debt

Proposed Issue:	\$1,800,000 General Obligation School Building Refunding Bonds, Series 2013A
Authority:	<p>The Bonds are being issued pursuant to Minnesota Statutes, Chapters 475 and 475.67.</p> <p>The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.</p>
Purpose and Estimated Impact:	<p>The proposed issue will finance a current refunding of the 2015 - 2017 maturities of the \$2,740,000 General Obligation School Building Refunding Bonds, Series 2003. The purpose of the refunding is to reduce future debt service payments and tax levies.</p> <p>The existing bonds have interest rates of 3.7% to 4.00% (see page 6). Based on current market conditions, Ehlers estimates that the new refunding bonds would have interest rates of 0.55% to 1.20% (see page 7). The lower interest rates would reduce future debt service interest payments by approximately \$55,000 over fiscal years 2015 through 2017 (see page 8). The Net Present Value Benefit of the refunding is estimated to be approximately \$52,917, or 2.855% of the refunded debt service.</p> <p>Actual results will be determined based on market conditions on the day of sale.</p> <p>Debt service will be paid from the District’s annual debt service tax levy.</p>
Term/Call Feature:	<p>The Bonds are being issued for a 3 year term. Principal on the Bonds will be due on February 1 in the years 2015 through 2017. Interest is payable every six months beginning August 1, 2014.</p> <p>The Bonds are being offered without option of prior redemption.</p>
Bank Qualification:	<p>Because the District is issuing less than \$10,000,000 in the calendar year, the District will be able to designate the Bonds as “bank qualified” obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.</p>
State Credit Enhancement:	<p>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.</p> <p>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.</p>



<p>Rating:</p>	<p>Under current bond ratings, the state credit enhancement would result in a Moody's "Aa2" rating.</p> <p>The District's existing bond issues were rated by Moody's Investors Service. The current ratings on those bonds are "A1" (underlying rating) and "Aa2" (through the State of Minnesota Credit Enhancement Program). Ehlers recommends that the District request a new rating for the Bonds from Moody's.</p> <p>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.</p>
<p>Method of Sale/Placement:</p>	<p>In order to obtain the lowest interest cost to the District, we will solicit competitive bids for purchase of the Bonds from local banks in your area and regional underwriters.</p> <p>We have included an allowance for discount bidding equal to 0.8% of the principal amount 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.</p> <p>If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to lower your borrowing amount.</p>
<p>Other Considerations:</p>	<p>The closing date on the new bonds is expected to be November 21, 2013, and we are expecting to redeem the existing bonds on February 1, 2014. For that period of roughly ten weeks, the proceeds will be available for investment by the District.</p>
<p>Review of Existing Debt:</p>	<p>We have reviewed all outstanding indebtedness for the District and find that, other than the obligations proposed to be refunded by the Bonds; there are no other refunding opportunities at this time.</p> <p>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.</p>
<p>Continuing Disclosure:</p>	<p>Because the District has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, 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 "material 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.</p>



<p>Arbitrage Monitoring:</p>	<p>Because the Bonds are tax-exempt securities, the District must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Nonarbitrage Certificate prepared by your Bond Attorney and provided at closing. You have retained Ehlers to assist you with compliance with these rules.</p>
<p>Risk Factors:</p>	<p>The purpose of this issue is to reduce future debt service payments and tax levies by refunding the callable maturities of the 2003 Bonds. The new Bonds will not be pre-payable. This refunding is being undertaken based in part on an assumption that market conditions warrant the refunding at this time.</p>



Proposed Debt Issuance Schedule

Pre-Sale Review by School Board	September 24, 2013
Distribute Official Statement:	Week of October 7, 2013
Conference with Rating Agency:	Week of October 14, 2013
School Board Meeting to Award Sale of the Bonds:	October 22, 2013
Estimated Closing Date:	November 21, 2013

Attachments

Sources and Uses of Funds

Proposed Debt Service Schedule

Refunding Savings Analysis

Resolution Providing for the Sale of Bonds and Obligating the District to use the State Credit Enhancement Program (provided separately)

Ehlers Contacts

Financial Advisors:	Gary Olsen	(651) 697-8513
	Jodie Zesbaugh	(651) 697-8526
Disclosure Coordinator:	Jen Chapman	(651) 697-8566
Bond Sale Coordinator:	Alicia Baldwin	(651) 697-8523
Financial Analyst:	Brian Shannon	(651) 697-8515

The Official Statement for this financing will be mailed to the School Board at their home address or e-mailed for review prior to the sale date.



I.S.D. No. 477 (Princeton), MN

\$1,800,000 G.O. School Building Refunding Bonds, Series 2013

Proposed Current Refunding of

\$2,740,000 G.O. School Building Refunding Bonds, Series 2003

Sources & Uses

Dated 11/12/2013 | Delivered 11/12/2013

Sources Of Funds

Par Amount of Bonds	\$1,800,000.00
---------------------	----------------

Total Sources	\$1,800,000.00
----------------------	-----------------------

Uses Of Funds

Total Underwriter's Discount (0.800%)	14,400.00
---------------------------------------	-----------

Costs of Issuance	30,000.00
-------------------	-----------

Deposit to Current Refunding Fund	1,755,000.00
-----------------------------------	--------------

Rounding Amount	600.00
-----------------	--------

Total Uses	\$1,800,000.00
-------------------	-----------------------

I.S.D. No. 477 (Princeton), MN

\$2,740,000 G.O. School Building Refunding Bonds, Series 2003

Prior Original Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/01/2014	-	-	-	-	-
08/01/2014	-	-	33,670.00	33,670.00	-
02/01/2015	570,000.00	3.700%	33,670.00	603,670.00	637,340.00
08/01/2015	-	-	23,125.00	23,125.00	-
02/01/2016	575,000.00	3.800%	23,125.00	598,125.00	621,250.00
08/01/2016	-	-	12,200.00	12,200.00	-
02/01/2017	610,000.00	4.000%	12,200.00	622,200.00	634,400.00
Total	\$1,755,000.00	-	\$137,990.00	\$1,892,990.00	-

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/12/2013
Average Life	2.242 Years
Average Coupon	3.5066230%
Weighted Average Maturity (Par Basis)	2.242 Years

Refunding Bond Information

Refunding Dated Date	11/12/2013
Refunding Delivery Date	11/12/2013

I.S.D. No. 477 (Princeton), MN

\$1,800,000 G.O. School Building Refunding Bonds, Series 2013

Proposed Current Refunding of

\$2,740,000 G.O. School Building Refunding Bonds, Series 2003

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/12/2013	-	-	-	-	-
08/01/2014	-	-	11,248.51	11,248.51	-
02/01/2015	600,000.00	0.550%	7,817.50	607,817.50	619,066.01
08/01/2015	-	-	6,167.50	6,167.50	-
02/01/2016	590,000.00	0.850%	6,167.50	596,167.50	602,335.00
08/01/2016	-	-	3,660.00	3,660.00	-
02/01/2017	610,000.00	1.200%	3,660.00	613,660.00	617,320.00
Total	\$1,800,000.00	-	\$38,721.01	\$1,838,721.01	-

Yield Statistics

Bond Year Dollars	\$4,005.00
Average Life	2.225 Years
Average Coupon	0.9668167%
Net Interest Cost (NIC)	1.3263673%
True Interest Cost (TIC)	1.3319682%
Bond Yield for Arbitrage Purposes	0.9656022%
All Inclusive Cost (AIC)	2.1083660%

IRS Form 8038

Net Interest Cost	0.9668167%
Weighted Average Maturity	2.225 Years

I.S.D. No. 477 (Princeton), MN

\$1,800,000 G.O. School Building Refunding Bonds, Series 2013

Proposed Current Refunding of

\$2,740,000 G.O. School Building Refunding Bonds, Series 2003

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2014	-	(600.00)	-	600.00
02/01/2015	619,066.01	619,066.01	637,340.00	18,273.99
02/01/2016	602,335.00	602,335.00	621,250.00	18,915.00
02/01/2017	617,320.00	617,320.00	634,400.00	17,080.00
Total	\$1,838,721.01	\$1,838,121.01	\$1,892,990.00	\$54,868.99

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	52,317.22
Net PV Cashflow Savings @ 2.108%(AIC).....	52,317.22
Contingency or Rounding Amount.....	600.00
Net Present Value Benefit	\$52,917.22
Net PV Benefit / \$1,853,361.03 PV Refunded Debt Service	2.855%
Net PV Benefit / \$1,755,000 Refunded Principal...	3.015%
Net PV Benefit / \$1,800,000 Refunding Principal..	2.940%

Refunding Bond Information

Refunding Dated Date	11/12/2013
Refunding Delivery Date	11/12/2013