

School Board Meeting:

January 22, 2024

Subject:

Sale of General Obligation School Building Refunding Bonds, Series 2024B, Including Use of the Credit Enhancement Program, and the Pre-Sale Report

Presenter:

**Ryan Tangen, Director
Finance & Operations**

SUGGESTED SCHOOL BOARD ACTION:

Recommend board approval

DESCRIPTION:

Outstanding debt is constantly monitored for potential refunding opportunities that would generate savings for our district residents. Based on current bond sales by other entities, refunding our \$32,620,000 General Obligation Building Bonds, Series 2015A, dated February 4, 2015, could provide those savings. That bond issue was used for roof replacements, building exterior envelope upgrades, technology infrastructure, activities venues, additional classroom and gym space at Tatanka Elementary and mechanical system controls.

We have been working with Ehlers Public Finance Advisors for analysis and planning. The potential savings are in the target range making refunding advantageous and the first call date is February 1, 2024, giving it a current refunding status. By issuing refunding bonds as a current issue rather than as an advance refunding issue, the costs of placing the refunding bonds in an escrow account for an extended time are minimized and the bonds are eligible to be tax-exempt bonds.

This resolution authorizes the sale of bonds and it also allows the school district to participate in the State of Minnesota's Credit Enhancement Program. The Credit Enhancement program allows us to issue the bonds with the State's guarantee of payment on the bonds and credit rating. This most often allows the district to get lower interest rates than if we were to simply issue using our lower credit rating.

The resolution also includes a provision to establish a minimum dollar savings on the refunding and approval authority. This provision gives authority to sell the bonds before the next meeting to the Superintendent, Director of Finance and Operations, or any Board Member as long as the savings from the refunding meet the minimum thresholds established in the resolution. The provision is put in place to better facilitate the sale of the refunding bonds. The full board would still adopt the necessary approval resolution at its next regularly scheduled meeting on February 26, 2024, if the bonds were sold before then. In the event that the rates change such that the minimum

savings cannot be achieved, the sale will simply be postponed until such a time that the savings meet the minimum threshold.

A representative from Ehlers will be present at the January 22, 2024 meeting to review the Pre-Sale Report and the resolution and provide an overview of the sale process.

ATTACHMENTS:

- ISD 877 Buffalo-Hanover-Montrose 2024B Intent Resolution 1.22.24
- ISD 877 Buffalo-Hanover-Montrose 2024B Pre-Sale Report 1.22.24