OCTOBER 27, 2020

OASBO 2020 Virtual Conference

Story Story Bonds

Linda Murray
BUSINESS MANAGER
linda.murray@nmarion.k12.or.us

Steve Nielsen
BUSINESS MANAGER
nielsen_steve@silverfalls.k12.or.us

Mike Schofield
ASSOCIATE SUPT, BUSINESS SERVICES
michael_schofield@beaverton.k12.or.us

Lauren MacMillan
SENIOR VICE PRESIDENT
Lauren.Macmillan@psc.com

Topics for Discussion

I. Market Update

II. North Marion SD 2018 GO Bonds

III. Gresham-Barlow SD 2017 & 2019 GO Bonds

IV. Silver Falls SD 2020 Refunding GO Bonds

Topics for Discussion

I. Market Update

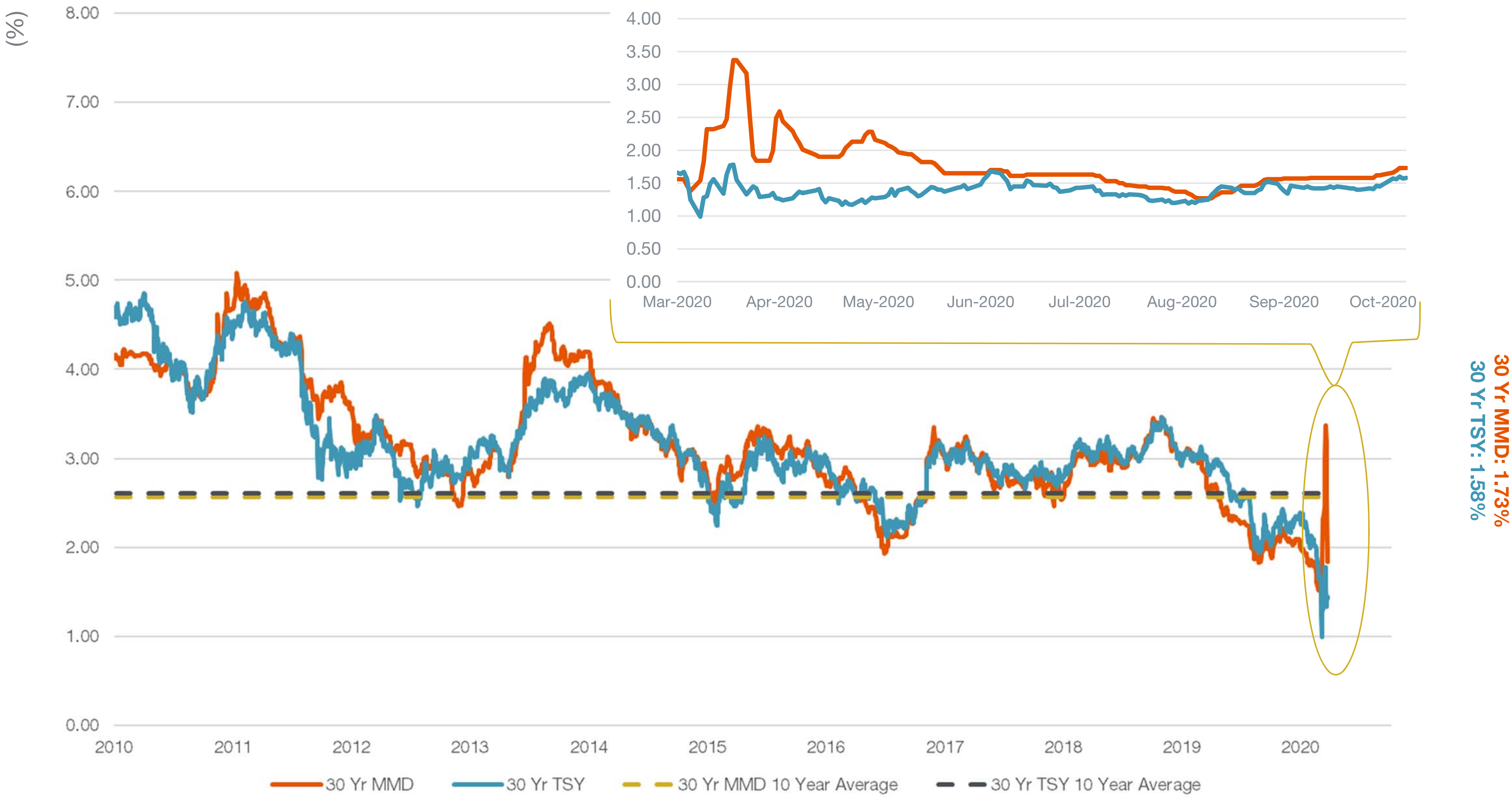
II. North Marion SD 2018 GO Bonds

III. Gresham-Barlow SD 2017 & 2019 GO Bonds

IV. Silver Falls SD 2020 Refunding GO Bonds

Long-Term Market Overview[1]

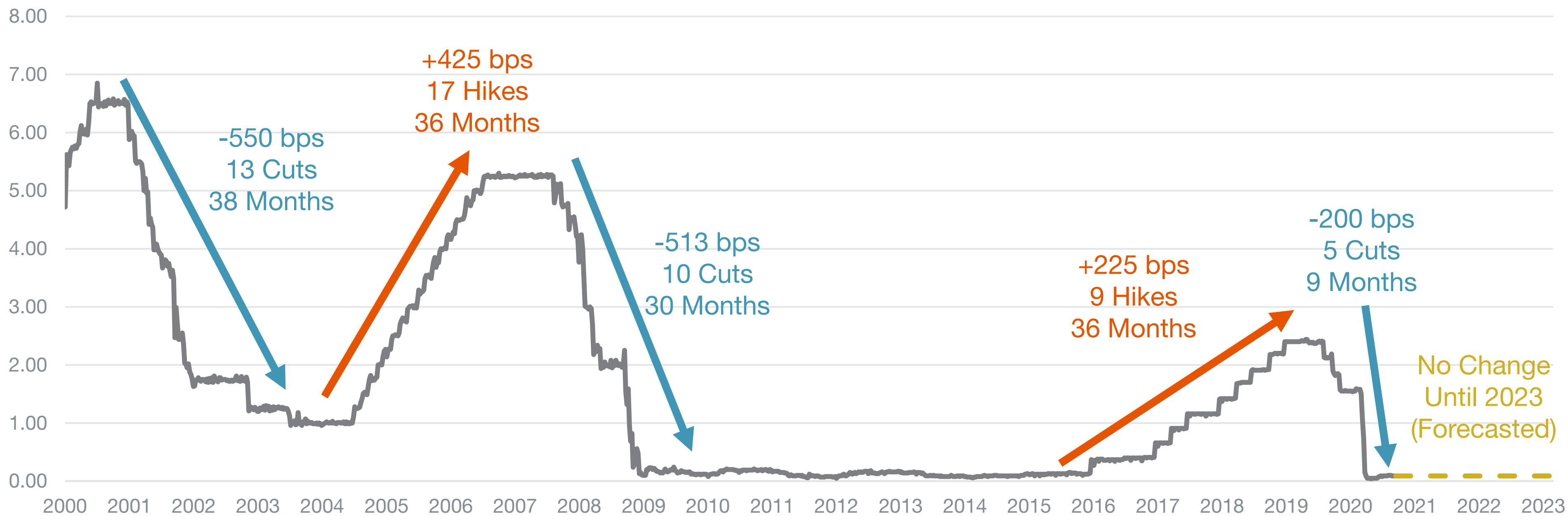
After substantial volatility in both the Treasury and Municipal market due to COVID-19, municipal deals continue to price successfully; some issues price with concessions, particularly on smaller transactions



1. *Source: TM3 and Treasury Data. As of 10/9/2020.*

Historical Federal Funds Rate Movements[1]

The Fed currently has no plans to hike rates given an ailing US economy



- **The Federal Reserve quickly cut rates and adopted more than a few liquidity measures to prevent credit from seizing up**
- **On March 3rd, the Fed reduced rates by 50bp in what was its first unscheduled emergency rate cut since 2008**
    - **The 50bp rate cut was a unanimous decision by the FOMC, taking the Fed's benchmark rate to a range of 1.00-1.25%**

1. *Source: FRED. As of Q3 2020.*

Placement Market

- Placement market is largely functioning as usual
  - Public market was a bit more disrupted by initial COVID shock and some issuers turned to placements at the time
- Generally, see an increase in placement volume when muni spreads widen
  - Bank pricing tracks treasuries/swaps and spreads generally don't track with muni spreads
- Market has softened for weaker credits, specialty sectors, and anything speculative. Banks can be aggressive for the right situation, i.e. ancillary business relationship or opportunity, local support
- Bank appetite for:

Tax-exempt	Taxable	BQ	Non-BQ
Cinderella Bonds	Forward Rate Locks	Variable Rate	Fixed Rate

- Market for up to 20-25 year fixed, but deepest audience < 15 years

COVID-19 Impact on Credit Ratings

- In April/May, S&P and Moody's declared outlook on U.S. public finance negative
- Not all sectors and credits impacted equally
- Areas/revenue streams hardest hit:

Tourism	Gas Taxes	Transit	Income Taxes
Airlines	Toll Roads	Higher Ed	Sales Tax

- Property tax revenues stable but vulnerable to declines
  - Remote work opportunities allow people to move to lower cost regions
  - Corporations potentially reduce office space
  - Higher delinquencies
- Strong liquidity will allow some local governments to better withstand the economic slowdown and avoid immediate distress as the recession deepens
- Upgrades still possible
  - Moody's upgraded Oregon Local Government pension pools in June

Short-Term Borrowing Options

- Bank Loan
- Oregon Education Districts Short-Term Borrowing Program (TANPool)
  - Public offering of pooled Tax Anticipation Notes for school districts, ESD's and community colleges
  - Official Statement, credit rating, continuing disclosure
  - Traditionally one issue per year, closing in early June but ability to sell multiple series at any time, if there is interest
    - Materials circulated in February
    - Request and fill out a cash flow to determine borrowing size by mid-March

Topics for Discussion

I. Market Update

II. North Marion SD 2018 GO Bonds

III. Gresham-Barlow SD 2017 & 2019 GO Bonds

IV. Silver Falls SD 2020 Refunding GO Bonds

Bond Details

- $42.2 million General Obligation Bonds, Series 2018A & 2018B
  - Authorization approved at November 2017 election, 60.18% approval
  - Bonds sold in February 2018
- $14 million additional funds: bond premium, interest earnings, OSCIM grant, seismic grant, energy trust incentives & M98 funds
- Bonds assigned A+ rating from S&P Global Ratings
- Ballot title included levy rate estimate of $1.86/$1,000
  - Levy rate estimated at time bolds sold was $1.84/$1,000
  - Actual levy rates:

Fiscal Year	Levy Rate
2020-21	$ 1.6322
2019-20	1.7338
2018-19	1.7229

- District utilized deferred interest bonds to curtail initial levy rate increase

Bond Projects

- High School rebuild and improvements for Career and Technical Education Programs;
- Improved safety and security campus-wide and technology improvements;
- Reinvestments in current building assets including, but not limited to heating/ventilation, roofs, restrooms and parking lots;
- Improved traffic flow projects;
- Repayment of loan of primary school roof;
- Improved grounds and athletic facilities; and
- Site improvements, demolition, furnishing and equipment.


Increasing Opportunities


Committing to Safety & Security


Local Partnerships


Re-Investing in Our Assets

Challenges Faced During Construction

- Implementation of CAT Tax
  - Took effect January 1, 2020
  - Contracts already in place
  - District received change order from contractor for >$180,000
  - Waited and recently negotiated a reduction to $135,000

- COVID-19 Pandemic
  - Construction and manufacturing exempted under Governor's Shutdown Order if social distancing maintained
  - Bond project manager ensuring contractor in compliance with this requirement and the High School and other large projects continued as planned
  - Lots of coordination/communication needed with staff working remotely, offices closed
  - Some subcontractors have been exposed to COVID-19 and had to quarantine, leading to slowdowns on construction schedule

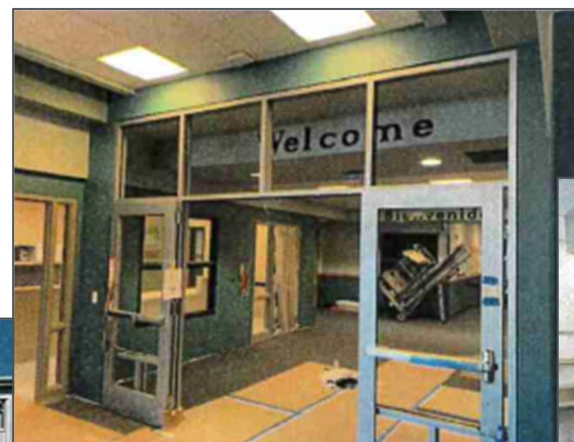
Challenges Faced During Construction

- **September Wildfires**
  - o Multiple wildfires burning near the District caused horrible air quality in the District
  - o OSHA didn't allow outside activities for construction workers and air quality in middle school was affected
  - o District lost crews for a couple weeks
  - o Delayed completion of middle school roof and other middle school projects
    - HVAC work was being completed so openings let a lot of smoke in the building
  - o Just took things day by day until work could resume

All's Well that Ends Well?

- Additional projects
  - Parking lot and more roofs
- Almost complete!
  - High school is last project, expected complete by year end
- Bond Oversight Committee took a two-hour walking tour on September 30th
- "We renovated the whole campus for less money than it costs to build a new building." – Superintendent Redlinger






Topics for Discussion

I. Market Update

II. North Marion SD 2018 GO Bonds

III. Gresham-Barlow SD 2017 & 2019 GO Bonds

IV. Silver Falls SD 2020 Refunding GO Bonds

Bond Details

- $291.17 million General Obligation authorization
  - Approved at November 2016 election, 51.26% approval
  - $241.17 million sold in February 2017
  - $50 million sold in April 2019
- $8 million OSCIM grant
- Bonds assigned Aa3 rating from Moody's Investors Service
- District utilized deferred interest bonds to curtail initial levy rate increase and wrap new authorization around existing debt that didn't mature until FY 2021
- Ballot title included estimated levy rate increase of $1.89/$1,000 (total levy rate at $2.76/$1,000)
- Originally planned to sell the entire authorization at once but things got complicated after the election

Bond Projects

Improving Learning Spaces:

- Expanding classrooms to relieve over-crowding
- Increasing access to technology
- Modernizing areas for science, engineering and vocational education

Safety Projects:

- Securing entries
- Emergency communications equipment
- Classroom door locks

Significant Projects:

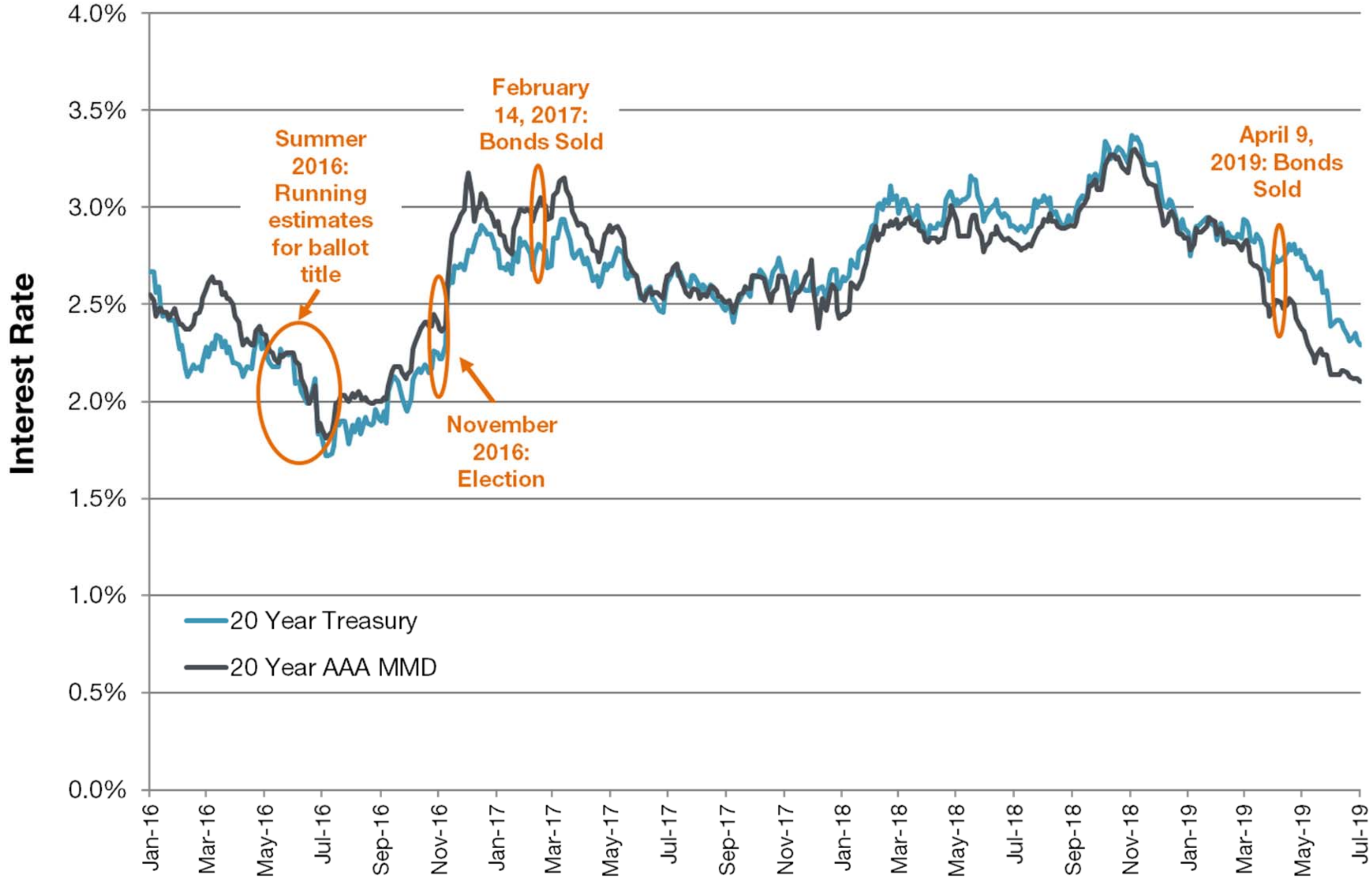
- Major Renovations to Sam Barlow and Gresham High Schools
- Replacing North Gresham and East Gresham Elementary Schools
- Improvements to Deep Creek-Damascus K-8
- Improving water and air quality

Additional Costs:

- Refinancing capital costs
- Land acquisition, site and building improvements, demolition
- Furnishing, equipping projects and bond issuance costs.

Challenges Faced

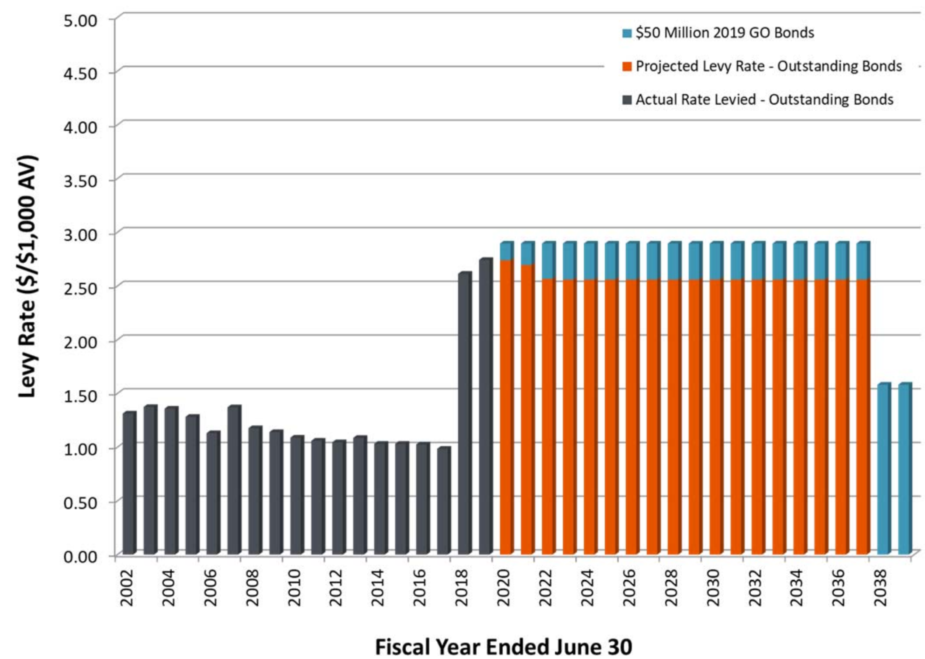
- Interest rates shot up after election
  - 20 Year MMD went up over 0.6% between election and sale date



Challenges Faced

- Rise in interest rates meant the District couldn't issue the full par amount without exceeding the levy rate estimate provided to voters
  - 2017 sale was downsized to meet the levy rate target upfront with a slight decline in FY 2022 to layer on the remaining authorization
  - Delaying second piece also added two years to overall term of the authorization since the maximum in the ballot title applies to when bonds are sold

- Assessed value in 2016-17 was well below estimate due to ODR property tax program ruling.
  - AV growth was 2% vs 3% estimate



Challenges Faced – Prior to Approval

- Conservative voters (especially on taxes)
  - Ranked 22 of 25 Metro area districts in overall tax burden
  - $210 million levy failed in 2013 (61% no)
- Initial polling suggested support at about $50 million
  - Bond Planning Committee recommended $299 million
- Levy was about $1/$1,000 pre-bond, estimated at $2.89/$1,000 after
- Without warning, City decided to put a community center on the ballot

All’s Well that Ends Well?

- **Splitting up the sales allowed the District to maximize proceeds and better manage levy rate, keeping faith with voters**

	2017 Bonds	2019 Bonds	Total
Par Amount	$241,165,714	$50,000,227	$291,165,941
Premium	29,810,354	3,865,130	33,675,484
Total Proceeds	270,976,068	53,865,357	324,841,425

- **So far, levy rate has been better than projected at time of each sale thanks to strong AV growth**
- **Allowed staff to catch their breath!**

Fiscal Year	Levy Rate
2019-20	$ 2.8721
2018-19	2.7426
2017-18	2.6132

Topics for Discussion

I. Market Update

II. North Marion SD 2018 GO Bonds

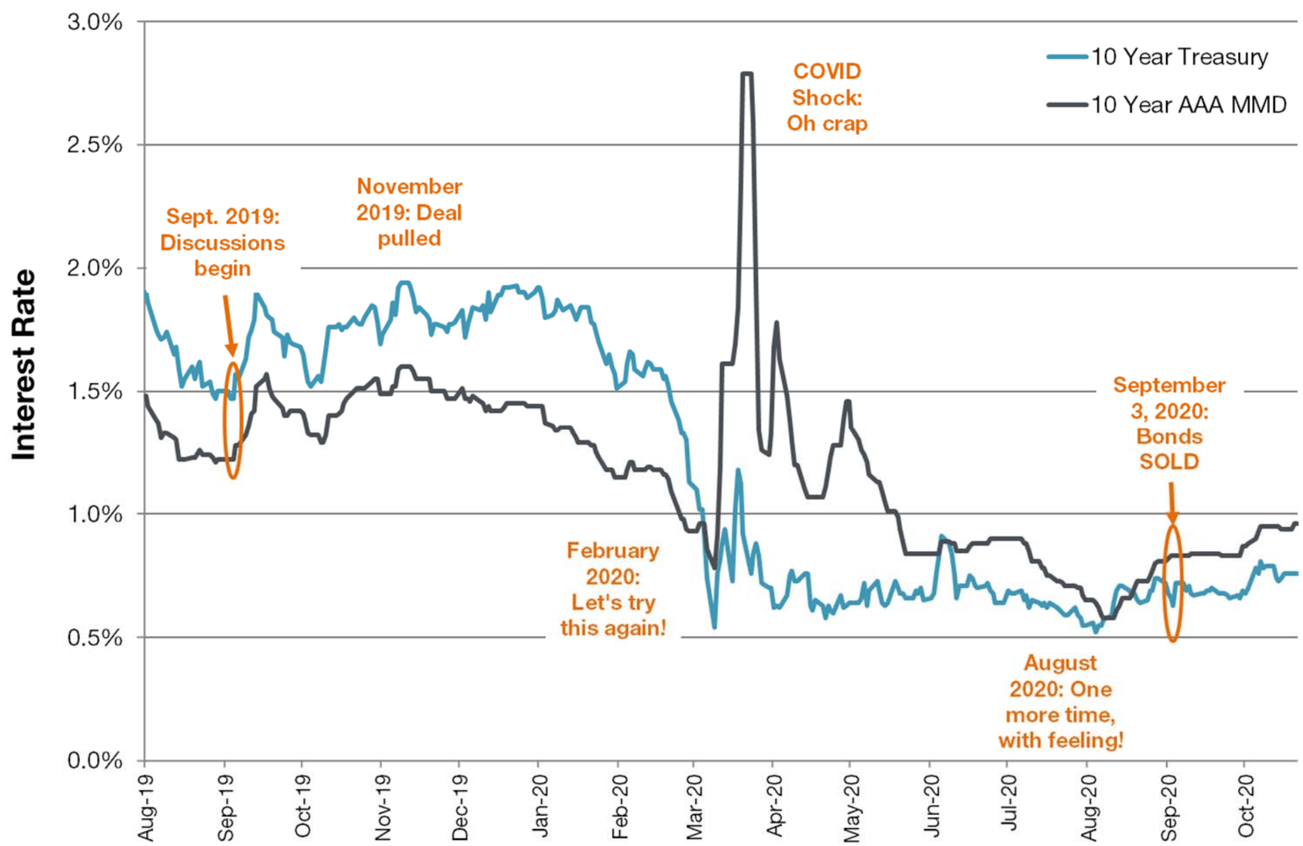
III. Gresham-Barlow SD 2017 & 2019 GO Bonds

IV. **Silver Falls SD 2020 Refunding GO Bonds**

Bond Details

- **$19.405 million General Obligation Refunding Bonds, Series 2020**
  - **Resolution passed October 14, 2019**
  - **Bonds closed September 17, 2020**
  - **What took so long??**
  - **Once an issuer decides to move ahead on a refunding, still takes ~2 months before rates are locked with a public sale**

Bond Market Roller Coaster



SILVER FALLS
SCHOOL DISTRICT
WHERE EVERY STUDENT THRIVES

Other Challenges Faced

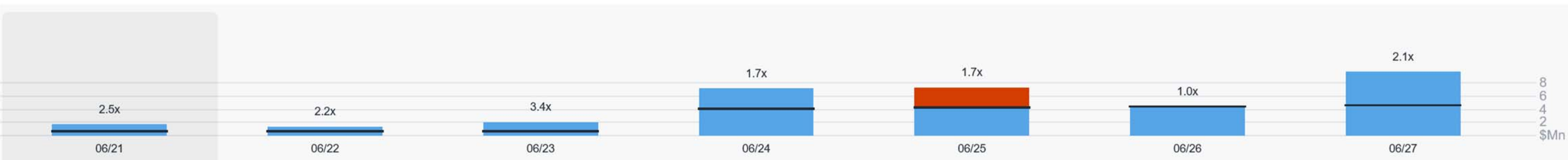
- Obtaining a rating
  - Most publicly sold debt has a credit rating
  - Involves a conference call with rating analysts to review documentation and financial info
  - The fee may be triggered by having the call or when they go to committee several days later
    - Fees dependent on deal size, not insignificant ($13,000 - $70,000)
  - Fee is generally paid out of refunding proceeds but if refunding not completed, issuer on the hook for a portion of the fee
  - Want to be fairly confident deal will be done when speaking to rating analysts
  - ~2 weeks of risk between rating fee trigger and when rates locked
  - Volatile market made it a difficult decision for the District to make

Other Challenges Faced

- **September Wildfires**
  - In the period between pricing and closing, wildfires began raging nearby, threatening the District and triggering evacuation warnings for portions of the District
  - District office closed, staff evacuating homes
    - Multiple evacuations, spraying down houses
  - Created difficulties for staff to review documents and provide information and signatures at a period when time is of the essence
    - Created questions and uncertainty for how to handle disclosure
    - Official Statement was already finalized but requirement to update if there is a "material" change
    - When do you issue an amendment for a situation when the status is constantly changing?
    - What do you say when the extent of damage is unknown?

All's Well that Ends Well?

- Market timing ended up about as good as you can get
- Spreads to Treasury were extremely competitive
    - On top of Eugene School District which sold competitively two days prior and has an underlying rating of Aa2 (two notches above Silver Falls)
- Strong order flow



- Savings better than prior estimates

	8/16/19 Estimate	Final Results
Total NPV Savings	$648,648	$1,158,320
Savings as % of Proceeds	3.35%	5.97%

Piper Sandler & Co. Disclosure

Piper Sandler is providing the information contained herein for discussion purposes only in anticipation of being engaged to serve as underwriter or placement agent on a future transaction and not as a financial advisor or municipal advisor. In providing the information contained herein, Piper Sandler is not recommending an action to you and the information provided herein is not intended to be and should not be construed as a “recommendation” or “advice” within the meaning of Section 15B of the Securities Exchange Act of 1934. Piper Sandler is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act or under any state law to you with respect to the information and material contained in this communication. As an underwriter or placement agent, Piper Sandler’s primary role is to purchase or arrange for the placement of securities with a view to distribution in an arm’s-length commercial transaction, is acting for its own interests and has financial and other interests that differ from your interests. You should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

The information contained herein may include hypothetical interest rates or interest rate savings for a potential refunding. Interest rates used herein take into consideration conditions in today’s market and other factual information such as credit rating, geographic location and market sector. Interest rates described herein should not be viewed as rates that Piper Sandler expects to achieve for you should we be selected to act as your underwriter or placement agent. Information about interest rates and terms for SLGs is based on current publically available information and treasury or agency rates for open-market escrows are based on current market interest rates for these types of credits and should not be seen as costs or rates that Piper Sandler could achieve for you should we be selected to act as your underwriter or placement agent. More particularized information and analysis may be provided after you have engaged Piper Sandler as an underwriter or placement agent or under certain other exceptions as describe in the Section 15B of the Exchange Act.

Piper Sandler Companies (NYSE: PIPR) is a leading investment bank and institutional securities firm driven to help clients Realize the Power of Partnership®. Securities brokerage and investment banking services are offered in the U.S. through Piper Sandler & Co., member SIPC and FINRA; in Europe through Piper Sandler Ltd., authorized and regulated by the U.K. Financial Conduct Authority; and in Hong Kong through Piper Sandler Hong Kong Ltd., authorized and regulated by the Securities and Futures Commission. Asset management products and services are offered through separate investment advisory affiliates.