

April 22, 2024

PRE-SALE REPORT FOR

# Independent School District No. 2143 (Waterville-Elysian-Morristown), Minnesota

**\$479,000 General Obligation Tax Abatement Bonds,  
Series 2024A**



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**Prepared by:**

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**Advisors:**

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# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$479,000 General Obligation Tax Abatement Bonds, Series 2024A

## Purposes:

The proposed issue will finance the construction of and improvements to parking lots at various sites in the District. Debt service will be paid from tax abatement revenues and state aid received as part of the School Building Bond Agricultural Credit program.

## Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, and Section 469.1814. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

Under the Tax Abatement Authority, the amount of property taxes abated in any year for the Bonds, together with any outstanding annual abatements, may not exceed 10% of the District's net tax capacity or \$200,000, whichever is greater.

## Term/Call Feature:

The Bonds are being issued for a term of 10 years, 8 months. Principal on the Bonds will be due on February 1 in the years 2026 through 2035. Interest will be due every six months beginning February 1, 2025.

The Bonds will be subject to prepayment at the discretion of the District on June 4, 2024 or any date thereafter.

## Bank Qualification:

Because the District is expecting to issue no more than \$10,000,000 in tax exempt debt during 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.

### **State Credit Enhancement:**

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.

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.

### **Rating:**

We recommend selling this issue non-rated as the cost of the rating would not be expected to be offset by the potential lower interest rates resulting from obtaining a rating. For a larger bond issue, or a longer term bond issue, a rating might broaden the market for the Bonds and result in an overall reduction in interest costs.

### **Basis for Recommendation:**

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

### **Method of Sale/Placement:**

We are recommending the Bonds be purchased by a financial institution to be selected through a competitive lending process. The Bonds will be held by the financial institution as a loan in its loan portfolio.

### **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:**

Because the Bonds will be placed with a financial institution that intends to hold the Bonds to maturity, the Bonds are not considered a security and thus are not subject to the Continuing Disclosure requirements of the Securities and Exchange Commission (SEC). However, the District may be required to disclose the issuance of the Bonds due to existing Continuing Disclosure undertakings.

## 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 Bonds. 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 Tax Certificate (the “Tax Compliance Document”) prepared by your Bond Attorney and provided at closing.

The Bonds 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 Bonds. The District is currently receiving arbitrage services from Ehlers in relation to the Bonds.

## Investment of Bond Proceeds:

Ehlers can assist the District in developing a strategy to invest your Bond 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 bond sizing 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:** Kennedy & Graven, Chartered

**Paying Agent:** Bond Trust Services Corporation

**Rating Agency:** This issue will not be rated.

*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

Public Hearing on Tax Abatement; Ehlers Presents Pre-Sale Report to School Board, School Board Approves Resolution Authorizing Sale of the Bonds:	April 22, 2024
Distribute Offering Document:	April 23, 2024
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	May 6, 2024
School Board Meeting to Award Sale of Bonds:	May 9, 2024
Estimated Closing Date:	June 4, 2024

### Attachments

- Estimated Sources and Uses of Funds
- Estimated Net Debt Service Schedule
- Estimated Long-Term Financing Plan for Debt and Capital Payments and Levies
- Estimated Tax Impact Schedule
- Resolution Authorizing Ehlers to Proceed with Bond Sale/Credit Enhancement Resolution (provided separately)

## EHLERS' CONTACTS

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PRE-SALE ESTIMATES

**Waterville-Elysian-Morristown Public School District No. 2143**

April 1, 2024

Estimated Sources and Uses for Abatement Bond Issue

Parking Lot Improvements

<b>Bond Amount</b>	<b>\$479,000</b>
<b>Estimated Project Costs</b>	<b>\$442,015</b>
<b>Closing Date</b>	<b>June 4, 2024</b>
<b>Sources of Funds</b>	
Par Amount	\$479,000
Investment Earnings <sup>1</sup>	0
<b>Total Sources</b>	<b>\$479,000</b>
<b>Uses of Funds</b>	
Capitalized Interest <sup>2</sup>	\$18,132
Legal and Fiscal Costs <sup>3</sup>	18,004
<b>Net Available for Project Costs</b>	<b>442,864</b>
<b>Total Uses</b>	<b>\$479,000</b>
<b>Deposit to Construction Fund</b>	<b>\$442,864</b>

<sup>1</sup> Because the project is expected to be completed very quickly, investment earnings in the construction fund would be negligible.

<sup>2</sup> Due to timing of the levy process, the District would not be able to make a tax levy to fund the interest payment due during fiscal year 2025, so that payment would be made from bond proceeds.

<sup>3</sup> Includes fees for municipal advisor, bond counsel, and paying agent.

# Waterville-Elysian-Morristown School District No. 2143

\$479,000 General Obligation Tax Abatement Bonds, Series 2024A

Dated: June 4, 2024

## Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
06/04/2024	-	-	-	-	-	-	-
02/01/2025	-	-	18,132.15	18,132.15	(18,132.15)	-	-
08/01/2025	-	-	13,771.25	13,771.25	-	13,771.25	-
02/01/2026	37,000.00	5.750%	13,771.25	50,771.25	-	50,771.25	64,542.50
08/01/2026	-	-	12,707.50	12,707.50	-	12,707.50	-
02/01/2027	39,000.00	5.750%	12,707.50	51,707.50	-	51,707.50	64,415.00
08/01/2027	-	-	11,586.25	11,586.25	-	11,586.25	-
02/01/2028	41,000.00	5.750%	11,586.25	52,586.25	-	52,586.25	64,172.50
08/01/2028	-	-	10,407.50	10,407.50	-	10,407.50	-
02/01/2029	43,000.00	5.750%	10,407.50	53,407.50	-	53,407.50	63,815.00
08/01/2029	-	-	9,171.25	9,171.25	-	9,171.25	-
02/01/2030	46,000.00	5.750%	9,171.25	55,171.25	-	55,171.25	64,342.50
08/01/2030	-	-	7,848.75	7,848.75	-	7,848.75	-
02/01/2031	49,000.00	5.750%	7,848.75	56,848.75	-	56,848.75	64,697.50
08/01/2031	-	-	6,440.00	6,440.00	-	6,440.00	-
02/01/2032	51,000.00	5.750%	6,440.00	57,440.00	-	57,440.00	63,880.00
08/01/2032	-	-	4,973.75	4,973.75	-	4,973.75	-
02/01/2033	54,000.00	5.750%	4,973.75	58,973.75	-	58,973.75	63,947.50
08/01/2033	-	-	3,421.25	3,421.25	-	3,421.25	-
02/01/2034	58,000.00	5.750%	3,421.25	61,421.25	-	61,421.25	64,842.50
08/01/2034	-	-	1,753.75	1,753.75	-	1,753.75	-
02/01/2035	61,000.00	5.750%	1,753.75	62,753.75	-	62,753.75	64,507.50
<b>Total</b>	<b>\$479,000.00</b>	<b>-</b>	<b>\$182,294.65</b>	<b>\$661,294.65</b>	<b>(18,132.15)</b>	<b>\$643,162.50</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$3,170.34
Average Life	6.619 Years
Average Coupon	5.7500001%
Net Interest Cost (NIC)	5.7500001%
True Interest Cost (TIC)	5.7468798%
All Inclusive Cost (AIC)	6.4771299%
Bond Yield for Arbitrage Purposes	5.7468798%

## IRS Form 8038

Net Interest Cost	5.7500001%
Weighted Average Maturity	6.619 Years

**PRE-SALE ESTIMATES**

**Waterville-Elysian-Morristown Public School District No. 2143**  
**Analysis of Possible Structure for Capital and Debt Levies**

**\$479,000 Bond Issue**  
**10 Tax Levies**  
**Level Debt**

Type of Bond	Principal Amount	Dated Date	Interest Rate
Tax Abatement	\$479,000	06/04/24	5.75%

Levy Payable Year	Fiscal Year	Tax Capacity Value <sup>1</sup>		Existing Commitments				Existing Tax Rate	Proposed New Board Approved Bonds				Combined Totals		
		(\$000s)	% Chg	Building Bonds <sup>2</sup>	Est. Debt Excess <sup>3</sup>	Net Levy	Tax Rate		Principal	Interest	Add'l. Debt Excess <sup>3</sup>	Net Debt Levy	Initial Debt Levy	Net Levy	Tax Rate
2023	2024	13,583	21.1%	1,529,641	(50,241)	1,479,399	10.89	10.89	-	-	-	-	1,479,399	1,479,399	10.89
2024	2025	15,229	12.1%	1,558,854	(61,729)	1,497,125	9.83	9.83	-	18,132 <sup>4</sup>	-	0	1,478,087	1,478,087	9.71
2025	2026	15,229	0.0%	1,570,876	(69,019)	1,501,857	9.86	9.86	37,000	27,543	3,388	71,158	1,573,015	1,573,015	10.33
2026	2027	15,229	0.0%	1,595,919	(62,835)	1,533,084	10.07	10.07	39,000	25,415	-	67,636	1,600,719	1,600,719	10.51
2027	2028	15,229	0.0%	1,591,404	(63,837)	1,527,567	10.03	10.03	41,000	23,173	-	67,381	1,594,948	1,594,948	10.47
2028	2029	15,229	0.0%	1,379,776	(63,656)	1,316,120	8.64	8.64	43,000	20,815	(2,695)	64,311	1,380,430	1,380,430	9.06
2029	2030	15,229	0.0%	1,377,046	(55,191)	1,321,855	8.68	8.68	46,000	18,343	(2,572)	64,987	1,386,842	1,386,842	9.11
2030	2031	15,229	0.0%	1,379,356	(55,082)	1,324,274	8.70	8.70	49,000	15,698	(2,599)	65,333	1,389,607	1,389,607	9.12
2031	2032	15,229	0.0%	1,374,579	(55,174)	1,319,404	8.66	8.66	51,000	12,880	(2,613)	64,461	1,383,865	1,383,865	9.09
2032	2033	15,229	0.0%	1,374,264	(54,983)	1,319,280	8.66	8.66	54,000	9,948	(2,578)	64,566	1,383,847	1,383,847	9.09
2033	2034	15,229	0.0%	1,378,254	(54,971)	1,323,283	8.69	8.69	58,000	6,843	(2,583)	65,502	1,388,785	1,388,785	9.12
2034	2035	15,229	0.0%	1,375,891	(55,130)	1,320,761	8.67	8.67	61,000	3,508	(2,620)	65,113	1,385,874	1,385,874	9.10
2035	2036	15,229	0.0%	1,378,733	(55,036)	1,323,697	8.69	8.69	-	-	-	-	1,323,697	1,323,697	8.69
2036	2037	15,229	0.0%	1,380,157	(55,149)	1,325,007	8.70	8.70	-	-	-	-	1,325,007	1,325,007	8.70
2037	2038	15,229	0.0%	1,378,608	(55,206)	1,323,402	8.69	8.69	-	-	-	-	1,323,402	1,323,402	8.69
2038	2039	15,229	0.0%	1,380,839	(55,144)	1,325,695	8.71	8.71	-	-	-	-	1,325,695	1,325,695	8.71
2039	2040	15,229	0.0%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>				23,004,195	(922,384)	22,081,811			479,000	182,295	(14,874)	660,447	22,723,220	22,723,220	

- 1 Tax capacity value for taxes payable in 2023 is the actual value. Tax capacity for taxes payable in 2024 is an estimate from Minnesota Department of Revenue. Estimates for future years are based on the percentage
- 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 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
- 4 The district would not be able to make a tax levy to fund payments on the new bonds due during fiscal year 2025, so those payments, estimated at \$18,132, would have to be made from bond proceeds.

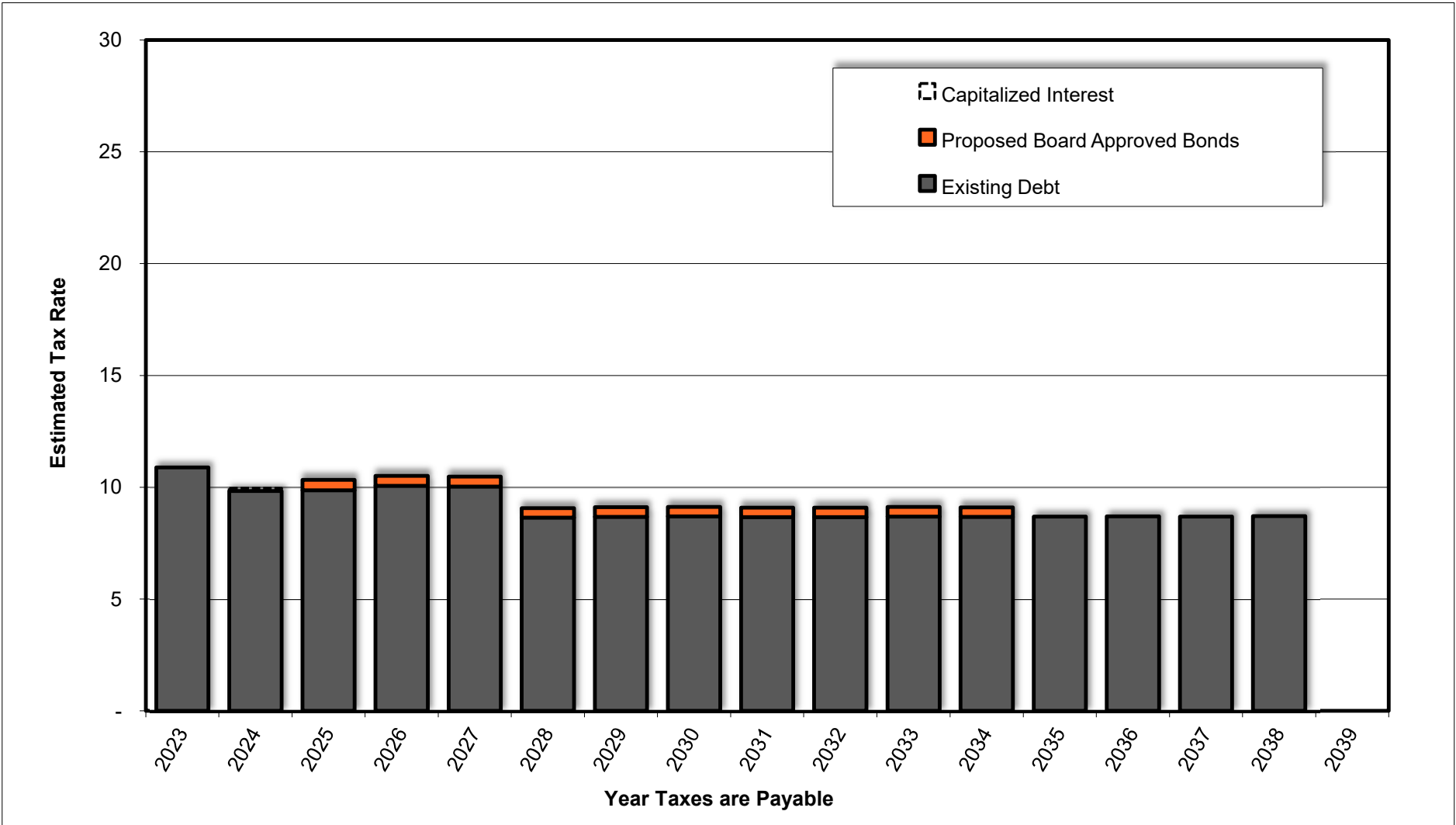




## PRE-SALE ESTIMATES

**Waterville-Elysian-Morristown Public School District No. 2143**  
**Estimated Tax Rates for Capital and Debt Service Levies**  
**Existing Commitments and Proposed New Debt**

**\$479,000 Bond Issue**  
**10 Tax Levies**  
**Level Debt**



Date Prepared: April 1, 2024



**Waterville-Elysian-Morristown Public School District N**

**Analysis of Tax Impact for Potential Bond Issue**

**April 1, 2024**

<b>Bond Issue Amount</b> <b>Average Interest Rate</b> <b>Number of Years</b>	<b>\$479,000</b> <b>5.75%</b> <b>10 Tax Levies</b>
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Type of Property	Estimated Market Value	Estimated Annual Tax Impact Payable 2024 Compared to 2025*
Residential Homestead **	\$50,000	\$2
	75,000	3
	100,000	-5
	125,000	-3
	150,000	-2
	175,000	0
	200,000	2
	250,000	5
	300,000	8
	400,000	15
Commercial/ Industrial	500,000	30
	\$50,000	\$5
	100,000	9
	250,000	26
	500,000	58
Agricultural Homestead*** (average value per acre of land & buildings)	750,000	89
	\$2,000	\$0.02
	3,000	0.03
	4,000	0.04
	5,000	0.05
Agricultural Non-Homestead*** (average value per acre of land & buildings)	6,000	0.06
	7,000	0.07
	\$2,000	\$0.04
	3,000	0.06
	4,000	0.07
Seasonal Recreational Residential	5,000	0.09
	6,000	0.11
	7,000	0.13
	\$100,000	\$6
	200,000	12
300,000	19	
400,000	25	
500,000	31	
750,000	51	

\* Estimated tax impact includes principal and interest payments on the new bonds. The amounts in the table are based on school district taxes for bonded debt levies only, and do not include tax levies for other purposes. Tax increases shown above are gross increases, not including the impact of the homeowner's Homestead Credit Refund ("Circuit Breaker") program. Owners of homestead property may qualify for a refund, based on their income and total property taxes. This will change the net effect of the proposed bond issue for those property owners.

\*\* The Homestead Market Value Exclusion was modified starting with 2024 assessments (taxes payable in 2025) during Minnesota's 2023 legislative session. The change provides additional property tax relief for residential homestead properties with a value greater than \$76,000 and less than \$517,200.

\*\*\* For all agricultural property, includes a 70% reduction due to the School Building Bond Agricultural Credit. Average value per acre is the total estimated market value of all land & buildings divided by total acres. If the property includes a home, then the tax impact on the house, garage, and one acre of land will be calculated in addition to the taxes per acre, on the same basis as a residential homestead or non-homestead property. If the same property owner owns more than \$3.5 million of agricultural homestead land and buildings, a portion of the property will be taxed at the higher non-homestead rate.