

January 7, 2025

PRE-SALE REPORT FOR

# Independent School District No. 477 (Princeton Public Schools), Minnesota

**\$1,535,000 General Obligation  
Facilities Maintenance Bonds, Series 2025A**



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**Prepared by:**

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# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$1,535,000 General Obligation Facilities Maintenance Bonds, Series 2025A

## Purposes:

The proposed issue will finance health and safety (indoor air quality) projects included in the District's ten-year facilities plan approved by the Commissioner of Education.

## Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.595. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Debt service will be paid from annual property tax levies and state aid received as part of the School Building Bond Agricultural Credit program.

## Term/Call Feature:

The Bonds are being issued for a term of 4 years. Principal on the Bonds will be due on February 1 of 2026 through 2029. Interest will be due every six months beginning August 1, 2025.

The Bonds are being offered without option of prior redemption.

## State Credit Enhancement:

By resolution the District covenanted and obligated 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:

Under current bond ratings, the state credit enhancement would bring a Moody's "Aa1" rating. The District's most recent bond issues were rated by Moody's Investors Service. The current ratings on those bonds are "Aa1" (credit enhanced rating) and "Aa3" (underlying rating). The District will request a new rating for the Bonds.

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.

### **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 issued as municipal securities and offered through a competitive underwriting process. You will solicit competitive bids, which we will compile on your behalf, for the purchase of the Bonds from underwriters and banks.

An allowance for discount bidding will be incorporated in the terms 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.

If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to reduce your borrowing amount.

### **Premium Pricing:**

In some cases, investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.” Any net premium received may be used to reduce the principal amount of the Bonds, increase the net proceeds for the project, or to fund a portion of the interest on the Bonds.

### **Review of Existing Debt:**

We have reviewed all outstanding indebtedness for the District and are monitoring the remaining maturities of the District’s General Obligation School Building Bonds, Series 2014A, for a refunding opportunity. The School Board authorized the refunding of all or a portion of the outstanding maturities of the 2014A issue in a resolution approved on December 17, 2024.

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:**

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 reportable 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.

## 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 Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt (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:** Dorsey & Whitney LLP

**Paying Agent:** Bond Trust Services Corporation

**Rating Agency:** Moody’s Investors Service, Inc.

*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

School Board Approves Original Resolution Authorizing Sale of the Bonds:	July 16, 2024
School Board Approves Updated Resolution Authorizing Sale of the Bonds:	December 17, 2024
Due Diligence Call to Review Official Statement:	January 7, 2025
Ehlers Provides Pre-Sale Report to School Board:	January 7, 2025
Distribute Official Statement:	January 9, 2025
Conference with Rating Agency:	January 10, 2025
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	January 21, 2025
School Board Meeting to Award Sale of Bonds:	January 21, 2025
Estimated Closing Date:	February 13, 2025

### Attachments

Estimated Sources and Uses of Funds

Estimated Debt Service Schedule

Estimated Long-Term Financing Plan for Debt and Capital Payments and Levies

## EHLERS' CONTACTS

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## ESTIMATES PRIOR TO BOND SALE

**Princeton School District, ISD 477**

**December 20, 2024**

Estimated Sources and Uses of Funds  
 Proposed General Obligation Facilities Maintenance Bonds  
 Health & Safety - Indoor Air Quality Projects

<b>Authorized Bond Amount</b>	<b>\$1,535,000</b>
<b>Project Cost Amount</b>	<b>\$1,446,513</b>
<b>Dated/Closing Date</b>	<b>2/13/2025</b>
<b>Number of Years</b>	<b>4</b>
<b>Sources of Funds</b>	
Par Amount	\$1,535,000
Investment Earnings <sup>1</sup>	3,645
Reoffering Premium <sup>2</sup>	58,559
<b>Total Sources</b>	<b>\$1,597,204</b>
<b>Uses of Funds</b>	
Underwriter's Discount <sup>3</sup>	\$18,420
Legal and Fiscal Costs <sup>4</sup>	58,650
<b>Net Available for Project Costs</b>	<b>1,520,134</b>
<b>Total Uses</b>	<b>\$1,597,204</b>
<b>Initial Deposit to Construction Fund</b>	<b>\$1,516,489</b>

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| <ol style="list-style-type: none"> <li>1 Estimated investment earnings are based on an average interest rate of 1.00%, and an average life of 3 months.</li> <li>2 The underwriter that purchases the bonds may offer a premium, a portion of which may be retained by the underwriter as their compensation, or underwriter's discount. The remainder of the bond proceeds may be used to reduce the principal amount of the bond issue, pay costs of issuance or deposited in the construction fund and used to fund portion of the project costs.</li> <li>3 The underwriter's discount is the compensation taken by the underwriter who provided the lowest true interest cost as part of the competitive bidding process and purchases the bonds. Ehlers provides independent municipal advisory services as part of the bond sale process and is not an underwriting firm.</li> <li>4 Includes fees for municipal advisor, bond counsel, rating agency, paying agent and county certificates.</li> </ol> |
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# ESTIMATES PRIOR TO BOND SALE

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

\$1,535,000 General Obligation Facilities Maintenance Bonds, Series 2025A

Dated: February 13, 2025

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/13/2025	-	-	-	-	-
08/01/2025	-	-	35,816.67	35,816.67	-
02/01/2026	440,000.00	5.000%	38,375.00	478,375.00	514,191.67
08/01/2026	-	-	27,375.00	27,375.00	-
02/01/2027	545,000.00	5.000%	27,375.00	572,375.00	599,750.00
08/01/2027	-	-	13,750.00	13,750.00	-
02/01/2028	250,000.00	5.000%	13,750.00	263,750.00	277,500.00
08/01/2028	-	-	7,500.00	7,500.00	-
02/01/2029	300,000.00	5.000%	7,500.00	307,500.00	315,000.00
<b>Total</b>	<b>\$1,535,000.00</b>	<b>-</b>	<b>\$171,441.67</b>	<b>\$1,706,441.67</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$3,428.83
Average Life	2.234 Years
Average Coupon	5.0000001%
Net Interest Cost (NIC)	3.8293599%
True Interest Cost (TIC)	3.7577982%
Bond Yield for Arbitrage Purposes	3.2030186%
All Inclusive Cost (AIC)	5.5906667%

### IRS Form 8038

Net Interest Cost	3.1435502%
Weighted Average Maturity	2.253 Years

ESTIMATES PRIOR TO BOND SALE

**Princeton Public School District No. 477**  
**Analysis of Estimated Structure for Capital and Debt Levies**

Existing Capital and Debt Levies  
 With Results for 2023B Refunding Bonds  
 and Possible Facilities Maintenance Bonds

December 20, 2024

Type of Bond	Principal Amount	Dated Date	Interest Rate
FM - Heath & Safety	\$1,535,000	02/13/25	3.76%

Levy Payable Year	Fiscal Year	Tax Capacity Value <sup>1</sup>		Existing Commitments							Lease Levy	Existing Tax Rate	Proposed New Board Approved Bonds				Combined Totals						
		(\$000s)	% Chg	Building Bonds <sup>2</sup>	Alt Fac/Fac Maint H&S Bonds <sup>2</sup>	Abatement Bonds <sup>2</sup>	Est. Debt Excess <sup>3</sup>	Est. Refunding Savings <sup>4</sup>	LTFM Debt Aid	Net Levy			Tax Rate	Principal	Interest	Add'l. Debt Excess <sup>3</sup>	Net Debt Levy	Initial Debt Levy	State Aid	Net Levy	Tax Rate		
2022	2023	23,275	10.7%	2,957,746	710,115	-	(207,447)	-	(31,886)	3,428,528	14.73	253,779	15.82	-	-	-	-	3,714,193	(31,886)	3,682,307	15.82		
2023	2024	30,330	30.3%	2,951,918	712,215	421,693	-	-	(13,339)	4,072,487	13.43	249,400	14.25	-	-	-	-	4,335,226	(13,339)	4,321,887	14.25		
2024	2025	32,676	7.7%	4,397,328	-	357,263	(356,359)	-	-	4,398,232	13.46	249,700	14.22	-	-	-	-	4,647,932	-	4,647,932	14.22		
2025	2026	32,673	0.0%	3,761,048	-	415,538	-	-	-	4,176,585	12.78	249,900	13.55	440,000	74,192	-	542,850	4,969,335	-	4,969,335	15.21		
2026	2027	33,326	2.0%	3,275,423	-	365,400	(521,975)	-	-	3,118,848	9.36	-	9.36	545,000	54,750	-	629,738	3,748,585	-	3,748,585	11.25		
2027	2028	33,659	1.0%	3,278,205	-	359,100	(145,633)	-	-	3,491,672	10.37	-	10.37	250,000	27,500	-	291,375	3,783,047	-	3,783,047	11.24		
2028	2029	33,996	1.0%	3,289,283	-	347,288	(145,492)	-	-	3,491,078	10.27	-	10.27	300,000	15,000	(11,655)	319,095	3,810,173	-	3,810,173	11.21		
2029	2030	33,996	0.0%	3,282,090	-	351,225	(145,463)	-	-	3,487,852	10.26	-	10.26	-	-	-	-	3,487,852	-	3,487,852	10.26		
2030	2031	33,996	0.0%	3,284,190	-	349,125	(145,333)	-	-	3,487,982	10.26	-	10.26	-	-	-	-	3,487,982	-	3,487,982	10.26		
2031	2032	33,996	0.0%	2,492,228	-	346,500	(145,333)	-	-	2,693,395	7.92	-	7.92	-	-	-	-	2,693,395	-	2,693,395	7.92		
2032	2033	33,996	0.0%	2,499,578	-	340,830	(113,549)	-	-	2,726,858	8.02	-	8.02	-	-	-	-	2,726,858	-	2,726,858	8.02		
2033	2034	33,996	0.0%	2,490,915	-	350,700	(113,616)	-	-	2,727,999	8.02	-	8.02	-	-	-	-	2,727,999	-	2,727,999	8.02		
2034	2035	33,996	0.0%	3,238,515	-	370,230	(113,665)	-	-	3,495,080	10.28	-	10.28	-	-	-	-	3,495,080	-	3,495,080	10.28		
2035	2036	33,996	0.0%	-	-	346,500	(144,350)	-	-	202,150	0.59	-	0.59	-	-	-	-	202,150	-	202,150	0.59		
2036	2037	33,996	0.0%	-	-	349,440	(13,860)	-	-	335,580	0.99	-	0.99	-	-	-	-	335,580	-	335,580	0.99		
2037	2038	33,996	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2038	2039	33,996	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2039	2040	33,996	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2040	2041	33,996	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Totals</b>						41,198,465	1,422,330	5,070,831	(2,312,074)	-	(45,225)	45,334,327		1,002,779		1,535,000	171,442	(11,655)	1,783,058	48,165,388	(45,225)	48,120,163	

1 Tax capacity value for taxes payable in 2022, 2023, and 2024 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 through 2025 are the actual amounts. The adjustment for 2026 is an estimate using the June 30, 2024 debt service fund balance. Debt excess for future years is estimated at 4% of the prior year's initial debt service levy.

## ESTIMATES PRIOR TO BOND SALE

**Princeton Public School District No. 477**  
**Estimated Tax Rates for Capital and Debt Service Levies**  
**Existing Commitments and Results for 2023B Refunding Bonds**

**Existing Capital and Debt Levies**  
**With Results for 2023B Refunding Bonds**  
**and Possible Facilities Maintenance Bonds**

Date Prepared: December 20, 2024

