

May 28, 2024

PRE-SALE REPORT FOR

Independent School District No. 272 (Eden Prairie Schools), Minnesota

**\$13,635,000 Taxable Certificates of Participation,
Series 2024A**



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, MN 55113

Advisors:

Jodie Zesbaugh, Senior Municipal Advisor
Matthew Hammer, Senior Municipal Advisor
Aaron Bushberger, Municipal Advisor

BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$13,635,000 Taxable Certificates of Participation, Series 2024A

The resolution approved by the School Board on January 22, 2024 included authorization to issue an amount not to exceed approximately \$13,950,000 for the Certificates. Our current estimate of the amount necessary to finance the project cost, including an updated estimate of the capitalized interest amount (see Page 6), is \$13,635,000.

Purposes:

The proposed issue will finance the purchase and remodeling of an existing building to provide instructional services for students in the transition program and an alternative learning center. The Certificates will provide evidence of proportionate ownership in lease payments to be made by the District, pursuant to a Lease Purchase Agreement. Debt service will be paid from annual lease levies collected in the District's General Fund and other General Fund revenues.

Authority:

The Certificates are being issued pursuant to Minnesota Statutes, Section 465.71 (Lease Purchase). The Certificates will not be general obligations of the District. Payments will be subject to annual appropriation of funds by the School Board, as required by statutes.

Term/Call Feature:

The Certificates are being issued for a term of 15 years and 9 months. Principal on the Certificates will be due on April 1 of 2026 through 2040. Interest will be due every six months beginning April 1, 2025.

The Certificates maturing on or after April 1, 2033 will be subject to prepayment at the discretion of the District on April 1, 2032 or any date thereafter.

Rating:

The District's most recent general obligation bond issues have an underlying rating of "Aa2" from Moody's Investors Service. The District will request a new rating for the Certificates. Because the Certificates provide less security to investors than general obligation bonds, Ehlers anticipates that the rating on the Certificates will be lower.

Basis for Recommendation:

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

Method of Sale/Placement:

We are recommending the Certificates 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 Certificates 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 Certificates 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 securities 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 Certificates. The sum of the amounts paid in excess of face value is considered “reoffering premium.” The underwriter of the Certificates will retain a portion of this reoffering premium as their compensation (or “discount”) but will pay the remainder of the premium to the District. Any net premium received may be used to reduce the principal amount of the Certificates, increase the net proceeds for the project, or to fund a portion of the interest on the Certificates.

Parameters:

The School Board adopted of a Parameters Resolution on January 22, 2024, which delegated authority to the Superintendent or Executive Director of Business Services and any Board member to accept and approve a bid for the Certificates so long as the bid meets certain parameters specified in the resolution, thereby awarding sale of the Certificates. The parameter is a True Interest Cost (TIC) not to exceed 7.00%.

We intend to accept bids on June 20 and present the results to the designated officials for their authorization on behalf of the Board. We will then ask the Board to adopt a resolution ratifying the award of sale at the June 24 Board Meeting.

Other Considerations:

To obtain financing for the building, the District will enter into a Lease Purchase Agreement, a Ground Lease, and a Trust Agreement. All agreements will be prepared by the District's bond counsel, Kennedy and Graven, Chartered. Zions Bancorporation, National Association will serve as escrow agent, paying agent, and trustee.

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:

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 debt, and has contracted with Ehlers to prepare and file the reports.

Arbitrage Monitoring:

The Certificates are taxable obligations and are therefore not subject to IRS arbitrage and yield restriction requirements.

Investment of Certificate Proceeds:

Ehlers can assist the District in developing a strategy to invest your Certificate 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 sizing of the Certificates 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

Escrow Agent/Paying Agent/Trustee: Zions Bancorporation, National Association

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 Approved Resolution Authorizing Sale of the Certificates and Establishing Parameters for Awarding Sale of Certificates:	January 22, 2024
Ehlers Presents Pre-Sale Report to School Board:	May 28, 2024
Due Diligence Call to Review Official Statement:	June 3, 2024
Conference with Rating Agency:	June 5, 2024
Distribute Official Statement:	June 6, 2024
Ehlers Receives and Evaluates Proposals for Purchase of Certificates; Designated Officials Award Sale of the Certificates:	June 20, 2024
School Board Approves Resolution Ratifying Award of Sale:	June 24, 2024
Estimated Closing Date:	June 27, 2024

Attachments

- Estimated Sources and Uses of Funds
- Estimated Net Debt Service Schedule

EHLERS' CONTACTS

Jodie Zesbaugh, Senior Municipal Advisor	(651) 697-8526
Matthew Hammer, Senior Municipal Advisor	(651) 697-8592
Aaron Bushberger, Municipal Advisor	(651) 697-8532
Tess Kuhn, Public Finance Analyst	(651) 697-8518
Brian Shannon, Senior Finance Manager	(651) 697-8515

ESTIMATES PRIOR TO SALE OF CERTIFICATES

Eden Prairie School District No. 272

\$13,635,000 Taxable Certificates of Participation, Series 2024

Dated: June 27, 2024

Sources & Uses

Dated 06/27/2024 | Delivered 06/27/2024

Sources Of Funds

Par Amount of Bonds	\$13,635,000.00
Reoffering Premium	63,256.75
Total Sources	\$13,698,256.75

Uses Of Funds

Total Underwriter's Discount (1.500%)	204,525.00
Costs of Issuance	108,000.00
Deposit to Capitalized Interest (CIF) Fund	684,029.58
Deposit to Project Construction Fund	12,701,702.17
Total Uses	\$13,698,256.75

ESTIMATES PRIOR TO SALE OF CERTIFICATES

Eden Prairie School District No. 272

\$13,635,000 Taxable Certificates of Participation, Series 2024

Dated: June 27, 2024

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
06/27/2024	-	-	-	-	-	-	-
04/01/2025	-	-	684,029.58	684,029.58	(684,029.58)	-	-
10/01/2025	-	-	449,362.50	449,362.50	-	449,362.50	-
04/01/2026	565,000.00	6.500%	449,362.50	1,014,362.50	-	1,014,362.50	1,463,725.00
10/01/2026	-	-	431,000.00	431,000.00	-	431,000.00	-
04/01/2027	600,000.00	6.500%	431,000.00	1,031,000.00	-	1,031,000.00	1,462,000.00
10/01/2027	-	-	411,500.00	411,500.00	-	411,500.00	-
04/01/2028	640,000.00	6.500%	411,500.00	1,051,500.00	-	1,051,500.00	1,463,000.00
10/01/2028	-	-	390,700.00	390,700.00	-	390,700.00	-
04/01/2029	680,000.00	6.500%	390,700.00	1,070,700.00	-	1,070,700.00	1,461,400.00
10/01/2029	-	-	368,600.00	368,600.00	-	368,600.00	-
04/01/2030	725,000.00	6.500%	368,600.00	1,093,600.00	-	1,093,600.00	1,462,200.00
10/01/2030	-	-	345,037.50	345,037.50	-	345,037.50	-
04/01/2031	770,000.00	6.500%	345,037.50	1,115,037.50	-	1,115,037.50	1,460,075.00
10/01/2031	-	-	320,012.50	320,012.50	-	320,012.50	-
04/01/2032	820,000.00	6.500%	320,012.50	1,140,012.50	-	1,140,012.50	1,460,025.00
10/01/2032	-	-	293,362.50	293,362.50	-	293,362.50	-
04/01/2033	875,000.00	6.500%	293,362.50	1,168,362.50	-	1,168,362.50	1,461,725.00
10/01/2033	-	-	264,925.00	264,925.00	-	264,925.00	-
04/01/2034	930,000.00	6.500%	264,925.00	1,194,925.00	-	1,194,925.00	1,459,850.00
10/01/2034	-	-	234,700.00	234,700.00	-	234,700.00	-
04/01/2035	995,000.00	6.500%	234,700.00	1,229,700.00	-	1,229,700.00	1,464,400.00
10/01/2035	-	-	202,362.50	202,362.50	-	202,362.50	-
04/01/2036	1,055,000.00	6.500%	202,362.50	1,257,362.50	-	1,257,362.50	1,459,725.00
10/01/2036	-	-	168,075.00	168,075.00	-	168,075.00	-
04/01/2037	1,125,000.00	6.750%	168,075.00	1,293,075.00	-	1,293,075.00	1,461,150.00
10/01/2037	-	-	130,106.25	130,106.25	-	130,106.25	-
04/01/2038	1,200,000.00	6.750%	130,106.25	1,330,106.25	-	1,330,106.25	1,460,212.50
10/01/2038	-	-	89,606.25	89,606.25	-	89,606.25	-
04/01/2039	1,285,000.00	6.750%	89,606.25	1,374,606.25	-	1,374,606.25	1,464,212.50
10/01/2039	-	-	46,237.50	46,237.50	-	46,237.50	-
04/01/2040	1,370,000.00	6.750%	46,237.50	1,416,237.50	-	1,416,237.50	1,462,475.00
Total	\$13,635,000.00	-	\$8,975,204.58	\$22,610,204.58	(684,029.58)	\$21,926,175.00	-

Yield Statistics

Bond Year Dollars	\$135,332.75
Average Life	9.925 Years
Average Coupon	6.6319532%
Net Interest Cost (NIC)	6.7363390%
True Interest Cost (TIC)	6.7669249%
All Inclusive Cost (AIC)	6.8841976%
Bond Yield for Arbitrage Purposes	6.5485334%

IRS Form 8038

Net Interest Cost	6.5667959%
Weighted Average Maturity	9.907 Years