

February 22, 2024

SALE DAY REPORT FOR:

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota

\$41,500,000 General Obligation
School Building Bonds, Series 2024A



Prepared by:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

Competitive Sale Results

PURPOSE: To finance the acquisition and betterment of school sites and facilities in the District as authorized by voters in an election held on November 7, 2023.

RATING: MN Credit Enhancement Rating: Moody's Investor's Service "Aa1"
Underlying Rating: Moody's Investor's Service "Aa2"

NUMBER OF BIDS: 14

LOW BIDDER: UBS Financial Services Inc., New York, New York

COMPARISON FROM LOWEST TO HIGHEST BID: (TIC as bid)

LOW BID:* 3.2885%

HIGH BID: 3.3625%

Summary of Sale Results:	
Principal Amount:	\$41,500,000
Underwriter's Discount:	\$117,576
Reoffering Premium:	\$4,519,989
True Interest Cost*:	3.3082%
Costs of Issuance:	\$164,325
Yield:	2.51%-4.00%
Total Net P&I:	\$60,903,550

* After receipt of the bids, certain maturities were adjusted. This caused a slight change in the True Interest Cost.

NOTES: The True Interest Cost of 3.31% is lower than the 3.54% estimate included in the Pre-Sale Report provided to the District on January 22, 2024, and lower than the 5.00% pre-election estimate. As a result, total principal and interest payments for the bonds are approximately \$6 million less than estimated prior to the election. The winning bidder submitted a bid with a premium price (a price paid that is more than the principal amount) that was larger than the estimate in the Pre-sale Report. The additional premium and favorable interest rates will provide the District with approximately \$5 million more for project costs, as compared with pre-election estimates.

The Bonds maturing February 1, 2033, and thereafter are callable February 1, 2032, or any date thereafter.

CLOSING DATE: March 21, 2024

DESIGNATED OFFICIAL ACTION: Because the true interest cost was lower than the 4.50% included in the resolution approved by the School Board on January 22, the Board Chair and Executive Director of Business Services accepted the proposal from the low bidder on February 22, 2024.

SCHOOL BOARD ACTION: At the February 26, 2024 meeting, adopt the Resolution Ratifying the Award of Sale of the \$41,500,000 General Obligation School Building Bonds, Series 2024A.

SUPPLEMENTARY ATTACHMENTS

- Bid Tabulation
- Updated Sources and Uses of Funds
- Updated Debt Service Schedule
- Updated Long-Term Financing Plan for Debt and Capital Payments and Levies
- Rating Report
- Resolution Ratifying the Award of Sale (Distributed Separately)

BID TABULATION

\$41,500,000 General Obligation School Building Bonds, Series 2024A

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota

SALE: February 22, 2024

AWARD: UBS FINANCIAL SERVICES INC.

MN Credit Enhancement Rating: Moody's Investor's Service "Aa1"

Underlying Rating: Moody's Investor's Service "Aa2"

Tax Exempt - Non-Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	REOFFERING YIELD	COUPON RATE	PRICE	TRUE INTEREST RATE
UBS FINANCIAL SERVICES INC. New York, New York	2025	3.000%	5.000%	\$45,966,012.14	3.2885%
	2026	2.800%	5.000%		
	2027	2.640%	5.000%		
	2028	2.530%	5.000%		
	2029	2.510%	5.000%		
	2030	2.510%	5.000%		
	2031	2.520%	5.000%		
	2032	2.530%	5.000%		
	2033	2.550%	5.000%		
	2034	2.580%	5.000%		
	2035	2.670%	5.000%		
	2036	2.780%	5.000%		
	2037	2.900%	5.000%		
	2038	3.030%	5.000%		
	2039	3.550%	4.000%		
	2040	3.650%	4.000%		
	2041	3.750%	4.000%		
	2042	3.840%	4.000%		
	2043	3.890%	4.000%		
	2044	4.000%	4.000%		
BOK FINANCIAL SECURITIES, INC. Milwaukee, Wisconsin				\$45,962,102.45	3.2896%
PIPER SANDLER & CO. Minneapolis, Minnesota				\$45,930,794.56	3.2981%

* Subsequent to bid opening the individual maturity amounts were adjusted.

Adjusted Price - \$45,902,413.14 Adjusted Net Interest Cost - \$15,001,136.86 Adjusted TIC - 3.3082%

NAME OF BIDDER	MATURITY (February 1)	PRICE	TRUE INTEREST RATE
MORGAN STANLEY & CO., LLC New York, New York		\$45,888,920.38	3.3095%
BAIRD Milwaukee, Wisconsin		\$45,707,690.06	3.3130%
JEFFERIES New York, New York		\$46,060,018.63	3.3138%
RBC CAPITAL MARKETS, LLC New York, New York		\$46,056,508.50	3.3147%
MESIROW FINANCIAL, INC. Chicago, Illinois		\$45,794,452.91	3.3354%
WELLS FARGO BANK, NATIONAL ASSOCIATION Charlotte, North Carolina		\$46,636,204.42	3.3409%
J.P. MORGAN SECURITIES LLC New York, New York		\$46,162,647.25	3.3419%
BOFA SECURITIES New York, New York		\$46,359,500.40	3.3496%
TD SECURITIES (USA) LLC New York, New York		\$45,927,413.59	3.3500%
BNY MELLON CAPITAL MARKETS, LLC New York, New York		\$45,917,288.35	3.3528%
KEYBANC CAPITAL MARKETS INCORPORATED Cleveland, Ohio		\$46,086,980.95	3.3625%

RESULTS OF BOND SALE

Buffalo-Hanover-Montrose Schools ISD #877

February 22, 2024

Sources and Uses of Funds

Voter Approved Building Bonds

	Pre-Election Estimates	Sale Results
Bond Amount	\$41,500,000	\$41,500,000
Number of Years	20	20
Closing Date	2/1/2024	3/21/2024
Sources of Funds		
Par Amount	\$41,500,000	\$41,500,000
Investment Earnings ¹	409,200	647,956
Reoffering Premium ²	0	4,519,989
Total Sources	\$41,909,200	\$46,667,945
Uses of Funds		
Underwriter's Discount ³	\$415,000	\$117,576
Legal and Fiscal Costs ⁴	165,000	164,325
Net Available for Project Costs	41,329,200	46,386,044
Total Uses	\$41,909,200	\$46,667,945
Initial Deposit to Construction Fund	\$40,920,000	\$45,738,088

- 1 Estimated investment earnings are based on an average interest rate of 1.00% and an average life of 17 months (project duration of 34 months).
- 2 The underwriter of the bonds received a reoffering premium in the sale of the bonds. They will retain a portion of the premium as their compensation, or underwriter's discount. The remainder of the premium will be deposited in the construction fund and used to fund a portion of the project costs.
- 3 The allowance for discount bidding is an estimate of the compensation taken by the underwriter who provides 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.
- 4 Includes fees for municipal advisor, bond counsel, rating agency, paying agent and county certificates.

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

\$41,500,000 General Obligation School Building Bonds, Series 2024A

Dated: March 21, 2024

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/21/2024	-	-	-	-	-
08/01/2024	-	-	709,150.00	709,150.00	-
02/01/2025	970,000.00	5.000%	981,900.00	1,951,900.00	2,661,050.00
08/01/2025	-	-	957,650.00	957,650.00	-
02/01/2026	1,125,000.00	5.000%	957,650.00	2,082,650.00	3,040,300.00
08/01/2026	-	-	929,525.00	929,525.00	-
02/01/2027	1,055,000.00	5.000%	929,525.00	1,984,525.00	2,914,050.00
08/01/2027	-	-	903,150.00	903,150.00	-
02/01/2028	1,230,000.00	5.000%	903,150.00	2,133,150.00	3,036,300.00
08/01/2028	-	-	872,400.00	872,400.00	-
02/01/2029	1,290,000.00	5.000%	872,400.00	2,162,400.00	3,034,800.00
08/01/2029	-	-	840,150.00	840,150.00	-
02/01/2030	1,350,000.00	5.000%	840,150.00	2,190,150.00	3,030,300.00
08/01/2030	-	-	806,400.00	806,400.00	-
02/01/2031	7,130,000.00	5.000%	806,400.00	7,936,400.00	8,742,800.00
08/01/2031	-	-	628,150.00	628,150.00	-
02/01/2032	7,485,000.00	5.000%	628,150.00	8,113,150.00	8,741,300.00
08/01/2032	-	-	441,025.00	441,025.00	-
02/01/2033	1,485,000.00	5.000%	441,025.00	1,926,025.00	2,367,050.00
08/01/2033	-	-	403,900.00	403,900.00	-
02/01/2034	1,315,000.00	5.000%	403,900.00	1,718,900.00	2,122,800.00
08/01/2034	-	-	371,025.00	371,025.00	-
02/01/2035	1,380,000.00	5.000%	371,025.00	1,751,025.00	2,122,050.00
08/01/2035	-	-	336,525.00	336,525.00	-
02/01/2036	1,450,000.00	5.000%	336,525.00	1,786,525.00	2,123,050.00
08/01/2036	-	-	300,275.00	300,275.00	-
02/01/2037	1,520,000.00	5.000%	300,275.00	1,820,275.00	2,120,550.00
08/01/2037	-	-	262,275.00	262,275.00	-
02/01/2038	1,595,000.00	5.000%	262,275.00	1,857,275.00	2,119,550.00
08/01/2038	-	-	222,400.00	222,400.00	-
02/01/2039	1,675,000.00	4.000%	222,400.00	1,897,400.00	2,119,800.00
08/01/2039	-	-	188,900.00	188,900.00	-
02/01/2040	1,745,000.00	4.000%	188,900.00	1,933,900.00	2,122,800.00
08/01/2040	-	-	154,000.00	154,000.00	-
02/01/2041	1,815,000.00	4.000%	154,000.00	1,969,000.00	2,123,000.00
08/01/2041	-	-	117,700.00	117,700.00	-
02/01/2042	1,885,000.00	4.000%	117,700.00	2,002,700.00	2,120,400.00
08/01/2042	-	-	80,000.00	80,000.00	-
02/01/2043	1,960,000.00	4.000%	80,000.00	2,040,000.00	2,120,000.00
08/01/2043	-	-	40,800.00	40,800.00	-
02/01/2044	2,040,000.00	4.000%	40,800.00	2,080,800.00	2,121,600.00
Total	\$41,500,000.00	-	\$19,403,550.00	\$60,903,550.00	-

Yield Statistics

Bond Year Dollars	\$426,936.11
Average Life	10.288 Years
Average Coupon	4.5448369%
Net Interest Cost (NIC)	3.5136725%
True Interest Cost (TIC)	3.3082272%
Bond Yield for Arbitrage Purposes	3.1205417%
All Inclusive Cost (AIC)	3.3528149%

IRS Form 8038

Net Interest Cost	3.1977950%
Weighted Average Maturity	10.114 Years

2024A FINAL | SINGLE PURPOSE | 2/22/2024 | 10:20 AM



RESULTS OF BOND SALE

Buffalo-Hanover-Montrose Schools ISD No. 877
Analysis of Possible Structure for Capital and Debt Levies

\$41,500,000 Bond Issue
20 Tax Levies
Wrapped Around Existing Debt

Type of Bond	Principal Amount	Dated Date	Interest Rate
Voter-Approved Building	\$41,500,000	03/21/24	3.31%

February 22, 2024

Levy Payable Year	Fiscal Year	Tax Capacity Value ¹		Existing Commitments						Other Levies		Proposed New School Building Bonds				Combined Totals				
		(\$000s)	% Chg	Building Bonds ²	Alt Fac/Fac Maint H&S Bonds ²	OPEB Bonds ²	Est. Debt Excess ³	Est. Refunding Savings ⁴	Net Levy	Tax Rate	Lease Levy ⁵	Existing Tax Rate	Principal	Interest	Add'l. Debt Excess ³	Net Levy	Initial Debt Levy	State Aid	Net Levy	Tax Rate
2022	2023	43,730	4.7%	5,748,673	215,355	2,044,256	(116,241)	-	7,892,042	18.05	267,425	18.66	-	-	-	-	8,159,467	-	8,159,467	18.66
2023	2024	52,506	20.1%	5,348,619	2,265,165	-	(201,178)	-	7,412,606	14.12	285,705	14.66	-	-	-	-	7,698,312	-	7,698,312	14.66
2024	2025	62,212	18.5%	6,291,519	-	-	(197,878)	-	6,093,641	9.79	230,075	10.16	970,000	1,691,050	-	2,798,250 ⁶	9,121,966	-	9,121,966	14.66
2025	2026	62,834	1.0%	6,311,416	-	-	(380,854)	-	5,930,562	9.44	79,882	9.57	1,125,000	1,915,300	-	3,192,315	9,202,759	-	9,202,759	14.65
2026	2027	62,834	0.0%	6,315,459	-	-	(252,457)	-	6,063,002	9.65	79,882	9.78	1,055,000	1,859,050	-	3,059,753	9,202,636	-	9,202,636	14.65
2027	2028	62,834	0.0%	6,312,794	-	-	(252,618)	-	6,060,176	9.64	79,882	9.77	1,230,000	1,806,300	(122,390)	3,065,725	9,205,783	-	9,205,783	14.65
2028	2029	62,834	0.0%	6,310,658	-	-	(252,512)	-	6,058,146	9.64	79,882	9.77	1,290,000	1,744,800	(122,629)	3,063,911	9,201,939	-	9,201,939	14.64
2029	2030	62,834	0.0%	6,315,960	-	-	(252,426)	-	6,063,534	9.65	79,882	9.78	1,350,000	1,680,300	(122,556)	3,059,259	9,202,674	-	9,202,674	14.65
2030	2031	62,834	0.0%	-	-	-	-	-	-	-	79,882	0.13	7,130,000	1,612,800	(364,912)	8,815,028	8,894,910	-	8,894,910	14.16
2031	2032	62,834	0.0%	-	-	-	-	-	-	-	79,882	0.13	7,485,000	1,256,300	(352,601)	8,825,764	8,905,646	-	8,905,646	14.17
2032	2033	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,485,000	882,050	(353,031)	2,132,372	2,132,372	-	2,132,372	3.39
2033	2034	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,315,000	807,800	(85,295)	2,143,645	2,143,645	-	2,143,645	3.41
2034	2035	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,380,000	742,050	(85,746)	2,142,407	2,142,407	-	2,142,407	3.41
2035	2036	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,450,000	673,050	(85,696)	2,143,506	2,143,506	-	2,143,506	3.41
2036	2037	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,520,000	600,550	(85,740)	2,140,837	2,140,837	-	2,140,837	3.41
2037	2038	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,595,000	524,550	(85,633)	2,139,894	2,139,894	-	2,139,894	3.41
2038	2039	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,675,000	444,800	(85,596)	2,140,194	2,140,194	-	2,140,194	3.41
2039	2040	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,745,000	377,800	(85,608)	2,143,332	2,143,332	-	2,143,332	3.41
2040	2041	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,815,000	308,000	(85,733)	2,143,417	2,143,417	-	2,143,417	3.41
2041	2042	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,885,000	235,400	(85,737)	2,140,683	2,140,683	-	2,140,683	3.41
2042	2043	62,834	0.0%	-	-	-	-	-	-	-	-	-	1,960,000	160,000	(85,627)	2,140,373	2,140,373	-	2,140,373	3.41
2043	2044	62,834	0.0%	-	-	-	-	-	-	-	-	-	2,040,000	81,600	(85,615)	2,142,065	2,142,065	-	2,142,065	3.41
2044	2045	62,834	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2045	2046	62,834	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals				48,955,097	2,480,520	2,044,256	(1,906,164)	-	51,573,709		1,342,379		41,500,000	19,403,550	(2,380,145)	61,572,730	114,488,818	-	114,488,818	

- Tax capacity value for taxes payable in 2022 and 2023 is the actual value. 2024 is an estimate based on preliminary data from Wright County. Estimates for future years are based on the percentage changes as shown above.
- 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.
- Debt excess adjustments for taxes payable in 2022 through 2024 are the actual amounts. Debt Excess for taxes payable 2025 is an estimate using June 30, 2023 fund balance. Debt excess for future years is estimated at 4% of the prior year's initial debt service levy.
- Represents debt service levy savings from current refunding of the District's 2015A School Building Bonds.
- Lease levy amounts for future years are based on the best available estimates of future payments for all current and planned future capital leases.
- The District's levy for taxes payable in 2024 was certified in December of 2023 and included a debt service levy of \$2,798,250 (based on a preliminary estimate of \$2,665,000 for principal and interest payments due in fiscal year 2024-25 and the requirement to levy at 105% of that amount).

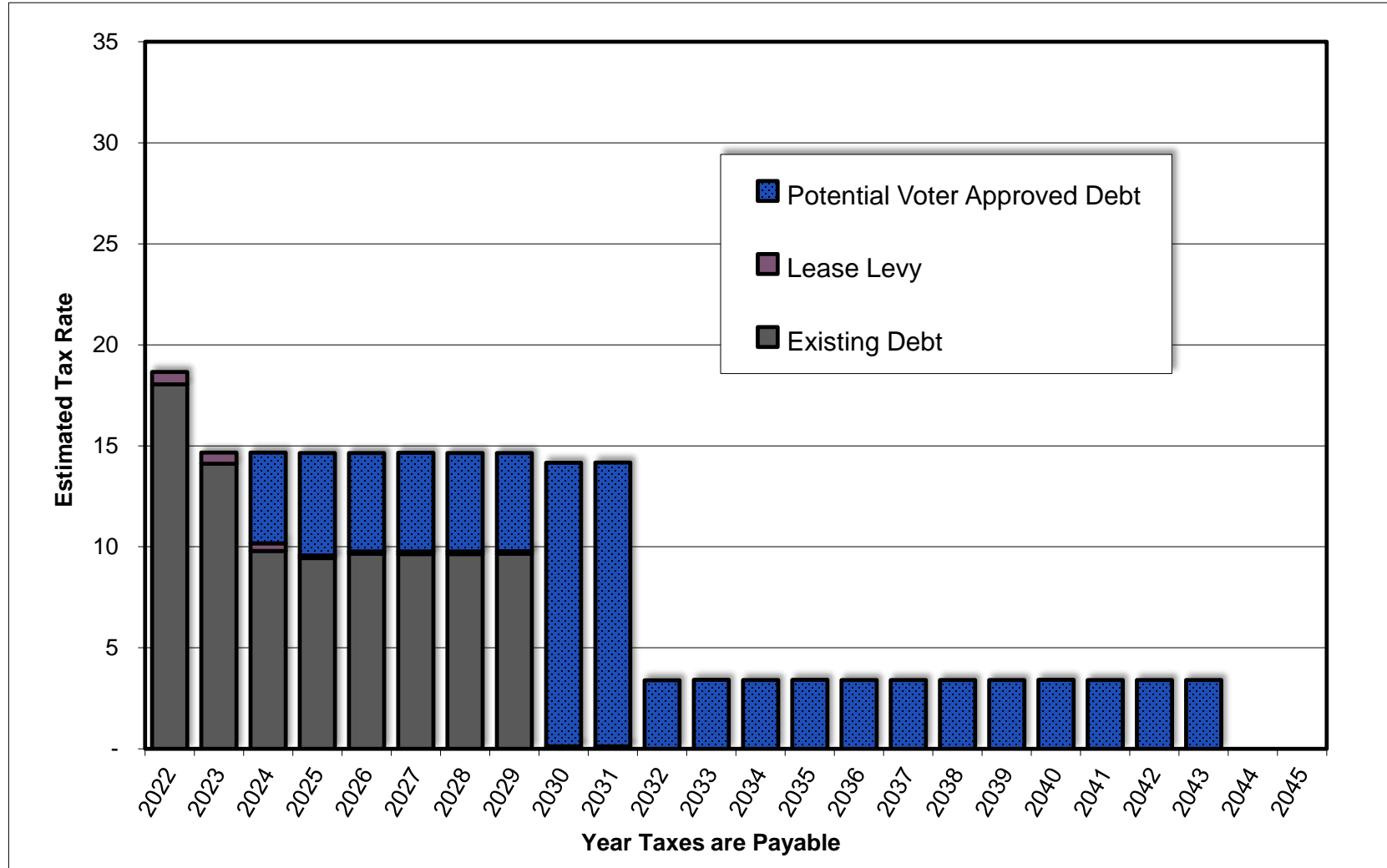


RESULTS OF BOND SALE

Buffalo-Hanover-Montrose Schools ISD No. 877
Estimated Tax Rates for Capital and Debt Service Levies
Existing Commitments and Proposed New Debt

\$41,500,000 Bond Issue
20 Tax Levies
Wrapped Around Existing Debt

Date Prepared: February 22, 2024



CREDIT OPINION

15 February 2024



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CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

Buffalo-Hanover-Montrose ISD 877, MN

Update to credit analysis

Summary

[Buffalo-Hanover-Montrose ISD 877, MN](#) (Aa2) benefits from a healthy financial position and affluent economic base near the Twin Cities metropolitan area. Enrollment has been declining in recent years and overall leverage will increase following an upcoming issuance.

Credit strengths

- » Healthy operating reserves and liquidity
- » Affluent economic base near the Twin Cities metropolitan area

Credit challenges

- » Modestly declining enrollment
- » Overall leverage will increase following upcoming debt issuance

Rating outlook

Moody's does not assign outlooks to local government issuers with this amount of debt.

Factors that could lead to an upgrade

- » Strengthening of enrollment trends
- » Material and sustained growth of operating reserves to above 30% of revenue

Factors that could lead to a downgrade

- » Deterioration of operating reserves to levels below 20% of revenue
- » Substantial increase in leverage to levels exceeding 350% of revenue

Key indicators

Exhibit 1

Buffalo-Hanover-Montrose I.S.D. 877, MN

	2020	2021	2022	2023	Aa Medians
Economy					
Resident income	127.9%	124.5%	123.1%	N/A	119.0%
Full value (\$000)	\$4,088,549	\$4,411,680	\$4,917,271	\$5,553,118	\$4,006,926
Population	35,148	35,228	34,971	N/A	32,280
Full value per capita	\$116,324	\$125,232	\$140,610	N/A	\$117,713
Enrollment	5,832	5,500	5,261	5,313	4,165
Enrollment trend	-0.1%	-1.9%	-3.5%	-3.1%	-1.1%
Financial performance					
Operating revenue (\$000)	\$76,056	\$80,452	\$81,274	\$82,037	\$73,934
Available fund balance (\$000)	\$16,327	\$17,941	\$18,906	\$18,827	\$19,809
Net cash (\$000)	\$22,670	\$26,466	\$26,035	\$25,097	\$23,502
Available fund balance ratio	21.5%	22.3%	23.3%	22.9%	28.9%
Net cash ratio	29.8%	32.9%	32.0%	30.6%	33.9%
Leverage					
Debt (\$000)	\$59,547	\$53,887	\$46,735	\$40,111	\$52,862
ANPL (\$000)	\$162,628	\$203,574	\$176,820	\$132,051	\$130,338
OPEB (\$000)	\$988	-\$4,669	-\$3,817	-\$1,645	\$11,158
Long-term liabilities ratio	293.4%	314.2%	270.4%	207.9%	342.1%
Implied debt service (\$000)	\$4,622	\$4,264	\$3,780	\$3,264	\$3,664
Pension tread water (\$000)	\$3,698	\$4,135	\$3,076	\$4,757	\$3,270
OPEB contributions (\$000)	\$286	\$248	\$301	\$16	\$367
Fixed-costs ratio	11.3%	10.7%	8.8%	9.8%	12.2%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Buffalo-Hanover-Montrose I.S.D. 877, MN's financial statements and Moody's Investors Service

Profile

Buffalo-Hanover-Montrose Independent School District 877, MN is situated in Wright and [Hennepin](#) (Aaa stable) Counties, located 35 miles northwest of the Twin Cities metropolitan area. The district currently provides kindergarten to twelfth grade education to just over 5,300 students.

Detailed credit considerations

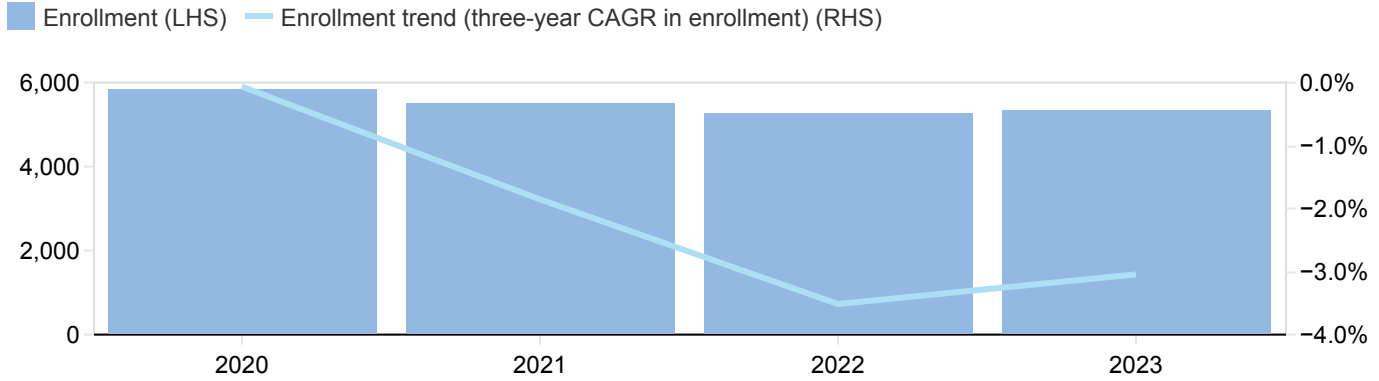
Buffalo-Hanover-Montrose ISD 877 benefits from a healthy financial position, supported by growing property tax revenue and increasing state aid. Voters approved a five-year \$750 per pupil operating levy in 2019 that provides about \$4 million in annual revenue. The district utilized its \$6.3 million in ESSER funds to hire additional staff to maintain low class size ratios. The district's affluent economic base benefits from its proximity to the Twin Cities metropolitan area, supported by material residential developments underway and a growing population. The district has a consistent trend of modestly declining enrollment driven by declining birthrates in Wright County, which is projected to continue over the next several years before recovering modestly afterwards.

Fiscal 2024 is on track to close with a \$670,000 general fund surplus, mainly driven by growing state aid and the remaining ESSER funds. Reserves will remain healthy in fiscal 2025 because of growing state aid and proactive expenditure management. The district plans to renew its operating levy for another five years through board approval, providing financial stability. Management plans to modestly reduce teaching staff levels to accommodate declining enrollment. The district is in the process of issuing about \$72 million to finance substantial facility improvements and refund bonds previously issued for facility improvements, moderately increasing leverage to 248% of revenue. Leverage will remain moderate because there are no additional borrowing plans or major outstanding capital needs.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Economy

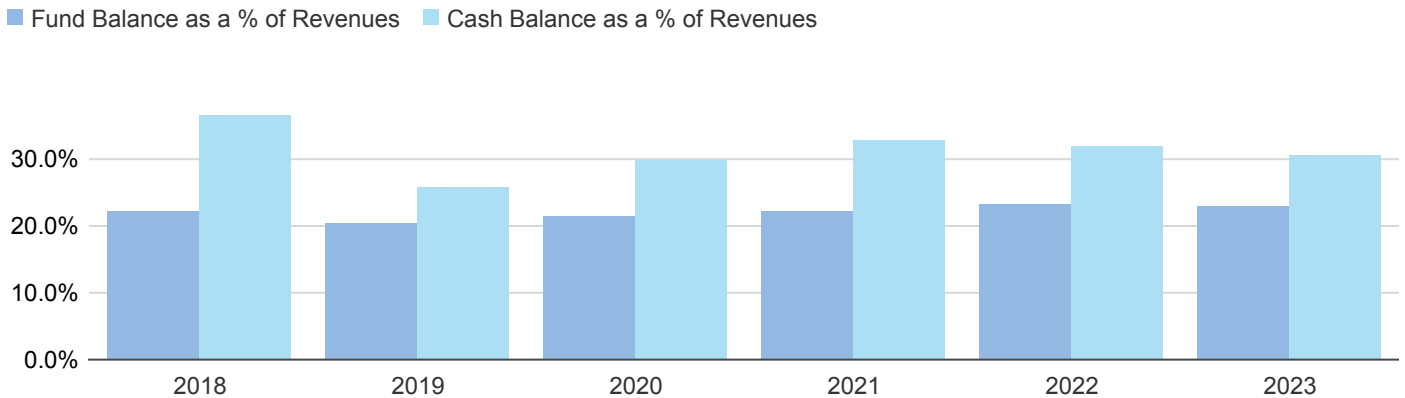
Exhibit 2
Enrollment



Source: Moody's Investors Service

Financial operations

Exhibit 3
Financial Trends



Sources: Buffalo-Hanover-Montrose I.S.D. 877, MN's financial statements and Moody's Investors Service

ESG considerations

Environmental

Environmental risk is generally low for the local government sector. Environmental concerns are factored into the district's credit quality but are not major drivers at this time. According to Moody's Climate on Demand, Wright County has high risk of water stress, medium risk of heat stress, and low risk of extreme rainfall and wildfire exposure compared to other counties nationally. The county maintains a water supply management plan that helps mitigate the risk of material near term impact on the district. Favorably, the district itself has little direct exposure to such physical climate risk factors.

Social

Social considerations such as demographics, labor force, income and education are material credit considerations that influence the district's credit profile. Situated northwest of the Twin Cities, the district maintains relatively strong resident incomes and a low poverty rate. Though the district's population has materially expanded over the past decade, the district has experienced modest enrollment losses in recent years stemming from declining birthrates in Wright County, though it is expected to recover in subsequent years.

Governance

Governance is a credit consideration for all local government issuers. The district has a formal fund balance policy of maintaining between 8% to 12% of operating expenditures as general fund reserves, which the district has exceeded. Transparency and disclosure practices are solid given the timely filing of audited financial statements and budgets.

Minnesota school districts have an Institutional Framework score¹ of A. The state controls the bulk of school district revenue through a per-pupil funding formula. The state has provided for regular annual increases in the funding formula for several years but has occasionally delayed disbursements. Districts can generate a moderate amount of additional locally determined revenue up to \$724 per pupil. Districts can go to voters for an additional levy up to the standard referendum cap, which is just above \$2,100 per pupil and increases with inflation.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 4

Buffalo-Hanover-Montrose I.S.D. 877, MN

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	123.1%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	158,792	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	-3.1%	10.0%	Baa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	22.9%	20.0%	Aa
Net cash ratio (net cash / operating revenue)	30.6%	10.0%	Aaa
Institutional framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	248.1%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	9.8%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			Aa2

The complete list of outstanding ratings assigned to the Buffalo-Hanover-Montrose I.S.D. 877, MN is available on their [issuer page](#). Details on the current ESG scores assigned to the Buffalo-Hanover-Montrose I.S.D. 877, MN are available on their [ESGView page](#).

Sources: US Census Bureau, Buffalo-Hanover-Montrose I.S.D. 877, MN's financial statements and Moody's Investors Service

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Investors Service
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Investors Service
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Investors Service

Endnotes

- The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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