School Board Meeting:	**April 24, 2017**
Subject:	Resolution Authorizing The Approval Of The Sale Of General Obligation Taxable OPEB Refunding Bonds; Covenanting And Obligating The District To Be Bound By And To Use The Provisions Of Minnesota Statutes, Section 126c.55 To Guarantee The Payment Of The Principal And Interest On The Bonds
Presenter:	**Gary Kawlewski, Director Finance & Operations and Jodie Zesbaugh, Ehlers**

SUGGESTED SCHOOL BOARD ACTION:
Recommend board approval

DESCRIPTION:

For some time now, we have been monitoring the potential of refunding the 2019-2023 maturities of our $9,625,000 General Obligation Taxable OPEB (Other Post-Employment Benefits) Bonds, Series 2009A, dated September 15, 2009. The Refunded Bonds were originally issued in order to fund the District's actuarially determined liabilities to pay postemployment benefits to its employees or officers after their termination of service, as authorized pursuant to Minnesota Statutes, Section 475.52, Subdivision 6

The bond market is currently seeing low rates. However, all indications are that the interest rates may be headed upward. Our initial plan for the refunding of this bond issue was to refund them this fall as a current refunding (within 90 days of the call date of February 1, 2018). By issuing refunding bonds as a current issue rather than as an advanced refunding issue, the costs of placing the refunding bonds in an escrow account for an extended time are minimized. In a normal interest rate environment, it usually makes the most sense to refund bonds as a current refunding as opposed to an advanced refunding.

However, with the current interest rate environment, the costs of the escrow account versus the potential increased interest costs due to the potential of rising interest rates between now and this fall may be significantly less. Therefore, it makes sense to consider issuing the refunding bonds as an advanced refunding issue rather than waiting until the fall.

We are asking the board to adopt the attached resolution which calls for the sale of refunding bonds for the aforementioned issue. The resolution allows us to sell bonds and it also allows the school district to participate in the State of Minnesota's Credit Enhancement Program. The Credit Enhancement program allows us to issue the bonds with the State's guarantee of payment on the bonds and credit rating. This most often allows the district to get lower interest rates than if we were to simply issue using our own credit rating which is lower.

The attached sale resolution includes a provision to establish a minimum dollar savings on the refunding and a minimum present value savings percentage as well. We used a similar provision in the sale of the 2012A refunding bonds. This provision gives authority to sell the bonds before the next meeting to the Board Chair and the Superintendent as long as the savings from the refunding meet the minimum thresholds that are established in the resolution. The provision is put in place to better facilitate the sale of the refunding bonds in the event that we see interest rates start to tick upward. The full board would still adopt the necessary approval resolution at its next regularly scheduled meeting on May 22, 2017 if the bonds were sold between now and then. In the event that the rates change such that the minimum savings cannot be achieved, the sale will simply be postponed until such a time that the interest rates meet the threshold or the sale can be done as a current refunding, whichever comes first. We will review the financial information with you at the meeting on Monday and review the recommended parameters outlined in the attached resolution at that time.

ATTACHMENT

- Resolution Providing For The Approval Of The Sale Of General Obligation School Building Refunding Bonds, Series 2012a; Covenanting And Obligating The District To Be Bound By And To Use The Provisions Of Minnesota Statutes, Section 126c.55 To Guarantee The Payment Of The Principal And Interest On These Bonds

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