

Finance & Facilities Committee

Monday, July 24, 2023 6:00 PM

Waconia City Hall, 201 S Vine Street, Waconia, MN 55387

1. DISCUSSION ITEMS

1.A. Site Logic Waconia Finance Committee -
Presentation

Facility Funding & Long-Term Plans



WACONIA
PUBLIC SCHOOLS ISD 110



sitealogiq





PMA[™]
SECURITIES

July 24, 2023

ISD 110
Waconia Public School District

Financial Planning Discussion

Michael Hart

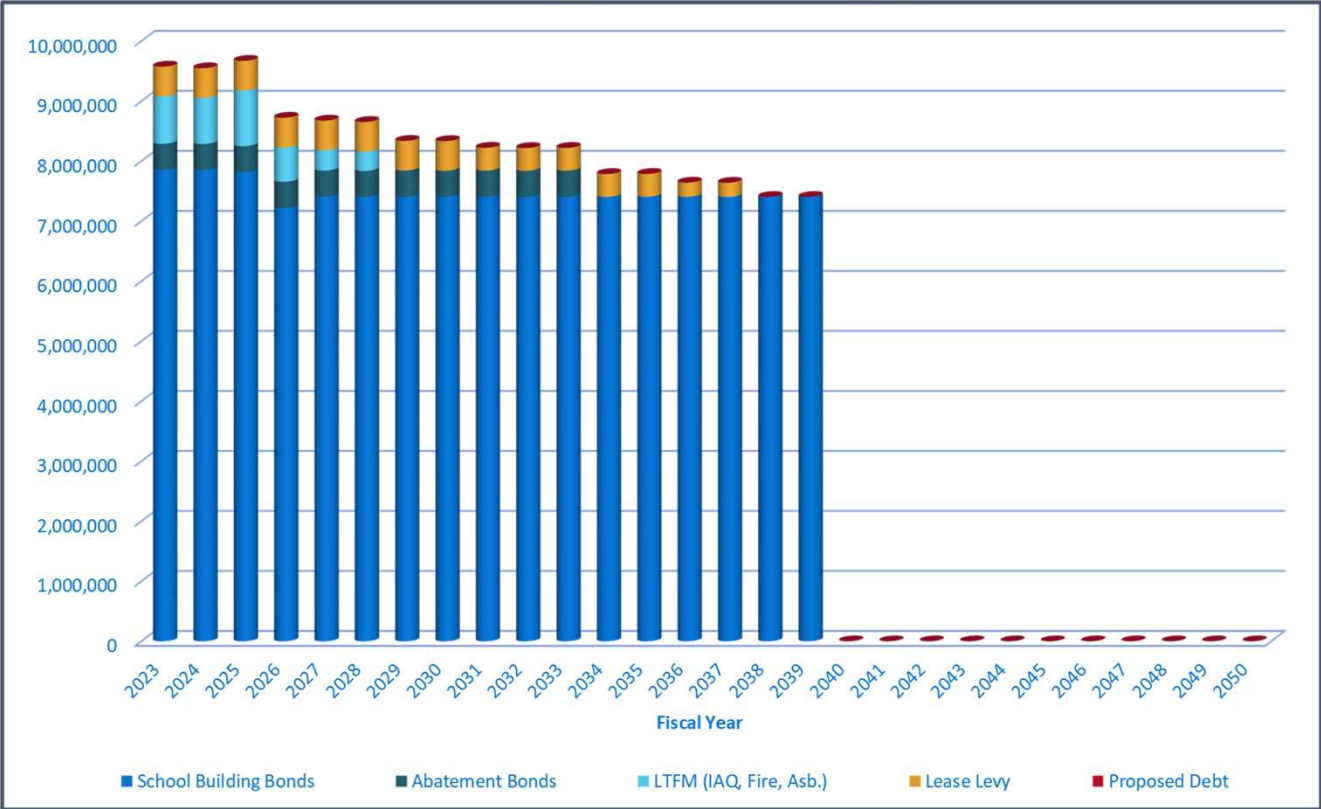
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Outstanding Bond Debt

Bond Summary (All Debt with Direct Tax Impact)





Outstanding Bond Debt Payments

Bond Summary (All Debt by Category)

Fiscal Year	School Building Bonds		Abatement Bonds		LTFM (+)		LTFM		Capital Facilities		Lease Levy		Less: Debt Excess	Levy
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed		
2023	7,854,138	-	435,960	-	789,390	-	651,840	-	147,709	-	496,452	-	180,560	10,194,929
2024	7,852,694	-	434,595	-	769,755	-	654,360	-	150,124	-	492,453	-	571,374	9,782,607
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2039	7,404,574	-	-	-	-	-	-	-	-	-	-	-	296,182	7,108,391
2040	-	-	-	-	-	-	-	-	-	-	-	-	296,183	-
	127,014,569	-	4,792,358	-	3,717,210	-	7,167,668	-	297,833	-	6,333,050	-	6,076,358	143,542,512

2 Near Term Changes

- ▶ Reduction in School Building Bond and LTFM (+) Bond Payments
- ▶ Upcoming Final Payment on Capital Facilities Bonds



Financing Options

Non-Voter Approved Options

- LTFM
- LTFM (+) – **New Revenue/Tax Impact**
- Capital Facilities/Equipment Bonds
- Abatement Bond – **New Revenue/Tax Impact**
- Lease Levy– **New Revenue/Tax Impact**

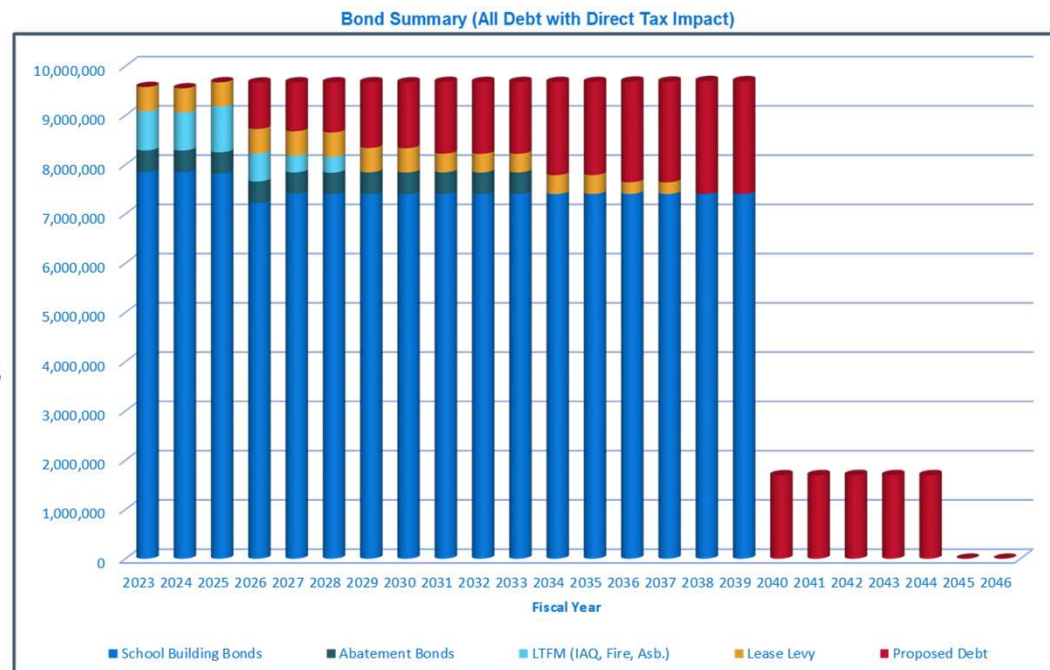
Voter Approved

- School Building Bonds



Tax Neutral Bond Example

- ▶ \$17,380,000 Project
- ▶ 20 years
- ▶ Wraparound payment structure
- ▶ Current rates plus 0.75%
- ▶ Keeps current debt service levy
- ▶ No assumed debt equalization





School Building Bonds

- ▶ Voter Approved
- ▶ Most flexibility in project and bond structure
- ▶ Creates Tax Impact
- ▶ 30 years maximum term
- ▶ MDE Review and Comment required for projects over \$2,000,000
- ▶ Ag2School Credit applies



Long Term Facilities Maintenance Plus (+)

Eligible uses include:

Indoor Air Quality

Fire Suppression

Asbestos Abatement

- ▶ Additional revenue beyond \$380 / pupil
 - ▶ Creates Tax Impact
- ▶ Revenue limited only by costs of eligible projects
- ▶ Projects >\$100,000 per site per year
- ▶ Revenue used for Pay-As-You-Go or Bonding
- ▶ No voter approval



Abatement Bonds

Eligible uses
include:

Parking Lot projects

- ▶ No voter approval; requires public hearing
- ▶ Creates new revenue source = tax impact
- ▶ Bonds limited to 15 years under most circumstances
- ▶ Review and comment required for projects over \$2,000,000



Lease Purchase with Lease Levy

Eligible uses include:

Instructional space

Additions limited to 20% of original building footprint

No new buildings for K-12 (Early Childhood buildings are eligible)

School Storage

- ▶ No voter approval
- ▶ Requires MDE approval
- ▶ Lease levy maximum of \$212 per APU
- ▶ Max of \$957,350 (\$621,451 currently used)
- ▶ Creates tax impact
- ▶ Higher Interest Rates (annual appropriation)
- ▶ No Ag2School Credit



Capital Facilities Bonds

Eligible uses include:

Improve and repair buildings and sites

Health and safety improvements

Energy Modifications

Security improvements

- ▶ Utilizes existing operating capital revenues
 - ▶ \$962,240 for FY 2024
- ▶ No voter approval (must allow of petition period)
- ▶ Maximum 15 years on Bonds
- ▶ No tax impact on most properties
 - ▶ Ag land will see a tax decrease due to Ag2School Credit



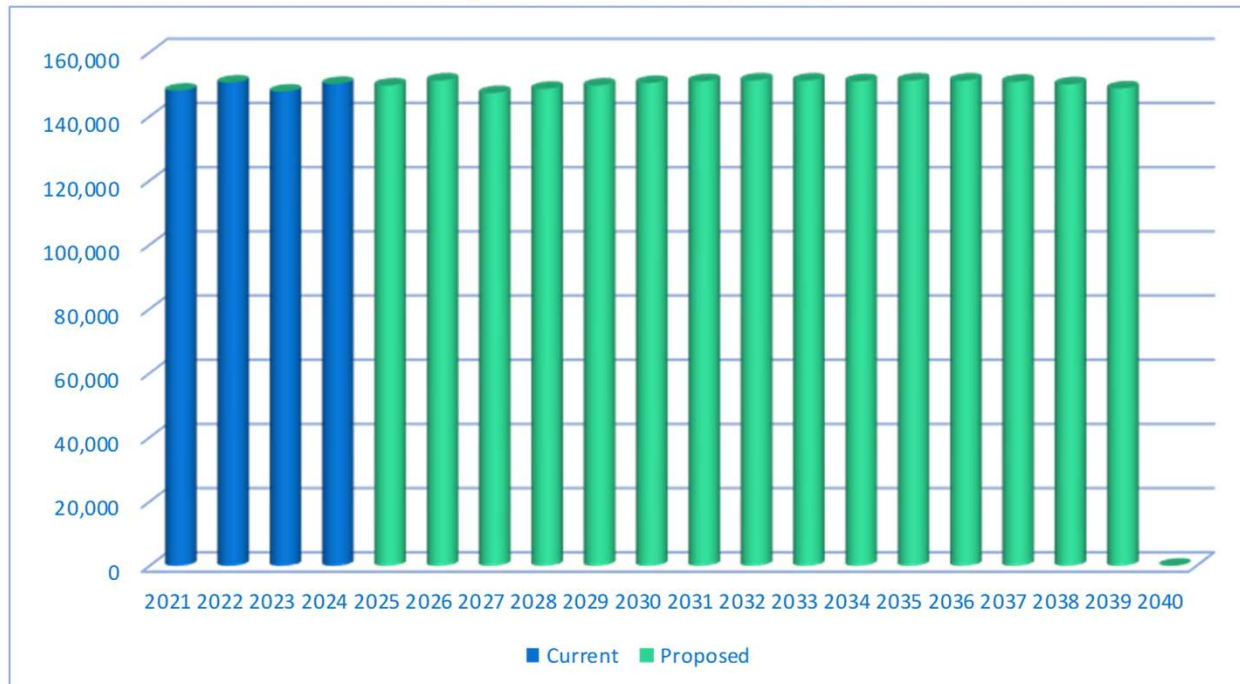
Capital Facilities Bonding Example

Proposed Bond Size	\$ 1,510,000
Available Project Amount	\$ 1,480,000
Proposed Bond Term	15
Est. All Inclusive Cost	4.56%

Current rates as of 5-31-2023 plus .75%

Operating Capital Revenue	\$ 962,240
FY 2025 Bond Payments	\$ 149,625
Available General Fund Operating Capital Revenues	\$ 812,615

Capital Facilities Bond Summary





Capital Facilities Bonding

Advantages

- ▶ Allows for larger set of projects in near term
- ▶ Low cost of financing
- ▶ No Tax Impact
- ▶ Tax reduction for agricultural land
- ▶ No voter approval

Disadvantages

- ▶ Uses future maintenance revenues to make bond payments
- ▶ Limited uses of the revenue

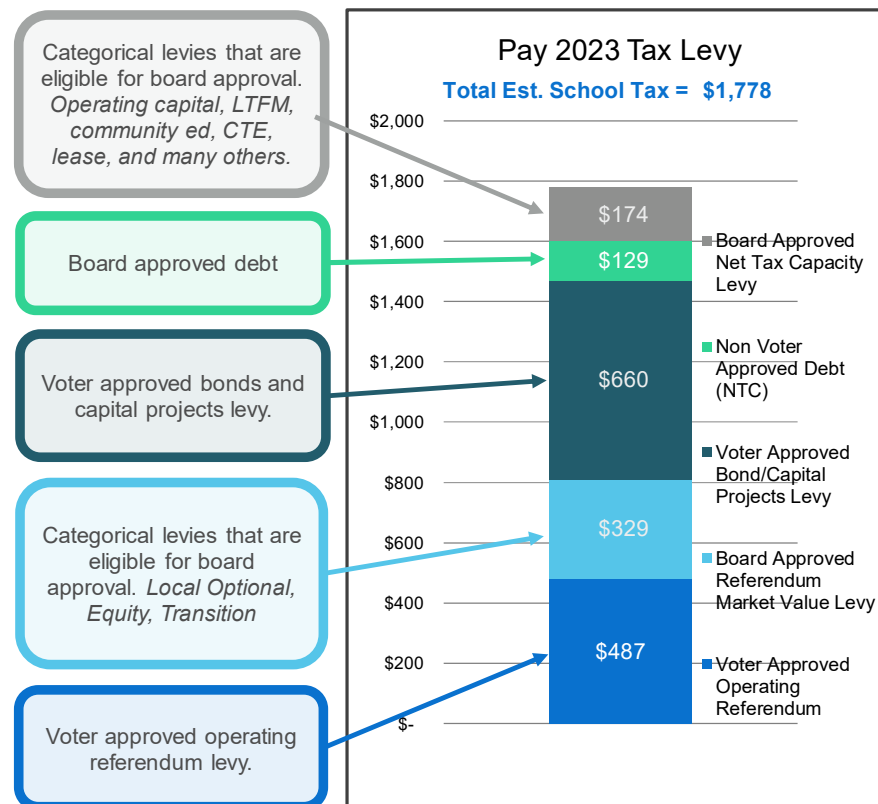


Residential School Taxes

Waconia Public School District

Pay 2023 Tax Levies for Residential Homestead

Home Value = \$400,000





Total School Taxes Comparison

Categorical levies that are eligible for board approval. *Operating capital, LTFM, community ed, board approved bonds, CTE, lease, and many others.*

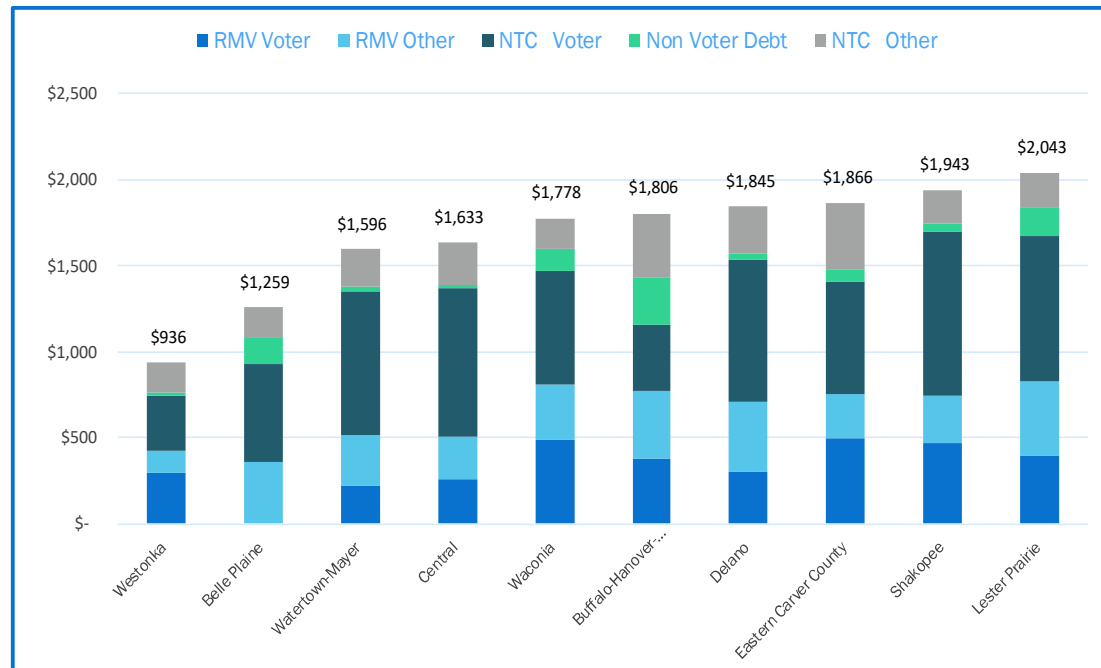
Board approved debt.

Voter approved bonds and capital projects levy.

Categorical levies that are eligible for board approval. *Local Optional, Equity, Transition*

Voter approved operating referendum levy.

Pay 2023 Tax Levies for Residential Homestead



*Chart assumes a home value of \$400,000.

Facility Assessment



WACONIA
PUBLIC SCHOOLS ISD 110



site*logiq*



Building Assessment

ASSESSMENT HEADLINES

- 6 months of targeted assessments
- 960,000 SQFT of facilities reviewed
- 425 different types of assets logged
- Visualizations created for all major systems
- Created digital repository for all assets and systems

With the objective being:

Give the district the information required to make sure that all re-investment into buildings is justifiable, quantifiable, planned, and of the utmost priority

16 CATEGORIES OF FACILITY ASSESSMENT

Accessibility

Pathogen Mitigation

Life Safety Systems

Security Systems

Exterior Envelope

Grounds

Hazardous Materials

Interior Finishes

Mechanical Systems

Electrical Systems

Plumbing Systems

Controls and Energy Management

Capital Equipment

Technology Systems

Utility Service Improvements

Programming & Space Utilization

Comprehensive Asset Assessment

- System report cards, predicted remaining life
- Replacement / upgrade cost estimates
- Advanced prioritization

Indoor Environment Assessment


- Indoor air quality, light, sound, temperature, humidity assessments

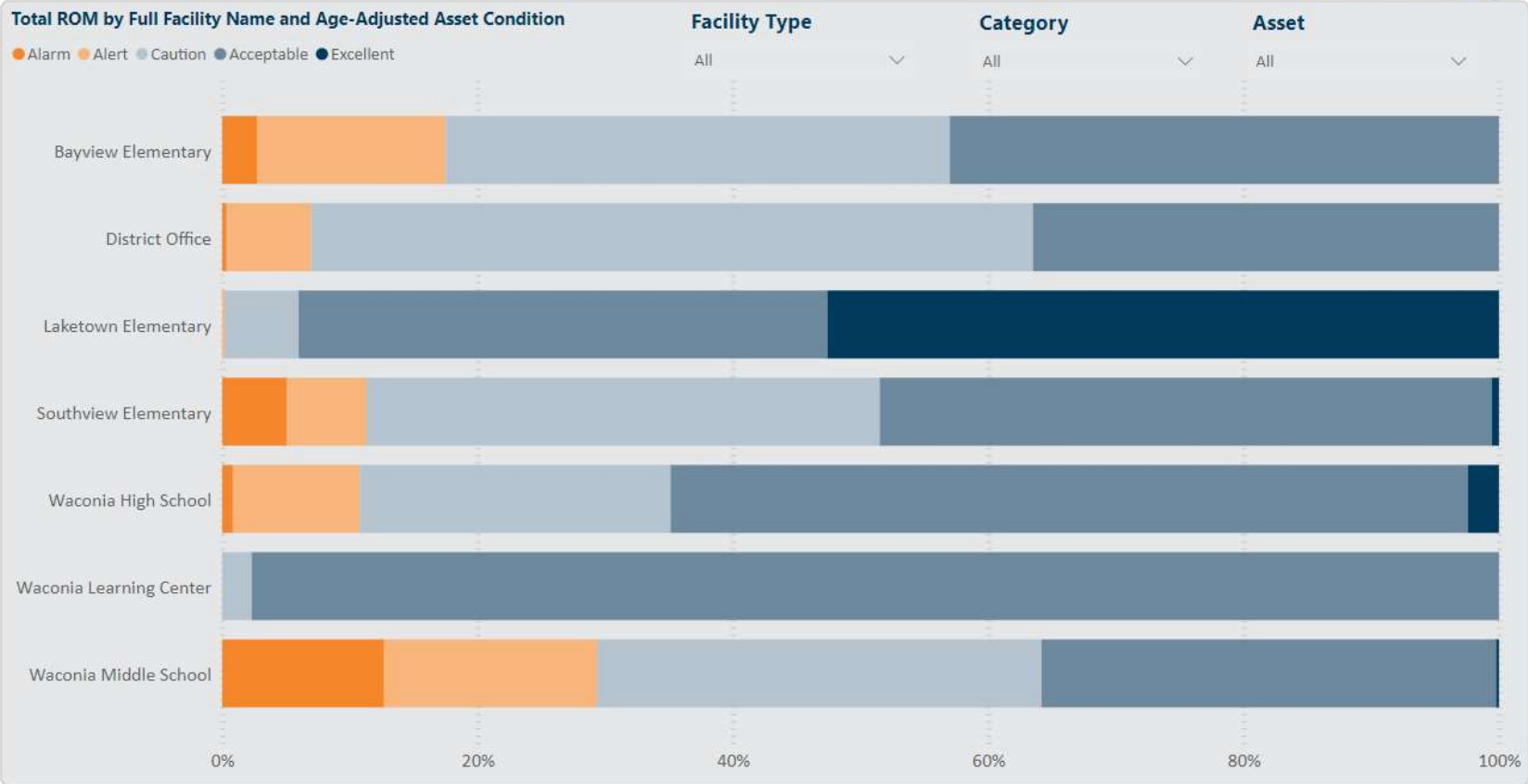
Facility Optimization

- Identification of utility and operational cost savings opportunities

DISTRICT WIDE FACILITY ASSESSMENT

Facility Condition Assessment - Summary

[Facility Compare](#)
[Summary By Size](#)
[Facility Detail](#)


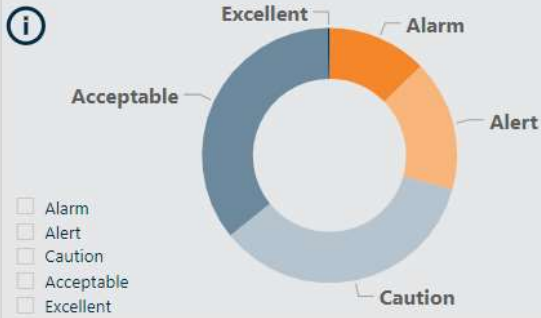


BUILDING DASHBOARD SUMMARY

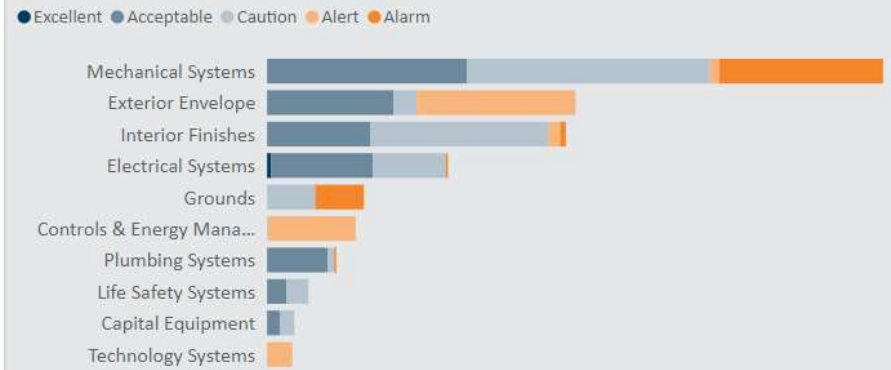
Asset Summary - Waconia Middle School

Facility Detail i

Replacement Cost by Age-Adjusted Asset Condition



%GT Rough Order of Magnitude Replacement Cost by Category and Age-Adjusted Asset Condition



Asset Description	Category	Area Served/Located	Avg Life Expectancy	Age of Asset	% of Life Expectancy	Projected Remaining Years	Asset Condition Assessment	Age-Adjusted Asset Condition	Concerns / Issues / Notes
1994 Chilled Water Distribution Piping	Mechanical Systems	1994 Areas with Cooling	50	29	58%	26	Acceptable	Acceptable	
1994 Domestic Piping Distribution	Plumbing Systems	1994 Area	50	29	58%	26	Acceptable	Acceptable	
2007 - 2012 Built-Up Roofing	Exterior Envelope	Roof Areas 7-28	30	16	53%	17	Acceptable	Acceptable	See roofing report.
2007 Chilled Water Distribution Piping	Mechanical Systems	2007 Areas	50	16	32%	34	Acceptable	Acceptable	
2007 Chilled Water Pumps	Mechanical Systems	Boiler Room	30	16	53%	17	Acceptable	Acceptable	Fed from 3 chillers on roof, serve CW system

BUILDING MAPS

HVAC Map - 01

Maps

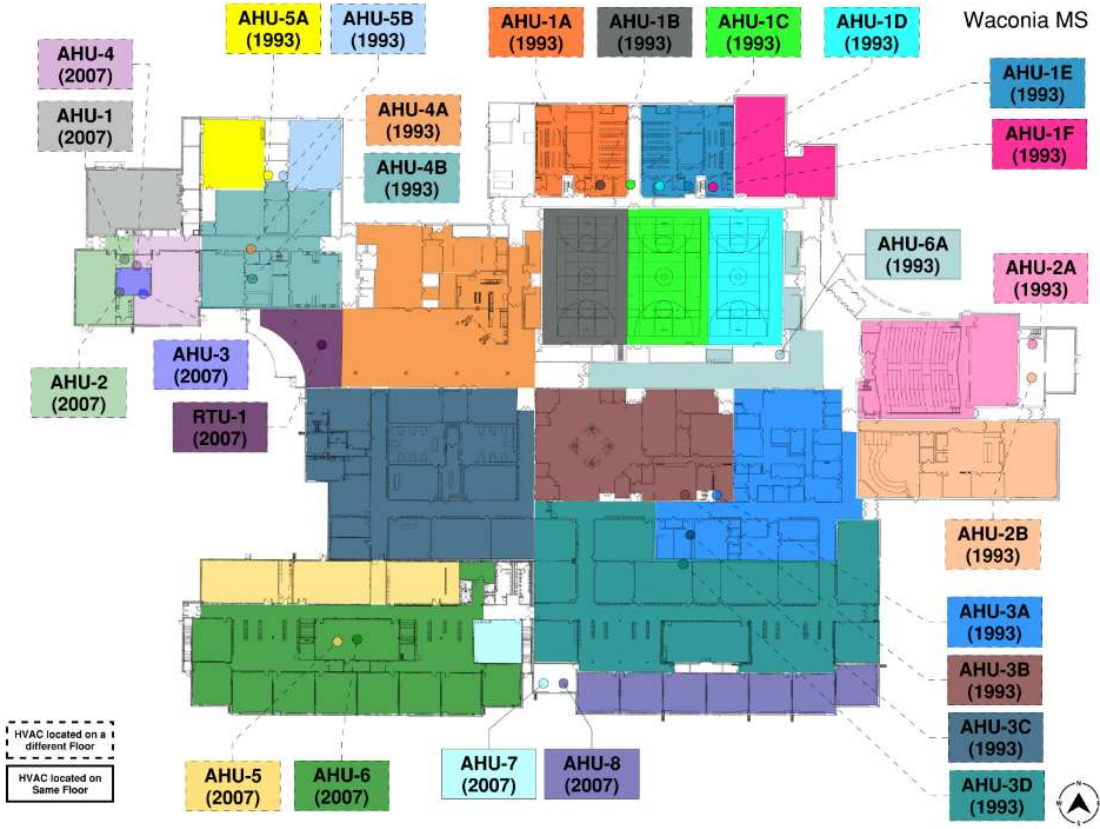
- Floor Plan - 01
- Floor Plan - 02
- Age - 01
- Age - 02

Systems

- HVAC - 01**
- HVAC - 02
- HVAC System - 01
- HVAC System - 02
- Heating - 01
- Heating - 02
- Cooling - 01
- Cooling - 02
- Flooring - 01
- Flooring - 02
- Ceilings - 01
- Ceilings - 02
- Windows - 01
- Windows - 02
- Casework - 01
- Casework - 02

IEQ

- Space CO2 - 01
- Space CO2 - 02
- Sound Levels - 01
- Sound Levels - 02
- Light Levels - 01
- Light Levels - 02



WHAT DO THE ASSESSMENTS DO?

The comprehensive nature of the assessments allow the district to prioritize projects by:

- Asset life expectancy
- Current asset condition
- Building location
- Interconnectivity to other systems
- Educational impact
- Community perception
- Project cost
- Project funding source

The background is a dark blue gradient with a complex, perspective-based grid of white lines. The lines form a series of overlapping rectangular planes that recede into the distance, creating a 3D architectural or technical drawing effect. The lines are thin and light, contrasting with the darker blue background.

Solutions Development

SOLUTIONS PRIORITIZATION

All assets in Caution, Alert, and Alarm have had potential design solutions and estimates created

Working with the district and PMA, all these assets have been cataloged by potential project year, funding type and cost, and risk to building operation.

HIGH PRIORITY ITEMS OVERVIEW

High School

- 2001 condensing unit failures
- Challenges with dated steam boiler and distribution systems
- Leaking at entrance canopy
- Gym floor resurfacing
- Original boiler burner replacement

Middle School

- Aging HVAC air handling units
- Aging HVAC terminal equipment
- Aging air-cooled chillers with old refrigerant
- Re-roofing considerations and opportunities
- Damaged exterior doors and façade near loading dock
- Parking lot needs with restoration and replacement

Bayview

- High CO2 readings in classrooms with opportunity for recommissioning
- Single-pane windows from 1950-1960s
- Aging electrical equipment
- Old wooden playground with safety concerns
- Inoperable shut-off valves on plumbing system

Southview

- Flooding steam tunnels and boiler room
- 1961 steam boiler
- Single-pane windows from 1960s
- High CO2 readings in classrooms with opportunity for recommissioning
- Failing compressors on air-cooled chiller

Laketown

- Façade integration concerns between brickwork and metal panelling
- Moisture control concerns in gym

10-YEAR PLANNING – HIGH SCHOOL

High School	E.1	Variable Speed Drives/Ventilation Control	Alert	3.4	LTFM	2029	\$78,000
	EXT.1	East Canopy Repair	Caution	2.7	LTFM	2028	\$8,900
	EXT.2	Building Envelope Maintenance - Allowance	Alert	2.9	LTFM	2025	\$17,250
	INT.5	Gym Floor Refinish	Alert	3.3	LTFM	2025	\$161,000
	M.1c	Classroom Ventilation Upgrades - AHU Replacement w/ Chilled Water and Hot Water Conversion	Alert	3.0	IAQ	2025	\$8,920,000
	M.2c	Safari Island Ventilation Upgrades - AHU Replacement w/ Chilled Water and Hot Water Conversion	Alert	3.0	IAQ	2025	\$1,760,000
	M.3c	Specialty Classroom Ventilation Upgrades - AHU Replacement w/ Chilled Water and Hot Water Conversion	Alert	3.0	IAQ	2025	\$4,720,000
	M.7	Boiler Burner Replacement	Caution	2.8	LTFM	2025	\$108,750

10-YEAR PLANNING – MIDDLE SCHOOL

Middle School	E.1	Variable Speed Drives/Pump Control	Alert	3.4	LTFM	2029	\$36,000
	EXT.3	Roof Replacement - Areas 1,2,3	Alert	2.9	LTFM	2025	\$4,207,450
	G.1	Full Reconstruction of Lots - East Side Drives	Alarm	3.2	TA	2027	\$387,000
	G.2	Reclaim and Repave Lots - North Side Drives	Alert	3.0	TA	2030	\$402,000
	INT.3	Luxury Vinyl Tile Replacement - 1993	Alert	3.3	LTFM	2031	\$255,000
	M.2	1993 Air Handler Replacements - 2A,2B,3A,3B,3C,3D,4A,4B,5A,5B	Caution	2.8	IAQ	2030	\$7,740,000
	M.5	Make-Up Air Unit Replacements	Alert	3.0	LTFM	2029	\$172,500
	M.8	Domestic Hot Water Heater Replacement	Alarm	3.3	LTFM	2025	\$88,500

10-YEAR PLANNING – BAYVIEW ELEMENTARY

Bayview Elementary	C.1b	Energy Management and DDC - Study & Allowance	Caution	3.3	IAQ	2031	\$182,000
	E.1	Upgrade Main Electrical Service and Switchgear	Alert	3.4	LTFM	2028	\$573,000
	E.2	Upgrade Electrical Distribution System	Alert	3.4	LTFM	2028	\$504,000
	EQUIP.1	1969 Corridor Lockers	Alert	2.7	LTFM	2035	\$495,000
	EXT.1	Window Replacement - 1955, 1961, 1969	Alarm	3.2	LTFM	2025	\$471,000
	EXT.4.1	Exterior Façade Repairs - 2025 Allowances	Alert	2.9	LTFM	2025	\$80,900
	P.1	Shut-off Valve Replacement	Alert	2.9	LTFM	2025	\$18,000

10-YEAR PLANNING – SOUTHVIEW ELEMENTARY

Southview Elementary	C.1b	Energy Management and DDC - Study & Allowance	Caution	3.3	IAQ	2032	\$173,500
	E.1	Upgrade Electrical Distribution System	Alert	3.4	LTFM	2028	\$160,000
	EQUIP.1	1969 Corridor Lockers	Alert	2.7	LTFM	2035	\$545,000
	EXT.1	Window Replacement - 1961 and 1969	Alert	2.9	LTFM	2025	\$379,000
	P.1	Domestic Water Piping Replacement - 1961 and 1969	Alert	2.9	LTFM	2025	\$472,000

10-YEAR PLANNING – LAKETOWN & DISTRICT OFFICE


Laketown Elementary	EXT.1	Exterior Brick Repair - Loading Dock	Alert	2.9	LTFM	2026	\$27,475
District Office	M.1b	Rooftop Unit Replacement w/ VAV System Upgrade- RTU-6	Alert	3.0	IAQ	2025	\$655,000
District Wide	EXT.1-1	Window Replacement - Allowance	Alert	2.9	LTFM	2025	\$75,000
	EXT.1-2	Window Replacement - Allowance	Alert	2.9	LTFM	2026	\$80,500
	EXT.1-3	Window Replacement - Allowance	Alert	2.9	LTFM	2027	\$86,500
	EXT.1-4	Window Replacement - Allowance	Alert	2.9	LTFM	2028	\$93,000
	EXT.1-5	Window Replacement - Allowance	Alert	2.9	LTFM	2029	\$100,000

SAMPLE TEN YEAR RE-INVESTMENT PLAN

- SitelogiQ have identified \$55 million in maintenance needs over the next ten years
- A sample ten-year plan of that investment has been created
- It shows a large amount being deferred from year to year – but that can be okay!
- There are lots of different ways to structure that investment and how to tackle needs

We would like to work with the district and facilities committee to fine tune based on prioritization

School Name	Construction Year (Summer of) Expenditures										Total
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	
High School	\$15,721,700	\$0	\$162,250	\$0	\$78,000	\$0	\$0	\$0	\$0	\$9,940,000	\$ 25,901,950
Middle School	\$368,500	\$0	\$387,000	\$1,291,750	\$694,750	\$19,210,325	\$0	\$163,250	\$0	\$0	\$ 22,115,575
Bayview Elementary	\$80,900	\$589,000	\$882,500	\$0	\$277,000	\$169,500	\$1,527,000	\$99,000	\$428,000	\$0	\$ 4,052,900
Southview Elementary	\$379,000	\$0	\$0	\$0	\$963,000	\$150,500	\$0	\$0	\$0	\$0	\$ 1,492,500
Laketown Elementary	\$145,000	\$27,475	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$ 172,475
District Office	\$655,000	\$0	\$0	\$0	\$0	\$0	\$0	\$354,000	\$153,000	\$0	\$ 1,162,000
Project Totals	\$ 17,350,100	\$ 616,475	\$ 1,431,750	\$ 1,291,750	\$ 2,012,750	\$ 19,530,325	\$ 1,527,000	\$ 616,250	\$ 581,000	\$ 9,940,000	\$ 54,897,400
Available LTFM	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 4,000,000
IAQ	\$ 16,055,000					\$ 8,060,000				\$ 9,940,000	\$ 34,055,000
Deffered LTFM	\$ 895,100	\$ 216,475	\$ 1,031,750	\$ 891,750	\$ 1,612,750	\$ 11,070,325	\$ 1,127,000	\$ 216,250	\$ 181,000	\$ (400,000)	\$ 16,842,400

The background is a dark blue gradient with a complex, layered geometric pattern of white and light blue lines, resembling a wireframe or architectural structure. The lines form various rectangular and polygonal shapes, some overlapping and some receding, creating a sense of depth and perspective.

Potential 2025 Project

POTENTIAL 2025 PROJECT

Location	Scenario				Facility Improvement Measures (FIMs)		Existing Conditions/Needs			Funding	Cost and ROI			
Facility	1	2	3	4	FIM Code	Short Description	Life Expectancy	Actual Age	Remaining Life	Asset Condition	Priority	Funding Source	Project Year	Cost in Project Year
High School	X				M.1c	Classroom Ventilation Upgrades - AHU Replacement w/ Chilled Water and Hot Water Conversion	30	22	8	Alert	3.0	IAQ	2025	\$8,920,000
	X				M.2c	Safari Island Ventilation Upgrades - AHU Replacement w/ Chilled Water and Hot Water Conversion	30	22	8	Alert	3.0	IAQ	2025	\$1,760,000
	X				M.3c	Specialty Classroom Ventilation Upgrades - AHU Replacement w/ Chilled Water and Hot Water Conversion	30	22	8	Alert	3.0	IAQ	2025	\$4,720,000
District Office	X				M.1b	Rooftop Unit Replacement w/ VAV System Upgrade- RTU-6	15	19	-4	Alert	3.0	IAQ	2025	\$655,000
	X				PDC&B.1	Project Development, Commissioning & Bonds - Scen #1					2.0	EO		\$0
Financial Impact	X					Scenario#1 Total								\$16,055,000

2025 CONSTRUCTION TIMELINE

- Summer 2025 – Construction Starts
- Spring 2024 – Equipment Prepurchase
 - Some electrical and HVAC equipment is delayed by 60 weeks
- Mechanical Design Starts -Jan 2024
- Contract Agreement by Dec – 2023
 - Earlier means the process can start and bidding/ equipment can be ordered at better rates



ISD 110 LTFM Financial Status

- ▶ District receives approximately \$1,250,000 annually in LTFM Funds
 - ▶ \$650,000 each year allocated to payments from 2017 Bond issue
 - ▶ \$600,000 left in General Fund to fund LTFM projects/expenses
- ▶ ISD 110 issued LTFM (+) bonds in 2016 to fund projects at that time



Outstanding Bond Debt Payments

Bond Summary (All Debt by Category)

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2040	-	-	-	-	-	-	-	-	-	-	-	-	296,183	-
	127,014,569	-	4,792,358	-	3,717,210	-	7,167,668	-	297,833	-	6,333,050	-	6,076,358	143,542,512

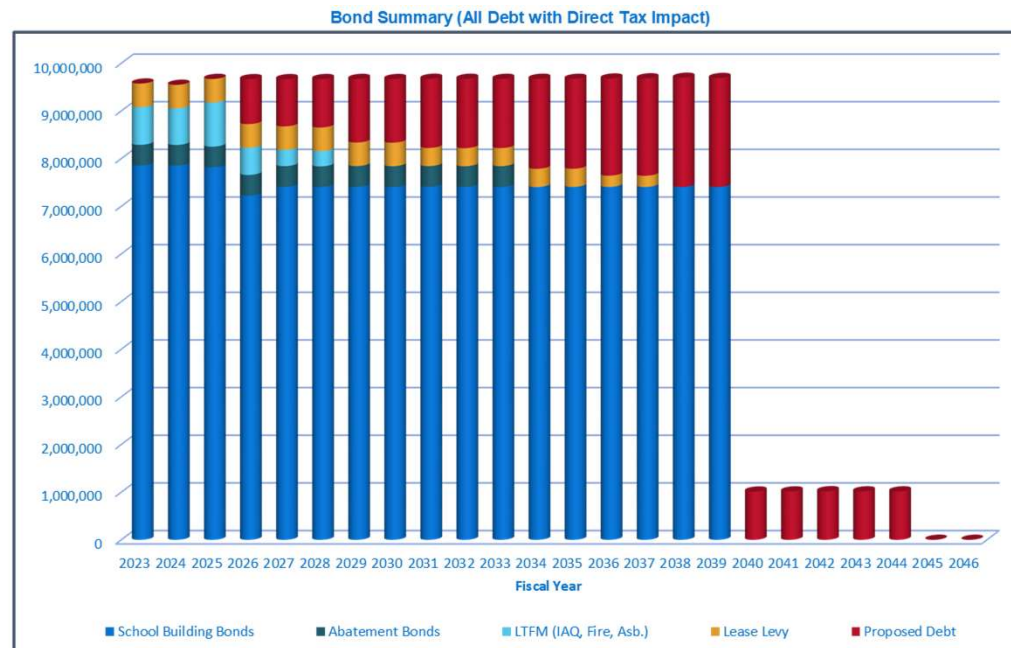
Current LTFM (+) Bonds
As this pays off, taxes are reduced.

Current LTFM Bonds
As this pays off, funds are freed up in LTFM portion of general fund.



LTFM (+) IAQ Project Bond

- ▶ \$16,055,000 Project
- ▶ 20 years
- ▶ Wraparound payment structure
- ▶ Current rates plus 0.75%
- ▶ Keeps current debt service levy
- ▶ No assumed debt equalization





Financing Timeline

- ▶ If pursuing tax neutral finance plan, authorization needs to be in place by Summer 2024
 - ▶ Construction schedule may dictate different timeline
- ▶ May want to consider two bond issue strategy
 - ▶ More precise bond size after bids received
 - ▶ IRS Arbitrage/Rebate advantages
 - ▶ Limit unnecessary interest expense during design
 - ▶ Potential Con: Risk of rising interest rates



Questions?

site*logi*Q



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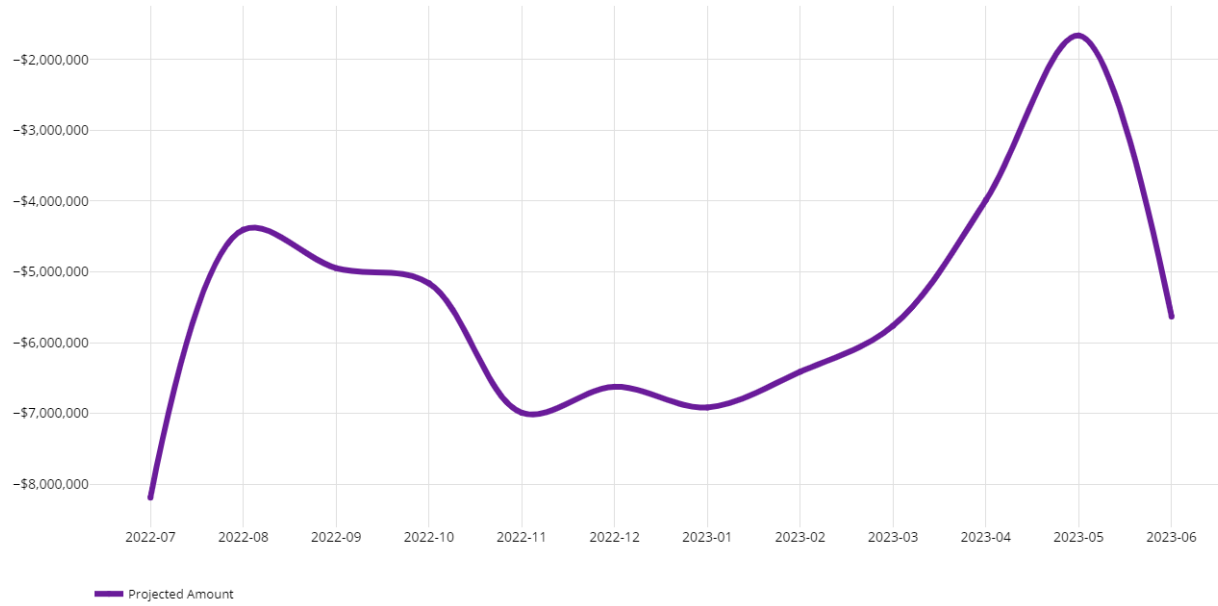
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1.B. Fund Balance Projection by Month



Fund Balance by Month - Projected Amount



1.C. Year End Fund 1 Balance Estimate

Preliminary Fund Balance Before Audit and Adjusting Entries

6/30/2023

Unreserved/Undesignated	422	-\$3,256,246.19
Operating Capital Fund Balance	424	-\$1,468,311.65
Learning & Development	428	-\$190,341.79
Area Learning Center	434	-\$381,775.94
Gifted and Talented	438	-\$11,881.78
Teacher Development	440	-\$20,830.00
Basic Skills	441	-\$255,565.20
Career Tech Levy	445	-\$432,087.26
Safe Schools	449	-\$35,439.68
LTFM	467	-\$194,169.11
Fund 1 - Unrestricted		-\$6,246,648.60

2. **REVIEW ITEMS**

2.A. Prelim June 2023 Bank Rec

2.B. ISD 110 OPEB Investment Report

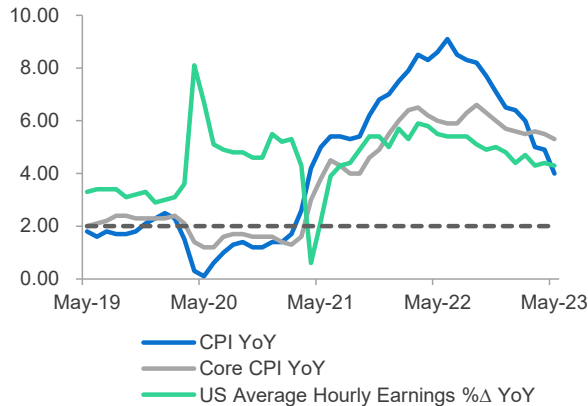


PMA[®]
ASSET MANAGEMENT

**ISD No 110 OPEB Waconia MN Equ
Investment Review**

June 1 - June 30, 2023

CPI AND WAGE GROWTH



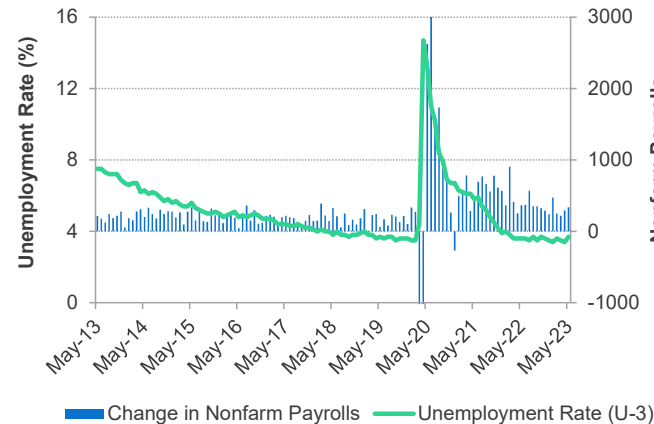
Source: Bloomberg

While top line Consumer Price Index (CPI) was an annualized 4.0% year over year in May, well down from its peak of 9.1% in June 2022, the Federal Reserve (Fed) remains focused on returning inflation to “normalized” levels. Inflation has clearly declined, but remains well above the Fed’s long-term target of 2.0%.

CPI includes food and energy, both of which, have decreased significantly, leading to the sharp trend in the blue line above. However, Core CPI, which excludes those more volatile components has remained stubbornly persistent, driven by transportation services, shelter costs, and wages. Wage growth remains over 4%, contributing to the elevated inflation in the services element of CPI.

The continued Fed focus on inflation has contributed to additional interest rate volatility and equity market movement, but also increased concerns for a bumpy economic landing later in the year.

STRONG EMPLOYMENT



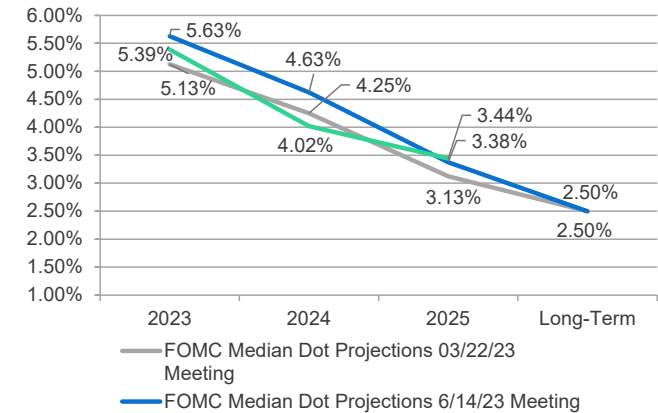
Source: Bloomberg

Persistent strength in the labor force continues to support the Fed’s confidence in its focus on reducing inflation with a tightening fiscal policy. Unemployment in May came in at 3.7%, in line with pre-pandemic levels and well below the 30yr average of 5.7%.

Within the labor force picture, Job Openings and Labor Turnover Survey remains strong showing a decline in layoffs and an increase in job openings. According to the survey, job openings, a measure of labor demand, increased by 358,000 on the last day of April showing continued positivity within the employment picture.

With the structural shift in the U.S. labor force over the last 15 years, it is not surprising there are nearly twice as many job openings as the number of available employees. Either a .significant shift in labor supply or demand will be needed to help narrow the gap.

FED AND MARKET RATE EXPECTATIONS



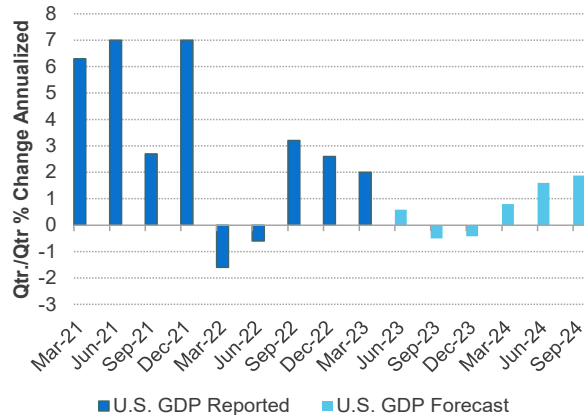
Source: Bloomberg. As of 7/6/23

The Fed paused rate hikes for the first time in ten meetings during the 2nd quarter. The last meeting without a Federal Funds Rate increase was in January of 2022. While it had been anticipated that the Fed would pause activity in June, there was little relief.

The Fed has been clear throughout 2023 they remain focused on inflation. The pause in hikes was accompanied by continued hawkish comments from Chairman Powell and higher rate projections from Fed members. The updated Dot Plot report has increased its projected terminal rate by two more hikes - potentially reaching a Fed Funds Rate of 5.5% - 5.75% in 2023.

Markets have adjusted their projections upwards as well, but are clearly still hopeful for only one additional rate hike this year. Markets and the Fed both see declining rates in 2024 and 2025 as slower growth and lower inflation is expected to result in rate cuts.

QUARTERLY U.S. REAL GDP GROWTH



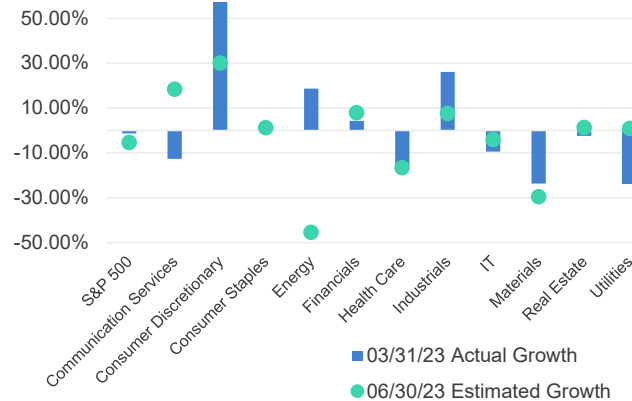
Source: Factset

The Bureau of Economic Analysis (BEA) released its third estimate of 1st quarter Gross Domestic Product (GDP) on June 29th. GDP was revised up to 2.0% from 1.3% in the second estimate. Upward revisions to exports and consumer spending were partially offset by downward revisions to business investment and federal spending.

However, the impacts of higher global interest rates are transmitting through the United States and other global economies as economic growth trends lower. A survey of economists showed a projected shallow recession in the third and fourth quarters of 2023 followed by moderate growth through 2024. The contraction in real GDP is expected to be less than 1.00% in each quarter. If a recession develops and is this mild, it largely aligns with the Fed's stated target of a soft landing.

While PMA's expectation is also for a shallow recession, we are less certain on timing, which could be pushed into 2024 due to continued strong employment and moderate consumer activity.

S&P 500 SECTOR EPS GROWTH



Source: Factset

Slowing economic data and changing consumer activity are impacting sectors disparately, as evidenced by significant earnings discrepancies between sectors.

Consumer Discretionary has seen strong earnings growth, which is projected to continue in the second quarter. Industrials are projected to trend lower, but have remained positive. Communication Services has been troubled over the past 18 months, but earnings are projected to improve on restructuring of service and fee models.

Healthcare, materials and utilities all experienced negative 1st quarter growth and these sectors are likely to remain under pressure. With declining oil prices, earnings growth in the energy sector is forecast to turn negative.

Due to the sector variation, overall numbers of companies issuing positive EPS guidance remains high, but is highly concentrated in IT and Consumer Discretionary.

NARROW LEADERSHIP

S&P 500 Return	15.2%
S&P 500 Return w/out Top 5	5.6%
S&P 500 Return w/out Top 10	2.5%

Number of Positive Contributors:	290
Number of Negative Contributors:	219

Source: Source: Bloomberg, S&P Dow Jones and PMA Asset Management; As of 6/21/23

Equity markets theoretically function as discounting mechanisms for future earnings. As such, a strong rally in the equity markets is a signal the investors expect future earnings growth. The S&P 500 has rallied over 15 percent in the first half of 2023, a potential positive signal.

Looking beyond the headline number reveals a different story. This rally was not driven broadly across the index. Instead, the 10 largest stocks, and more narrowly the 5 largest, contributed most to the upward momentum. The S&P 500 is market cap weighted so the larger companies have a larger impact on the index's performance. So far in 2023, the returns of the largest stocks have significantly overpowered the rest of the index.

This narrow stock performance trend points to potential fragility of the rally, which is a concern. However, it also signals that many stocks are more cheaply valued as they have not been included in the technology-driven rally. There remain strong buying opportunities across the equity markets.

CLIENT

ISD No 110 OPEB Waconia
MN Equ

INCEPTION DATE

07/02/2021

RELATIONSHIP TEAM

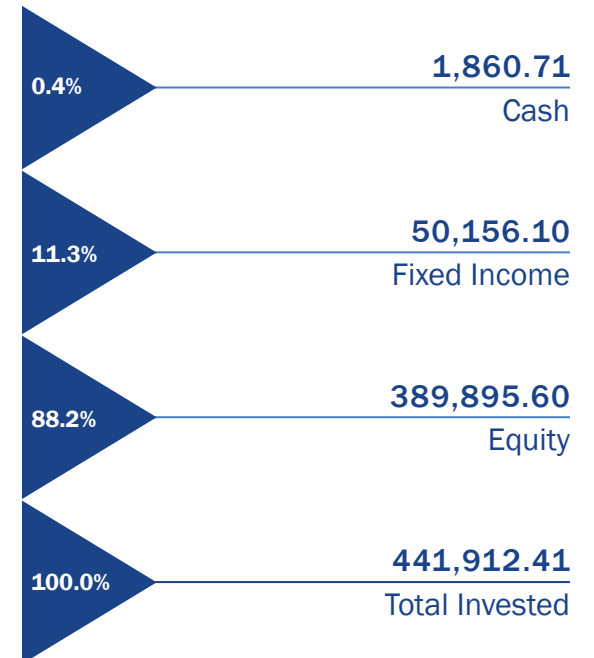
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PORTFOLIO OVERVIEW

	Value
Beginning Market Value	416,844.69
Contributions	0.00
Withdrawals	0.00
Net Investment Income	1,612.54
Unrealized Gain/Loss	21,254.65
Realized Gain/Loss	2,200.53
Ending Market Value	441,912.41

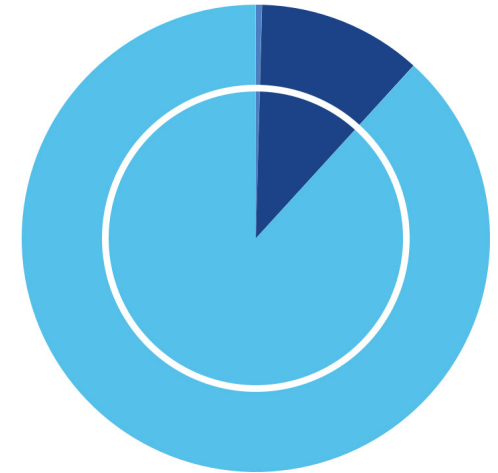
Compliance	Status
As of 06/30/2023	Compliant



INVESTMENT ALLOCATION

Sector	Amount	Allocation	Change	%
Cash				
TOTAL Cash	1,860.71	0.42%	980.92	111.49%
Fixed Income				
TOTAL Credit	50,156.10	11.35%	14,366.50	40.14%
Funds - Corporate	50,156.10	11.35%	14,366.50	40.14%
TOTAL Fixed Income	50,156.10	11.35%	14,366.50	40.14%
Equity				
TOTAL Domestic Equity	389,895.60	88.23%	9,720.30	2.56%
Funds - Large Cap	389,895.60	88.23%	9,720.30	2.56%
TOTAL Equity	389,895.60	88.23%	9,720.30	2.56%
TOTAL Invested	441,912.41	100.00%	25,067.72	6.01%

CURRENT PERIOD ALLOCATION



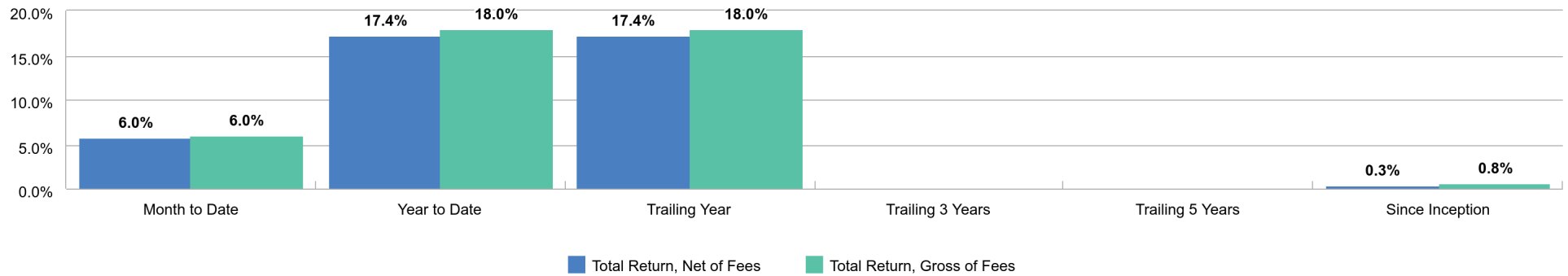
Asset Class

- Cash - 0.4%
- Fixed Income - 11.3%
- Equity - 88.2%

Sector

- Cash - 0.4%
- Credit - 11.3%
- Domestic Equity - 88.2%

HISTORICAL PERFORMANCE



HISTORICAL PERFORMANCE

	Month to Date	Year to Date	Trailing Year	Trailing 3 Years	Trailing 5 Years	Since Inception
Total Return, Net of Fees	5.97%	17.39%	17.39%	—	—	0.29%
Total Return, Gross of Fees	6.01%	17.98%	17.98%	—	—	0.79%

Since Inception Date: July 02, 2021

Periods greater than 1 year are annualized. Year to Date returns are presented fiscal year to date.

PERFORMANCE BY ASSET CLASS

Asset Class	Ending Market Value	Weight	Gross Total Return	Contribution
Cash	1,860.71	0.30%	0.07%	0.00%
Fixed Income	50,156.10	8.80%	(0.27%)	(0.03%)
Equity	389,895.60	90.89%	6.72%	6.04%
Portfolio Total	441,912.41	100.00%	6.01%	6.01%



Transaction and Interest Summary

June 1 - June 30, 2023

Trade Date	Settle Date	Quantity	Security	Ticker	Identifier	Unit Price	Amount	Gain / Loss
Cash								
<i>Money Market Fund Interest</i>								
06/30/2023	06/30/2023	0.00	GOLDMAN:FS GOVT INST	FGTXX	38141W273	—	4.30	—
—	—	0.00	Total Money Market Fund Interest	—	—	—	4.30	—
Funds - Corporate								
<i>Buy</i>								
06/26/2023	06/28/2023	200.00	VANGUARD TOT BD ETF	BND	921937835	72.9186	(14,584.72)	—
—	—	200.00	Total Purchases	—	—	—	(14,584.72)	—
<i>Equity Dividend</i>								
06/01/2023	06/06/2023	0.00	VANGUARD TOT BD ETF	BND	921937835	—	91.61	—
—	—	0.00	Total Equity Dividend	—	—	—	91.61	—
Funds - Large Cap								
<i>Equity Dividend</i>								
06/23/2023	06/28/2023	0.00	VANGUARD TSM IDX ETF	VTI	922908769	—	1,516.63	—
—	—	0.00	Total Equity Dividend	—	—	—	1,516.63	—
<i>Sell</i>								
06/26/2023	06/28/2023	(65.00)	VANGUARD TSM IDX ETF	VTI	922908769	214.6700	13,953.10	2,200.53
—	—	(65.00)	Total Sales	—	—	—	13,953.10	2,200.53

Ticker	Identifier	Current Units	Description	Rating	Coupon Rate	Effective Maturity	Final Maturity	Original Cost	Market Price	Market Value + Accrued	Interest / Dividend Income	Dividend Yield	Yield	Book Yield
Cash														
<i>Cash</i>														
FGTX	38141W273	1,856.41	GOLDMAN:FS GOVT INST	AAA	5.01%	06/30/2023	06/30/2023	1,856.41	1.0000	1,856.41	96.35	—	5.02%	5.02%
USD	CCYUSD	4.30	Receivable	AAA	0.00%	06/30/2023	06/30/2023	4.30	1.0000	4.30	0.00	—	0.00%	0.00%
—	—	1,860.71	—	AAA	5.00%	—	—	1,860.71	—	1,860.71	96.35	—	5.01%	5.01%
Fixed Income														
<i>Credit</i>														
<i>Funds - Corporate</i>														
BND	921937835	690.00	VANGUARD TOT BD ETF	—	—	—	—	52,870.17	72.6900	50,156.10	742.81	2.76%	—	—
—	—	690.00	—	NA	—	—	—	52,870.17	—	50,156.10	742.81	2.76%	—	—
Equity														
<i>Domestic Equity</i>														
<i>Funds - Large Cap</i>														
VTI	922908769	1,770.00	VANGUARD TSM IDX ETF	—	—	—	—	395,335.64	220.2800	389,895.60	6,115.01	1.52%	—	—
—	—	1,770.00	—	—	—	—	—	395,335.64	—	389,895.60	6,115.01	1.52%	—	—
Total Invested		4,320.71	—	AAA	5.00%	—	—	450,066.52	—	441,912.41	6,954.17	1.66%	5.01%	5.01%

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