

October 4, 2018

Sale Day Report for

Independent School District No. 833
(South Washington County Schools), Minnesota

\$25,790,000 General Obligation School Building
Refunding Bonds, Series 2018B



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Sale Day Report – October 4, 2018

Independent School District No. 833
 (South Washington County Schools), Minnesota
 \$25,790,000 General Obligation School Building Refunding Bonds, Series 2018B

Purpose: To finance a current refunding of the 2020 - 2023 maturities of the District's \$41,445,000 General Obligation School Building Refunding Bonds, Series 2010A

Rating: **MN Credit Enhancement Rating:** Moody's Investor's Service "Aa2"
Underlying Rating: Moody's Investor's Service "A2"

Number of Bids: 13

Low Bidder: J.P. Morgan Securities LLC, New York, New York

Comparison from Lowest to Highest Bid: (TIC as bid)	Low Bid	High Bid	Interest Difference
	2.2942%*	2.5517%	\$236,155

Summary of Results:	Results of Sale
Principal Amount*:	\$25,790,00
Underwriter's Discount:	\$51,059
Reoffering Premium:	\$2,307,941
True Interest Cost*:	2.2965%
Costs of Issuance:	\$98,894
Yield:	2.01% - 2.30%
Future Value Savings:	\$1,472,937
Present Value Savings:	\$1,380,595
Savings Percentage:	4.684%
Total Net P&I	\$30,166,263

* The winning bidder submitted a bid with a premium price (a price greater than the par amount of the bonds). The premium will be used to partially finance the prepayment of the 2010A Bonds, so the principal amount of the bonds was decreased from \$27,430,000 to \$25,790,000. This also caused a slight change to the True Interest Cost.

Notes: The actual true interest cost of 2.30% is about the same as the estimate of 2.29% in the Pre-Sale Report provided to the School Board on September 6. The total savings increased by approximately \$7,000, from \$1,465,974 in the Pre-Sale Report, to \$1,472,937. This will result in an average annual reduction in debt service levies of approximately \$387,000 per year for taxes payable in 2019 through 2022.

Closing Date: November 6, 2018

School Board Action: Adopt the resolution awarding the sale of \$25,790,000 General Obligation School Building Refunding Bonds, Series 2018B.

- Attachments:**
- Bid Tabulation
 - Sources and Uses of Funds
 - Debt Service Schedule – Callable Portion of 2010A Bonds
 - Updated Debt Service Schedule – 2018B Bonds
 - Refunding Savings Analysis
 - Current Refunding Account Cashflow
 - Moody’s Press Release
 - Bond Resolution (Distributed Separately)





BID TABULATION

\$27,430,000* General Obligation School Building Refunding Bonds, Series 2018B

Independent School District No. 833 (South Washington County Schools), Minnesota

SALE: October 4, 2018

AWARD: J.P. MORGAN SECURITIES LLC

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

Underlying Rating: Moody's Investor's Service "A2"

BBi: 4.18%
Non-Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
J.P. MORGAN SECURITIES LLC New York, New York	2020	5.000%	2.010%	\$29,790,686.20	\$2,214,390.19	2.2942%
	2021	5.000%	2.100%			
Estrada, Hinojosa & Co. Academy Securities	2022	5.000%	2.200%	\$29,774,504.25	\$2,230,572.14	2.3118%
	2023	5.000%	2.300%			
CITIGROUP GLOBAL MARKETS INC. New York, New York	2020	5.000%		\$29,770,508.24	\$2,234,568.15	2.3161%
	2021	5.000%				
	2022	5.000%				
	2023	5.000%				
UBS FINANCIAL SERVICES INC. New York, New York	2020	5.000%		\$29,770,025.40	\$2,235,050.99	2.3166%
	2021	5.000%				
	2022	5.000%				
	2023	5.000%				
RBC CAPITAL MARKETS New York, New York	2020	5.000%		\$29,768,886.15	\$2,236,190.24	2.3179%
	2021	5.000%				
	2022	5.000%				
	2023	5.000%				

* Subsequent to bid opening the issue size was decreased to \$25,790,000.

Adjusted Price - \$28,046,882.03 Adjusted Net Interest Cost - \$2,122,583.25 Adjusted TIC - 2.2965%



NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
BANK OF AMERICA MERRILL LYNCH New York, New York	2020 2021 2022 2023	5.000% 5.000% 5.000% 5.000%		\$29,765,000.30	\$2,240,076.09	2.3221%
MESIROW FINANCIAL, INC. Chicago, Illinois	2020 2021 2022 2023	5.000% 5.000% 5.000% 5.000%		\$29,758,440.45	\$2,246,635.94	2.3292%
HUTCHINSON, SHOCKEY, ERLEY & CO. Chicago, Illinois	2020 2021 2022 2023	5.000% 5.000% 5.000% 5.000%		\$29,755,539.89	\$2,249,536.50	2.3324%
TD SECURITIES (USA) LLC New York, New York	2020 2021 2022 2023	5.000% 5.000% 5.000% 5.000%		\$29,755,128.44	\$2,249,947.95	2.3328%
PIPER JAFFRAY Minneapolis, Minnesota	2020 2021 2022 2023	5.000% 5.000% 5.000% 5.000%		\$29,751,662.74	\$2,253,413.65	2.3366%
JANNEY MONTGOMERY SCOTT LLC Philadelphia , Pennsylvania	2020 2021 2022 2023	5.000% 5.000% 5.000% 5.000%		\$29,747,747.69	\$2,257,328.70	2.3408%



NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
WELLS FARGO BANK, NATIONAL ASSOCIATION Charlotte, North Carolina	2020 2021 2022 2023	5.000% 5.000% 5.000% 5.000%		\$29,637,150.60	\$2,367,925.79	2.4613%
BAIRD Red Bank, New Jersey	2020 2021 2022 2023	5.000% 5.000% 5.000% 5.000%		\$29,554,530.80	\$2,450,545.59	2.5517%



South Washington County School District No. 833

\$25,790,000 G.O. School Building Refunding Bonds, Series 2018B

Dated: November 6, 2018 - Current Refunding of

\$41,445,000 G.O. School Building Refunding Bonds, Series 2010

Sources & Uses

Dated 11/06/2018 | Delivered 11/06/2018

Sources Of Funds

Par Amount of Bonds	\$25,790,000.00
Reoffering Premium	2,307,941.20
Total Sources	\$28,097,941.20

Uses Of Funds

Total Underwriter's Discount (0.198%)	51,059.17
Costs of Issuance	98,894.00
Deposit to Current Refunding Fund	27,944,785.53
Rounding Amount	3,202.50
Total Uses	\$28,097,941.20

South Washington County School District No. 833

\$41,445,000 G.O. School Building Refunding Bonds, Series 2010

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/01/2019	-	-	591,125.00	591,125.00	-
02/01/2020	2,890,000.00	5.000%	591,125.00	3,481,125.00	4,072,250.00
08/01/2020	-	-	518,875.00	518,875.00	-
02/01/2021	3,015,000.00	5.000%	518,875.00	3,533,875.00	4,052,750.00
08/01/2021	-	-	443,500.00	443,500.00	-
02/01/2022	10,870,000.00	4.000%	443,500.00	11,313,500.00	11,757,000.00
08/01/2022	-	-	226,100.00	226,100.00	-
02/01/2023	11,305,000.00	4.000%	226,100.00	11,531,100.00	11,757,200.00
Total	\$28,080,000.00	-	\$3,559,200.00	\$31,639,200.00	-

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/06/2018
Average Life	3.325 Years
Average Coupon	4.1104544%
Weighted Average Maturity (Par Basis)	3.325 Years
Weighted Average Maturity (Original Price Basis)	3.325 Years

Refunding Bond Information

Refunding Dated Date	11/06/2018
Refunding Delivery Date	11/06/2018

South Washington County School District No. 833

\$25,790,000 G.O. School Building Refunding Bonds, Series 2018B

Dated: November 6, 2018 - Current Refunding of

\$41,445,000 G.O. School Building Refunding Bonds, Series 2010

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/06/2018	-	-	-	-	-
08/01/2019	-	-	949,215.28	949,215.28	-
02/01/2020	2,110,000.00	5.000%	644,750.00	2,754,750.00	3,703,965.28
08/01/2020	-	-	592,000.00	592,000.00	-
02/01/2021	2,500,000.00	5.000%	592,000.00	3,092,000.00	3,684,000.00
08/01/2021	-	-	529,500.00	529,500.00	-
02/01/2022	10,330,000.00	5.000%	529,500.00	10,859,500.00	11,389,000.00
08/01/2022	-	-	271,250.00	271,250.00	-
02/01/2023	10,850,000.00	5.000%	271,250.00	11,121,250.00	11,392,500.00
Total	\$25,790,000.00	-	\$4,379,465.28	\$30,169,465.28	-

Yield Statistics

Bond Year Dollars	\$87,589.31
Average Life	3.396 Years
Average Coupon	5.0000000%
Net Interest Cost (NIC)	2.4233361%
True Interest Cost (TIC)	2.2965621%
Bond Yield for Arbitrage Purposes	2.2387647%
All Inclusive Cost (AIC)	2.4088867%

IRS Form 8038

Net Interest Cost	2.1595689%
Weighted Average Maturity	3.414 Years

South Washington County School District No. 833

\$25,790,000 G.O. School Building Refunding Bonds, Series 2018B

Dated: November 6, 2018 - Current Refunding of

\$41,445,000 G.O. School Building Refunding Bonds, Series 2010

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2019	-	(3,202.50)	-	3,202.50
02/01/2020	3,703,965.28	3,703,965.28	4,072,250.00	368,284.72
02/01/2021	3,684,000.00	3,684,000.00	4,052,750.00	368,750.00
02/01/2022	11,389,000.00	11,389,000.00	11,757,000.00	368,000.00
02/01/2023	11,392,500.00	11,392,500.00	11,757,200.00	364,700.00
Total	\$30,169,465.28	\$30,166,262.78	\$31,639,200.00	\$1,472,937.22

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	1,377,392.42
Net PV Cashflow Savings @ 2.239%(Bond Yield).....	1,377,392.42
Contingency or Rounding Amount.....	3,202.50
Net Present Value Benefit	\$1,380,594.92
Net PV Benefit / \$29,475,333.62 PV Refunded Debt Service	4.684%
Net PV Benefit / \$28,080,000 Refunded Principal...	4.917%
Net PV Benefit / \$25,790,000 Refunding Principal..	5.353%

Refunding Bond Information

Refunding Dated Date	11/06/2018
Refunding Delivery Date	11/06/2018

South Washington County School District No. 833

\$25,790,000 G.O. School Building Refunding Bonds, Series 2018B

Dated: November 6, 2018 - Current Refunding of

\$41,445,000 G.O. School Building Refunding Bonds, Series 2010

Current Refunding Escrow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
11/06/2018	-	-	-	0.53	-	0.53
02/01/2019	27,944,785.00	2.030%	135,214.47	28,079,999.47	28,080,000.00	-
Total	\$27,944,785.00	-	\$135,214.47	\$28,080,000.00	\$28,080,000.00	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Unrestricted
Cash Deposit	0.53
Cost of Investments Purchased with Bond Proceeds	27,944,785.00
Total Cost of Investments	\$27,944,785.53
Target Cost of Investments at bond yield	\$27,932,781.77
Actual positive or (negative) arbitrage	(12,003.76)
Yield to Receipt	2.0548443%
Yield for Arbitrage Purposes	2.2387647%
State and Local Government Series (SLGS) rates for	8/28/2018

Rating Action: Moody's assigns A2 UND and Aa2 ENH to South Washington County ISD 833, MN's GO bonds

27 Sep 2018

New York, September 27, 2018 -- Moody's Investors Service has assigned A2 underlying and Aa2 enhanced ratings to South Washington County Independent School District 833, MN's \$27.4 million General Obligation School Building Refunding Bonds, Series 2018B. Moody's maintains the A2 underlying rating on the district's outstanding general obligation unlimited tax (GOULT) debt and the A3 underlying rating on the district's outstanding certificates of participation (COPs). Following the sale, the district will have \$319.6 million of GOULT debt outstanding and \$18.3 million of COPs outstanding.

RATINGS RATIONALE

The A2 underlying rating is based on the district's narrow financial position, which reflects difficulty in controlling expenditures driven by rapid growth in special education costs. The rating also incorporates the district's high debt and pension burdens. These challenges are balanced against credit strengths including a large and growing tax base in the Twin Cities metropolitan area, strong resident income levels, enrollment growth that positively affects revenue, and recent voter approval of an excess operating levy that should improve the district's financial position.

The Aa2 enhanced rating reflects the additional security provided by the State of Minnesota's School District Enhancement Program (MSDE). The programmatic rating is notched once from the State of Minnesota's Aa1 rating and it carries a stable outlook, reflecting the stable outlook on the State of Minnesota's GO debt.

RATING OUTLOOK

For the underlying rating, outlooks are typically not assigned to local government issuers with this amount of debt outstanding.

For the enhanced rating, the stable outlook is based on the stable outlook assigned to the State of Minnesota's Aa1 GO debt.

FACTORS THAT COULD LEAD TO A UPGRADE

- Material increases in fund balance and liquidity
- Moderation of the debt burden and unfunded pension liabilities
- Upward movement in State of Minnesota's GO rating (enhanced)

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Reductions in fund balance or liquidity
- Growth in the debt burden or unfunded pension liabilities
- Downward movement in the State of Minnesota's GO rating (enhanced)
- Weakening of the MSDE program mechanics (enhanced)

LEGAL SECURITY

All of the district's GO debt, including the Series 2018B bonds, is secured by the district's pledge to levy a dedicated property tax that is unlimited as to rate and amount. The security

also benefits from a statutory lien.

The Series 2018B bonds are additionally secured by the MSDE program which provides for an unlimited

advance from the state's General Fund should the district be unable to meet debt service requirements.

USE OF PROCEEDS

The Series 2018B bond proceeds will finance the refunding of the district's outstanding General Obligation School Building Refunding Bonds, Series 2010A . The Series 2010A bonds were originally issued to advance refund the district's outstanding GO School Building Bonds, Series 2001B.

PROFILE

The district encompasses approximately 85 square miles and serves all or portions of the cities of Woodbury (Aaa), Cottage Grove (Aa1), Newport (A1), and St. Paul Park. The district has an estimated population of 96,725 residents and enrollment of 18,190 students.

METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings published in December 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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