



**EHLERS**  
LEADERS IN PUBLIC FINANCE

January 19, 2017

**Sale Day Report for  
Independent School District No. 139  
(Rush City), Minnesota**

**\$1,075,000 General Obligation Facilities  
Maintenance Bonds, Series 2017A**



Prepared by:

Greg Crowe, CIPMA  
Senior Municipal Advisor

Gary Olsen, CIPMA  
Senior Municipal Advisor

and

Andrea Uhl  
Financial Specialist



## Sale Day Report – January 19, 2017

Independent School District No. 139 (Rush City), Minnesota  
\$1,075,000 General Obligation Facilities Maintenance Bonds, Series 2017A

**Purpose:** To provide funds for facilities maintenance projects included in the District's 10-year facility plan as approved by the Commissioner of Education.

**Rating:** Credit Enhanced Rating: Standard & Poor's Credit Markets "AA+"  
Underlying Rating: Standard & Poor's Credit Markets "A+"

**Number of Bids:** 3

**Low Bidder:** Northland Securities, Inc., Minneapolis, Minnesota

Comparison from Lowest to Highest Bid: (TIC as bid)	Low Bid	High Bid	Interest Difference
	2.0468%	2.1371%	\$5,735

Summary of Results:	Results of Sale
Principal Amount*:	\$1,075,000
Underwriter's Discount:	\$8,901
Reoffering Premium:	\$66,127
True Interest Cost*:	2.0482%
Costs of Issuance:	\$29,391
Yield:	1.125% - 2.20%
Total Net P&I	\$1,269,883

*\* The winning bidder submitted a bid with a net premium price (a price greater than the par amount of the bonds, less any underwriter's discount) that was higher than the estimate in the Pre-Sale Report. The net premium increased the amount to the construction fund and reduced the bond amount. The principal amount of the Bonds was decreased from \$1,105,000 (in the Pre-Sale Report and the Preliminary Official Statement) to \$1,075,000, which also caused a slight change to the True Interest Cost.*

**Notes:** The True Interest Cost of 2.04% is lower than the Pre-Sale estimate of 2.51%. As a result, the total borrowing cost for the project is approximately \$3,654 less than projected in the Pre-Sale report. In addition, the higher premium results in approximately \$37,800 more available for project costs.

**Closing Date:** February 9, 2017

**School Board Action:** Resolution authorizing issuance, awarding the sale, prescribing the form and details and providing for the payment of \$1,075,000 General Obligation Facilities Maintenance Bonds, Series 2017A.



**Attachments:**

- Bid Tabulation
- Updated Sources and Uses of Funds
- Updated Debt Service Schedules
- Rating Report
- Bond Resolution (Distributed in School Board Packets)



**EHLERS**

LEADERS IN PUBLIC FINANCE

**BID TABULATION****\$1,105,000\* General Obligation Facilities Maintenance Bonds, Series 2017A****Independent School District No. 139 (Rush City), Minnesota****SALE: January 19, 2017****AWARD: NORTHLAND SECURITIES, INC.****MN Credit Enhancement Rating: Standard & Poor's Credit Markets "AA+"****Underlying Rating: Standard & Poor's Credit Markets "A+"****BBi: 3.72%**  
Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
NORTHLAND SECURITIES, INC.				\$1,163,642.60	\$140,720.73	2.0468%
Minneapolis, Minnesota	2018	3.000%	1.125%			
D.A. Davidson & Co.	2019	3.000%	1.250%			
Dougherty & Company LLC	2020	3.000%	1.400%			
	2021	3.000%	1.550%			
	2022	3.000%	1.700%			
	2023	3.000%	1.800%			
	2024	3.000%	1.900%			
	2025	3.000%	2.000%			
	2026	3.000%	2.100%			
	2027	3.000%	2.200%			
UNITED BANKERS' BANK				\$1,159,363.40	\$140,733.93	2.0486%
Bloomington, Minnesota	2018	1.200%				
	2019	1.200%				
	2020	3.000%				
	2021	3.000%				
	2022	3.000%				
	2023	3.000%				
	2024	3.000%				
	2025	3.000%				
	2026	3.000%				
	2027	3.000%				

\* Subsequent to bid opening the issue size was decreased to \$1,075,000.

Adjusted Price - \$1,132,226.25

Adjusted Net Interest Cost - \$137,657.08

Adjusted TIC - 2.0482%



NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
BAIRD				\$1,157,908.00	\$146,455.33	2.1371%
Milwaukee, Wisconsin	2018	3.000%				
	2019	3.000%				
	2020	3.000%				
	2021	3.000%				
	2022	3.000%				
	2023	3.000%				
	2024	3.000%				
	2025	3.000%				
	2026	3.000%				
	2027	3.000%				



## I.S.D. No. 139 (Rush City), Minnesota

\$1,075,000 General Obligation Facilities Maintenance Bonds, Series 2017

Dated February 9, 2017

### Sources & Uses

Dated 02/09/2017 | Delivered 02/09/2017

#### Sources Of Funds

Par Amount of Bonds	\$1,075,000.00
Reoffering Premium	66,127.30
<b>Total Sources</b>	<b>\$1,141,127.30</b>

#### Uses Of Funds

Total Underwriter's Discount (0.828%)	8,901.05
Costs of Issuance	29,391.00
Deposit to Project Construction Fund	1,102,835.25
<b>Total Uses</b>	<b>\$1,141,127.30</b>

## I.S.D. No. 139 (Rush City), Minnesota

\$1,075,000 General Obligation Facilities Maintenance Bonds, Series 2017

Dated February 9, 2017

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/09/2017	-	-	-	-	-
08/01/2017	-	-	15,408.33	15,408.33	-
02/01/2018	25,000.00	3.000%	16,125.00	41,125.00	56,533.33
08/01/2018	-	-	15,750.00	15,750.00	-
02/01/2019	105,000.00	3.000%	15,750.00	120,750.00	136,500.00
08/01/2019	-	-	14,175.00	14,175.00	-
02/01/2020	105,000.00	3.000%	14,175.00	119,175.00	133,350.00
08/01/2020	-	-	12,600.00	12,600.00	-
02/01/2021	110,000.00	3.000%	12,600.00	122,600.00	135,200.00
08/01/2021	-	-	10,950.00	10,950.00	-
02/01/2022	115,000.00	3.000%	10,950.00	125,950.00	136,900.00
08/01/2022	-	-	9,225.00	9,225.00	-
02/01/2023	115,000.00	3.000%	9,225.00	124,225.00	133,450.00
08/01/2023	-	-	7,500.00	7,500.00	-
02/01/2024	120,000.00	3.000%	7,500.00	127,500.00	135,000.00
08/01/2024	-	-	5,700.00	5,700.00	-
02/01/2025	125,000.00	3.000%	5,700.00	130,700.00	136,400.00
08/01/2025	-	-	3,825.00	3,825.00	-
02/01/2026	125,000.00	3.000%	3,825.00	128,825.00	132,650.00
08/01/2026	-	-	1,950.00	1,950.00	-
02/01/2027	130,000.00	3.000%	1,950.00	131,950.00	133,900.00
<b>Total</b>	<b>\$1,075,000.00</b>	<b>-</b>	<b>\$194,883.33</b>	<b>\$1,269,883.33</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$6,496.11
Average Life	6.043 Ycars
Average Coupon	2.9999999%
Net Interest Cost (NIC)	2.1190690%
True Interest Cost (TIC)	2.0482617%
Bond Yield for Arbitrage Purposes	1.9059931%
All Inclusive Cost (AIC)	2.5288525%

### IRS Form 8038

Net Interest Cost	1.8573329%
Weighted Average Maturity	6.075 Years

**Rush City School District No. 139****Facilities Maintenance Bond Schedule - Results****\$1,075,000 Bond Issue****10 Years****38.7 % of Revenue Used**

Principal Amount: \$1,075,000  
 Dated Date: 2/9/2017  
 Number of Years: 10  
 Avg. Interest Rate: 2.04%

January 19, 2017

Year Taxes Payable	Fiscal Year	LTFM Revenue	LTFM Levy	LTFM Aid	Principal	Interest	Total Payments	Initial Debt Service Levies (P & I at 105%)	Remaining LTFM Revenue
2016	2017	\$140,251	\$69,085	\$71,166	\$0	\$0	\$0	\$0	\$140,251
2017	2018	223,842	116,315	107,528	25,000	31,533	56,533	59,360	164,482
2018	2019	301,720	155,434	146,286	105,000	31,500	136,500	143,325	158,395
2019	2020	312,139	158,229	153,909	105,000	28,350	133,350	140,018	172,121
2020	2021	322,557	162,125	160,432	110,000	25,200	135,200	141,960	180,597
2021	2022	332,976	167,371	165,605	115,000	21,900	136,900	143,745	189,231
2022	2023	343,394	172,606	170,788	115,000	18,450	133,450	140,123	203,272
2023	2024	353,813	177,837	175,976	120,000	15,000	135,000	141,750	212,063
2024	2025	364,231	183,074	181,158	125,000	11,400	136,400	143,220	221,011
2025	2026	364,648	183,281	181,367	125,000	7,650	132,650	139,283	225,366
2026	2027	364,648	183,281	181,367	130,000	3,900	133,900	140,595	224,053
2027	2028	364,648	183,281	181,367	0	0	0	0	364,648
2028	2029	364,648	183,281	181,367	0	0	0	0	364,648
2029	2030	364,648	183,281	181,367	0	0	0	0	364,648
2030	2031	364,648	183,281	181,367	0	0	0	0	364,648
2031	2032	364,648	183,281	181,367	0	0	0	0	364,648
2032	2033	364,648	183,281	181,367	0	0	0	0	364,648
2033	2034	364,648	183,281	181,367	0	0	0	0	364,648
2034	2035	364,648	183,281	181,367	0	0	0	0	364,648
2035	2036	364,648	183,281	181,367	0	0	0	0	364,648
					\$1,075,000	\$194,883	\$1,269,883	\$1,464,767	

Pupil Unit and ANTC assumptions match the district's 10 year plan as submitted to MDE.



# **RatingsDirect®**

---

## **Summary:**

### **Rush City Independent School District No. 139, Minnesota; School State Program**

#### **Primary Credit Analyst:**

Cora Bruemmer, Chicago (312) 233-7099; cora.bruemmer@spglobal.com

#### **Secondary Contact:**

Eric J Harper, Chicago (1) 312-233-7094; eric.harper@spglobal.com

## **Table Of Contents**

---

Rationale

Outlook

## Summary:

# Rush City Independent School District No. 139, Minnesota; School State Program

## Credit Profile

US\$1.105 mil GO facilities maintenance bonds ser 2017A dtd 02/09/2017 due 02/01/2027

<i>Long Term Rating</i>	AA+/Positive	New
<i>Underlying Rating for Credit Program</i>	A+/Stable	New
Rush City Indpt Sch Dist #139 GO		
<i>Long Term Rating</i>	AA+/Positive	Affirmed
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed

## Rationale

S&P Global Ratings assigned its 'AA+' long-term rating and 'A+' underlying rating to Rush City Independent School District No. 139, Minn.'s series 2017A general obligation (GO) facilities maintenance bonds. At the same time, we affirmed our 'A+' underlying rating on the district's existing GO debt. The outlook on the long-term rating is positive, and the outlook on the underlying rating is stable.

The district's full faith and credit unlimited ad valorem tax GO pledge secures the bonds. Additional security is provided by the Minnesota School District Credit Enhancement Program. Bond proceeds will finance facility maintenance projects included in the district's 10-year facility plan as approved by the Minnesota Commissioner of Education.

The 'AA+' long-term rating reflects the district's eligibility for and participation in Minnesota's School District Credit Enhancement Program, a state standing appropriation program to prevent a default on the district's bond issues as authorized by Minnesota State Statutes, Section 126C.55. The rating on obligations that have received enhancement under the program is on par and moves in tandem with the rating on the state.

The 'A+' underlying rating reflects our opinion of the district's:

- Good incomes, as represented by median household effective buying income (EBI);
- Very strong market value per capita;
- Strong reserves; and
- Moderate overall net debt.

Those credit strengths are partly offset, in our opinion, by the district's uneven enrollment trend and prior-year draws on reserves.

## Economy

Rush City Independent School District No. 139 serves an estimated population of 6,399. In our opinion, median household effective buying income (EBI) is good at 109% of the national level, but per capita EBI is adequate at 81%.

Economic market value totaled \$526.3 million in 2016, which we consider very strong at \$82,242 per capita. Net tax capacity grew by a total of 10.1% since 2014 to \$4.6 million in 2016. The tax base is very diverse, in our view, with the 10 largest taxpayers accounting for approximately 9.4% of net tax capacity.

The district is located in east-central Minnesota in Chisago and Pine counties, approximately 45 miles north of the Minneapolis-St. Paul metropolitan area. It covers 12 square miles, including all or a portion of the cities of Harris, Rock Creek, and Rush City and all or a portion of five townships. The district is mostly residential (55% of net tax capacity), with some agricultural (22%) and commercial/industrial (18%) land. A majority of residents commute to the Minneapolis-St. Paul metropolitan area for work. According to management, leading employers and taxpayers within the district are stable. The Chisago County unemployment rate averaged 4.2% in 2015, above the state's 3.7% but below the nation's 5.3%. The largest employer in the district is a state prison; we believe that the prisoner population is likely suppressing the district's per capita EBI.

### **Finances**

The state's basic general education revenue funding, which is determined by pupil count, is the primary source of operating revenue for Minnesota school districts. As a result, increases or decreases in enrollment can lead to increases or decreases, respectively, in revenue. Enrollment totaled 865 in 2017. Enrollment decreased 3.5% overall from 2013 to 2017.

Enrollment dropped unexpectedly by 44 in the 2014-2015 school year, but rebounded by 12 in 2016 and an additional 13 in 2017. Management projects that enrollment will increase slightly over the next several years, as a result of additional academic and extracurricular programming and proactive recruitment of students that had chosen other school options. Historically, the district has had a net loss of approximately 30 students through open enrollment but preliminary counts for this year indicate that the net loss has shrunk substantially to nearly break-even open enrollment in fiscal 2017.

The district's available fund balance of \$917,000 is strong in our view, at 10.7% of general fund expenditures at fiscal year-end (June 30) 2016. The district reported a surplus operating result of 1.4% of expenditures in 2016. The district depends primarily on state aid for general fund revenue (82.0%), with property taxes accounting for only 8.9% of revenue.

Following draws on reserves in fiscal years 2013 through 2015, the district passed a balanced budget in fiscal 2016. The district closed the year \$117,000 better than budget, largely due to conservative management of expenditures. The draws in prior years were related to capital expenditures and the unexpected drop in enrollment in 2014-2015. The fiscal 2017 budget calls for a \$50,000 general fund surplus, and year-to-date revenues and expenditures are tracking to budget. The district approved a \$124 per-pupil increase in its local optional revenue for fiscal 2017, increasing the total levy to the maximum allowed without voter approval (\$724 per pupil), but does not have any voter approved levies. Given the recent and planned surpluses, we believe the district will maintain at least strong reserves.

### **Management**

We consider the district's management practices "good" under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of

them on a regular basis.

The district uses three years of historical data and state projections to form budget assumptions. Management reports budget-to-actual performance to the board monthly. The district lacks a long-term financial plan. The district maintains a 10-year facilities maintenance plan that is tied to a state funding source and which it is required to update annually. According to management, the plan covers all of the district's capital needs. The district's investment policy follows state guidelines; the district reports holdings and earnings to the board quarterly. The district does not have a formal debt management policy. The fund balance policy requires the unrestricted general fund balance to be maintained at 10% to 15% of noncapital expenditures for cash flow purposes, and the district is in compliance with the policy.

### **Debt**

Overall net debt is moderate, in our opinion, at 3.7% of market value and \$3,007 per capita. Amortization is rapid, with 100% of the district's direct debt scheduled to be retired within 10 years. Debt service carrying charges were 15.1% of total governmental fund expenditures excluding capital outlay in fiscal 2016, which we consider elevated.

The district has no additional debt plans in the next several years, so we anticipate the overall debt burden will remain moderate.

### **Pension and other postemployment benefit liabilities**

In fiscal 2016, the district paid its full required contribution of \$370,000, or 3.4% of total governmental expenditures, toward its pension obligations. The district also contributed \$68,000, or 0.6% of total governmental expenditures, toward its other postemployment benefit (OPEB) obligations in fiscal 2016. Combined pension and OPEB carrying charges totaled 4% of total governmental fund expenditures in 2016.

The district participates in the Minnesota Teachers' Retirement Association (TRA) and Public Employees' Retirement Association (PERA), both statewide cost-sharing, defined-benefit pension plans. The district's annual required pension contribution to both TRA and PERA is determined by state statute and based on a percentage of payroll. Its proportionate net share of the pension liability across both plans as of 2016 was \$5.2 million. The funded ratios of the plans were 78% for PERA and 77% for TRA in fiscal 2015. The district also allows retirees to remain on its health care plan at their own expense, resulting in an implicit rate subsidy that is funded on a pay-as-you-go basis. The unfunded actuarial accrued liability was \$487,675 as of July 1, 2015, the most recent actuarial valuation date.

## **Outlook**

The positive outlook on the long-term rating reflects that of the Minnesota GO rating.

The stable outlook on the underlying rating reflects our expectation that the district will maintain at least strong general fund reserves given its projected surplus in fiscal 2017. The district's good financial management practices, recently approved levy increase, and moderate debt burden with lack of borrowing plans support the outlook. We do not anticipate changing the rating in the next two years.

**Upside scenario**

We could raise the rating if the district's economic metrics improve and it significantly builds and maintains an available fund balance comparable with those of higher-rated peers.

**Downside scenario**

We could lower the rating if the district's reserves fall below its policy level for a prolonged period.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POORS, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.