



# Case Studies & Cookies

March 31, 2023

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# 2022 Successful Elections

DISTRICT	AUTHORIZED AMT	DISTRICT	AUTHORIZED AMT
Albany	\$ 16,960,000	Kimball	\$ 8,170,000
Braham	\$ 2,435,000	Le Sueur-Henderson	\$ 39,900,000
Cannon Falls	\$ 7,985,000	Ogilvie	\$ 9,840,000
Cass Lake	\$ 39,750,000	St. Louis Park	\$ 136,000,000
Dassel-Cokato	\$ 17,900,000	Tracy	\$ 7,565,000
Dover-Eyota	\$ 21,730,000	Warren-Alvarado-Oslo	\$ 24,900,000
East Central	\$ 4,145,000		

# Ehlers' Partnership with Districts

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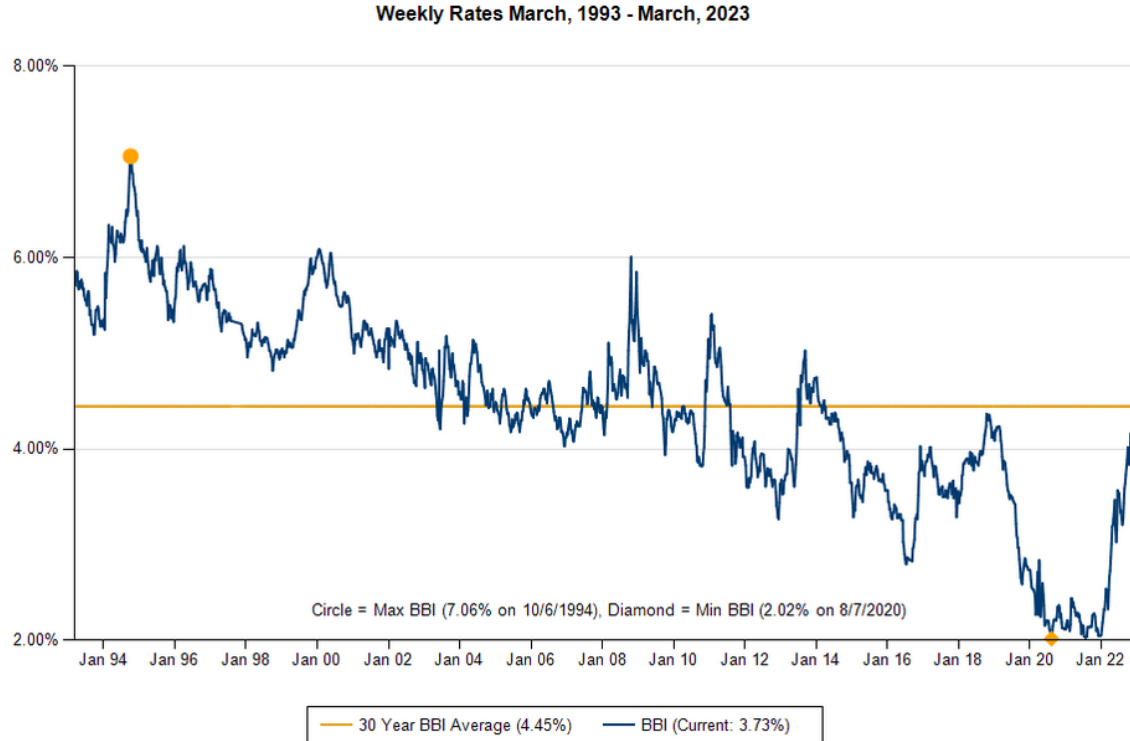
- Total school issues in 2022
  - ✓ 82 issues
  - ✓ 100 purposes
- 81 arbitrage reports!
- Investment earnings!

# Overcoming Economic Pressures



# Interest Rate Trends

## 30 YEAR TREND IN MUNICIPAL BOND INDICES



# Construction Inflation

- Calculated Averages:  Minnesota  US

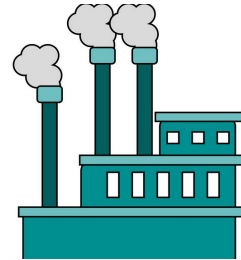
<b>1996</b>	7.60%	3.20%	<b>2005</b>	3.75%	5.05%	<b>2014</b>	4.83%	2.77%
<b>1997</b>	1.35%	2.20%	<b>2006</b>	0.76%	5.05%	<b>2015</b>	1.93%	1.83%
<b>1998</b>	2.30%	2.15%	<b>2007</b>	3.90%	3.60%	<b>2016</b>	2.87%	2.58%
<b>1999</b>	3.95%	2.25%	<b>2008</b>	3.15%	6.10%	<b>2017</b>	6.03%	3.23%
<b>2000</b>	1.05%	2.70%	<b>2009</b>	-0.15%	0.40%	<b>2018</b>	2.00%	4.87%
<b>2001</b>	4.05%	2.60%	<b>2010</b>	3.80%	2.53%	<b>2019</b>	0.47%	3.00%
<b>2002</b>	3.50%	3.30%	<b>2011</b>	2.53%	2.97%	<b>2020</b>	2.95%	1.83%
<b>2003</b>	5.00%	2.95%	<b>2012</b>	3.00%	3.10%	<b>2021</b>	12.13%	14.20%
<b>2004</b>	9.35%	8.35%	<b>2013</b>	3.07%	2.97%	<b>2022*</b>	4.90%	5.85%

\* As of September

# Property Valuations

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- Home values increased in 2023
- Anticipated increases in 2024



# Financing Tools: Capital Projects

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Multiple financing tools



“Tools for Financing Capital Projects” booklet



Growing trend

- ✓ Mix & match
- ✓ Get advice early to be creative



Effective use = SUCCESS!



# Financing Tools for Capital Projects

## PROJECT TYPES

	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit	Limitations	Maximum Borrowing	Other Notes
<b>Building Bonds</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y	Y	None	Statutory debt limit	State Review & Comment required
<b>Operating Referendum</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y		Annual revenue; not all up-front	No borrowing State maximum revenue/ pupil	Annual revenue can be used to make payments on debt issue (lease purchase, capital facilities bonds, capital notes)
<b>Capital Project Levy</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Y	Y		Annual revenue; not all up-front	No borrowing	

# Financing Tools for Capital Projects

## PROJECT TYPES

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<b>Facilities Maintenance Bonds</b> (All except old Alt. Fac. Districts)					✓								Y	Payments financed from LTFM revenue	Statutory debt limit	State approval required
			1			✓						Y	Y	HVAC, fire suppression, asbestos over \$100k or remodeling for Pre-K	Statutory debt limit	State approval required
<b>Facilities Maintenance Bonds</b> (Old Alt. Fac. Districts)			1		✓	✓						Y	Y	None	Statutory debt limit	State approval required

1. Facilities Maintenance Bonds can be used to finance building remodeling required to accommodate state-funded voluntary pre-kindergarten programs.

# Financing Tools for Capital Projects

## PROJECT TYPES

	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit	Limitations	Maximum Borrowing	Other Notes
<b>Capital Facilities Bonds</b>			✓	✓		✓	✓	✓	✓				Y	Payments financed from general fund revenue	Annual pmts. can't exceed operating capital revenue	State approval required
<b>Capital Notes</b>										✓			Y	Payments financed from general fund revenue	Annual pmts. can't exceed operating capital revenue	State approval required

# Financing Tools for Capital Projects

## PROJECT TYPES

	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit	Limitations	Maximum Borrowing	Other Notes
Lease Purchase without Levy	✓	✓		✓			✓			✓				Payments financed from general fund revenue		
Lease Purchase with Levy	2	✓		3								Y		Instructional & school storage use only Additions limited to 20% of existing building space	Annual lease levy limited to \$212/pupil	Annual state approval required with upfront capital lease approval prior to financing

- Lease levy can be used for new buildings, building purchases, or building additions under 20% of existing building, but only if the facilities are used for instruction or school storage, and not for "regular elementary or secondary instruction." Permitted examples would include buildings used for early childhood education, special education, alternative learning centers or adult education.
- Lease levy can be used for site improvements for cocurricular or other instructional uses, e.g., athletic fields and tracks.

# Financing Tools for Capital Projects

## PROJECT TYPES

	New Buildings/ Bldg. Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety Projects	Parking Lots	Energy Improvements	Security Improvements	Furnishings/ Equipment	Voter Approval Required	Property Tax Impact	Ag Bond Credit	Limitations	Maximum Borrowing	Other Notes
Abatement Bonds							✓					Y	Y	Permitted uses limited to parking construction & improvements	Annual debt service limited to 10% of NTC	Public hearing required

# Examples - Tax Base Composition

## School District: Hopkins

Assessment Year 2021 (Taxes Payable 2022) Tax Base by Property Type

	Market Value	Percent of Total	Referendum Market Value*	Percent of Total	Net Tax Capacity**	Percent of Total
<b>Totals</b>	<b>13,566,805,188</b>	<b>100.0%</b>	<b>13,450,775,927</b>	<b>100.0%</b>	<b>149,840,184</b>	
Residential Homestead	6,861,595,799	50.6%	6,839,805,588	50.9%	68,778,015	45.9%
Other Residential	3,215,779,889	23.7%	3,146,977,139	23.4%	36,923,771	24.6%
Commercial / Industrial	3,463,993,200	25.5%	3,463,993,200	25.8%	68,709,367	45.9%
Non Qualifying Agricultural***	-	0.0%	-	0.0%	-	0.0%
Qualifying Agriculture	-	0.0%	-	0.0%	-	0.0%
Seasonal Recreational	25,436,300	0.2%	-	0.0%	266,623	0.2%
TIF & FD					-24,837,593	-16.6%

\*RMV by major component is from the Abstract of Assessment, PRISM run 2; district-by-district total RMV (PRISM 3) should be used to compute aid/levy share

\*\*Totals include TIF & Fiscal Disparities adjustments

\*\*\*For Ag Property; House Garage & One Acre (HGA) are included in Non-Qualifying Agriculture

# Examples - Tax Base Composition

## School District: South Washington County Schools

Assessment Year 2021 (Taxes Payable 2022) Tax Base by Property Type

	Market Value	Percent of Total	Referendum Market Value*	Percent of Total	Net Tax Capacity**	Percent of Total
<b>Totals</b>	<b>13,787,840,400</b>	<b>100.0%</b>	<b>13,536,745,700</b>	<b>100.0%</b>	<b>155,984,935</b>	
Residential Homestead	10,221,741,300	74.1%	10,150,523,225	75.0%	99,431,882	63.7%
Other Residential	2,078,510,800	15.1%	2,061,582,175	15.2%	22,817,333	14.6%
Commercial / Industrial	1,297,391,000	9.4%	1,297,391,000	9.6%	25,579,608	16.4%
Non Qualifying Agricultural***	24,414,700	0.2%	24,414,700	0.2%	244,668	0.2%
Qualifying Agriculture	161,268,800	1.2%	-	0.0%	1,362,277	0.9%
Seasonal Recreational	4,513,800	0.0%	2,834,600	0.0%	51,401	0.0%
TIF & FD					6,497,766	4.2%

\*RMV by major component is from the Abstract of Assessment, PRISM run 2; district-by-district total RMV (PRISM 3) should be used to compute aid/levy share

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# Examples - Tax Base Composition

## School District: Battle Lake

Assessment Year 2021 (Taxes Payable 2022) Tax Base by Property Type

	Market Value	Percent of Total	Referendum Market Value*	Percent of Total	Net Tax Capacity**	Percent of Total
<b>Totals</b>	<b>1,634,729,986</b>	<b>100.0%</b>	<b>594,751,472</b>	<b>100.0%</b>	<b>15,894,165</b>	
Residential Homestead	483,112,200	29.6%	475,546,254	80.0%	4,694,575	29.5%
Other Residential	47,567,117	2.9%	47,497,192	8.0%	534,405	3.4%
Commercial / Industrial	21,006,300	1.3%	21,006,300	3.5%	351,913	2.2%
Non Qualifying Agricultural***	35,675,200	2.2%	34,992,496	5.9%	320,602	2.0%
Qualifying Agriculture	198,933,069	12.2%	-	0.0%	1,471,980	9.3%
Seasonal Recreational	848,436,100	51.9%	15,709,230	2.6%	8,600,201	54.1%
TIF & FD					-79,510	-0.5%

\*RMV by major component is from the Abstract of Assessment, PRISM run 2; district-by-district total RMV (PRISM 3) should be used to compute aid/levy share

\*\*Totals include TIF & Fiscal Disparities adjustments

\*\*\*For Ag Property; House Garage & One Acre (HGA) are included in Non-Qualifying Agriculture



# Examples - Tax Base Composition

## School District: Tracy Area

Assessment Year 2021 (Taxes Payable 2022) Tax Base by Property Type

	Market Value	Percent of Total	Referendum Market Value*	Percent of Total	Net Tax Capacity**	Percent of Total
<b>Totals</b>	<b>1,607,891,716</b>	<b>100.0%</b>	<b>345,639,682</b>	<b>100.0%</b>	<b>14,477,485</b>	
Residential Homestead	182,749,997	11.4%	181,018,815	52.4%	1,534,535	10.6%
Other Residential	31,142,100	1.9%	30,958,675	9.0%	330,563	2.3%
Commercial / Industrial	89,736,100	5.6%	89,736,100	26.0%	1,730,383	12.0%
Non Qualifying Agricultural***	44,045,292	2.7%	42,528,592	12.3%	365,038	2.5%
Qualifying Agriculture	1,177,803,727	73.3%	-	0.0%	9,690,792	66.9%
Seasonal Recreational	82,414,500	5.1%	1,397,500	0.4%	826,175	5.7%
TIF & FD					0	0.0%

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District Example

# **SHERBURNE & NORTHERN WRIGHT SPECIAL EDUCATION COOPERATIVE**

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# Background

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- Educational cooperative organization serving
  - ✓ Becker
  - ✓ Big Lake
  - ✓ Monticello



# Capital Need

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- Additional instruction space
  - ✓ Remodeling of existing space at Monticello Middle School

# Planning Process

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## Spring 2019

- Identified district participation
- Identified space & programming needs



## Summer/Fall 2019

- Evaluated contribution, levy authority & tax impact
- Evaluated financing options & delegation of responsibilities
- Set estimated Lease Levy for Becker & Big Lake

# Solution

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- Renovation of Monticello Middle School facility
- Monticello issued financing
  - ✓ No levy authority
  - ✓ Cash contribution
    - Lowered financing costs
- Big Lake & Becker
  - ✓ Used Lease Levy authority to fund their contribution



District Example

# **ROSEVILLE AREA SCHOOL DISTRICT**

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# Background

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- First-ring district
- Bordering both Minneapolis & St. Paul school districts
- Serving 7 cities
- Aging facilities
- Changing demographics





# Capital Need

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- Additions to all buildings
  - ✓ Greater needs at the high school
- Deferred maintenance
  - ✓ All buildings including Fairview Community Center

# Planning Process

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**2013**

- Develops strategic plan

**2017**

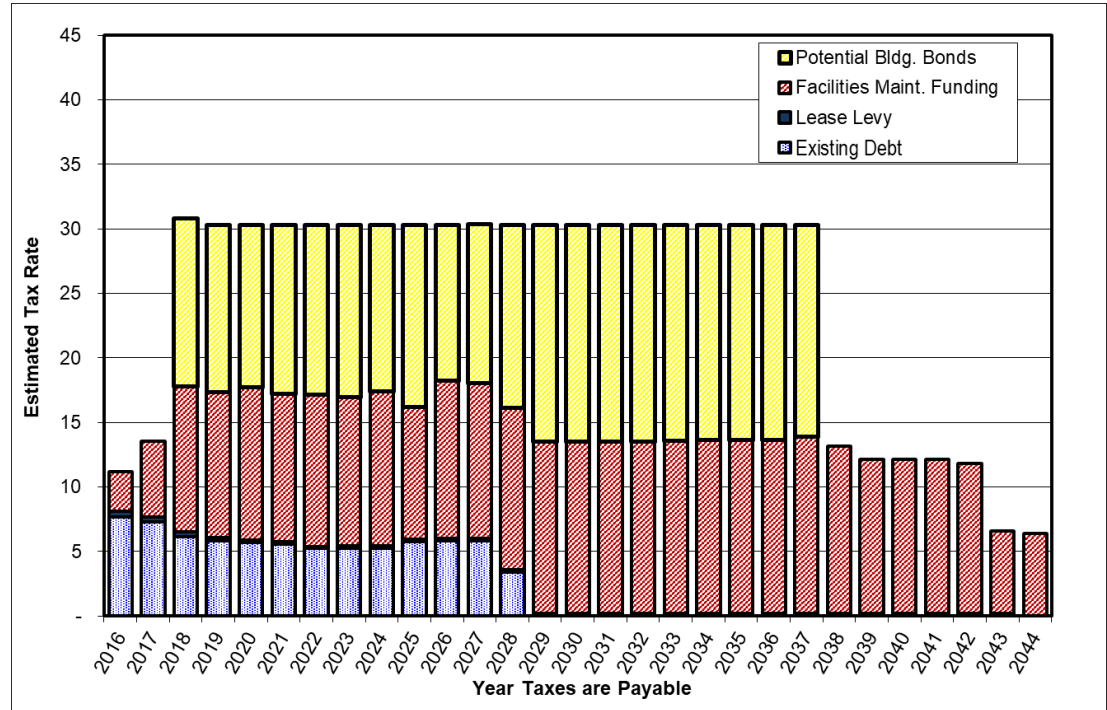
- Holds board discussion & final community meetings

**2016**

- Commissions Wold Architects & Engineers to conduct a facility inventory
  - ✓ Develops long term plan better utilizing LTFM
  - ✓ Convenes community stakeholders

# Solution

- Bond referendum of \$144,000,000
- LTFM program of \$10,000,00 annually
  - ✓ Mix of pay-go & bonding authority



# Follow-up

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- Facility review of Fairview showed further deterioration than originally expected
- Planned future lease purchase for pool
- Shifted existing budgets between building, FM & future lease purchase to accommodate future borrowing



District Example

# **SPRINGFIELD PUBLIC SCHOOLS**

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# Background

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- Single prek-12 facility
- 620 students
- Originally built in early 1900s
  - ✓ 10 additions



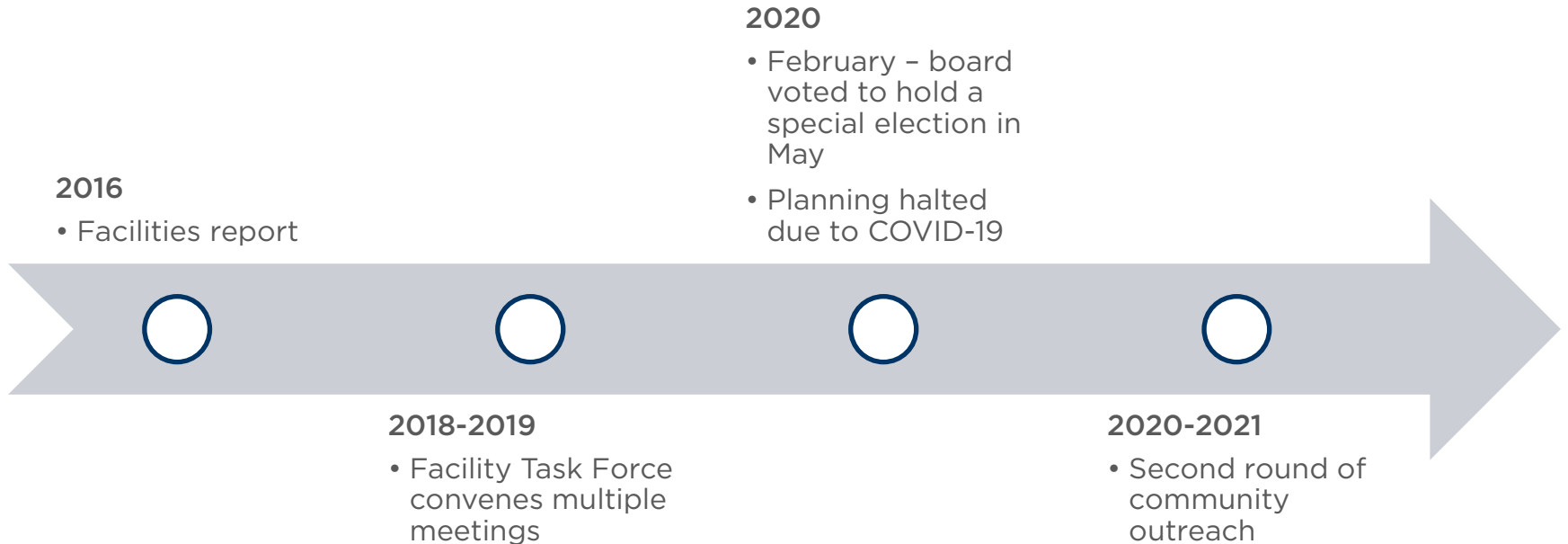
# Capital Need

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- Last renovation 1994
- Facility report identified 75 deficiencies
- General recognition that they were not providing a learning facility conducive to a 21st century education

# Planning Process

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# Success

- February 2021 Election





District Example

# **WINONA AREA PUBLIC SCHOOLS**

# Background

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- Regional center in southeast MN
- Serves 2,500 students
- Declining enrollment
  - ✓ Desire to keep the neighborhood schools
- 6 buildings



# Capital Needs

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- Elementary schools
  - ✓ HVAC
  - ✓ New cafeteria & kitchen
- All buildings
  - ✓ Renovations & modernization
  - ✓ Deferred maintenance & system upgrades

# Planning Process

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**2015**

School Board studies various configurations



**2016**

Board convenes community task force

**2017**

- Task force recommendation for referendum including closure of certain schools
- Bond referendum unsuccessful (\$82 million)

# Planning Process

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## 2018

- Re-evaluate needs & direction, closed 2 elementary schools & developed a phase approach
- Bond referendum successful (\$9 million)
  - ✓ Security, entrances, fire, ventilation, maintenance
  - ✓ Timed with reduction of existing debt
  - ✓ 4-year bond for planning of next phase & bringing a bond election timed with the final payment of this bond

## 2022-23

- Task force formed for capital needs
- District surveyed
- Master facilities plan approved by Board

## 2021-2022

- Issued Facilities Maintenance bonds (\$8 million) to install geothermal HVAC systems at 2 elementary schools
- Construction of geothermal project bid
  - ✓ \$24 million
  - ✓ \$8 million short

# Solution

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- Board approved April election
  - ✓ Investments at each facility
  - ✓ Maintains facilities throughout district
  - ✓ Significant renovations to the 2 oldest elementary schools
    - Including new kitchen & cafeteria additions
  - ✓ Modernizes certain learning areas throughout district
  - ✓ Leaves significant improvements at the high school for future decisions



**VISIT A CASE STUDY &  
ENJOY SOME COOKIES!**



# Important Disclosures

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