



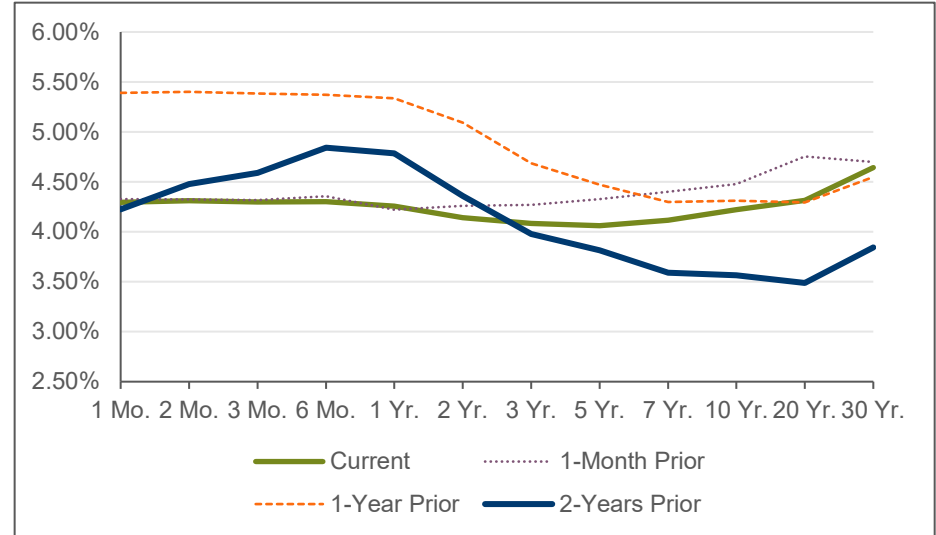
Investing School District Funds in Today's Marketplace



ECONOMIC & MARKET DATA

U.S. Treasury Rates

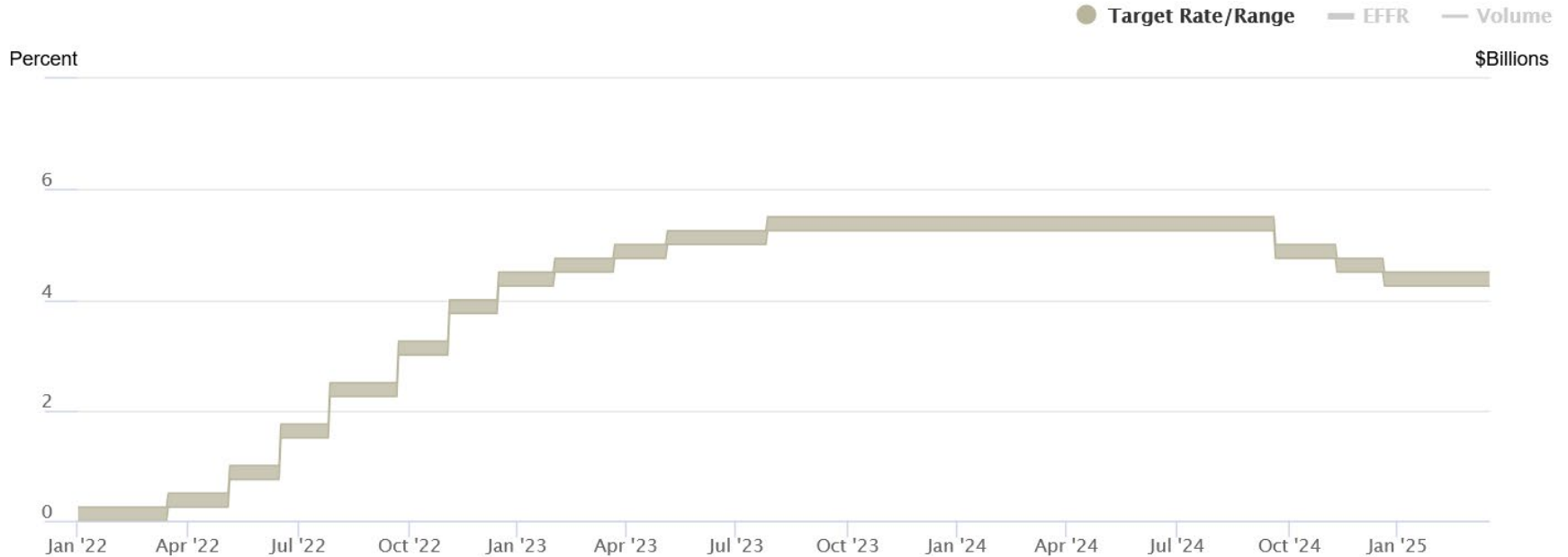
Treasury Rates							
	3/24/25	2/17/25	MoM Δ	3/19/24	YoY Δ	3/25/23	2 YoY Δ
1 Mo.	4.29%	4.33%	-0.03%	5.39%	-1.10%	4.22%	0.07%
2 Mo.	4.31%	4.33%	-0.01%	5.40%	-1.09%	4.48%	-0.17%
3 Mo.	4.30%	4.32%	-0.02%	5.39%	-1.09%	4.59%	-0.29%
6 Mo.	4.30%	4.36%	-0.05%	5.37%	-1.07%	4.84%	-0.54%
1 Yr.	4.26%	4.22%	0.04%	5.34%	-1.08%	4.79%	-0.53%
2 Yr.	4.14%	4.26%	-0.12%	5.09%	-0.95%	4.36%	-0.22%
3 Yr.	4.08%	4.27%	-0.19%	4.69%	-0.60%	3.98%	0.10%
5 Yr.	4.06%	4.33%	-0.27%	4.47%	-0.41%	3.82%	0.25%
7 Yr.	4.12%	4.40%	-0.29%	4.30%	-0.18%	3.59%	0.52%
10 Yr.	4.22%	4.48%	-0.26%	4.31%	-0.09%	3.57%	0.65%
20 Yr.	4.31%	4.75%	-0.44%	4.29%	0.02%	3.49%	0.82%
30 Yr.	4.64%	4.70%	-0.06%	4.55%	0.09%	3.84%	0.80%



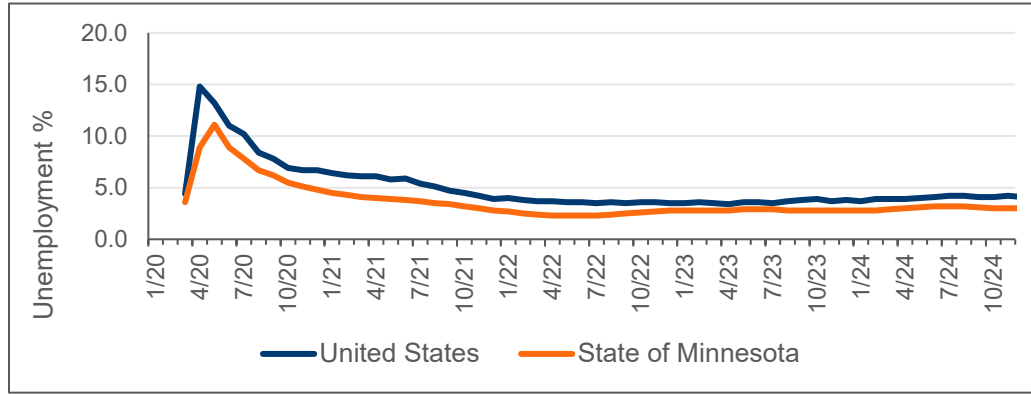
Source: FRED
Date: 3/20/25

Federal Funds Effective Rate

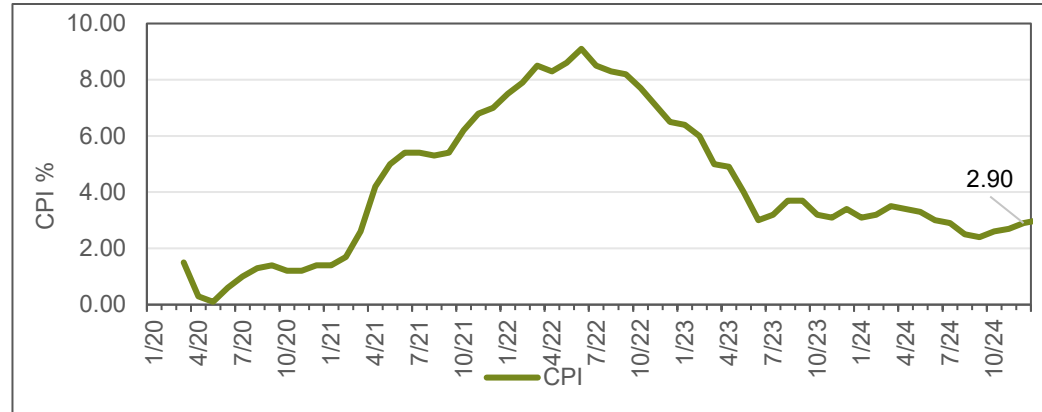
January 2022 – March 2025



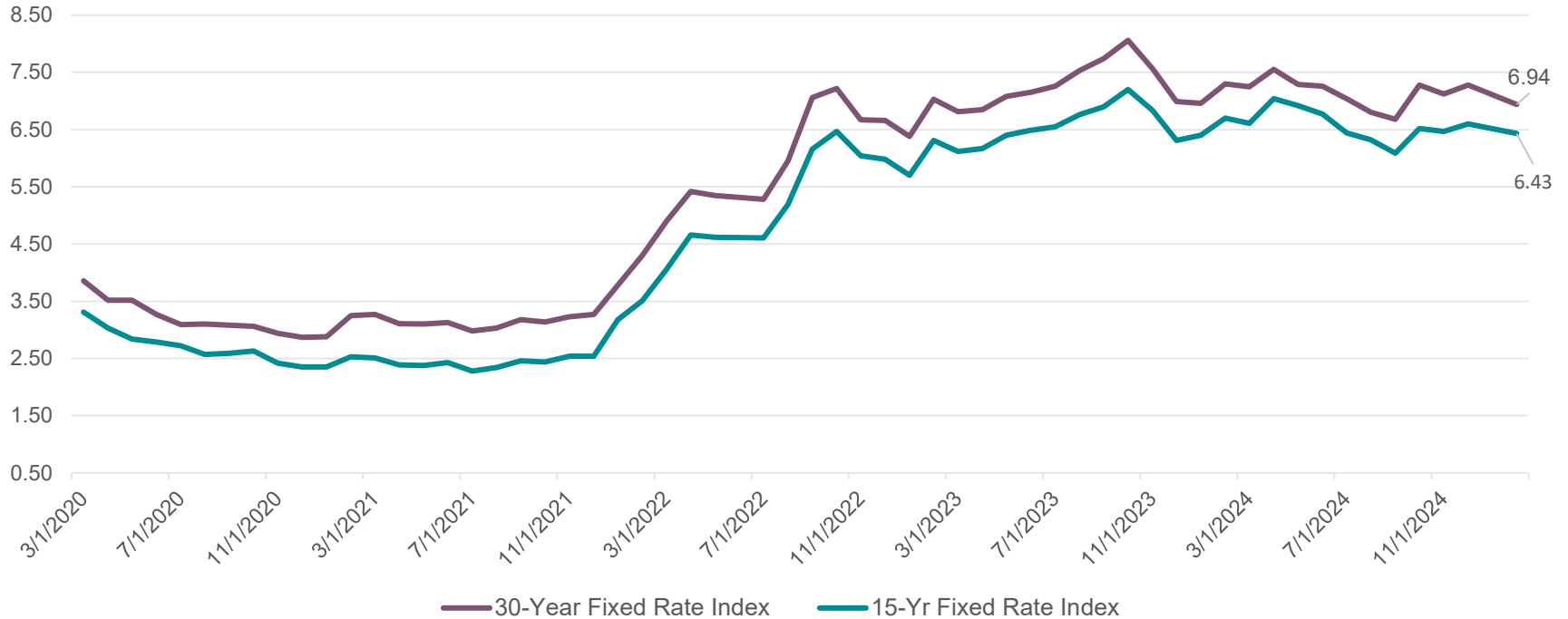
Unemployment & Inflation



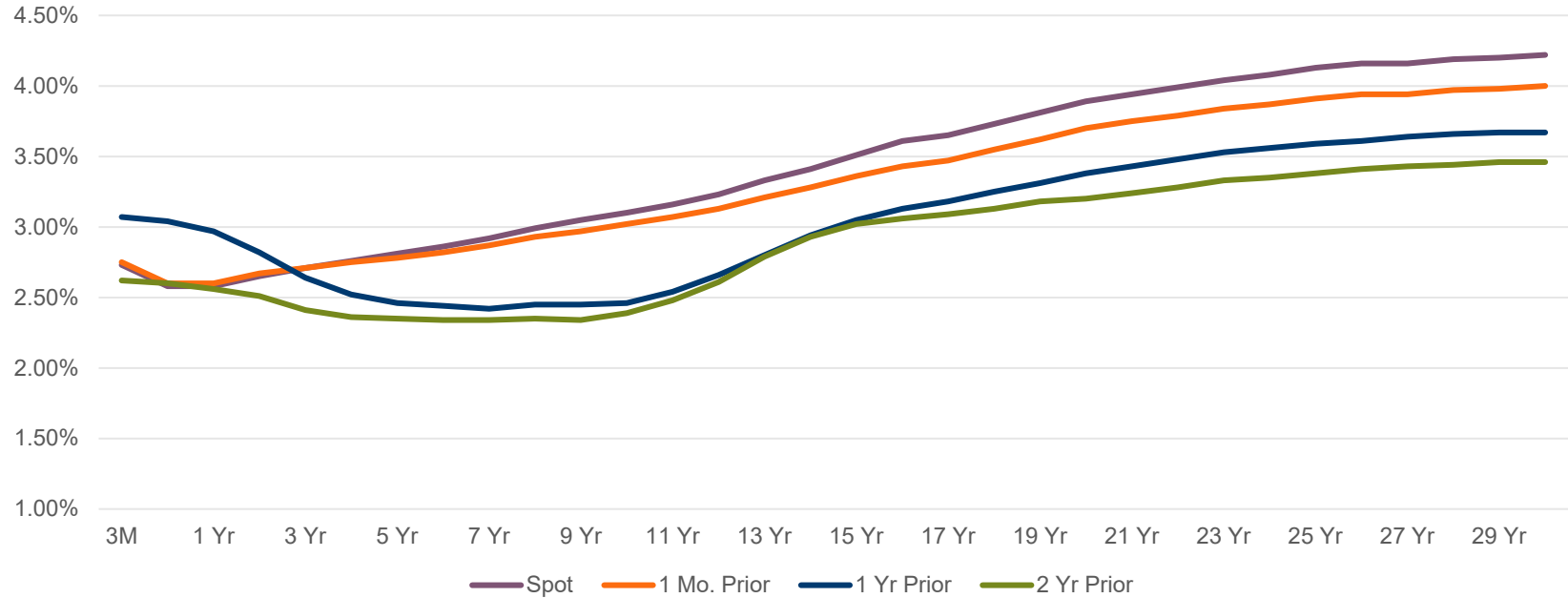
Source: FRED
Date: 3/19/25



Mortgage Rates

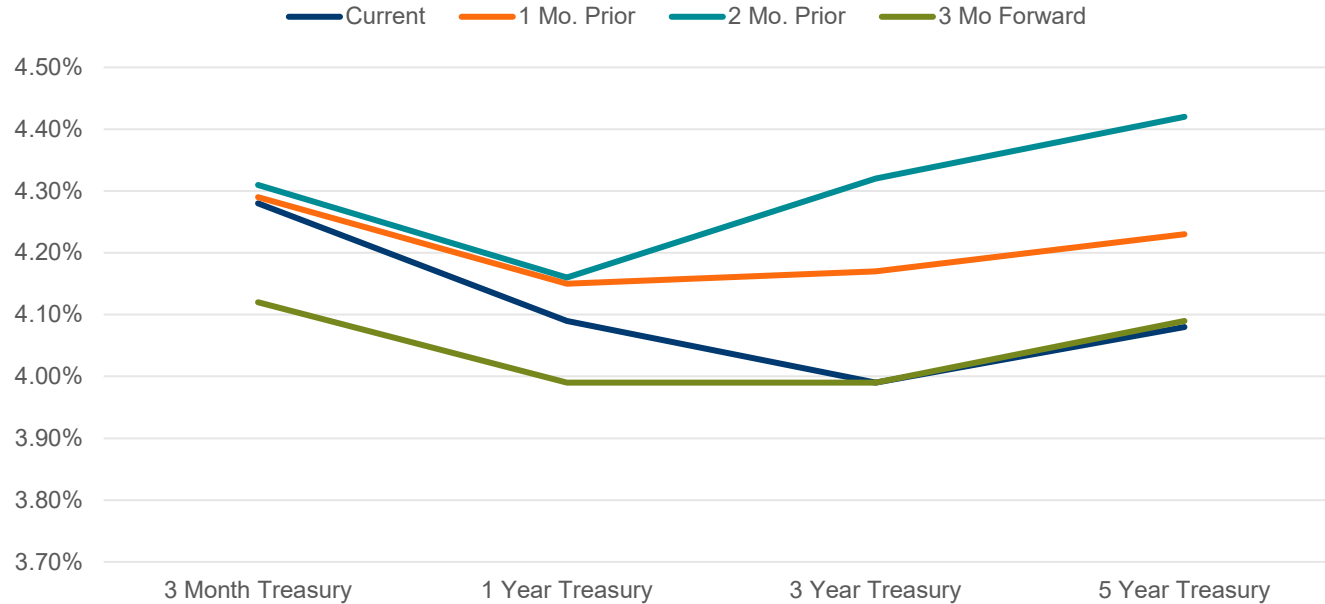


AAA Tax-Exempt Yields



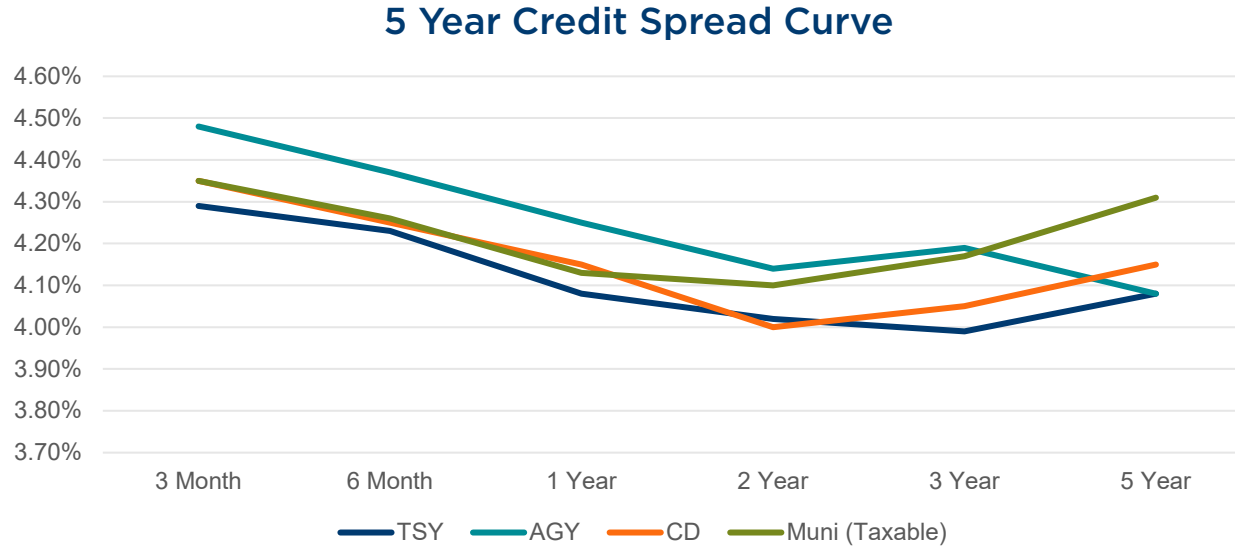
Source: EMMA
Date: 3/19/25

Investment Rates



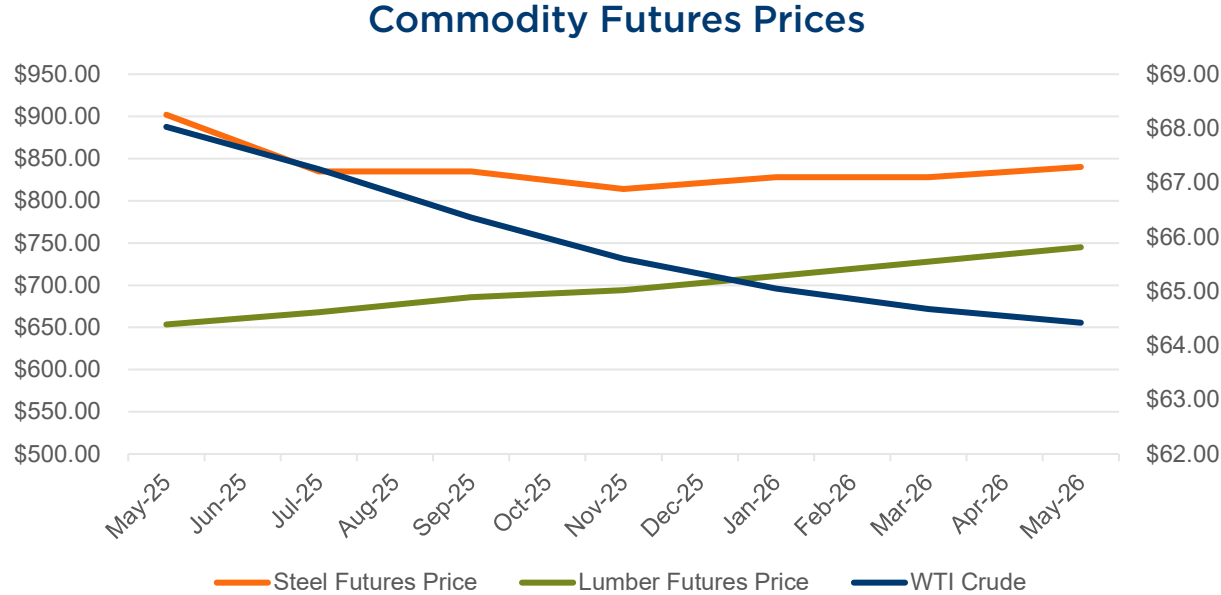
Source: FRED
Date: 3/19/25

Credit Spreads



Source: FRED
Date: 3/19/25

Commodity Forecast



Source: CME
Date: 3/20/25

Borrowing & Reinvestment Rates

Sample Tax Exempt Borrowing Rates ¹	
<u>Term</u>	<u>Rate</u>
10 years	3.21%
15 years	3.64%
20 years	3.93%
25 years	4.14%
30 years	4.29%

U.S. Treasury Rates ²	
<u>Term</u>	<u>Rate</u>
3 month	4.29%
6 month	4.23%
1 year	4.06%
3 year	3.93%
5 year	4.01%

1. Bond yields for arbitrage purposes as of 3/20/2025. Assuming a AA-rated General Obligation credit, \$10mm issue size ,and 9-year call dates. For specific pricing information, please contact your Registered Municipal Advisor.

2. U.S. Treasury rates as of 03/20/2025.



PERMISSIBLE INVESTMENTS

Permissible Investments

MN. Statute 118A.04

United States Securities:

- Governmental bonds, notes, bills, mortgages (excluding high-risk mortgage-backed securities), that are direct obligations or guaranteed by the United States, or its agencies or instrumentalities

State & Local Securities (municipal bonds):

- General obligations of any state or local government with a rating of “A” or better by a national bond rating service
- Revenue obligations of any state or local government with a rating of “AA” or better by a national bond rating service



Permissible Investments

MN. Statute 118A.04

Time Deposits:

- Need to be fully insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), or bankers' acceptances of United States banks

Commercial Paper:

- Issued by United States corporations or Canadian subsidiaries rated in the highest credit category by at least two nationally recognized rating agencies with maturities less than 270 days

Minnesota Joint Powers Investment Trusts:

- Includes Local Government Investment Pools (LGIPs)

Permissible Investments

MN. Statute 118A.04

Money Market Funds:

- Registered under the Federal Investment Company act of 1940 and meets the conditions of rule 2a-7 of the Securities and Exchange Commission (SEC)
- Rated in the highest rating category by at least one nationally recognized rating organization

Repurchase Agreements

- Consisting of collateral allowable by Minnesota Statute 118A.04

Guaranteed Investment Contracts (GICs)





ARBITRAGE

Arbitrage: The Basics

Investing tax-exempt
bond proceeds in
taxable investment
products

IRS limits the
allowable taxable
investment earnings
on tax-exempt bond
proceeds

Required to rebate
to the federal
government
earnings in excess of
maximum allowed

Arbitrage: Small Issuer Exception

For school districts

- \$15 million in annual tax-exempt debt
- No more than \$5 million non-construction bonds

Unlimited earnings for 3 years for capital projects

- Yield restrictions after 3 years

Arbitrage: Spending Exceptions

	6 Month Spending Exception	18 Month Spending Exception	24 Month Spending Exception
6 Months	100%	15%	10%
12 Months	-	60%	45%
18 Months	-	100%	75%
24 Months	-	-	100%

Arbitrage Planning

- Forward looking arbitrage planning & analysis prior to issuing bonds
 - ✓ Earnings on bond proceeds add to funds available for capital project
 - ✓ Need construction draw & cash flow schedule
 - ✓ Work with Municipal Advisor, Arbitrage Consultant & Investment Adviser to develop strategy that seeks to:
 - Maximize bond proceeds investment earnings
 - Proactively plan for potential arbitrage liability & rebate

Arbitrage Liability

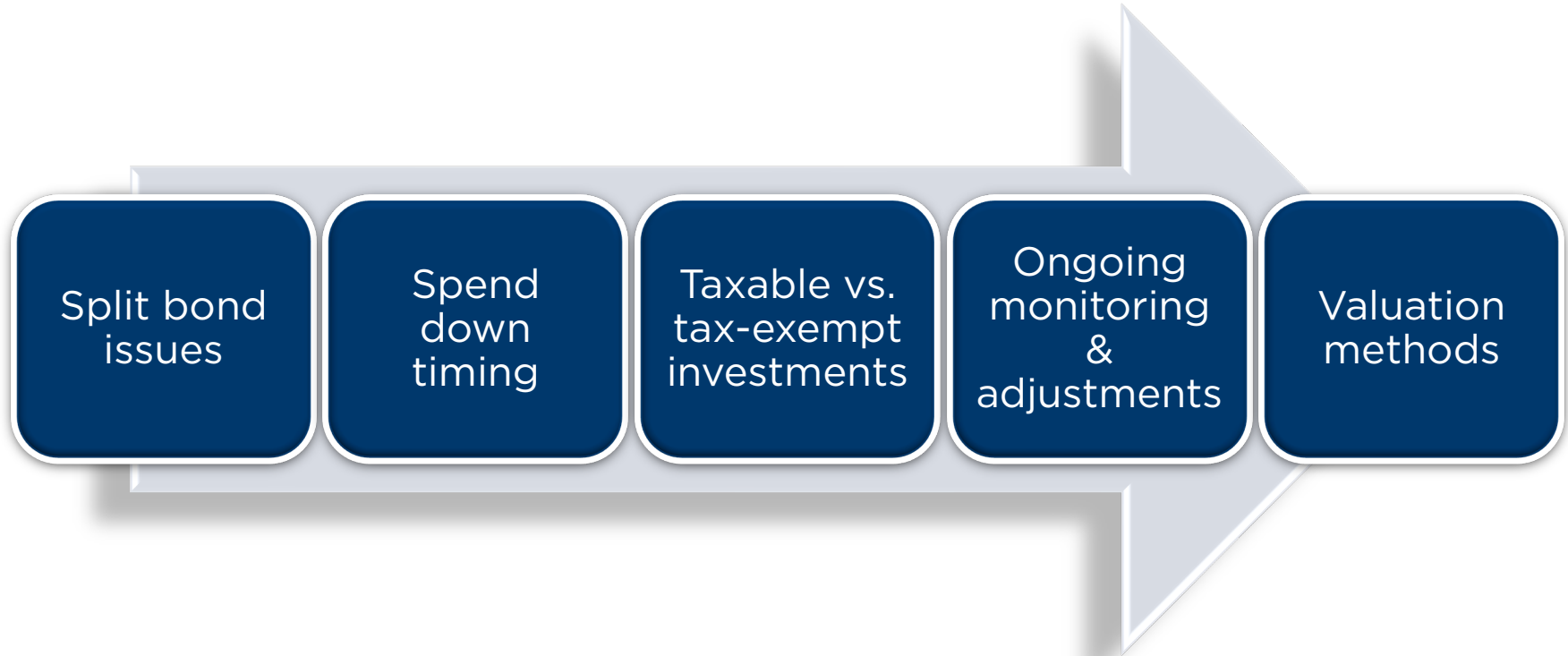
Qualifying
exceptions

Bond proceed
balances

Types of
investments

Duration &
timing of bond
proceeds
spending

Arbitrage Strategies



Your Presenters



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