



# **Building Stronger Facilities Plans:**

Insights & Strategies for “1a” Districts

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# Your Presenters

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# Agenda

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How Districts Qualify as 1a

Benefits & Flexibility of 1a Status

Rules and Processes 1a Districts Need to Know

Investment & Arbitrage Considerations

Case Study: North St. Paul Arbitrage Mitigation Strategy



Building Stronger Facilities Plans

# OVERVIEW OF “1a”



# LTFM: “1a” Districts

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- To Qualify...
  - ✓ More than 66 students per grade
  - ✓ Over 1,850,000 square feet and average building age 15 years Or 1,500,000 square feet & average building age 35 years
  - ✓ A ten-year facility plan approved by the commissioner
- 28 districts currently qualify as “1a”
- Funding not limited to \$380 per pupil

# Benefits of “1a” Districts

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Facilities  
maintenance  
financing  
provides  
funds up-  
front

- Leverages economies of scale
- Avoids construction inflation
- Preserves facility life & minimizes long-term costs through regular maintenance

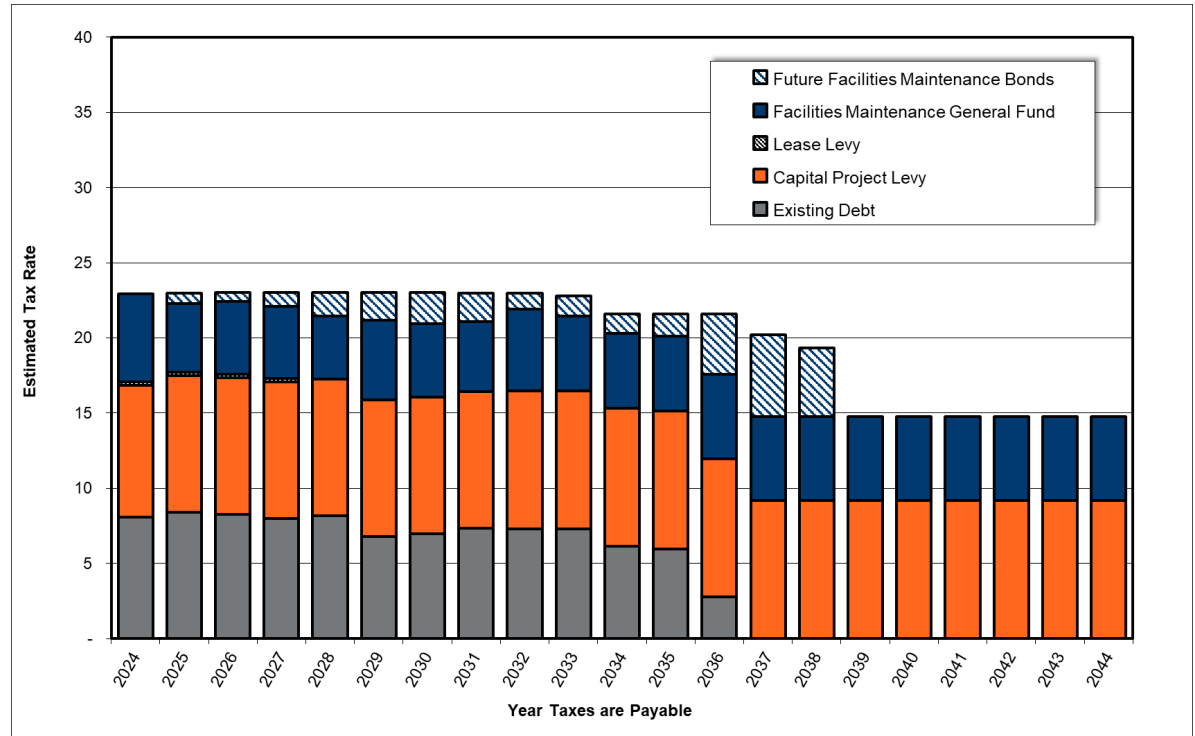
# Benefits of “1a” Districts

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- Levy management
  - ✓ Stability / predictability
  - ✓ Manage levy adjustments
    - Due to MDE financial management & accounting practices, annual general fund revenue is reconciled to annual expenses, if expenses are above \$380 per pupil
    - Bond proceeds may be carried forward for future costs without levy adjustments
  - ✓ Bond payments spread taxpayer costs over a term that more closely aligns with the useful life of the improvements

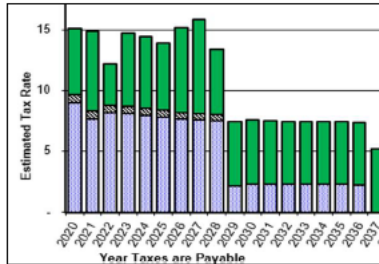
# Comprehensive Capital Planning

- Existing debt
- General fund levies
- Potential bonds
- Leases
- Annual revenue (CPL)

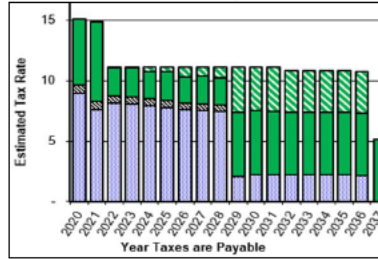


# LTFM Funding Plans

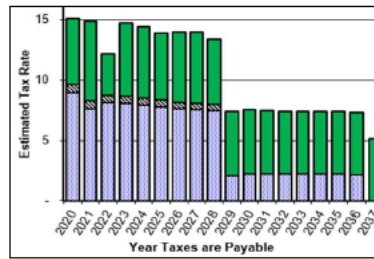
Fiscal Year	Current Funding Plan		Proposal with FM Bonds		No FM Bond, 14% Tax Rate		No FM Bond, 12% Tax Rate	
	Projects Funded in Current 10 Year Plan	Current Tax Rate with General Fund Levy Only	Projects Funded in Proposed 10 Year Plan	Proposed Tax Rate with Mix of Bonds and General Fund	LTFM Funding Reduction to Keep Tax Rate at 14%	Tax Rate	LTFM Funding Reduction to Keep Tax Rate at 12%	Tax Rate
	2022	7,602,459	14.9%	7,602,459	14.9%	0	14.9%	0
2023	7,038,459	12.2%	7,038,459	11.1%	0	12.2%	0	12.2%
2024	7,219,459	14.7%	7,219,459	11.1%	0	14.7%	-3,000,000	12.2%
2025	7,202,459	14.4%	7,202,459	11.1%	0	14.4%	-2,700,000	12.2%
2026	6,980,459	13.9%	6,980,459	11.1%	0	13.9%	-2,175,000	12.2%
2027	8,871,459	15.1%	8,871,459	11.1%	-1,450,000	14.0%	-3,750,000	12.2%
2028	9,946,459	15.8%	9,946,459	11.1%	-2,350,000	14.0%	-4,680,000	12.2%
2029	7,003,459	13.4%	7,003,459	11.1%	0	13.4%	-1,550,000	12.2%
2030	6,975,459	7.4%	6,975,459	11.1%	0	7.4%	0	7.4%
2031	6,975,459	7.5%	6,975,459	11.1%	0	7.5%	0	7.5%
<b>Total</b>	<b>75,815,590</b>		<b>75,815,590</b>		<b>72,015,590</b>		<b>57,960,590</b>	
	Change in Project Funds:		0		-3,800,000		-17,855,000	



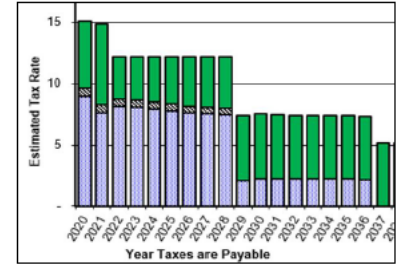
Current Funding Plan



Proposed Plan Incorporating FM Bonds  
No Change in Project Funding

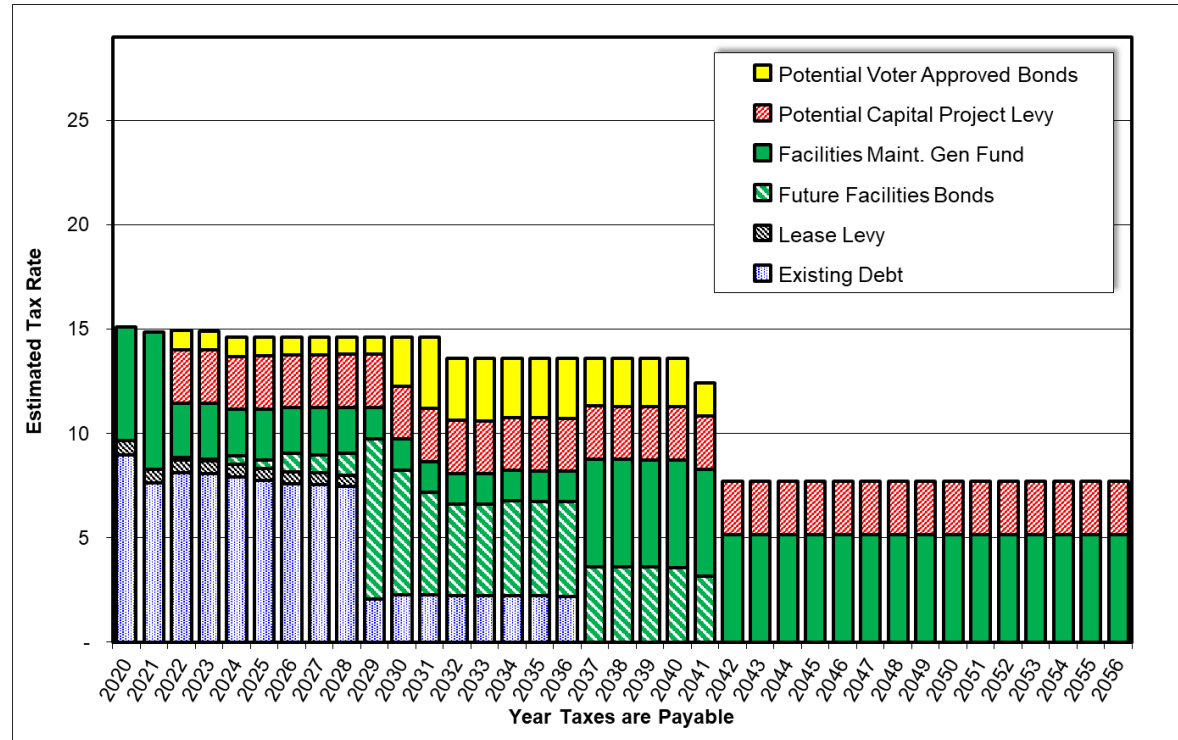


No FM Bonds, Adjust Funding to Level Tax Rate 14%  
Reduction of \$3,800,000 in Project Funding



No FM Bond, Adjust Funding to Level Tax Rate 12%  
Reduction of \$17,855,000 in Project Funding

# Example: Add School Building Bonds





Building Stronger Facilities Plans

# **ADHERING TO RULES & PROCESSES AS A “1a”**

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# UFARS Accounting Complexities

- Multiple...
  - ✓ Finance codes
  - ✓ Program codes
  - ✓ Fiscal years
  - ✓ Funds



# LTFM Plans & Funding

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## Annual Pay-Go Levies (Fund 01/06)

- Health & safety expenses (Testing, Environment Management, Etc.)
- Pay as You Go funding for LTFM plan

## Construction Fund (Fund 06)

- Funding for LTFM plan coming from bond issuance
- Upfront cash to fund multi-year projects with longer useful life

## Debt Service Fund (Fund 07)

- Principal & interest payments for LTFM bonds

# Challenges

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MDE reporting

Reconciliation  
process

LTFM  
accounting

LTFM 10-year  
plan  
spreadsheets

Spending bond  
proceeds

General Fund  
LTFM fund  
balances

Multiple funding  
sources

Construction  
projects occur  
over two fiscal  
years

# LTFM Accounting

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## Manage levy adjustments

- Due to MDE financial management & accounting practices, annual general fund revenue are reconciled to expenses, if expenses are above \$380 per pupil
- Bond proceeds may be carried forward for future costs without levy adjustments

# LTFM: General Fund

General Fund LTFM Levies Fiscal Year 2023-24						Final UFARS	Final Levy Adjustment
Tax Year	Certified Levy	1st Adjustment	2nd Adjustment	Levied		2024	2026
Fiscal Year	2023	2024	2025	Before Final Adj		2024	2027
H&S LLC 409	1,760,058.00			1,760,058.00		2,017,191.61	257,133.61
Pay-Go LLC 410	2,980,000.00			2,980,000.00		2,289,861.39	(690,138.61)
Coop LLC 421	25,815.00			25,815.00		25,815.00	-
Adjustment LLC 1076 & 1080		(541,308.00)		(541,308.00)			541,308.00
Adjustment LLC 1095 & 1088			-	-			-
<b>Totals</b>	<b>4,765,873.00</b>	<b>(541,308.00)</b>	<b>-</b>	<b>4,224,565.00</b>		<b>4,332,868.00</b>	<b>108,303.00</b>

Portion of LTFM FB Related to FY 2024			
FY 2024	FY 2025	FY 2026	FY 2027
433,005.00	(108,303.00)	(108,303.00)	0.00

# LTFM: General Fund

Tax Year Fiscal Year		Certified Levy 2023 2024
H&S	LLC 409	1,760,058.00
Pay-Go	LLC 410	2,980,000.00
Coop	LLC 421	25,815.00
Adjustment	LLC 1076 & 1080	
Adjustment	LLC 1095 & 1088	
<b>Totals</b>		<b>4,765,873.00</b>

# LTFM Example: White Bear Lake FY24

2023-24		
<b>Beginning Fund Balance</b>		-
<b>Revenue</b>		
H&S	Pay 23 - LLC 409	1,760,058.00
Pay-Go	Pay 23 - LLC 410	2,980,000.00
Coop	Pay 23 - LLC 421	25,815.00
<b>Total Revenue</b>		<b>4,765,873.00</b>
<b>Expenditures</b>		
H&S		2,017,191.61
Pay-Go		2,289,861.39
Coop		25,815.00
<b>Total Expenditures</b>		<b>4,332,868.00</b>
<b>Net</b>		<b>433,005.00</b>
<b>Fund Balance</b>		<b>433,005.00</b>

\*\*OLD LAW HEALTH AND SAFETY (H&S)\*\*

409	OLD LAW HEALTH & SAFETY REVENUE = FY 2024 ESTIMATED H&S COST =	1,760,058.00
410	REG ALT FAC PAYGO REVENUE APPROVED FOR FY 2024	2,980,000.00
411	ALT FAC/H&S PAYGO REV FOR NEW APPROVALS	
412	PAYGO REVENUE FOR ALT FAC AND AF/H&S = (410)+(411) =	2,980,000.00

421	DISTRICT SHARE OF ELIGIBLE COOP/INTERMED LTFM PROJECTS	25,815.00
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# LTFM Example: White Bear Lake FY24

2023-24		
<b>Beginning Fund Balance</b>		-
<b>Revenue</b>		
H&S	Pay 23 - LLC 409	1,760,058.00
Pay-Go	Pay 23 - LLC 410	2,980,000.00
Coop	Pay 23 - LLC 421	25,815.00
<b>Total Revenue</b>		<b>4,765,873.00</b>
<b>Expenditures</b>		
H&S		2,017,191.61
Pay-Go		2,289,861.39
Coop		25,815.00
<b>Total Expenditures</b>		<b>4,332,868.00</b>
<b>Net</b>		<b>433,005.00</b>
<b>Fund Balance</b>		<b>433,005.00</b>

HOLD HARMLESS	
(14) OLD LAW HEALTH & SAFETY REV = FY 2024 ESTIMATED H&S COST =	2,017,191.61
(15) REG ALT FAC PAYGO REV APPROVED	2,289,861.39
(16) AF/H&S PAYGO REVENUE FOR NEW APPROVALS =	.00
(17) PAYGO REV FOR ALT FAC & AF/H&S = (15) + (16) =	2,289,861.39
(18) NET DEBT SERVICE FOR EXISTING REG ALT FAC BONDS 1A	6,247,977.32
(19) NET DEBT SERVICE FOR EXISTING REG ALT FAC BONDS 1B (LN 6)	.00
(20) NET LTFM REQUIRED DEBT FOR ELIG H&S > 100K	.00
(21) NET LTFM REQ DEBT ALL OTHER PROJECTS FOR ALT FAC 1A =	
IF (23) EQUALS 'NO', THEN (51) ELSE 0 =	6,785,621.21
(22) TOTAL OLD LAW ALT FAC AND AF/H&S REVENUE =	
(11) + (12) + (17) + (18) + (19) + (20) + (21) =	15,323,459.92
(23) ELIG FOR OLD LAW DEF MAINT REV?	NO
(24) OLD LAW DEFERRED MAINT REV = (5) * (\$64/\$380) =	.00
(25) TOTAL OLD LAW FORMULA REV FOR HOLD HARMLESS =	
(14) + (22) + (24) =	17,340,651.53
LTFM REVENUE	
(26) LTFM REVENUE FOR SCHOOL DISTRICT PROJECTS =	
GRT OF (13) OR (25) =	17,340,651.53
(27) DISTRICT REQUESTED REDUCTION FROM MAX (FROM LIS SYSTEM)	.00
(28) DISTRICT LTFM REVENUE = (26) - (27) =	17,340,651.53
(29) DISTRICT SHARE OF ELIG COOP/INTERMEDIATE LTFM PROJECTS	25,815.00
(30) TOTAL LTFM REVENUE = (28) + (29) =	17,366,466.53

# LTFM Example: White Bear Lake FY24

2024-25	
<b>Beginning Fund Balance</b>	<b>433,005.00</b>
<b>Revenue</b>	
LTFM FY24 Adjust.    Pay 24 - LLC 1076	-
LTFM FY24 Adjust.    Pay 24 - LLC 1080	(541,308.00)
<b>Total Revenue</b>	<b>(541,308.00)</b>
<b>Net</b>	<b>(541,308.00)</b>
<b>Fund Balance</b>	<b>(108,303.00)</b>



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**FY 24 & FY 23 CAPITAL RELATED ADJ**

**FY 2024 LTFM EQUAL LEVY ADJ**

1073  FY 2024 EST LTFM
      EQUALIZED LEVY AUTHORITY
      (FROM FY 2024 WEBSITE
      REPORT, LINE 63)

1074  22 PAY 23 LIMIT
1075  22 PAY 23 LEVY

1076  FY 2024 LTFM EQUALIZED
      LEVY ADJUST

***FY 2024 LTFM UNEQUAL LEVY ADJ***

1077  FY 2024 EST LTFM
      UNEQUALIZED LEVY
      AUTHORITY
      (FROM FY 2024 WEBSITE
      REPORT, LINE 64)                4,224,565.00

1078  22 PAY 23 LIMIT                4,765,873.00
1079  22 PAY 23 LEVY                 4,765,873.00

1080  FY 2024 LTFM UNEQUALIZED
      LEVY ADJUST
      = (1077)-(1079) =                541,308.00-
    
```

# LTFM Example: White Bear Lake FY24

2025-26	
<b>Beginning Fund Balance</b>	<b>(108,303.00)</b>
<b>Revenue</b>	
LTFM FY24 Adjust.    Pay 25 - LLC 1088	-
LTFM FY24 Adjust.    Pay 25 - LLC 1095	-
<b>Total Revenue</b>	<b>-</b>
<b>Net</b>	<b>-</b>
<b>Fund Balance</b>	<b>(108,303.00)</b>

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**FY2024 LTFM EQUAL LEVY ADJUST**

1082  FY2024 EST LTFM
      EQUALIZED LEVY AUTHORITY
      (FROM FY2024 WEBSITE
      REPORT, LINE 63)

1083  22 PAY 23 LIMIT
1084  22 PAY 23 LEVY

1085  TOTAL ADJUSTMENT

1086  23 PAY 24 ADJ LIMIT
1087  23 PAY 24 ADJ LEVY

1088  FY2024 LTFM EQUALIZED
      LEVY ADJUST

**FY2024 LTFM UNEQUAL LEVY ADJ**

1089  FY2024 EST LTFM
      UNEQUALIZED LEVY AUTH
      (FROM FY2024 WEBSITE
      REPORT, LINE 64)                4,224,565.00

1090  22 PAY 23 LIMIT                4,765,873.00
1091  22 PAY 23 LEVY                 4,765,873.00
1092  TOTAL ADJUSTMENT
      = (1089)-(1091) =                541,308.00-

1093  23 PAY 24 ADJ LIMIT            541,308.00-
1094  23 PAY 24 ADJ LEVY            541,308.00-
1095  FY2024 LTFM UNEQUALIZED
      LEVY ADJUST
    
```

# LTFM Example: White Bear Lake FY24

2026-27	
<b>Beginning Fund Balance</b>	<b>(108,303.00)</b>
<b>Revenue</b>	
LTFM FY24 Adjust. Pay 26 - LLC 1215	-
LTFM FY24 Adjust. Pay 26 - LLC 1226	108,303.00
<b>Total Revenue</b>	<b>108,303.00</b>
<b>Net</b>	<b>108,303.00</b>
<b>Fund Balance</b>	-

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**FY2024 LTFM UNEQUAL LEVY ADJ**

1216 FY2024 EST LTFM
      UNEQUALIZED LEVY AUTH
      (FROM FY2024 WEBSITE
      REPORT, LINE 64)          4,332,868.00

1217 22 PAY 23 LIMIT          4,765,873.00
1218 22 PAY 23 LEVY           4,765,873.00

1219 TOTAL ADJUSTMENT
      = (1216)-(1218) =          433,005.00-

1220 23 PAY 24 ADJ LIMIT      541,308.00-
1221 23 PAY 24 ADJ LEVY       541,308.00-

1222 24 PAY 25 ADJ LIMIT
1223 24 PAY 25 ADJ LEVY

***FY2024 LTFM UNEQUAL ADJ CONT***

1224 FY2024 UNEQUAL LIMIT ADJUST
      = (1220)+(1222) =          541,308.00-

1225 FY2024 UNEQUAL LEVY ADJUST
      = (1221)+(1223) =          541,308.00-

1226 FY2024 LTFM UNEQUALIZED
      LEVY ADJUST
      = (1219)-(1224) =          108,303.00
    
```

# LTFM Example: White Bear Lake FY24

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## White Bear Lake - Pay 23, FY 24 LTFM Summary

	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance
2023-24	-	4,765,873.00	4,332,868.00	433,005.00
2024-25	433,005.00	(541,308.00)	-	(108,303.00)
2025-26	(108,303.00)	-	-	(108,303.00)
2026-27	(108,303.00)	108,303.00	-	-

# LTFM: Fund Balance

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June 30,  
2025, fund  
balance  
contains  
four fiscal  
years:

- Pay 24 (FY25) revenue and FY25 expenditures
- FY24 – net results + 1<sup>st</sup> adjustment
- FY23 – net results + 2<sup>nd</sup> adjustment
- FY22 – net results + 3<sup>rd</sup> adjustment

# LTFM: Pay-Go Reconciliation

FY 2023 LTFM Approved vs UFARS Cost Reconciliation Report							R 12/20/2023
624 <= Type in School District Number							UFARS final
WHITE BEAR LAKE							
"1A" hold harmless							
instructions							
1 Type your district number in cell A2 (Minneapolis = 1.2)							
MFR	Approved	UFARS	UFARS	UFARS	Variance	Lessor of	
LTFMAid	Cost	Add'l info	appeal	expenditures		Approved, UFARS	
Entitlement	(fund 1/6 paygo)			(fund 1/6 paygo)			
Line #	FY 2023	FY 2023	FY 2023	FY 2023	FY 2023	FY 2023	
<b>A Indoor Air Quality, Fire Safety, Asbestos Removal &amp; Encapsulation</b>							
<b>Projects \$100,000 and over per site</b>							
LTFM Pay-go Additional Revenue							
UFARS Fund 1 paygo, Finance Codes 358, 363, 366, Program Codes 866							
UFARS Fund 6 paygo, Finance Codes 358, 363, 366, Program Codes 868							
3	-	-	-	-	-	-	
<b>A2 VPK remodeling Pay-go (Minn. Stat. \$ 123B.595)</b>							
UFARS Fund 1/6 paygo, Finance Code 355, Program Codes 865, 868							
Available in FY18 - FY 21 only							
12	-	-	-	-	-	-	
<b>B "Old Law" Health and Safety projects (Minn. Stat. \$ 123B.57)</b>							
<b>(UFARS Fund 1 paygo, Program Codes 865)</b>							
Physical Hazards, Finance Code 347							
	127,907.85	-	-	127,907.85	-	127,907.85	
Other Hazardous Materials, Finance Code 349							
	86,214.08	-	-	86,214.08	-	86,214.08	
Environmental H&S Management, Finance Code 352							
	201,707.00	-	-	209,682.70	7,975.70	201,707.00	
Asbestos Removal and Encapsulation, Finance Code 358							
	540,166.42	-	-	540,166.42	-	540,166.42	
Fire Safety, Finance Code 363							
	405,681.36	-	-	405,681.36	-	405,681.36	
Indoor Air Quality, Finance Code 366							
	246,997.59	-	-	5,164,099.45	4,917,101.86	246,997.59	
	Subtotal	14	1,608,674.30	6,533,751.86		1,608,674.30	
<b>C "Old Law" Alternative Facilities 1A Pay-go (Minn. Stat. \$ 123B.)</b>							
UFARS Fund 1 paygo, Finance Codes 367, 368, 369, 370, 379, 380, 381, 382, 383, 384, Program Codes 865							
UFARS Fund 6 paygo, Finance Codes 367, 368, 369, 370, 379, 380, 381, 382, 383, 384, Program Codes 868							
15	4,595,000.00	-	-	4,592,239.56	(2,760.44)	4,592,239.56	
<b>D "Old Law" Alternative Facilities 1B Pay-go (Minn. Stat. \$ 123B.5)</b>							
<b>(projects &gt; \$500,000)</b>							
UFARS Fund 1/6 paygo, Finance Codes 347, 349, 352, Program Codes 865							
16	-	-	-	-	-	-	
UFARS Fund 1/6 paygo, Finance Codes 358, 363, 366, Program Codes 866, 868							
<b>Total</b>						6,200,913.86	
End of Worksheet							

# LTFM: Pay-Go Reconciliation

FY 2023 LTFM Approved vs UFARS Cost Reconciliation Report							R	12/20/2023
833 <= Type in School District Number							UFARS final	
SOUTH WASHINGTON								
"1A" hold harmless								
instructions								
1 Type your district number in cell A2 (Minneapolis = 1.2)								
MFR	Approved	UFARS	UFARS	UFARS	Variance	Lessor of		
LTFMA#	Cost	Add'l info	appeal	expenditures		Approved UFARS		
Estimate#	(fund 1/6 paygo)			(fund 1/6 paygo)				
Line #	FY 2023	FY 2023	FY 2023	FY 2023	FY 2023	FY 2023		
<b>A Indoor Air Quality, Fire Safety, Asbestos Removal &amp; Encapsulation</b>								
<b>Projects \$100,000 and over per site</b>								
LTFM Pay-go Additional Revenue								
UFARS Fund 1 paygo, Finance Codes 358, 363, 366, Program Codes 866								
UFARS Fund 6 paygo, Finance Codes 358, 363, 366, Program Codes 868								
3	-	-	-	-	-	-	-	
<b>A2 VPK remodeling Pay-go (Minn. Stat. \$ 123B.595)</b>								
UFARS Fund 1/6 paygo, Finance Code 355, Program Codes 865, 868								
Available in FY18 - FY 21 only								
12	-	-	-	-	-	-	-	
<b>B "Old Law" Health and Safety projects (Minn. Stat. \$ 123B.57)</b>								
<b>(UFARS Fund 1 paygo, Program Codes 865)</b>								
Physical Hazards, Finance Code 347								
	162,653.37	-	-	162,653.37	-	162,653.37		
Other Hazardous Materials, Finance Code 349								
	33,253.48	-	-	33,253.48	-	33,253.48		
Environmental H&S Management, Finance Code 352								
	344,726.00	-	-	524,755.48	180,029.48	344,726.00		
Asbestos Removal and Encapsulation, Finance Code 358								
	9,036.20	-	-	9,036.20	-	9,036.20		
Fire Safety, Finance Code 363								
	344,488.89	-	-	344,488.89	-	344,488.89		
Indoor Air Quality, Finance Code 366								
	-	-	-	-	-	-		
14	894,157.94	-	-	1,074,187.42	-	894,157.94		
<b>C "Old Law" Alternative Facilities 1A Pay-go (Minn. Stat. \$ 123B.</b>								
UFARS Fund 1 paygo, Finance Codes 367, 368, 369, 370, 379, 380,								
381, 382, 383, 384, Program Codes 865								
UFARS Fund 6 paygo, Finance Codes 367, 368, 369, 370, 379, 380,								
381, 382, 383, 384, Program Codes 868								
15	7,960,000.00	-	-	7,960,000.00	-	7,960,000.00		
<b>D "Old Law" Alternative Facilities 1B Pay-go (Minn. Stat. \$ 123B.5</b>								
<b>(projects &gt; \$500,000)</b>								
UFARS Fund 1/6 paygo, Finance Codes 347, 349, 352, Program Codes 865								
16	-	-	-	-	-	-		
UFARS Fund 1/6 paygo, Finance Codes 358, 363, 366, Program Codes 866, 868								
<b>Total</b>							8,854,157.94	
End of Worksheet								

# LTFM: Pay-Go Reconciliation

FY 2023 LTFM Approved vs UFARS Cost Reconciliation Report							R	12/20/2023
622 <= Type in School District Number							UFARS final	
NORTH ST. PAUL-M								
"1A" hold harmless								
HFR	Approved	UFARS	UFARS	UFARS				
LTFMAid	Cost	Add'l info	appeal	expenditures	Variance	Lessor of		
Entitlement	(fund 1/6 paygo)			(fund 1/6 paygo)		Approved, UFARS		
Line #	FY 2023	FY 2023	FY 2023	FY 2023	FY 2023	FY 2023		
<b>Instructions</b>								
1	Type your district number in cell A2 (Minneapolis = 1.2)							
<b>A Indoor Air Quality, Fire Safety, Asbestos Removal &amp; Encapsulation</b>								
<b>Projects \$100,000 and over per site</b>								
LTFM Pay-go Additional Revenue								
UFARS Fund 1 paygo, Finance Codes 358, 363, 366, Program Codes 866								
UFARS Fund 6 paygo, Finance Codes 358, 363, 366, Program Codes 868								
3	800,000.00	-	-	2,586.50	(797,413.50)	2,586.50		
<b>A2 VPK remodeling Pay-go (Minn. Stat. \$ 123B.595)</b>								
UFARS Fund 1/6 paygo, Finance Code 355, Program Codes 865, 868								
Available in FY18 - FY 21 only								
12	-	-	-	-	-	-		
<b>B "Old Law" Health and Safety projects (Minn. Stat. \$ 123B.57)</b>								
<b>(UFARS Fund 1 paygo, Program Codes 865)</b>								
Physical Hazards, Finance Code 347								
	29,823.81	-	-	29,823.81	-	29,823.81		
Other Hazardous Materials, Finance Code 349								
	68,358.69	-	-	68,358.69	-	68,358.69		
Environmental H&S Management, Finance Code 352								
	155,037.19	-	-	155,037.19	-	155,037.19		
Asbestos Removal and Encapsulation, Finance Code 358								
	356,640.07	-	-	354,053.57	(2,586.50)	354,053.57		
Fire Safety, Finance Code 363								
	37,661.29	-	-	37,661.29	-	37,661.29		
Indoor Air Quality, Finance Code 366								
	-	-	-	-	-	-		
14	647,521.05	-	-	644,934.55	-	644,934.55		
<b>C "Old Law" Alternative Facilities 1A Pay-go (Minn. Stat. \$ 123B.</b>								
<b>UFARS Fund 1 paygo, Finance Codes 367, 368, 369, 370, 373, 380,</b>								
<b>381, 382, 383, 384, Program Codes 865</b>								
UFARS Fund 6 paygo, Finance Codes 367, 368, 369, 370, 373, 380,								
381, 382, 383, 384, Program Codes 868								
15	4,000,000.00	-	-	4,058,084.05	58,084.05	4,000,000.00		
<b>D "Old Law" Alternative Facilities 1B Pay-go (Minn. Stat. \$ 123B.5</b>								
<b>projects &gt; \$500,000)</b>								
UFARS Fund 1/6 paygo, Finance Codes 347, 349, 352, Program Codes 865								
16	-	-	-	-	-	-		
UFARS Fund 1/6 paygo, Finance Codes 358, 363, 366, Program Codes 866, 868								
<b>Total</b>							4,647,521.05	
End of Worksheet								

# Timeline Fiscal Year 2026

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- July 31, 2024: Plan adopted by School Board
- Certified levy for taxes payable 2025: Fiscal Year 2025-26
- MDE levy adjustments can occur on Pay 26, Pay 27 & Pay 28
- District will finalize UFARS by November 30, 2026
- MDE posts FY 2026 reconciliation & closeouts finalized December 2026
  - ✓ LTFM appeals to MDE allowed through early January 2027

# “1a” District’s Don’t Use Category 2 or 6

Category (1)	
347	Physical Hazards
349	Other Hazardous Materials
352	Environmental Health and Safety Management
358	Asbestos Removal and Encapsulation
363	Fire Safety
366	Indoor Air Quality
Total Health and Safety Capital Projects - Category (1)	
Health and Safety - Projects Costing \$100,000 or more per Project/Site/Year - Additional Revenue	
Category (2)	
358	Asbestos Removal and Encapsulation
363	Fire Safety
366	Indoor Air Quality
Total Health and Safety Capital Projects \$100,000 or More - Category (2)	
Remodeling for Approved Voluntary Pre-K under Minnesota Statutes, section 124D.151	
Category 3 (a)	
355	Remodeling for prekindergarten (Pre-K) instruction approved by the commissioner.
Total Remodeling for Approved Voluntary Pre-K Projects - Category 3(a)	
Remodeling for Gender-Neutral Single-User Restrooms	
Category 3 (b) LTFM REVENUE EFFECTIVE FY 2025	
Finance Code 384 and Course Code 684 MUST USE BOTH	Remodeling for gender-neutral single user restroom per site.
Total Remodeling for Gender-Neutral Single User Projects - Category 3(b)	
Accessibility	
Category (4)	
367	Accessibility
Total Accessibility Projects - Category (4)	

Deferred Capital Expenditures and Maintenance Projects	
Category (5)	
368	Building Envelope
369	Building Hardware and Equipment
370	Electrical
379	Interior Surfaces
380	Mechanical Systems
381	Plumbing
382	Professional Services and Salary
383	Roof Systems (normally below \$100,000 unless the school chooses not to receive additional revenue for \$100K or more roofing project/site/year - pending 2025 Legislation)
384	Site Projects
Total Deferred Capital Expenditures and Maintenance Projects - Category (5)	
Deferred Capital Expenditures for Roofing Projects - Additional Revenue for \$100,000 or more project/site/year	
Category (6)	
383	Roofing Systems - pending 2025 Legislation and if passed effective FY 2027
Total Deferred Capital Expense and Maintenance - Category (6)	
Total Annual 10-Year Plan Expenditures	

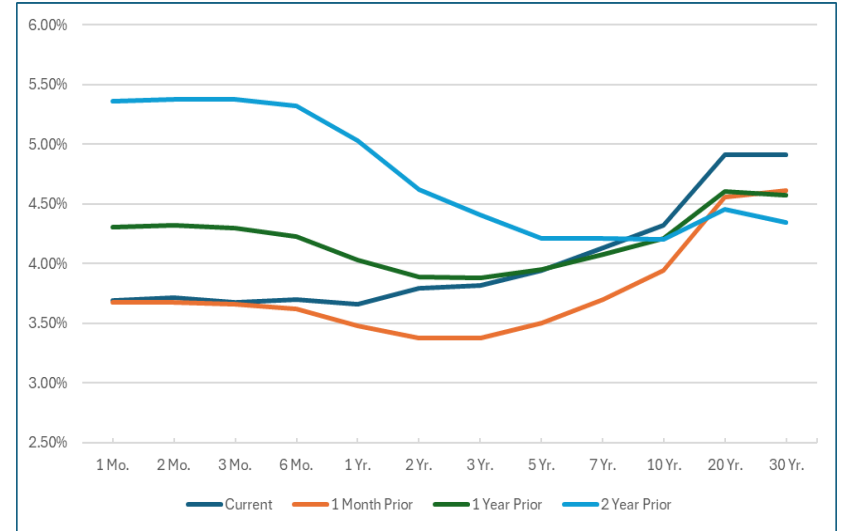


Building Stronger Facilities Plans

# **INVESTMENTS & ARBITRAGE**

# U.S. Treasury Rates

Treasury Rates							
	3/31/2026	2/27/2026	MoM Δ	3/31/2025	YoY Δ	3/29/2024	2 YoY Δ
<b>1 Mo.</b>	3.69%	3.68%	0.02%	4.31%	-0.61%	5.36%	-1.66%
<b>2 Mo.</b>	3.71%	3.67%	0.04%	4.32%	-0.61%	5.37%	-1.66%
<b>3 Mo.</b>	3.68%	3.66%	0.02%	4.30%	-0.62%	5.37%	-1.69%
<b>6 Mo.</b>	3.70%	3.62%	0.08%	4.23%	-0.53%	5.32%	-1.62%
<b>1 Yr.</b>	3.66%	3.48%	0.18%	4.03%	-0.37%	5.03%	-1.37%
<b>2 Yr.</b>	3.80%	3.38%	0.42%	3.89%	-0.09%	4.62%	-0.83%
<b>3 Yr.</b>	3.82%	3.38%	0.44%	3.88%	-0.06%	4.41%	-0.59%
<b>5 Yr.</b>	3.94%	3.50%	0.44%	3.95%	-0.01%	4.21%	-0.27%
<b>7 Yr.</b>	4.13%	3.70%	0.43%	4.08%	0.06%	4.21%	-0.08%
<b>10 Yr.</b>	4.32%	3.94%	0.38%	4.21%	0.11%	4.20%	0.12%
<b>20 Yr.</b>	4.91%	4.55%	0.36%	4.60%	0.31%	4.45%	0.46%
<b>30 Yr.</b>	4.91%	4.61%	0.30%	4.57%	0.34%	4.34%	0.57%



Source: FRED  
Date: 3/31/26

# Borrowing & Reinvestment Rates

Sample Tax Exempt Borrowing Rates <sup>1</sup>	
<u>Term</u>	<u>Rate</u>
10 years	3.16%
15 years	3.58%
20 years	3.99%
25 years	4.41%
30 years	4.69%

U.S. Treasury Rates <sup>2</sup>	
<u>Term</u>	<u>Rate</u>
3 month	3.68%
6 month	3.70%
1 year	3.66%
3 year	3.82%
5 year	3.94%

1. Borrowing rates as of 3/31/2026. Assuming current market MN Non-BQ AA rated \$10M issue the rates would be as follows. For specific pricing information, please contact your Registered Municipal Advisor.

2. U.S. Treasury rates as of 3/31/2026.

# Arbitrage Rebate: The Basics

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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

Applies to every tax-exempt borrowing and begins on issue date of the bonds

# Yield Restriction: The Basics

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Temporary Period – typically 3 years for construction funds but can extend for 5 years with certification

IRS limits the allowable taxable investment earnings on funds remaining AFTER the Temporary Period

Separate from your Arbitrage Rebate calculation

Spending and small issuer exceptions do not apply

# Arbitrage: Small Issuer Exception

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## For school districts

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

## Capital projects: Unlimited earnings for 3 years

- Yield restrictions after 3 years on remaining balance
- Arbitrage rebate would still not apply

# Arbitrage: Spending Exceptions

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	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

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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

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Qualifying  
exceptions

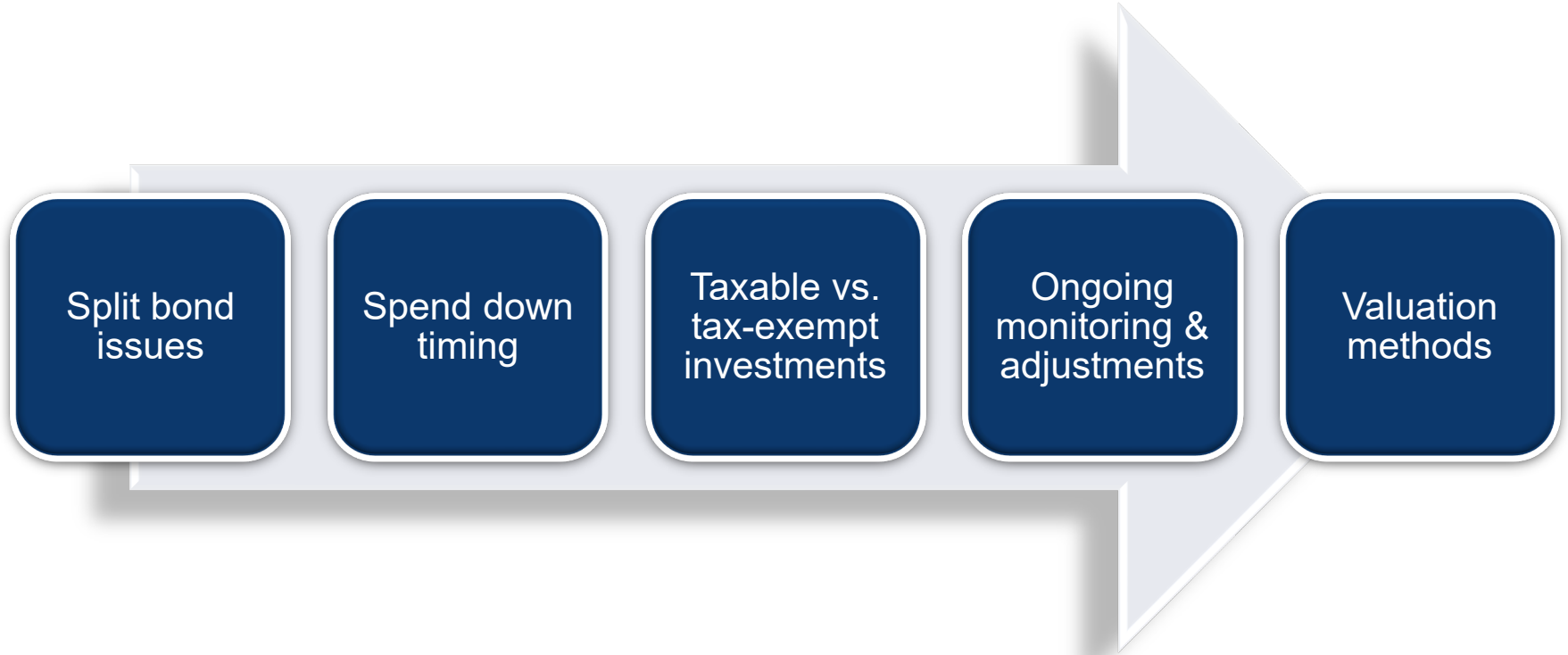
Bond proceed  
balances

Types of  
investments

Duration & timing  
of bond proceeds  
spending

# Arbitrage Strategies

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Building Stronger Facilities Plans

# **CASE STUDY: ARBITRAGE MITIGATION STRATEGY**

# Voter Approved School Building Bonds

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School District passed a voter approved referendum and issued school building bonds in 2021



With very favorable interest rates, the District achieved a very favorable arbitrage yield of 1.17%



Due to various construction delays related to Covid-19 pandemic, the District failed to meet spending exceptions & began accruing arbitrage rebate liability

# Arbitrage Review & Updated Strategy

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## Estimated arbitrage liability on remaining funds:

- As of February 1, 2025: \$3,191,337

## Mitigation opportunity identified:

- Use Demand Deposit SLGS (DD SLGS) to reduce arbitrage liability and generate tax-exempt income

## Benefits of DD SLGS strategy

- Lowers overall liability on the G.O. building bond issue
- Generates interest income not subject to arbitrage rebate or yield restriction
- Ensures compliance with IRS regulations

# Potential Investment Outcomes Identified

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The District could benefit from a DD SLGS allocation in the 2021A investment portfolio

- A full allocation to DD SLGS with the remaining balance of \$43 million could result in a reduction of the current arbitrage liability of over \$400,000
- Additionally, the District could benefit from additional income of over \$800,000 that would not be subject to arbitrage rebate or yield restriction

# So Far, So Good!

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<b>2021A Demand Deposit SLGS Account</b>	
<b>Estimated Arbitrage Liability as of 2/1/2025</b>	<b>\$3,654,290.58</b>
<b>Tax-Exempt Income Earned as of 10/10/2025<sup>1</sup></b>	<b>\$1,156,823.17</b>
<b>Arbitrage Liability Reduction as of 10/10/2025</b>	<b>(\$473,823.02)</b>
<b>Net Liability as of 10/10/2025</b>	<b>\$2,023,644.39</b>

<sup>1</sup> Tax-exempt income is not subject to arbitrage rebate or yield restriction. Income was estimated from the District's Demand Deposit SLGS account during the period of March 17, 2025, and March 31, 2026.

# Wrap-up

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# Let's Talk!

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# Download the Presentation

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# Important Disclosures

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