

Agenda  
Independent School District 279  
School Board

Special Meeting  
Educational Service Center - Board Room,  
11200 93rd Avenue North, Maple Grove  
Tuesday, September 9, 2014  
9:00 PM

*Our mission is to inspire and prepare all students with the confidence, courage and competence to achieve their dreams; contribute to community; and engage in a lifetime of learning.*

### Agenda Items

1. Call to Order and Roll Call
2. Pledge of Allegiance
3. Acceptance of Agenda
4. Action Items
  - A. Resolution stating official intent to proceed with the issuance of \$5,770,000 general obligation capital facilities bonds, series 2014A and providing for credit enhancement with respect thereto 2
5. Adjournment

*To accommodate individuals with disabilities, this material will be made available in alternative formats such as large print, Braille or cassette tape upon request. If you need auxiliary aids or services in order to participate in or attend a district activity, call your local school or the school district at least seventy- two (72) hours in advance (two-week notice preferred). Members of the public can view and download School Board meeting notices and regular meeting agendas and materials from the district Web site, [www.district279.org](http://www.district279.org) , under "About Us → School Board."*



September 9, 2014

Pre-Sale Report for

Independent School District No. 279  
(Osseo Area Schools), Minnesota

\$5,770,000 General Obligation Capital Facilities Bonds,  
Series 2014A

# OSSEO AREA SCHOOLS

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**ISD**  **279**

**Prepared by:**

Joel Sutter  
Senior Financial Advisor/Principal

And

Jodie Zesbaugh  
Financial Advisor



## Executive Summary of Proposed Debt

Proposed Issue:	\$5,770,000 General Obligation Capital Facilities Bonds, Series 2014A
Purposes:	<p>The proposed issue includes financing for improvements to Osseo High School, Park Center High School, and Maple Grove High School.</p> <p>Debt service will be paid from general fund revenues (see additional information in the “Other Considerations” section on Page 2).</p>
Authority:	<p>The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 123B.62.</p> <p>The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.</p>
Term/Call Feature:	<p>The Bonds are being issued for a term of approximately 14 years, 2 months. Principal on the Bonds will be due on February 1 in the years 2016 through 2029. Interest is payable every six months beginning August 1, 2015.</p> <p>The Bonds maturing on and after February 1, 2025 will be subject to prepayment at the discretion of the District on February 1, 2024 or any date thereafter.</p>
Bank Qualification:	Because the District expects to issue more than \$10,000,000 in tax-exempt obligations during the calendar year, the District will be not able to designate the Bonds as “bank qualified” obligations.
State Credit Enhancement:	<p>By resolution the District will covenant and obligate itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation.</p> <p>To qualify for the credit enhancement, the District must submit an application to the State. Ehlers will coordinate the application process to the State on your behalf.</p>
Rating:	<p>Under current bond ratings, the state credit enhancement would bring a Moody's Investors Service "Aa2" rating. The District's most recent bond issues were rated “Aa1” by Moody's. The District will request a new rating for the Bonds.</p> <p>If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the District's bond rating in the event that the bond rating of the insurer is higher than that of the District.</p>



<p><b>Basis for Recommendation:</b></p>	<p>Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of Capital Facilities Bonds as a suitable financing option because this option is the most viable option available to finance this type of project under state law.</p>
<p><b>Method of Sale/Placement:</b></p>	<p>In order to obtain the lowest interest cost to the District, we will solicit competitive bids for purchase of the Bonds.</p> <p>We have included an allowance for discount bidding equal to 1.00% of the principal amount of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.</p> <p>If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance would be deposited in the debt service fund and used to pay debt service on the Bonds.</p>
<p><b>Premium Pricing Structure:</b></p>	<p>Under current market conditions, most investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value are considered “reoffering premium.” The underwriter of the bonds will retain a portion of this reoffering premium as their compensation (or “discount”), but will pay the remainder of the premium to the District. Any premium received would be deposited in the debt service fund and used to pay debt service on the Bonds.</p>
<p><b>Other Considerations:</b></p>	<p>The District will be required to make a debt service levy each year to finance payments on the Bonds. However, there will be an equal offsetting reduction in general fund levies. So the net impact is that annual payments on the bonds will be funded from general fund revenues. The District intends to fund payments from operating capital revenue. The first year’s interest payments will be funded from funds on hand in the debt service fund.</p>
<p><b>Review of Existing Debt:</b></p>	<p>We have reviewed all outstanding indebtedness for the District and find that there are no refunding opportunities at this time. There will be an opportunity to refund your 2005A Bonds in the spring of 2015.</p> <p>We will continue to monitor the market and the call dates for the District’s outstanding debt and will alert you to any additional future refunding opportunities.</p>



Continuing Disclosure:	The District will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually, as well as providing notices of the occurrence of certain “material events,” to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The District is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.
Arbitrage Monitoring:	Because the Bonds are tax-exempt securities, the District must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you.
Other Service Providers:	<p>This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these professionals will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but their final fees may vary slightly. If you have any questions pertaining to the identified service providers or if you would like to use a different service provider for any of the services listed, please contact us.</p> <p><b>Bond Attorney:</b> Dorsey &amp; Whitney LLP</p> <p><b>Paying Agent:</b> Bond Trust Services Corporation</p> <p><b>Rating Agency:</b> Moody’s Investors Service</p>

This presale report summarizes our understanding of the District’s objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the District’s objectives.



## Proposed Debt Issuance Schedule

Pre-Sale Review by School Board:	September 9, 2014
Distribute Official Statement:	October 9, 2014
Conference with Rating Agency:	Week of October 13, 2014
Ehlers Receives and Evaluates Proposals on the Bonds:	October 21, 2014
School Board Meeting to Award Sale of the Bonds:	October 21, 2014
Estimated Closing Date:	November 18, 2014

### Attachments

Sources and Uses of Funds

Estimated Net Debt Service Schedule

Resolution Authorizing Ehlers to Proceed With Bond Sale/Credit Enhancement Resolution (provided separately)

### Ehlers Contacts

Financial Advisors:	Joel Sutter	(651) 697-8514
	Jodie Zesbaugh	(651) 697-8526
Disclosure Coordinator:	Wendy Lundberg	(651) 697-8540
Financial Analyst:	Brian Shannon	(651) 697-8515

The Official Statement for this financing will be mailed to the School Board at their home address or e-mailed for review prior to the sale date.



# I.S.D. No. 279 (Osseo), MN

\$5,770,000 G.O. Capital Facilities Bonds, Series 2014A

## Sources & Uses

Dated 11/18/2014 | Delivered 11/18/2014

### Sources Of Funds

Par Amount of Bonds	\$5,770,000.00
Reoffering Premium	120,083.05
Funds on Hand - Debt Service Funds	192,745.14

**Total Sources** **\$6,082,828.19**

### Uses Of Funds

Total Underwriter's Discount (1.000%)	57,700.00
Costs of Issuance	37,500.00
Deposit to Project Construction Fund	5,732,500.00
Deposit to Debt Service Fund - Premium	62,383.05
Deposit to Debt Service Fund - Funds on Hand	192,745.14

**Total Uses** **\$6,082,828.19**

# I.S.D. No. 279 (Osseo), MN

\$5,770,000 G.O. Capital Facilities Bonds, Series 2014A

## Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Debt Service Transfer	Net New D/S	Fiscal Total
11/18/2014	-	-	-	-	-	-	-
08/01/2015	-	-	112,620.14	112,620.14	(255,128.19)	(142,508.05)	-
02/01/2016	555,000.00	2.000%	80,125.00	635,125.00	-	635,125.00	492,616.95
08/01/2016	-	-	74,575.00	74,575.00	-	74,575.00	-
02/01/2017	345,000.00	2.000%	74,575.00	419,575.00	-	419,575.00	494,150.00
08/01/2017	-	-	71,125.00	71,125.00	-	71,125.00	-
02/01/2018	350,000.00	2.000%	71,125.00	421,125.00	-	421,125.00	492,250.00
08/01/2018	-	-	67,625.00	67,625.00	-	67,625.00	-
02/01/2019	360,000.00	2.000%	67,625.00	427,625.00	-	427,625.00	495,250.00
08/01/2019	-	-	64,025.00	64,025.00	-	64,025.00	-
02/01/2020	365,000.00	2.000%	64,025.00	429,025.00	-	429,025.00	493,050.00
08/01/2020	-	-	60,375.00	60,375.00	-	60,375.00	-
02/01/2021	375,000.00	3.000%	60,375.00	435,375.00	-	435,375.00	495,750.00
08/01/2021	-	-	54,750.00	54,750.00	-	54,750.00	-
02/01/2022	385,000.00	3.000%	54,750.00	439,750.00	-	439,750.00	494,500.00
08/01/2022	-	-	48,975.00	48,975.00	-	48,975.00	-
02/01/2023	395,000.00	3.000%	48,975.00	443,975.00	-	443,975.00	492,950.00
08/01/2023	-	-	43,050.00	43,050.00	-	43,050.00	-
02/01/2024	410,000.00	3.000%	43,050.00	453,050.00	-	453,050.00	496,100.00
08/01/2024	-	-	36,900.00	36,900.00	-	36,900.00	-
02/01/2025	420,000.00	3.000%	36,900.00	456,900.00	-	456,900.00	493,800.00
08/01/2025	-	-	30,600.00	30,600.00	-	30,600.00	-
02/01/2026	430,000.00	3.000%	30,600.00	460,600.00	-	460,600.00	491,200.00
08/01/2026	-	-	24,150.00	24,150.00	-	24,150.00	-
02/01/2027	445,000.00	3.500%	24,150.00	469,150.00	-	469,150.00	493,300.00
08/01/2027	-	-	16,362.50	16,362.50	-	16,362.50	-
02/01/2028	460,000.00	3.500%	16,362.50	476,362.50	-	476,362.50	492,725.00
08/01/2028	-	-	8,312.50	8,312.50	-	8,312.50	-
02/01/2029	475,000.00	3.500%	8,312.50	483,312.50	-	483,312.50	491,625.00
<b>Total</b>	<b>\$5,770,000.00</b>	<b>-</b>	<b>\$1,394,395.14</b>	<b>\$7,164,395.14</b>	<b>(255,128.19)</b>	<b>\$6,909,266.95</b>	<b>-</b>

CERTIFICATION OF MINUTES RELATING TO  
\$5,770,000 GENERAL OBLIGATION CAPITAL FACILITIES BONDS, SERIES 2014A

Issuer: Independent School District No. 279 (Osseo Area Schools), Minnesota

Governing Body: School Board

Kind, date, time and place of meeting: A special meeting held on September 9, 2014, at 9:00 p.m. at the Educational Service Center, in Maple Grove, Minnesota.

Members present:

Members absent:

Documents Attached:

Minutes of said meeting (pages):

RESOLUTION STATING OFFICIAL INTENT TO PROCEED WITH THE  
ISSUANCE OF \$5,770,000 GENERAL OBLIGATION CAPITAL FACILITIES  
BONDS, SERIES 2014A AND PROVIDING FOR CREDIT ENHANCEMENT  
WITH RESPECT THERETO

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the bonds referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said bonds; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this 9<sup>th</sup> day of September, 2014.

\_\_\_\_\_  
School District Clerk

Member \_\_\_\_\_ introduced the following resolution and moved its adoption, which motion was seconded by Member \_\_\_\_\_:

RESOLUTION STATING OFFICIAL INTENT TO PROCEED WITH THE  
ISSUANCE OF \$5,770,000 GENERAL OBLIGATION CAPITAL FACILITIES  
BONDS, SERIES 2014A AND PROVIDING FOR CREDIT ENHANCEMENT  
WITH RESPECT THERETO

BE IT RESOLVED by the School Board (the Board) of Independent School District No. 279 (Osseo Area Schools), Minnesota (the District), as follows:

SECTION 1. AUTHORIZATION AND DISTRICT INDEBTEDNESS. The District is authorized, pursuant to Minnesota Statutes, Section 123B.62 and Chapter 475, to borrow money by the issuance of its General Obligation Capital Facilities Bonds in a principal amount that, when combined with interest thereon, may be paid from tax levies that, in combination with tax levies made pursuant to Minnesota Statutes, Section 123B.61, do not exceed in each year the lesser of (a) the amount of the District's total operating capital revenue, or (b) the sum of the District's levy in the general and community service funds excluding the adjustments under Minnesota Statutes, Section 123B.61 for the year preceding the year the initial debt service levies are certified. This Board hereby determines that it is necessary and desirable and in the best interest of the District for the District to issue its General Obligation Capital Facilities Bonds, Series 2014A in the approximate principal amount of \$5,770,000 (the Bonds), in order to finance renovations to and remodeling of existing classrooms, labs, gymnasiums, cafeterias, offices, and other student areas and administrative spaces to accommodate the grade span change from grades 10-12 to grades 9-12 at the District's three senior high schools: Maple Grove Senior High, Osseo Senior High and Park Center Senior High. Pursuant to the provisions of Minnesota Statutes, Chapter 123B.62(b), it is hereby determined that the total amount of District indebtedness is \$124,400,000.

SECTION 2. APPROVAL BY COMMISSIONER OF EDUCATION OF THE STATE OF MINNESOTA. A list of the proposed projects to be financed with the Bonds and the issuance of the Bonds has been or will be submitted to the Commissioner of Education of the State of Minnesota for approval as provided in Minnesota Statutes, Section 123B.62(a) and such approval will be received prior to the date on which the Bonds are issued.

SECTION 3. OFFICIAL INTENT AND NOTICE PUBLICATION. In accordance with the provisions of Minnesota Statutes, Section 123B.62(c), this resolution shall be considered the District's official intent to issue the Bonds. The Clerk is authorized and directed to cause notice of the intended projects, the amount of the bond issue, and the total amount of the District's indebtedness to be published in a legal newspaper of general circulation in the District. The bond issue tentatively authorized by this resolution shall become finally authorized unless a petition signed by more than 15 percent of the registered voters of the District, calling for a referendum on the question of whether to issue the Bonds, is filed with the Board within 30 days of adoption of this resolution.

**SECTION 4. STATE CREDIT ENHANCEMENT PROGRAM.** (a) The District hereby covenants and obligates itself to notify the Commissioner of Education of a potential default in the payment of principal and interest on the Bonds and to use the provisions of Minnesota Statutes, Section 126C.55 to guarantee payment of the principal and interest on the Bonds when due. The District further covenants to deposit with the Registrar or any successor paying agent three (3) days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of that payment. The Registrar for the Bonds is authorized and directed to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal or interest on the Bonds or if, on the day two (2) business days prior to the date a payment is due on the Bonds, there are insufficient funds to make that payment on deposit with the Registrar. The District understands that as a result of its covenant to be bound by the provision of Minnesota Statutes, Section 126C.55, the provisions of that section shall be binding as long as any Bonds of this issue remain outstanding.

(b) The District further covenants to comply with all procedures now and hereafter established by the Departments of Management and Budget and Education of the State of Minnesota pursuant to Minnesota Statutes, Section 126C.55, subdivision 2(c) and otherwise to take such actions as necessary to comply with that section. The chair, clerk, superintendent or business manager is authorized to execute any applicable Minnesota Department of Education forms.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.