



Managing Debt After the Bonds are Issued
A Guide to Post Issuance Compliance

WASBO Spring Conference, May 21, 2021

Introductions



Jeff Seeley

- Senior Municipal Advisor serving both WI and MN school districts. School Business Official in WI and MN prior to joining Ehlers.



Jerry Dudzik

- Senior Municipal Advisor serving WI school districts. Former Wisconsin School Business Official. Nearly a decade serving as a municipal advisor to Wisconsin school districts.



Tami Olszewski

- Senior Investment Advisor supporting clients and investment professionals to implement strategies for bond proceeds or general fund investing.



Quick Recap:

Debt 101

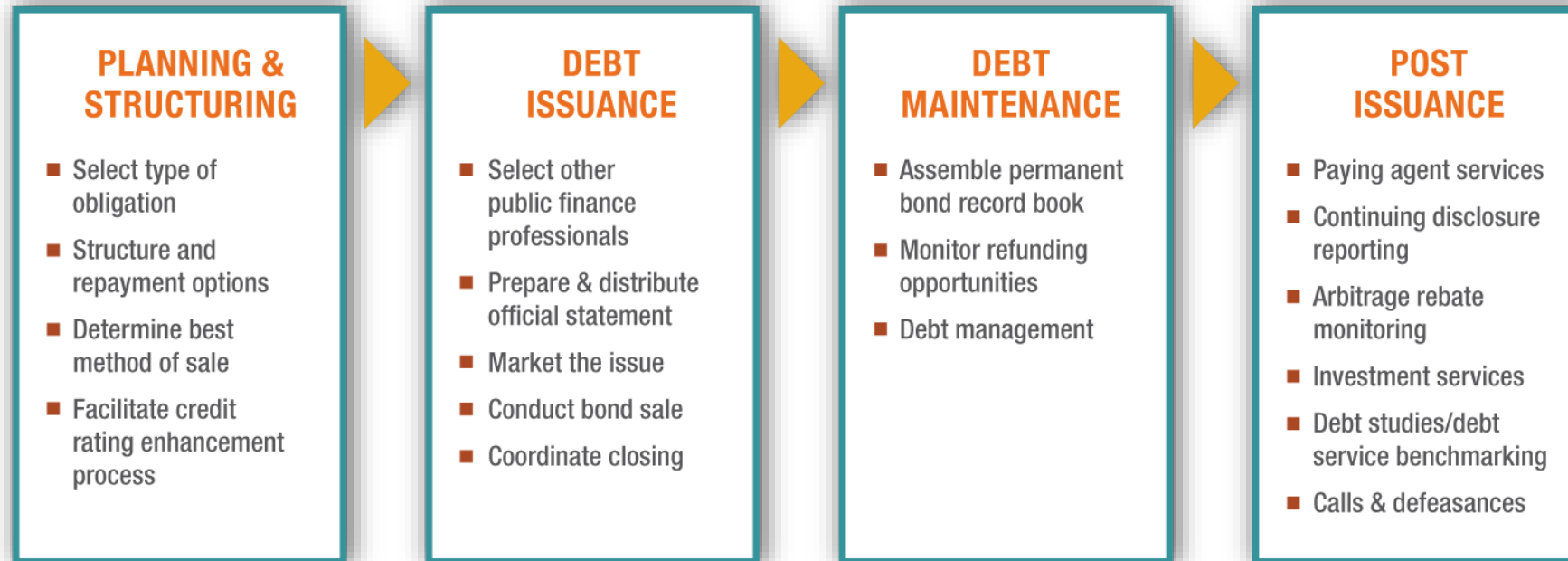
Key Players



- Issuer – School District
- Municipal Advisor
- Bond Counsel
- Disclosure Counsel
- Purchaser- Underwriter/Broker-Dealer
- Rating Agency
- Paying Agent
- Investment Advisor
- Arbitrage Advisor
- Escrow Agent
- CPA Verification
- Trustee
- Third Party Service Providers

Issuing Debt

Debt Issuance & Management Process





Post Issuance: Debt Management

Post-Issuance Compliance

- Adopt Policies & Procedures
- Maintain adequate and updated disclosure
- Ensure Arbitrage compliance
- Manage Construction Fund and Debt Service Fund
- Policies related to future debt issuance

Disclosure

Primary Disclosure

- Before and during issuance

Secondary (Continuing) Disclosure

- After issuance and while bonds outstanding

Primary Disclosure

- Official Statement (OS):
 - ✓ Review Official Statement
 - ✓ Perform Due Diligence
 - ✓ Sign Certificates
 - ✓ Disclosure Counsel

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 14, 2019

In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: **Moody's Investors Service**

MIDDLETON-CROSS PLAINS AREA SCHOOL DISTRICT, WISCONSIN
(Dane County)

**\$138,900,000* GENERAL OBLIGATION SCHOOL BUILDING
AND IMPROVEMENT BONDS, SERIES 2019A**

BID OPENING: February 25, 2019, 10:30 A.M., C.T.

CONSIDERATION: February 25, 2019, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$138,900,000* General Obligation School Building and Improvement Bonds, Series 2019A (the "Bonds") of the Middleton-Cross Plains Area School District, Wisconsin (the "District") are being issued pursuant to Section 67.04, Wisconsin Statutes, for the public purpose of financing capital improvements and expenditures as authorized by the passage of the November 6, 2018 bond referendum, as described under "Authority; Purpose" herein. The Bonds are valid and binding general obligations of the District, and all the taxable property in the District is subject to the levy of a tax to pay the principal of and interest on the Bonds as they become due which tax may, under current law, be levied without limitation as to rate or amount. Delivery is subject to receipt of an approving legal opinion of Quarles & Brady LLP, Milwaukee, Wisconsin.

DATE OF BONDS: March 21, 2019

MATURITY: March 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|------|-------------|------|-------------|------|--------------|
| 2020 | \$1,040,000 | 2027 | \$3,330,000 | 2034 | \$11,800,000 |
| 2021 | 950,000 | 2028 | 3,680,000 | 2035 | 15,160,000 |
| 2022 | 1,140,000 | 2029 | 4,045,000 | 2036 | 15,910,000 |
| 2023 | 1,770,000 | 2030 | 4,355,000 | 2037 | 16,685,000 |
| 2024 | 2,315,000 | 2031 | 4,680,000 | 2038 | 17,500,000 |
| 2025 | 2,675,000 | 2032 | 5,060,000 | 2039 | 18,385,000 |
| 2026 | 2,995,000 | 2033 | 5,425,000 | | |

***MATURITY ADJUSTMENTS:** The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: September 1, 2019 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing March 1, 2028 and thereafter are subject to call for prior redemption on March 1, 2027 and any date thereafter, at a price of par plus accrued interest.

MINIMUM BID: \$141,302,970.

COSTS OF ISSUANCE: **The underwriter shall be responsible for paying the costs of issuance on behalf of the District. These costs include the Municipal Advisor fees, Bond Attorney fees, Rating Agency fees, and Paying Agent fees incurred in connection with the sale and issuance of the Bonds. The total costs of issuance amount is \$328,145.**

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$2,778,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Associated Trust Company, N.A.

BOND COUNSEL: Quarles & Brady LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold or may offer to buy or accept prior to the time the Official Statement is delivered in final form. Under no circumstances should this Preliminary Official Statement be used as a basis for an investment decision. This Preliminary Official Statement is a form document that is not intended to constitute an offer, advertisement or solicitation to sell securities. See the Official Statement for more information.

Continuing Disclosure

SEC Requires Continuing Disclosure Agreement (CDA):

- Written agreement with underwriter
- Requires filing of certain information and event notices within specified time frames
- Filing requirements

Purpose

- Municipal issuers provide ongoing information
- Ensure market transparency
- Ensure properly priced bonds

Continuing Disclosure

Exempt

- Issues < \$1 million
- Private placement

Limited Disclosure

- Outstanding debt < \$10 million
- Audited financial statements
- Event Notices

Full Disclosure

- Outstanding debt > \$10 million
- Audited financial statements
- Annual financial information and operating data
- Event notices

Continuing Disclosure – Event Notices

- Principal and interest payment delinquencies
- Non-Payment related defaults
- Unscheduled draws on debt reserves, reflecting financial difficulties
- Unscheduled draws on credit enhancements, reflecting financial difficulties
- Substitution of credit or liquidity providers
- Events affecting the tax-exempt status of securities
- Modifications to the rights of security holders
- Securities calls, if material, and tender offers
- Defeasances
- Release, substitution or sale of property securing repayment of securities
- Rating changes
- Bankruptcy, insolvency, receivership or similar event
- Merger, acquisition or sale of all issuer assets
- Appointment of a successor or additional trustee or the change of trustee name
- Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties

Continuing Disclosure-EMMA

The screenshot displays the EMMA (Electronic Municipal Market Access) website. At the top, the browser address bar shows <http://emma.msrb.org/>. The EMMA logo is prominently displayed, along with navigation links for MyEMMA, EMMA Dataport, and Contact Us. A search bar is available for entering a CUSIP or Name. The main navigation menu includes ADVANCED SEARCH, BROWSE ISSUERS, FIND 529 PLANS, MARKET ACTIVITY, and EMMA HELP. The central content area features a 'Search for Municipal Bonds' section with three options: Quick Search (by CUSIP or name), Advanced Search (by characteristics like rating and maturity), and Price Discovery (to compare trade prices). A sidebar on the left provides additional information and links. At the bottom, there is a section for the MSRB Education Center and a table titled 'MOST ACTIVELY TRADED MUNICIPAL SECURITIES' for the date 9/14/2015.

<http://emma.msrb.org/>

MSRB Education Center
Access resources for municipal market

MOST ACTIVELY TRADED MUNICIPAL SECURITIES
For 9/14/2015 as of 10:50 AM

| Security | Maturity | Interest | High/Low | High/Low | Trade | Total Trade |
|----------|----------|----------|----------|----------|-------|-------------|
|----------|----------|----------|----------|----------|-------|-------------|



Post Issuance: Investments

Investment of Bond Proceeds

- **Investment Policy**

- ✓ Acts as your roadmap
- ✓ Ensure legal & regulatory requirements are defined
- ✓ Fair market value bids are received
- ✓ Your objectives are defined

- **Objectives**

1. Safety of Principal
2. Liquidity
3. Yield
 - Maximize investment earnings
 - Reduce bond size – tax savings
 - Apply toward project – added funds

WI Permissible Investments 66.0603

- Examples Include:
 - ✓ Brokered & local time deposits (Certificates of Deposit)
 - ✓ Securities issued or guaranteed by federal government, its commission, board or other instrumentality
 - ✓ Bonds or securities of WI municipalities
 - ✓ Bank repurchase agreements
 - ✓ Money market funds
 - ✓ All other securities must mature no more than 7 years from acquisition & carry minimum “A” credit rating

Investment of Bond Proceeds

Cash Forecasting:

- Build into Debt Plan
- Plan for Investment Earnings

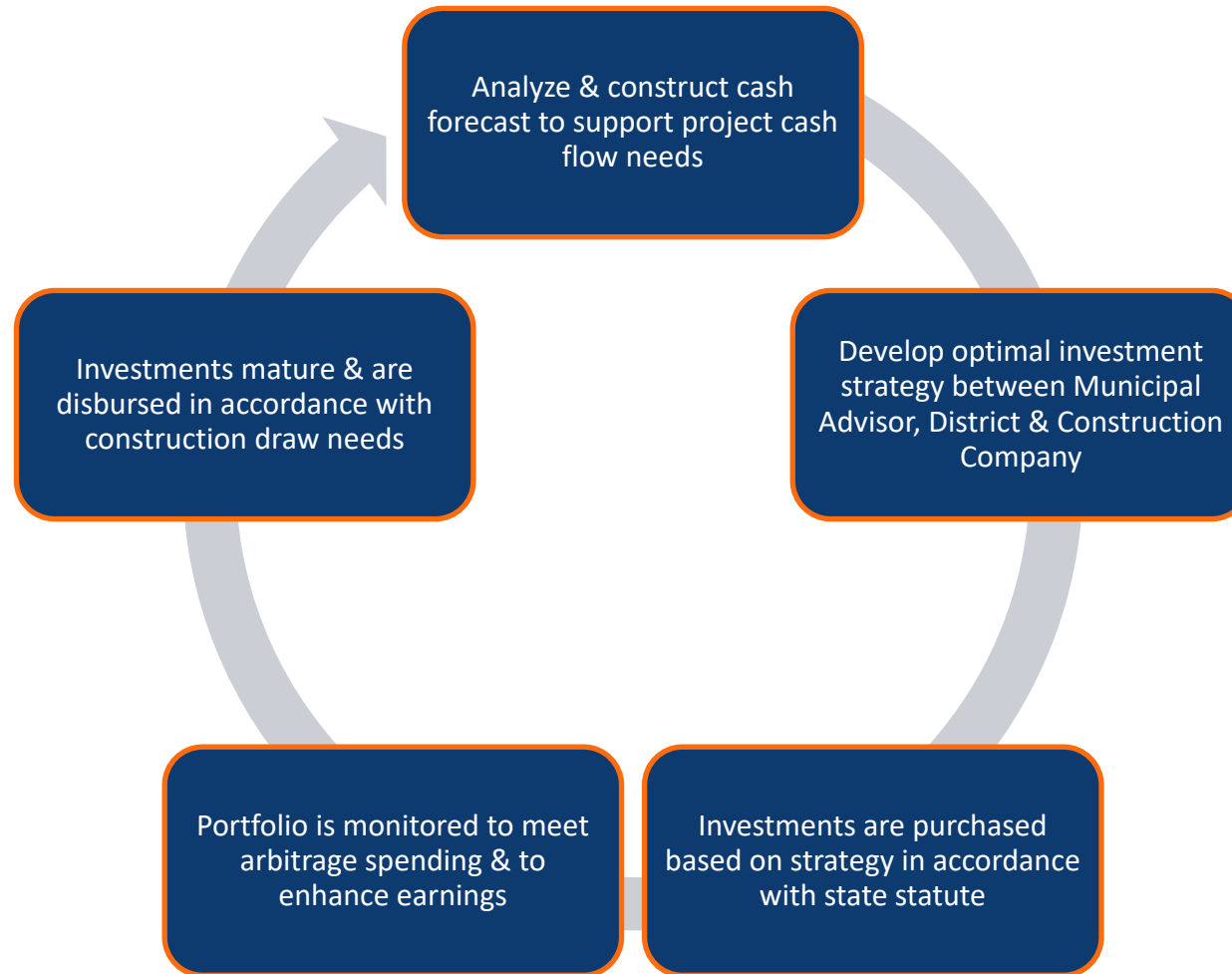
Maintain Compliance:

- Permissible Investments
- Arbitrage

Construction Draw Schedule

- Ensure Funds are Available as Needed

Roadmap for Investing Bond Proceeds



Arbitrage

Prohibit abuse associated with investing proceeds of a tax-exempt issue in higher yielding taxable securities

- IRS limitations related to:
 - ✓ Issuing earlier than necessary
 - ✓ Issuing more than necessary
 - ✓ Keeping longer than necessary
- Must prove each tax-exempt issue complies with requirements

District Responsibilities

- Follow IRS arbitrage rules
 - ✓ Legal documents create obligation to follow rules
- Filing requirement after 5 years and final maturity
- Difference in bond interest and investment earnings



Arbitrage Rebate

Rebate earnings unless an exception applies

- “Small Issuer”
- Spending
 - 6-month, 18-month, and 2-year
- Bona Fide Debt Service Fund

Yield Restrictions

- 3-Year Temporary Period
- 5-Year Temporary Period

Arbitrage

6-month spending exception

- 100 percent within 6 months

18-month spending exception

- At least 15 percent within 6 months;
- At least 60 percent within 12 months; and
- 100 percent within 18 months

2-Year spending exception

- At least 10 percent within 6 months;
- At least 45 percent within 1 year;
- At least 75 percent within 18 months; and
- 100 percent within 2 years

Arbitrage

- IRS Form 8038-T
 - ✓ Payment sent to IRS no later than 60 days after soonest of:
 - Each five-year anniversary date of issue; or
 - Date in which Bonds are no longer outstanding
- IRS Compliance Checks
 - ✓ Questionnaires
 - ✓ Audits and Investigations

Arbitrage

- Potential Consequences:
 - ✓ Fines
 - ✓ Deem bonds taxable
 - ✓ Bonds removed from market (cash or taxable debt)
 - ✓ Bond holder lawsuits
 - ✓ SEC investigations
 - ✓ Credit ratings risks
 - ✓ Reputational risk
 - ✓ Difficulty issuing future debt

Debt Management

- Understand impact to district budget
- Plan for annual levy vs. fiscal budget
- Reporting
- Investment opportunities in the construction fund
- Arbitrage compliance
- Maintain bond rating
- Monitor refunding opportunities
- Understand defeasances



Post Issuance: Refunding

Refunding & Defeasance

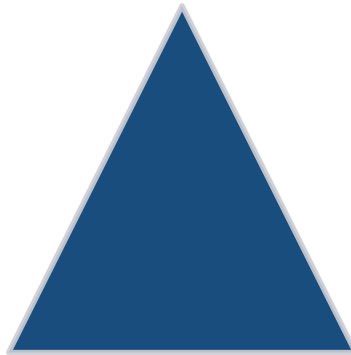
- Potential savings
- Restructuring opportunity
- Future debt planning

Refunding Mechanics

Callable Bonds

VS

Non-Callable Bonds



Types of Refundings

Current

- Closes no earlier than 90 days prior to call date on old, refunded bonds

Advance

- Closes more than 90 days prior to call date on old, refunded bonds

Variations of Refunding Types

Forward Purchase

- Variation on current refunding
- Issued on specified future date

Partial

- Refunds only certain maturities
- Increase savings % for advanced or keep below bank qualification limit for current

When is the Right Time to Refund?

- Refundings are an OPPORTUNITY, not a crisis that disrupts normal debt practices
- Refundings should not be isolated events
- Goal is to save money or restructure debt



Consideration to Help Maximize Savings

- Potential Savings
- Yield Curve
- Taxable vs Tax-Exempt Rates
- Escrow Inefficiencies
- Up-front Costs



Refundings – Redemption (Call) Provision

| Payment Due Date | Principal | Rate | Interest |
|------------------|------------|-------|------------|
| 02/01/10 | 530,000.00 | 3.000 | 655,025.00 |
| 08/01/10 | - | - | 459,925.00 |
| 02/01/11 | 605,000.00 | 3.000 | 459,925.00 |
| 08/01/11 | - | - | 450,850.00 |
| 02/01/12 | - | - | 450,850.00 |
| 08/01/12 | - | - | 450,850.00 |

OPTIONAL REDEMPTION: Bonds maturing February 1, 2020 and thereafter are subject to call for prior redemption on February 1, 2019 and any date thereafter, at par.

| | | | |
|----------|----------------------|-------|----------------------|
| 08/01/14 | - | - | 450,850.00 |
| 02/01/15 | 535,000.00 | 3.000 | 450,850.00 |
| 08/01/15 | - | - | 442,825.00 |
| 02/01/16 | 270,000.00 | 3.000 | 442,825.00 |
| 08/01/16 | - | - | 438,775.00 |
| 02/01/17 | 285,000.00 | 3.000 | 438,775.00 |
| 08/01/17 | - | - | 434,500.00 |
| 02/01/18 | 380,000.00 | 3.000 | 434,500.00 |
| 08/01/18 | - | - | 428,800.00 |
| 02/01/19 | 770,000.00 | 3.250 | 428,800.00 |
| 08/01/19 | - | - | 416,287.50 |
| 02/01/20 | 885,000.00 | 3.500 | 416,287.50 |
| 08/01/20 | - | - | 400,800.00 |
| 02/01/21 | 920,000.00 | 4.000 | 400,800.00 |
| 08/01/21 | - | - | 382,400.00 |
| 02/01/22 | 960,000.00 | 4.000 | 382,400.00 |
| 08/01/22 | - | - | 363,200.00 |
| 02/01/23 | 3,470,000.00 | 4.000 | 363,200.00 |
| 08/01/23 | - | - | 293,800.00 |
| 02/01/24 | 3,625,000.00 | 4.000 | 293,800.00 |
| 08/01/24 | - | - | 221,300.00 |
| 02/01/25 | 3,780,000.00 | 4.000 | 221,300.00 |
| 08/01/25 | - | - | 145,700.00 |
| 02/01/26 | 3,960,000.00 | 4.000 | 145,700.00 |
| 08/01/26 | - | - | 66,500.00 |
| 02/01/27 | 3,325,000.00 | 4.000 | 66,500.00 |
| | 24,300,000.00 | | 13,251,450.00 |

Call Date

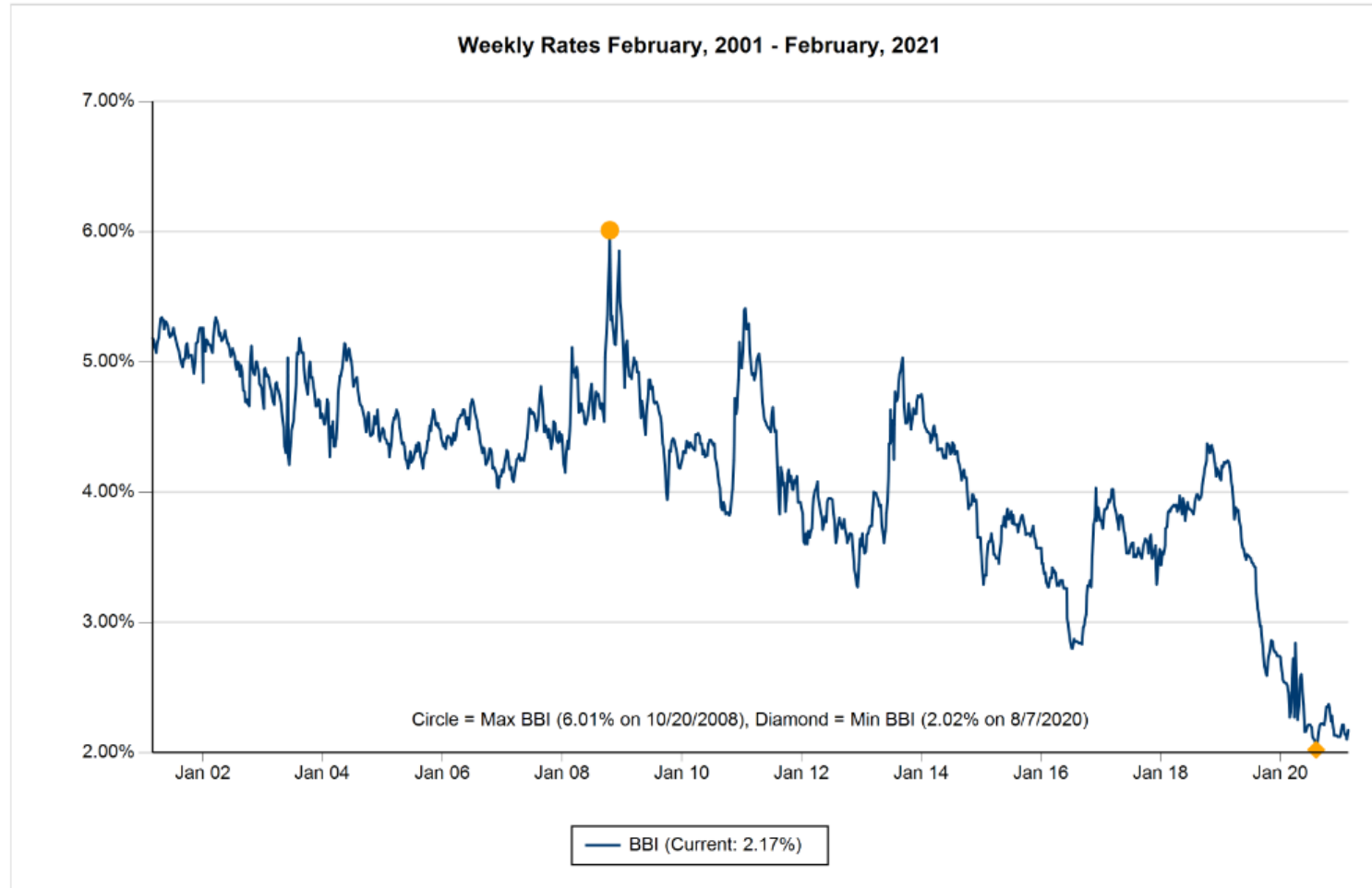
02/01/19

Callable maturities
\$20,925,000

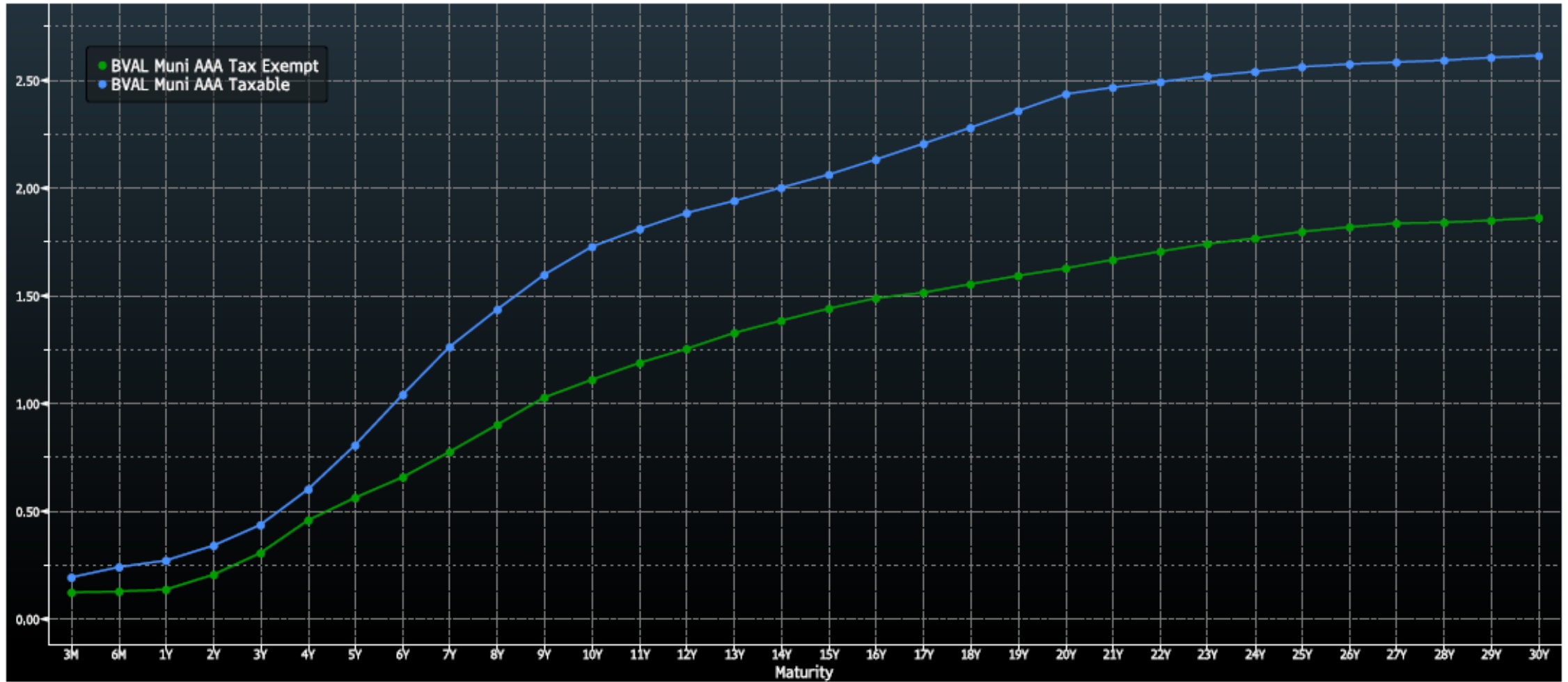
Total interest eligible for reduction
\$4,579,975

Interest Rate Trends

20 YEAR TREND IN MUNICIPAL BOND INDICES

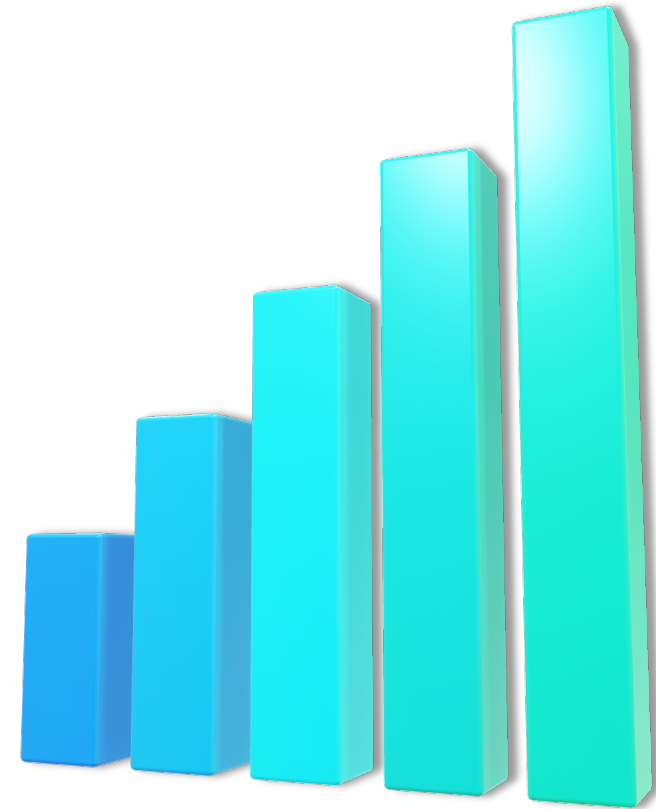


Yield Curve - Tax Status and Term Impact Rates



Advance Refunding Escrows

- SLGS (State & Local Government Series) – A special form of U.S. Treasuries created specifically for this purpose
- “Open Market” government securities
- CPA verification is required



Escrow Inefficiencies

Oak Creek- Franklin Joint School District

\$56,710,000 Taxable General Obligation Refunding Bonds, Series 2020

Dated: August 1, 2020 - Proposed Taxable Advance Refunding of

\$59,095,000 General Obligation School Building Bonds, Series 2015A

Escrow Fund Cashflow

Actual positive or (negative) arbitrage: (2,836,645.20)

| | | | | | | |
|--------------|------------------------|----------|-----------------------|------------------------|------------------------|----------|
| 04/01/2021 | 682,600.00 | 0.710% | 204,258.09 | 886,858.09 | 886,858.75 | 0.36 |
| 10/01/2021 | 685,827.00 | 0.650% | 201,031.55 | 886,858.55 | 886,858.75 | 0.36 |
| 04/01/2022 | 688,056.00 | 0.670% | 198,802.62 | 886,858.62 | 886,858.75 | 0.23 |
| 10/01/2022 | 690,361.00 | 0.690% | 196,497.64 | 886,858.64 | 886,858.75 | 0.12 |
| 04/01/2023 | 692,743.00 | 0.700% | 194,115.90 | 886,858.90 | 886,858.75 | 0.27 |
| 10/01/2023 | 695,168.00 | 0.700% | 191,691.30 | 886,859.30 | 886,858.75 | 0.82 |
| 04/01/2024 | 697,600.00 | 0.710% | 189,258.22 | 886,858.22 | 886,858.75 | 0.29 |
| 10/01/2024 | 700,077.00 | 0.720% | 186,781.74 | 886,858.74 | 886,858.75 | 0.28 |
| 04/01/2025 | 50,482,597.00 | 0.730% | 184,261.47 | 50,666,858.47 | 50,666,858.75 | - |
| Total | \$56,833,496.00 | - | \$1,815,090.54 | \$58,648,587.50 | \$58,648,587.50 | - |

Investment Parameters

| Investment Model [PV, GIC, or Securities] | Securities |
|---|------------|
| Default investment yield target | Bond Yield |

| | |
|--|-----------------|
| Cash Deposit | 0.96 |
| Cost of Investments Purchased with Bond Proceeds | 56,833,496.00 |
| Total Cost of Investments | \$56,833,496.96 |

| | |
|--|-----------------|
| Target Cost of Investments at bond yield | \$53,996,851.76 |
| Actual positive or (negative) arbitrage | (2,836,645.20) |

| | |
|------------------------------|------------|
| Yield to Receipt | 0.7285563% |
| Yield for Arbitrage Purposes | 1.9234062% |

| | |
|--|-----------|
| State and Local Government Series (SLGS) rates for | 3/04/2020 |
|--|-----------|

Costs of Bond Issuance

Current Refunding

- Municipal Advisor
- Bond Attorney
- Rating Agency
- Paying Agent
- County Certificates

Advance Refunding

- Municipal Advisor
- Bond Attorney
- Rating Agency
- Paying Agent
- Escrow Agent
- CPA Verification
- Open Market Bidding Agent
- County Certificates

Sensitivity Analysis

\$56,710,000 G.O. Refunding Bonds, Series 2015A

- Should we wait or refund now?
- Sensitivity Analysis provides guidance
- Early effort to analyze may save district millions

| Taxable Advance Refunding | | | |
|---|------------------|--------------|------------------|
| Dated: | | 8/1/2020 | |
| Estimated Savings: | | | |
| Future Value of All Savings | | | \$1,055,193 |
| Present Value as of | 8/1/2020 | | 870,925 |
| PV Savings as % of PV of Ref. Principal | | | 1.750% |
| Present Value as of | 2/15/2025 | | 953,660 |
| Tax-Exempt Current Refunding | | | |
| Dated: | | 2/15/2025 | |
| Estimated Savings, Based on Current Interest Rates | | | |
| Future Value of All Savings | | | \$7,177,775 |
| Present Value as of | 2/15/2025 | | 6,714,552 |
| Present Value of savings, if interest rates change by: | | | |
| Current Rates | → | 0.00% | 6,714,287 |
| | | 1.00% | 3,678,141 |
| | | 1.20% | 3,098,227 |
| | | 1.40% | 2,527,051 |
| | | 1.60% | 1,964,463 |
| | | 1.80% | 1,410,314 |
| | | 2.00% | 864,460 |
| Break-Even Analysis | | | |
| Estimated Break-Even Point: | | 1.88% | |
| Ehlers estimates that, if interest rates increase by less than 1.88% between now and 02/15/2025, then the district would gain greater savings by waiting to conduct a current refunding than they would receive from an advance refunding in the near future. | | | |

Timing

- Don't react too quickly!
- Obtain all the information to help with decision
- Evaluate all the information to form the best decision



Defeasance

“Paying Off” Debt

- Pay all or a portion of a maturity prior to payment date
- Escrow account
- Excess operating funds
- Levy in advance

Why?

- Debt service and tax savings
- Debt restructuring
 - ✓ Future bond planning and capital needs

Paying Agent

- Facilitates delivery of payments to DTCC (Depository Trust & Clearing Corporation)
- Trust company or issuer
- Initial flat set-up fee by issuer, generally paid from bond proceeds
- Annual fee, 1st year paid from bond proceeds

Levy vs. Expense

Revenue

Levy for calendar year P&I payments

- November 2021 levy - Spring and Fall 2022 payments

Expense

Budget for fiscal year P&I payments

- 2021-2022 Budget - Fall 2021 payments and Spring 2022 payments

Bond Rating

- At Issuance
- Regular Surveillance

Key Takeaways

- Responsibilities of issuer and other key players:
 - ✓ Comply with Debt Issuance regulations
 - ✓ Utilize paying agent to ensure timely payments
 - ✓ Monitor expenses and levy management
 - ✓ Partner with your Municipal Advisor to identify refunding or defeasance opportunities

Questions? Ask your Municipal Advisor!



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