

ISSUANCE OF 2024 GENERAL OBLIGATION BONDS

DOUGLAS COUNTY SCHOOL DISTRICT

PRESENTATION TO BOARD OF EDUCATION

NOVEMBER 19, 2024

INTRODUCTION AND AGENDA

Agenda Topics:

- Municipal Bond Market Update
- Expectations for 2024 Bond Issuance
 - Amount
 - Structure
 - Premium
- Summary of Bond Resolution and Next Steps

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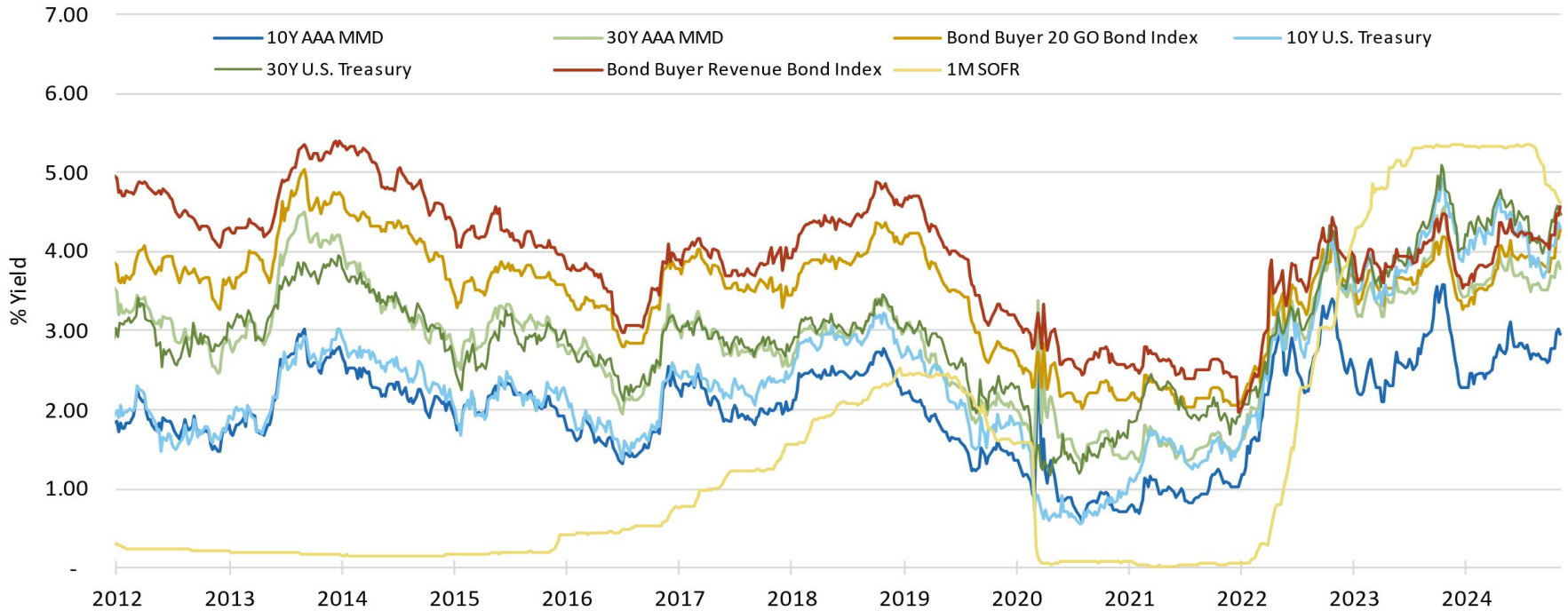
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MUNICIPAL BOND MARKET UPDATE

WEEKLY BENCHMARK INTEREST RATES

Benchmark Interest Rates – 1/1/2012 to 11/8/2024



Rates Analysis – 1/1/2012 to 11/8/2024

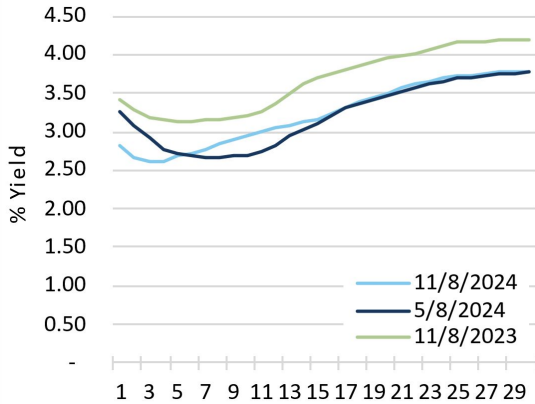
	10-Year AAA MMD	30-Year AAA MMD	Bond Buyer 20 GO Bond Index	Bond Buyer Revenue Bond Index	10-Year U.S. Treasury	30-Year U.S. Treasury	SIFMA	1-Month SOFR ⁽¹⁾
Current	2.96	3.79	4.28	4.57	4.30	4.47	2.68	4.62
Maximum	3.59	4.57	5.03	5.40	4.93	5.09	5.20	5.36
Minimum	0.58	1.27	2.02	1.97	0.55	1.17	0.01	0.01
Average	2.00	2.87	3.49	3.92	2.40	2.98	0.97	1.42
% Time Lower	96.0%	90.0%	90.3%	81.2%	96.1%	96.3%	86.6%	86.9%

Source: Refinitiv Municipal Market Data, U.S. Treasury and Bloomberg

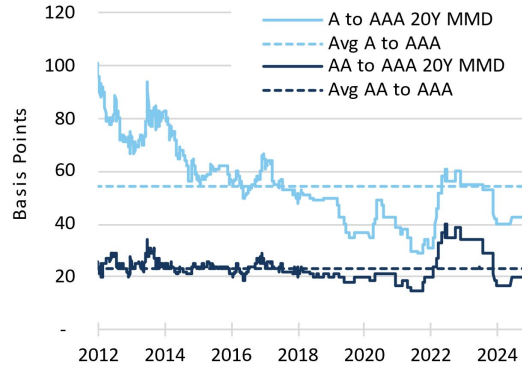
⁽¹⁾ SOFR 1 Month is blended with LIBOR 1 Month rates prior to 2019

TAX-EXEMPT MARKET OVERVIEW | MMD

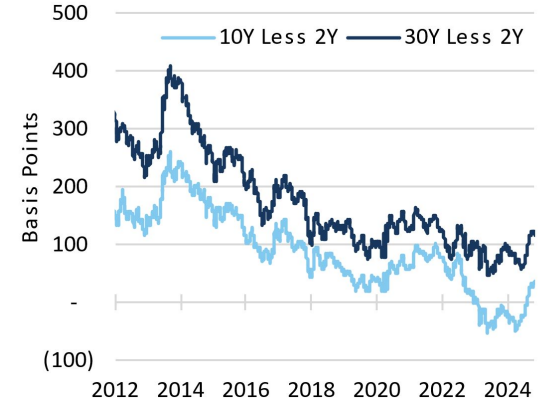
AAA MMD Yield Curve Comparison



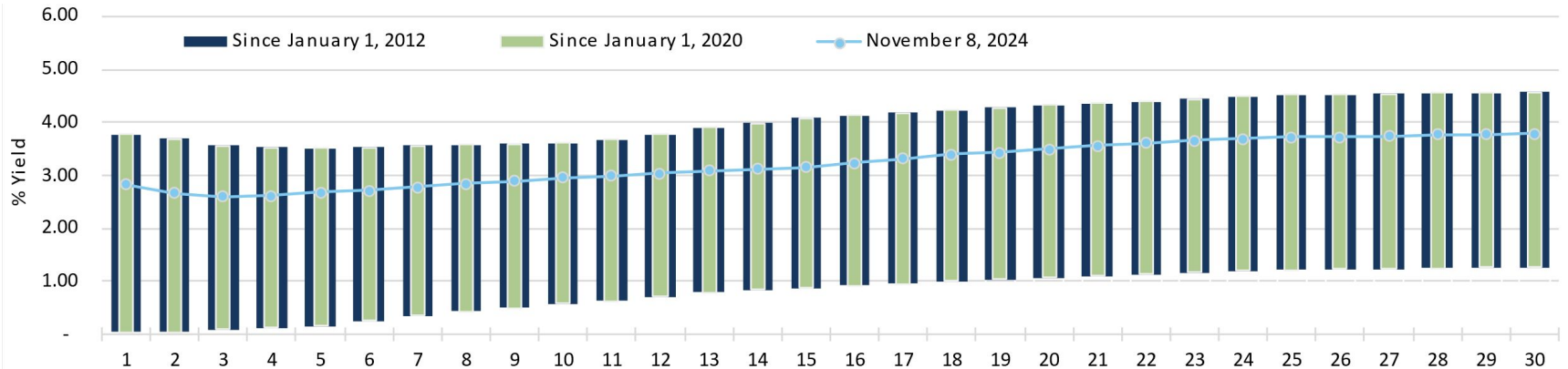
MMD Credit Spreads to AAA



AAA Yield Curve Steepness



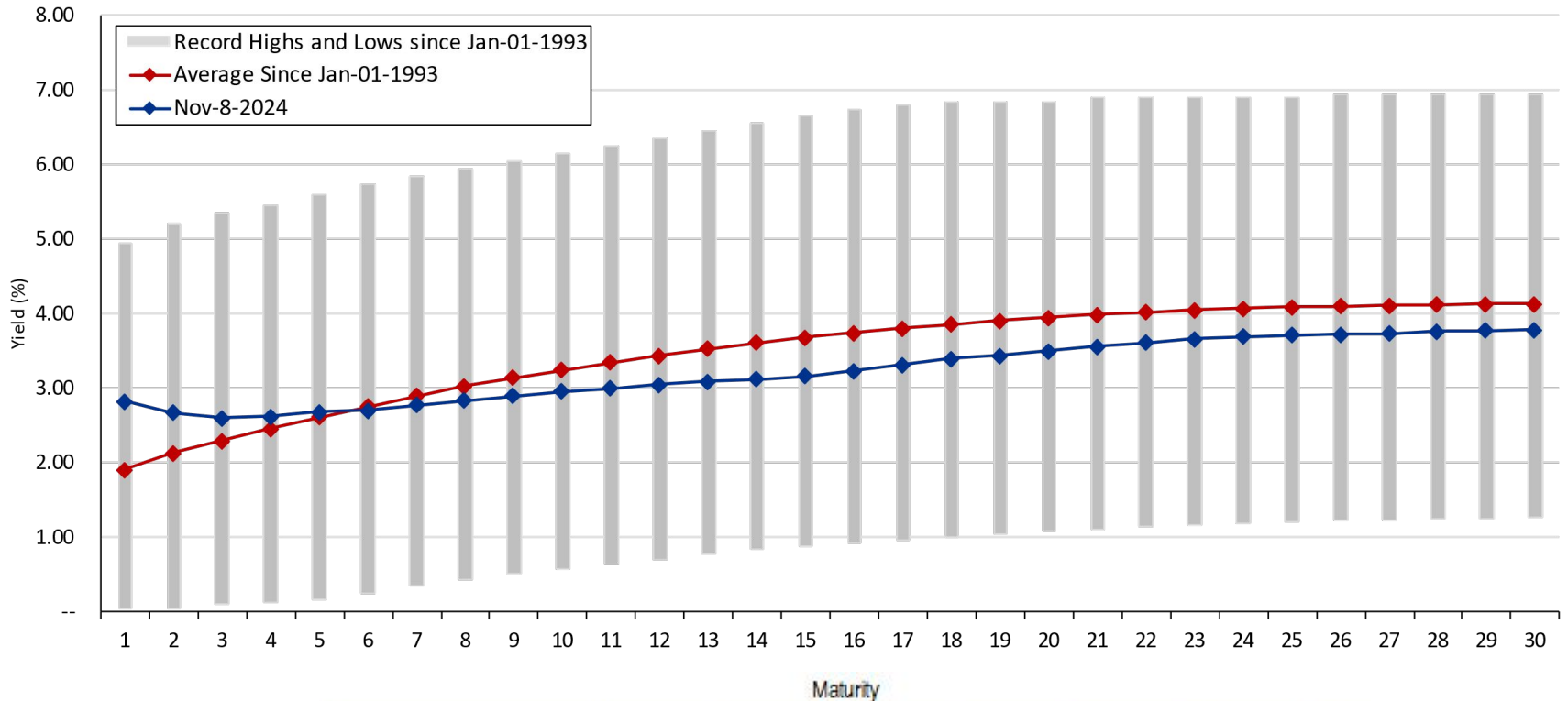
Maximum and Minimum AAA MMD Yields



Source: Refinitiv Municipal Market Data

HISTORICAL AAA MMD RATES

- The graph below illustrates the range between the record highs and lows of AAA MMD at each maturity since 1993, along with the current rates and average rates over this time frame



	Maturity						
	1	5	10	15	20	25	30
Record Low Since 1993	0.05	0.16	0.58	0.88	1.08	1.22	1.27
Record High Since 1993	4.95	5.60	6.15	6.65	6.85	6.90	6.95
Average Since 1993	1.91	2.61	3.24	3.68	3.95	4.09	4.14
Current (Nov-8-2024)	2.83	2.68	2.96	3.16	3.50	3.72	3.79

Source: Refinitiv Municipal Market Data

2024 BOND ISSUANCE

2024 BOND ELECTION

ELECTION PARAMETERS

- At the November 2024 election, a majority of voters in the District approved the issuance of \$490 million of general obligation bonds.
- The ballot question authorized the extension of the existing maximum parameter from the District's prior election questions with bonds still outstanding.
 - The District has bonds outstanding from four prior elections: 2000, 2003, 2006 and 2018.
 - The combined maximum annual parameter from these four elections is \$80,507,300.
 - The bonds authorized at the 2024 election and all other debt service of the District will need to stay within this annual payment amount.
- All bonds issued from the 2024 election authorization will also need to stay within the total repayment amount in the ballot question of \$895 million.

CURRENT 2024 BOND ISSUANCE EXPECTATIONS

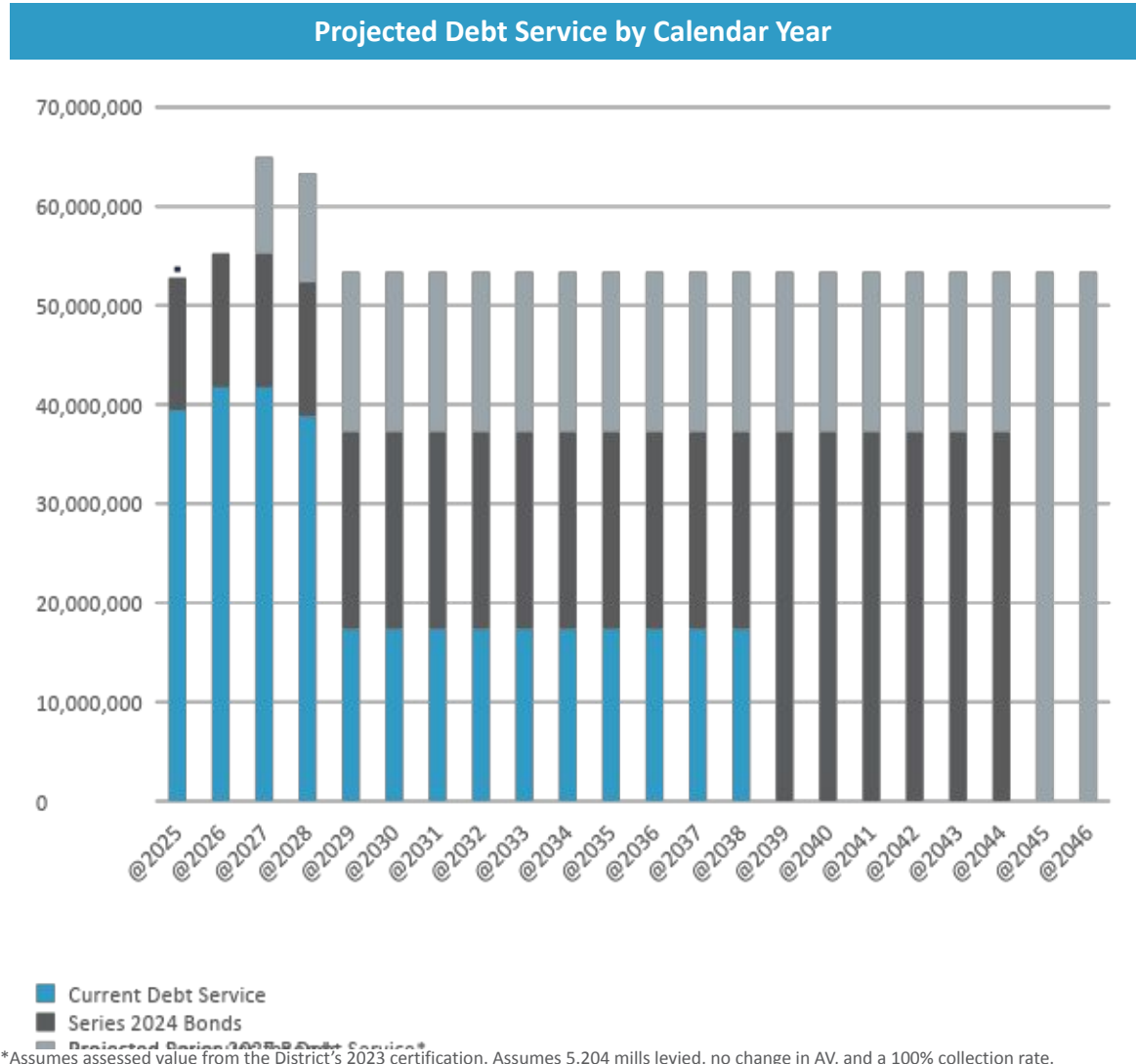
HOW MUCH TO ISSUE

- The District's operations team worked diligently over the last year to put together the package of projects to include in the 2024 Bond Election.
 - As part of that process, the team also projected timelines for each project and anticipated spend down of project dollars if the bond initiative was successful.
- At the time of issuance of bonds, the District will need to be able to certify that it has a *reasonable expectation* to spend 85% of total proceeds within three (3) years.
 - Total proceeds includes par and premium.
- Based on the analysis completed by the District and the spend down requirement, the District currently anticipates issuing \$270 million of par with the first issuance from the 2024 authorization.
 - The District currently expects to issue the remaining \$220 million in early 2027, but this will depend on actual construction timelines and spending.

PROJECTED DEBT SERVICE STRUCTURE

AS OF NOVEMBER 12, 2024

- The debt service model for the District's 2024 bond election was structured to assume no change in the District's assessed value.
 - This was intentionally done to make sure the District could pay projected debt service requirements under the current debt service levy of 5.204 mills.
- Based on the current model, it is expected that the District may need to utilize some of its Bond Redemption Fund balance to pay debt service in 2027 and 2028.
- If assessed value increases, then the District will evaluate the overall debt service schedule as it prepares for the second issuance from the 2024 authorization.
 - In this instance, the District may consider amortizing more principal earlier in the repayment schedule to reduce the overall interest costs associated with the bond program.



WHAT IS BOND PREMIUM?

- Bond premium is generated in the municipal market based on the difference in the coupon rate (interest rate paid by the District) and the yield (interest rate earned by the investor).
 - Based on current market rates, we expect the District's bond sale to generate premium.
- The coupon rate typically preferred by investors is 5.00% whereas estimated tax-exempt yields currently range between 2.75% - 3.80% for the District.
 - This difference is what results in the generation of bond premium. Investors are paying more to the District upfront to have the higher coupon and interest payment over the term of the bond.
 - We do sometimes see demand for lower coupons from specific investors, which reduces the interest cost, but the buyer base for those coupons can be more limited.
 - This investor preference was built into the maximum annual and total repayment parameters for the 2024 bond authorization.
- Bonds can be sold at a discount, whereby an investor is paying less than the par amount at issuance. We do not typically recommend this for voter authorized issuances to ensure there are sufficient proceeds to complete the identified projects.

HOW TO MANAGE FOR BOND PREMIUM

- Based on market rates as of November 12, 2024, we currently expect to generate approximately \$30.4 million of premium net of issuance costs.
 - This will continue to change with changes in the market up until the District's bonds are priced.

Estimated Net Premium Generation*		
Current Rates Less 50 bps	Current Rates	Current Rates Plus 50 bps
\$42.4 million	\$30.4 million	\$20.4 million

- Since premium generation is a common occurrence in the tax-exempt bond market, we've seen different considerations for how issuers handle the use of premium for their bond programs. Some examples include:
 - Utilize premium for inflation in project costs;
 - Use premium to fund additional projects identified but unfunded in the bond plan;
 - Downsize the overall borrowing (reduce the amount of par issued); and
 - Incorporate the anticipated premium into the overall bond program and ask of voters.
 - We do not typically recommend this approach as premium is not guaranteed and is easily impacted by changes in underlying interest rates.

* Assumes all 5.00% coupons based on market rates as of November 12, 2024; net of estimated issuance costs related to the bonds.

BOND RESOLUTION

AUTHORIZING BOND RESOLUTION

- Even though voters approved the issuance of bonds at the November 2024 election, the District will still need to pass a parameters resolution to actually issue the bonds.
 - The resolution was prepared by the attorneys at Butler Snow and reviewed by all members of the District's finance team and District staff.
- The resolution includes:
 - Definitions of key terms;
 - Legal authorization to issue the Bonds;
 - *Not-to-exceed* parameters when issuing the Bonds;
 - Establishment of the tax levy for the Bonds;
 - Approval of substantially final documents; an
 - Additional legal items that are required in order to issue the obligation.
- The other documents approved with the resolution in substantially final form include: the Bond Purchase Agreement; the Paying Agent and Registrar Agreement; the Preliminary Official Statement; and the Continuing Disclosure Certificate.

PARAMETERS

- The not-to-exceed parameters are in Section 5, Item B of the authorizing resolution.
 - The final pricing of the 2024 Bonds will not be set until the pricing date. This parameters resolution allows delegated officials of the District to finalize the sale on behalf of the District so long as it meets certain parameters.
- Parameters in the resolution include:
 - the Bonds shall mature no later than December 15, 2045;
 - the aggregate principal amount of the Bonds shall not exceed \$270,000,000;
 - the Bonds shall be subject to optional redemption at such time or times as permitted and/or required by State law and as set forth in the Sale Certificate, at a redemption price not to exceed 100%;
 - the maximum annual and total repayment cost of the Bonds shall not exceed amounts authorized at the Election;
 - the purchase price of the Bonds shall not be less than 100% of the original principal amount of such Bonds; and
 - the issuance of the Bonds shall not cause the District to exceed its statutory debt limitations at the time of issuance.

NEXT STEPS

Financing Timeline

Date	Event
October 18	Bond Documents Circulated for Review
November 4	Draft Preliminary Official Statement (POS) Circulated for Review
November 6	Document Review Call
November 8	Final Resolution and Draft Documents Available for Board Packets
November 11	Calls with Rating Agencies
November 14	Fiscal Oversight Committee Meeting
November 19	Board Meeting to Approve Bond Resolution Due Diligence Call
November 22	Ratings Received
November 26	Sign-Off on POS for Posting
December 2	Post POS
December 10	Pre-Pricing Call
December 11	Price Bonds
December 19	Closing

Key Events

- The District completed rating calls with Moody's and Fitch on Monday, November 11th.
 - The District's general obligation bonds are currently rated Aa1 by Moody's and AA+ by Fitch and we do not anticipate any changes to those ratings.
- The finance team will be working over the next week and a half to get everything finalized to post the preliminary official statement on December 2nd.
 - This is the document used to market the District's transaction to investors.
- We are currently scheduled to price the District's bonds on Wednesday, December 11th.
 - This will be subject to market conditions at that time.

QUESTIONS