

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF WASHINGTON

TENTH JUDICIAL DISTRICT
CASE TYPE: OTHER CIVIL

In the Matter of the Contest of the special election held on November 3, 2015, for the purpose of the passage of a ballot question for South Washington County Schools, Independent School District No. 833, Washington County, Minnesota,

Court File No. 82-cv-15-5639

Canvass Completed November 25, 2015

**AFFIDAVIT OF
JOEL SUTTER
IN SUPPORT OF
ADDITIONAL SURETY
BOND**

Susan Richardson, Andrea Mayer-Bruestle, and Leilani Holmstadt,

Contestants,

v.

South Washington Schools,
Independent School District No. 833,

Contestee.

STATE OF MINNESOTA)

) ss.

COUNTY OF HENNEPIN)

JOEL SUTTER, being first duly sworn under oath, deposes and says as follows:

1. I am a Senior Municipal Advisor and Principal at Ehlers, Inc. (“Ehlers”), with offices at 3060 Centre Pointe Drive, Roseville, Minnesota 55113. I have been employed at Ehlers since 1996, and I am the manager in charge of all Ehlers services to school districts. I have personally been involved in structuring and selling well over 500 school district bond issues.

2. Ehlers is the financial consultant for Independent School District No. 833, South Washington County Schools (“School District”), and I am the Principal responsible for supervision of all services to the School District for the issuance of the bonds which were approved by the voters of the School District on November 3, 2015. I am also one of the two Municipal Advisors at Ehlers assigned to directly provide services to the School District.
3. In light of the current market, Ehlers is recommending to all school districts that passed bond questions in the November election to sell their bonds in mid- January to early February of 2016 because interest rates are traditionally lower at that time of the year than they are later in the year. At a meeting of the School District Finance Committee on December 7, 2015, District officials and Ehlers discussed February 4, 2016 as the tentative date for the bond sale.
4. Based upon current interest rates, we project that if the bonds sell on February 4, 2016, the result will be a True Interest Cost of approximately 3.25 percent, resulting in total payments over the entire term of the issue of approximately \$142.2 million. (*See Exhibit A.*)
5. Underwriters and prospective purchasers of bonds will not purchase said bonds while an action to invalidate the authorizing election is pending, leaving said bonds unmarketable.
6. There is a strong likelihood that a delay in the bond sale will result in higher interest rates paid by the School District. There is a risk of this happening any year, but the risk is greater now than in most years because of two factors. First, interest rates on municipal bonds are currently low by historical standards. Second, the U.S. Federal

Reserve has made it clear that they intend to begin increasing short-term interest rates as soon as this month, and this may lead to a general increase in interest rates on all fixed rate debt.

7. If the School District is not able to sell the bonds until early May of 2016 (three months after the currently recommended sale date) it is reasonable to assume that interest rates could be approximately 0.50 percent higher than in early February of 2016. Based on those assumptions, we estimate that the result could be a True Interest Cost of approximately 3.75 percent and total payments over the entire term of the issue of approximately \$148.6 million, approximately \$6.4 million more than if the sale occurred as recommended in early February 2016. (*See Exhibit B.*)
8. The delay occasioned by these actions and proceedings could cause the School District and its taxpayers to incur additional principal and interest costs in the approximate amount of \$6.4 million over that projected for the bond sale occurring on February 4, 2016. There is a risk that the additional cost to the School District and its taxpayers could be even higher than these estimates, as there have been three times since 2008 during which average interest rates on municipal bonds have increased by more than 1% in less than four months.
9. The reality of this scenario cannot be understated. Ehlers was the financial consultant to Independent School District No. 2310, Sibley East (“Sibley East”) whose voters approved a bond referendum question at the November 4, 2014 election. Shortly after the election, Sibley East scheduled their bond sale date for January 14, 2015. An election contest was filed based on alleged procedural irregularities. Following a trial, the District Court judge decided in favor of Sibley East. The contestant appealed

to the Court of Appeals and petitioned the Supreme Court for review. About the time the appeal was filed, we estimated that a four (4) month delay in the sale of the bonds could result in additional principal and interest costs of approximately \$1 million. Because of the continued litigation, Sibley East was not able to sell its bonds until June 10, 2015. During the period of time that the litigation continued, interest rates increased resulting in additional principal and interest costs to the taxpayers estimated at \$2.9 million dollars. Because the School District's planned bond issue is considerably larger than the Sibley East issue, there is a significant risk that the additional cost to the taxpayers resulting from a delay in the sale could be much larger than it was for Sibley East.

I declare under penalty of perjury that everything I have stated in this document is true and correct.

Dated: December 8, 2015

/s/ Joel Sutter

Joel Sutter

Signed at Boulder County, Colorado.

Exhibit A - Estimates for a Sale on February 4, 2016

South Washington County School District No. 833

\$94,070,000 G.O School Building Bonds, Series 2016

Dated: 3/01/2016

Sources & Uses

Dated 03/01/2016 | Delivered 03/01/2016

Sources Of Funds

Par Amount of Bonds	\$94,070,000.00
Reoffering Premium	2,498,328.30

Total Sources	\$96,568,328.30
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Uses Of Funds

Total Underwriter's Discount (0.600%)	564,420.00
Costs of Issuance	231,500.00
Deposit to Project Construction Fund	95,768,500.00
Rounding Amount	3,908.30

Total Uses	\$96,568,328.30
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Exhibit A - Estimates for a Sale on February 4, 2016

South Washington County School District No. 833

\$94,070,000 G.O School Building Bonds, Series 2016

Dated: 3/01/2016

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/01/2016	-	-	-	-	-
02/01/2017	-	-	2,975,866.67	2,975,866.67	2,975,866.67
08/01/2017	-	-	1,623,200.00	1,623,200.00	-
02/01/2018	-	-	1,623,200.00	1,623,200.00	3,246,400.00
08/01/2018	-	-	1,623,200.00	1,623,200.00	-
02/01/2019	-	-	1,623,200.00	1,623,200.00	3,246,400.00
08/01/2019	-	-	1,623,200.00	1,623,200.00	-
02/01/2020	440,000.00	4.250%	1,623,200.00	2,063,200.00	3,686,400.00
08/01/2020	-	-	1,613,850.00	1,613,850.00	-
02/01/2021	470,000.00	4.250%	1,613,850.00	2,083,850.00	3,697,700.00
08/01/2021	-	-	1,603,862.50	1,603,862.50	-
02/01/2022	520,000.00	4.250%	1,603,862.50	2,123,862.50	3,727,725.00
08/01/2022	-	-	1,592,812.50	1,592,812.50	-
02/01/2023	710,000.00	4.250%	1,592,812.50	2,302,812.50	3,895,625.00
08/01/2023	-	-	1,577,725.00	1,577,725.00	-
02/01/2024	3,140,000.00	4.250%	1,577,725.00	4,717,725.00	6,295,450.00
08/01/2024	-	-	1,511,000.00	1,511,000.00	-
02/01/2025	-	4.250%	1,511,000.00	3,911,000.00	5,422,000.00
08/01/2025	-	-	1,460,000.00	1,460,000.00	-
02/01/2026	2,185,000.00	4.250%	1,460,000.00	3,645,000.00	5,105,000.00
08/01/2026	-	-	1,413,568.75	1,413,568.75	-
02/01/2027	2,115,000.00	3.250%	1,413,568.75	3,528,568.75	4,942,137.50
08/01/2027	-	-	1,379,200.00	1,379,200.00	-
02/01/2028	3,575,000.00	3.250%	1,379,200.00	4,954,200.00	6,333,400.00
08/01/2028	-	-	1,321,106.25	1,321,106.25	-
02/01/2029	9,870,000.00	3.250%	1,321,106.25	11,191,106.25	12,512,212.50
08/01/2029	-	-	1,160,718.75	1,160,718.75	-
02/01/2030	10,295,000.00	3.250%	1,160,718.75	11,455,718.75	12,616,437.50
08/01/2030	-	-	993,425.00	993,425.00	-
02/01/2031	10,450,000.00	3.250%	993,425.00	11,443,425.00	12,436,850.00
08/01/2031	-	-	823,612.50	823,612.50	-
02/01/2032	11,710,000.00	3.250%	823,612.50	12,533,612.50	13,357,225.00
08/01/2032	-	-	633,325.00	633,325.00	-
02/01/2033	11,955,000.00	3.500%	633,325.00	12,588,325.00	13,221,650.00
08/01/2033	-	-	424,112.50	424,112.50	-
02/01/2034	12,185,000.00	3.500%	424,112.50	12,609,112.50	13,033,225.00
08/01/2034	-	-	210,875.00	210,875.00	-
02/01/2035	12,050,000.00	3.500%	210,875.00	12,260,875.00	12,471,750.00
Total	\$94,070,000.00	-	\$48,153,454.17	\$142,223,454.17	-

Yield Statistics

Bond Year Dollars	\$1,407,160.83
Average Life	14.959 Years
Average Coupon	3.4220292%
Net Interest Cost (NIC)	3.2845958%
True Interest Cost (TIC)	3.2466159%
Bond Yield for Arbitrage Purposes	3.1946968%
All Inclusive Cost (AIC)	3.2674712%

IRS Form 8038

Net Interest Cost	3.1911428%
Weighted Average Maturity	14.815 Years

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Exhibit B - Estimates for a Sale on May 4, 2016

South Washington County School District No. 833

\$95,195,000 G.O School Building Bonds, Series 2016

Dated: 6/01/2016

Sources & Uses

Dated 06/01/2016 | Delivered 06/01/2016

Sources Of Funds

Par Amount of Bonds	\$95,195,000.00
Reoffering Premium	1,377,691.25
Total Sources	\$96,572,691.25

Uses Of Funds

Total Underwriter's Discount (0.600%)	571,170.00
Costs of Issuance	231,500.00
Deposit to Project Construction Fund	95,768,500.00
Rounding Amount	1,521.25
Total Uses	\$96,572,691.25

Exhibit B - Estimates for a Sale on May 4, 2016

South Washington County School District No. 833

\$95,195,000 G.O School Building Bonds, Series 2016

Dated: 6/01/2016

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/01/2016	-	-	-	-	-
02/01/2017	550,000.00	3.000%	2,420,688.33	2,970,688.33	2,970,688.33
08/01/2017	-	-	1,807,266.25	1,807,266.25	-
02/01/2018	-	-	1,807,266.25	1,807,266.25	3,614,532.50
08/01/2018	-	-	1,807,266.25	1,807,266.25	-
02/01/2019	-	-	1,807,266.25	1,807,266.25	3,614,532.50
08/01/2019	-	-	1,807,266.25	1,807,266.25	-
02/01/2020	425,000.00	4.250%	1,807,266.25	2,232,266.25	4,039,532.50
08/01/2020	-	-	1,798,235.00	1,798,235.00	-
02/01/2021	455,000.00	4.250%	1,798,235.00	2,253,235.00	4,051,470.00
08/01/2021	-	-	1,788,566.25	1,788,566.25	-
02/01/2022	505,000.00	4.250%	1,788,566.25	2,293,566.25	4,082,132.50
08/01/2022	-	-	1,777,835.00	1,777,835.00	-
02/01/2023	695,000.00	4.250%	1,777,835.00	2,472,835.00	4,250,670.00
08/01/2023	-	-	1,763,066.25	1,763,066.25	-
02/01/2024	3,125,000.00	4.250%	1,763,066.25	4,888,066.25	6,651,132.50
08/01/2024	-	-	1,696,660.00	1,696,660.00	-
02/01/2025	2,385,000.00	4.250%	1,696,660.00	4,081,660.00	5,778,320.00
08/01/2025	-	-	1,645,978.75	1,645,978.75	-
02/01/2026	2,170,000.00	4.250%	1,645,978.75	3,815,978.75	5,461,957.50
08/01/2026	-	-	1,599,866.25	1,599,866.25	-
02/01/2027	2,100,000.00	3.500%	1,599,866.25	3,699,866.25	5,299,732.50
08/01/2027	-	-	1,563,116.25	1,563,116.25	-
02/01/2028	3,565,000.00	3.500%	1,563,116.25	5,128,116.25	6,691,232.50
08/01/2028	-	-	1,500,728.75	1,500,728.75	-
02/01/2029	9,865,000.00	3.250%	1,500,728.75	11,365,728.75	12,866,457.50
08/01/2029	-	-	1,340,422.50	1,340,422.50	-
02/01/2030	10,295,000.00	3.500%	1,340,422.50	11,635,422.50	12,975,845.00
08/01/2030	-	-	1,160,260.00	1,160,260.00	-
02/01/2031	10,470,000.00	3.600%	1,160,260.00	11,630,260.00	12,790,520.00
08/01/2031	-	-	971,800.00	971,800.00	-
02/01/2032	11,765,000.00	4.000%	971,800.00	12,736,800.00	13,708,600.00
08/01/2032	-	-	736,500.00	736,500.00	-
02/01/2033	12,100,000.00	4.000%	736,500.00	12,836,500.00	13,573,000.00
08/01/2033	-	-	494,500.00	494,500.00	-
02/01/2034	12,395,000.00	4.000%	494,500.00	12,889,500.00	13,384,000.00
08/01/2034	-	-	246,600.00	246,600.00	-
02/01/2035	12,330,000.00	4.000%	246,600.00	12,576,600.00	12,823,200.00
Total	\$95,195,000.00	-	\$53,432,555.83	\$148,627,555.83	-

Yield Statistics

Bond Year Dollars	\$1,395,478.33
Average Life	14.659 Years
Average Coupon	3.8289778%
Net Interest Cost (NIC)	3.7711825%
True Interest Cost (TIC)	3.7468437%
Bond Yield for Arbitrage Purposes	3.6932294%
All Inclusive Cost (AIC)	3.7686894%

IRS Form 8038

Net Interest Cost	3.7008742%
Weighted Average Maturity	14.565 Years

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