NORTHFIELD PUBLIC SCHOOLS
Office of the Superintendent
Memorandum

TO: Board of Education
FROM: Matt Hillmann Ed.D., Superintendent
RE: Table File Items for January 14, 2019, Regular School Board Meeting

VI. Consent Agenda

B. Gift Agreement

A $1,217 donation to the Greenvale Park Elementary snack drive.

C. Personnel Items

a) Appointments

22) *Kati Awad, Supervisory Lunchroom Educational Assistant for 2 hours/day at Sibley, beginning 01/22/2019-06/07/2019; Gen Ed Step 1-$15.03/hr.

23) Lesly Martinez Reyes, KidVentures Site Assistant for 23.5 hours/wk at Sibley, beginning 01/22/2019; Step 3-$13.56/hr.

24) Jenni Roney, 1.0 FTE Enrichment Coordinator with Community Services, beginning 02/04/2019; $57,146-prorated for the 2018-19 school year + Step 2 prorated.

25) Remy Soulak, KidVentures Student Site Assistant for up to 17 hours/wk at Sibley, beginning 01/22/2019; $9.86/hr.

b) Increase/Decrease/Change in Assignment

6) Tricia Farner Christopherson, Substitute Teacher with the District, change to Long Term Substitute Teacher at Greenvale Park, effective 01/23/2019-02/01/2019.

7) Nancy Schwartz, Community School Club Leader at Greenvale Park, add Thursdays for 3 hours/day at Greenvale Park, effective 01/17/2019-05/16/2019.

c) Leave of Absence

12) Mary Huberg, Administrative Assistant at the ALC, FMLA/Medical Leave of Absence, effective 01/10/2019 and to continue on an intermittent basis for up to 60 work days.

d) Retirements/Resignations/Terminations

**Conditional offers of employment are subject to successful completion of a criminal background check and Prework screening (if applicable)*

VII. Superintendent's Report

A. Items for Individual Action

1. Resolution Ratifying the Award of the Sale, Determining the Form and Details, Authorizing the Execution, Delivery, and Registration, and Providing for the Payment of General Obligation School Building Bonds, Series 1029A.

The January 10, 2019 Sale Day Report is enclosed for your review.

VIII. Items for Information

C. Review of School Nutrition Programs. Enclosed is a memo from Stephany Stromme, Director of Child Nutrition Services, informing the Board about the state and federal administrative review of the nutrition programs at Greenvale Park Elementary and the SUN Program with CVSEC. The School Nutrition Programs administrative review will take place the week of March 11, 2019.

NORTHFIELD SCHOOL DISTRICT GIFT AGREEMENT

This agreement made this 9 day of January 2019, by and between Bethel Church, hereinafter the "Donor", and Independent School District No. 659, Northfield, Minnesota, pursuant to the District's policy for receiving gifts and donations, as follows:

TERMS

$1,217 donation for the Greenvale Elementary snack drive.

Bethel Lutheran Church
Donor

By: Received in the Greenvale Park Office

Approved by resolution of the School Board on the _______ day of ______, _____.

INDEPENDENT SCHOOL DISTRICT No. 659

By: ________________________________

Clerk

January 10, 2019

Sale Day Report for

Independent School District No. 659 (Northfield Public Schools), Minnesota

$39,255,000 General Obligation School Building Bonds, Series 2019A

Prepared by:

Joel Sutter, CIPMA
Senior Municipal Advisor

Jeff Seeley, CIPMA
Senior Municipal Advisor

Barbie Doyle,
Financial Specialist

Sale Day Report – January 10, 2019

Independent School District No. 659 (Northfield Public Schools), MN
$39,255,000 General Obligation School Building Bonds, Series 2019A

Purpose: To finance the acquisition and betterment of school sites and facilities in the District as authorized in a referendum on November 6, 2018.

Rating: MN Credit Enhancement: S&P Global Ratings "AAA"
Underlying: S&P Global Ratings "AA+"

Number of Bids: 11

Low Bidder: RBC Capital Markets, New York, New York

Comparison from Lowest to Highest Bid: (TIC as bid)	Low Bid	High Bid	Interest Difference
	3.2230%	3.3475%	$1,336,870

Summary of Sale Results:	
Principal Amount*:	$39,255,000
Underwriter's Discount:	$116,995
Reoffering Premium:	$2,054,238
True Interest Cost*:	3.2176%
Capitalized Interest:	$2,609,000
Costs of Issuance:	$123,622
Yield:	1.78%-3.68%
Total Net P&I	$58,548,092

* *The winning bidder submitted a bid with a premium price (a price greater than the par amount of the bonds) that was larger than the estimates in the Pre-Sale Report. This made it possible to reduce the par amount of the issue from $40,195,000 (in the Pre-Sale Report and Preliminary Official Statement) to $39,225,000. The maturity schedule of the bonds was also adjusted. The reduction in the bond size and change in the maturity schedule caused a slight change in the True Interest Cost.*

Notes: Interest rates have declined significantly in the past two months. The True Interest Cost of 3.22% is substantially lower than the estimate of 3.9o% used in our pre-election estimates and the estimate of 3.76% used for the estimates included in our Pre-Sale Report on November 26. As a result, total tax levies on the bonds will be $3,914,000 less than the pre-election estimates and $3,338,670 less than the estimates in the Pre-Sale Report.

The tax levy for 2019 was set in December when the Board certified the levy, based on the Pre-Sale estimates. Because of the lower interest rates, the tax impact in 2020 and later years will be lower than both the pre-election estimates and the tax impact in 2019, as shown in the attached schedule.

Closing Date: January 31, 2019

Board Action: Approve Resolution Authorizing the Approval of the Sale of General Obligation School Building Bonds, Series 2019A.

Attachments:

- Bid Tabulation
- Sources and Uses of Funds
- Updated Debt Service Schedules
- Tax Impact Schedule
- BBI Graph
- Rating Report
- Bond Authorizing Resolution (Distributed in School Board Packets)

BID TABULATION

$40,195,000* General Obligation School Building Bonds, Series 2019A

Independent School District No. 659 (Northfield Public Schools), Minnesota

SALE: January 10, 2019

AWARD: RBC CAPITAL MARKETS

MN Credit Enhancement Rating: S&P Global Ratings "AAA"
Underlying Rating: S&P Global Ratings "AA+"

Tax Exempt - Non-Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
RBC CAPITAL MARKETS				$42,150,770.57	$17,875,104.58	3.2230%
New York, New York	2022	5.000%	1.780%			
	2023	5.000%	1.860%			
	2024	5.000%	1.940%			
	2025	5.000%	2.000%			
	2026	5.000%	2.100%			
	2027	5.000%	2.200%			
	2028	5.000%	2.300%			
	2029	5.000%	2.500%			
	2030	3.500%	2.800%			
	2031	4.000%	2.850%			
	2032	3.000%	3.070%			
	2033	3.000%	3.140%			
	2034	3.000%	3.200%			
	2035	3.375%	3.390%			
	2036	3.375%	3.470%			
	2037	3.500%	3.550%			
	2038	3.500%	3.620%			
	2039	3.625%	3.680%			

* Subsequent to bid opening the issue size was decreased to $39,255,000.
Adjusted Price - $41,192,243.48 Adjusted Net Interest Cost - $17,355,848.72 Adjusted TIC - 3.2176%

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
BANK OF AMERICA MERRILL LYNCH New York, New York				$41,755,540.60	$17,834,231.31	3.2310%
CITIGROUP GLOBAL MARKETS INC. New York, New York				$42,986,033.79	$18,146,876.03	3.2350%
PIPER JAFFRAY Minneapolis, Minnesota				$42,901,077.95	$18,165,091.79	3.2397%
FTN FINANCIAL CAPITAL MARKETS Memphis, Tennessee				$42,916,797.62	$18,185,316.95	3.2426%
BAIRD Red Bank, New Jersey				$42,030,977.50	$17,988,348.50	3.2482%
J.P. MORGAN SECURITIES LLC New York, New York				$42,756,700.10	$18,232,608.64	3.2533%
NORTHLAND SECURITIES, INC. Minneapolis, Minnesota				$42,508,509.49	$18,224,086.59	3.2622%
MESIROW FINANCIAL, INC. Chicago, Illinois				$42,854,427.27	$18,292,853.57	3.2651%
WELLS FARGO BANK, NATIONAL ASSOC. Charlotte, North Carolina				$43,836,740.20	$18,769,830.08	3.2964%
JEFFERIES New York, New York				$44,457,065.22	$19,211,975.34	3.3475%

Northfield School District No. 659

Estimated Sources and Uses of Funds for Building Bonds
Actual Sale Results
January 10, 2019

Estimated Project Cost	**$38,810,000**
Bond Amount	**$39,255,000**
Dated Date of Bonds	**1/31/2019**
Sources of Funds	
Par Amount	$39,255,000
Estimated Investment Earnings*	576,894
Reoffering Premium**	2,054,238
Total Sources	$41,886,133
Uses of Funds	
Underwriter's Discount**	$116,995
Capitalized Interest***	2,609,000
Legal and Fiscal Costs#	123,622
Net Available for Project Costs	**39,036,516**
Total Uses	$41,886,133
Deposit to Construction Fund	**$38,459,621**

* Estimated investment earnings are based on an average interest rate of 1.5% and an average life of 1 year.

** The underwriter of the bonds will receive a reoffering premium in the sale of the bonds. They will retain a portion of the premium as their compensation, or underwriter's discount. The remainder of the premium will be deposited in the debt service fund and used to pay a portion of the interest on the bonds in the first two years.

*** The district will pay much of the first two years of interest on the bonds from bond proceeds, in order to keep overall debt service tax rates relatively level over time.

\# Includes fees for financial advisor, bond counsel, rating agency, paying agent, and county certificates.

Northfield School District No. 659

Estimated Payments and Tax Levies for Existing Debt and Proposed New Debt

Actual Sale Results

$39,255,000 Building Bonds
November 2018 Election; 20 Years
Wrapped Around Existing Debt

Principal Amount:	$39,255,000
Dated Date:	1/31/2019
Avg. Interest Rate:	3.22%

January 10, 2019

				Existing Commitments					Proposed New Debt				Combined Totals			
Levy Pay.	Fiscal Year	Tax Capacity Value [1] ($000s)		Building Bonds [2]	Alt. Fac	Est. Debt Excess [3]	Net Levy	Tax Rate	Principal	Interest	Est. Debt Excess [3]	Adjusted Debt Levy	Adjusted Debt Levy	State Debt Aid	Net Levy	Tax Rate
2018	2019	27,755	5.5%	4,660,943	1,004,745	(290,602)	5,375,086	19.37	-	-		-	5,375,086	-	5,375,086	19.37
2019	2020	29,615	6.7%	4,597,911	1,044,330	(270,416)	5,371,825	18.14	-	1,515,580 [4]	16,539	311,793	5,683,618	-	5,683,618	19.19
2020	2021	29,911	1.0%	4,603,718	1,089,060	(253,901)	5,438,878	18.18	-	1,511,381 [4]		146,350	5,585,228	-	5,585,228	18.67
2021	2022	30,210	1.0%	2,356,666	1,132,530	(256,175)	3,233,021	10.70	785,000	1,511,381		2,411,200	5,644,221	-	5,644,221	18.68
2022	2023	30,210	0.0%	2,643,664	1,179,990	(157,014)	3,666,640	12.14	515,000	1,472,131	(108,504)	1,977,984	5,644,624	-	5,644,624	18.68
2023	2024	30,210	0.0%	2,655,096	1,226,085	(172,064)	3,709,116	12.28	480,000	1,446,381	(89,009)	1,933,691	5,642,807	-	5,642,807	18.68
2024	2025	30,210	0.0%	-	1,354,815	(174,653)	1,180,162	3.91	935,000	1,422,381	(87,016)	2,388,234	3,568,396	-	3,568,396	11.81
2025	2026	30,210	0.0%	-	-		-	-	1,940,000	1,375,631	(107,471)	3,373,942	3,373,942	-	3,373,942	11.17
2026	2027	30,210	0.0%	-	-	-	-	-	2,080,000	1,278,631	(151,827)	3,374,735	3,374,735	-	3,374,735	11.17
2027	2028	30,210	0.0%	-	-	-	-	-	2,185,000	1,174,631	(151,863)	3,375,750	3,375,750	-	3,375,750	11.17
2028	2029	30,210	0.0%	-	-	-	-	-	2,290,000	1,065,381	(151,909)	3,371,242	3,371,242	-	3,371,242	11.16
2029	2030	30,210	0.0%	-	-	-	-	-	2,405,000	950,881	(151,706)	3,371,969	3,371,969	-	3,371,969	11.16
2030	2031	30,210	0.0%	-	-	-	-	-	2,490,000	866,706	(151,739)	3,372,803	3,372,803	-	3,372,803	11.16
2031	2032	30,210	0.0%	-	-	-	-	-	2,590,000	767,106	(151,776)	3,373,185	3,373,185	-	3,373,185	11.17
2032	2033	30,210	0.0%	-	-	-	-	-	2,665,000	689,406	(151,793)	3,370,333	3,370,333	-	3,370,333	11.16
2033	2034	30,210	0.0%	-	-	-	-	-	2,745,000	609,456	(151,665)	3,370,514	3,370,514	-	3,370,514	11.16
2034	2035	30,210	0.0%	-	-	-	-	-	2,830,000	527,106	(151,673)	3,373,288	3,373,288	-	3,373,288	11.17
2035	2036	30,210	0.0%	-	-	-	-	-	2,925,000	431,594	(151,798)	3,372,625	3,372,625	-	3,372,625	11.16
2036	2037	30,210	0.0%	-	-	-	-	-	3,025,000	332,875	(151,768)	3,374,001	3,374,001	-	3,374,001	11.17
2037	2038	30,210	0.0%	-	-	-	-	-	3,130,000	227,000	(151,830)	3,373,020	3,373,020	-	3,373,020	11.17
2038	2039	30,210	0.0%	-	-	-	-	-	3,240,000	117,450	(151,786)	3,373,537	3,373,537	-	3,373,537	11.17
2039	2040	30,210	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-
2040	2041	30,210	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-
2041	2042	30,210	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-
2042	2043	30,210	0.0%	-	-		-	-	-	-	-	-	-	-	-	-
2043	2044	30,210	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals				21,517,998	8,031,555	(1,574,826)	27,974,727		39,255,000	19,293,092	(2,348,594)	56,390,198	84,364,925	-	84,364,925	

1 Tax capacity value for taxes payable in 2018 is the actual figure. Estimates for future years are based on the percentage changes as shown above.

2 Initial debt service levies (prior to subtracting debt equalization aid) are set at 105 percent of the principal and interest payments during the next fiscal year. Levies include impact of Series 2018A Refunding.

3 Debt excess adjustment for taxes payable in 2018 is the actual amount and for 2019 is a preliminary estimate based on the debt service fund balance as of June 30, 2017. Debt excess for future years is estimated at 4.5% of the prior year's initial debt service levy.

4 A portion of the payments due during fiscal year 2020 and 2021, equal to $1,237,000 and $1,372,000, will be made from bond proceeds.

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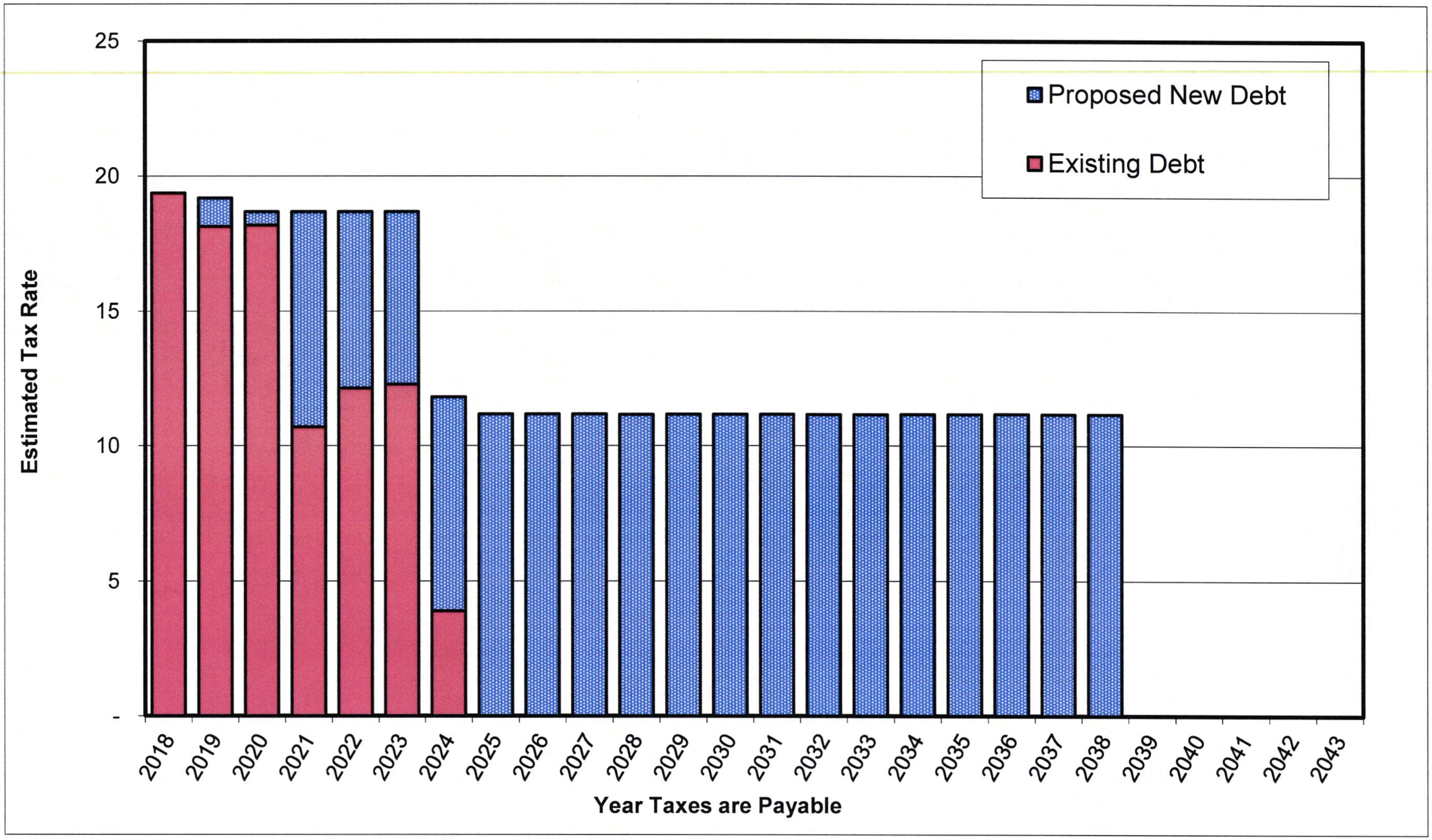
Debt Plan 19A Results

<u>Northfield School District No. 659</u> ***Estimates Prior to Sale***

Estimated Tax Rates for Capital and Debt Service Levies
Existing Commitments and Proposed New Debt

$39,255,000 Building Bonds
November 2018 Election; 20 Years
Wrapped Around Existing Debt

Date Prepared: **January 10, 2019**



Northfield School District No. 659

Analysis of Tax Impact for Proposed Bond Issue **January 10, 2019**
Actual Sale Results

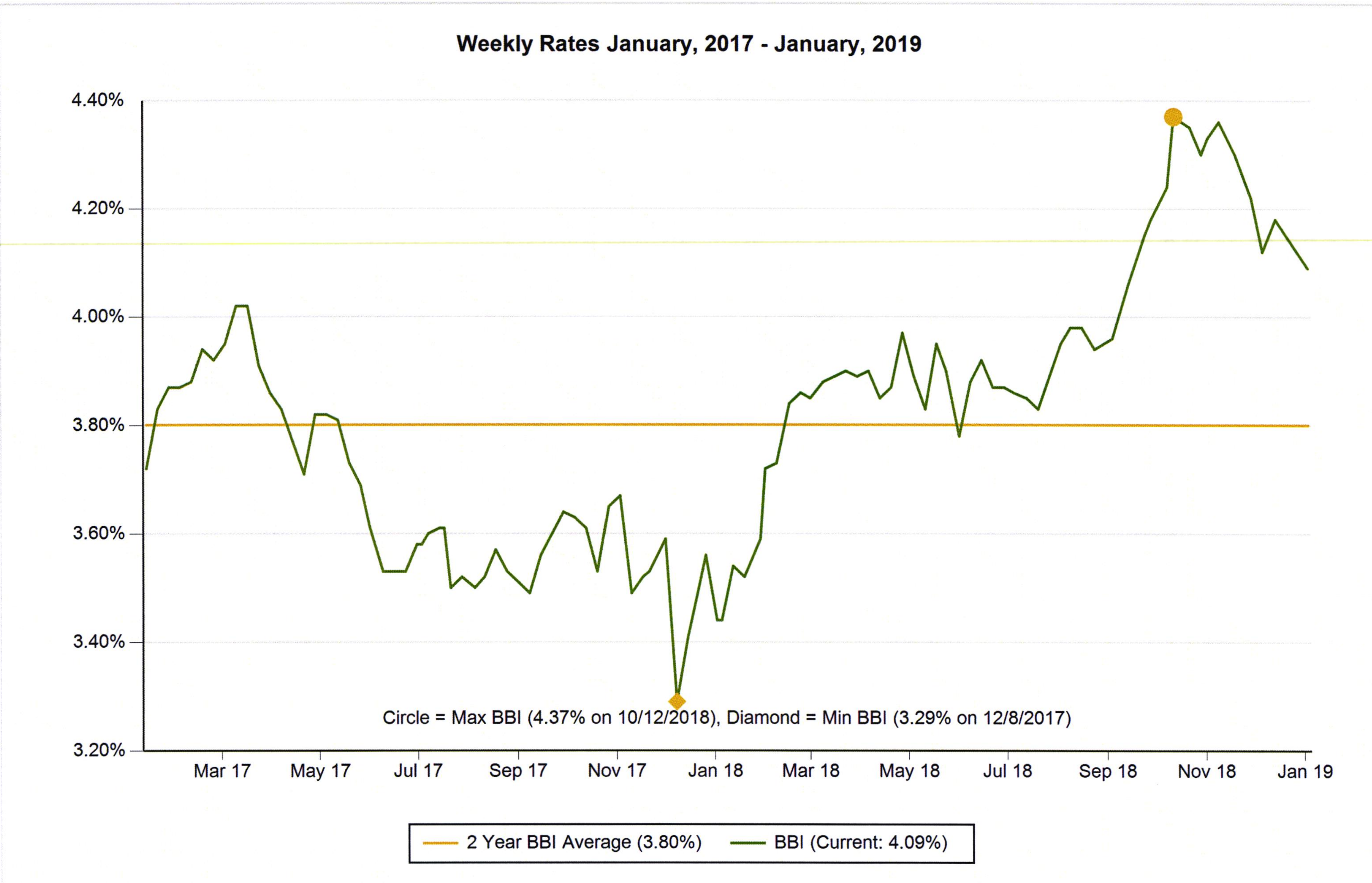
Authorized Bond Issue Amount	**$40,975,000**			
Number of Years	**20**			
Year Taxes are Payable	**2019**		**2020**	
Estimated Tax Rate for New Bonds	**1.14%**	**1.05%**	**0.53%**	

Type of Property	Estimated Market Value	Estimated Impact on Taxes Payable in 2019*				Estimated Impact on Taxes Payable in 2020	
		Estimates Prior To Election		Updated Estimates			
		Annual	Monthly	Annual	Monthly	Annual	Monthly
Residential Homestead	$100,000	$8	$0.67	$8	$0.67	$4	$0.33
	125,000	11	0.92	10	0.83	5	0.42
	150,000	14	1.17	13	1.08	7	0.58
	175,000	18	1.50	16	1.33	8	0.67
	200,000	21	1.75	19	1.58	10	0.83
	250,000	27	2.25	25	2.08	12	1.00
	300,000	33	2.75	30	2.50	15	1.25
	350,000	39	3.25	36	3.00	18	1.50
	400,000	45	3.75	42	3.50	21	1.75
	500,000	57	4.75	52	4.33	27	2.25
	600,000	71	5.92	66	5.50	33	2.75
Commercial/ Industrial +	$250,000	$48	$4.00	$45	$3.75	$23	$1.92
	500,000	105	8.75	97	8.08	49	4.08
	1,000,000	219	18.25	202	16.83	102	8.50
	2,000,000	447	37.25	412	34.33	208	17.33
Agricultural Homestead** (average value per acre of land & buildings)	$4,000	$0.14	$0.01	$0.13	$0.01	$0.06	$0.01
	5,000	0.17	0.01	0.16	0.01	0.08	0.01
	6,000	0.21	0.02	0.19	0.02	0.10	0.01
	7,000	0.24	0.02	0.22	0.02	0.11	0.01
	8,000	0.27	0.02	0.25	0.02	0.13	0.01
Agricultural Non-Homestead** (average value per acre of land & buildings)	$4,000	$0.27	$0.02	$0.25	$0.02	$0.13	$0.01
	5,000	0.34	0.03	0.31	0.03	0.16	0.01
	6,000	0.41	0.03	0.38	0.03	0.19	0.02
	7,000	0.48	0.04	0.44	0.04	0.22	0.02
	8,000	0.55	0.05	0.50	0.04	0.25	0.02

* The figures in the table are based on school district taxes for bonded debt levies only, and do not include tax levies for other purposes. Tax increases shown above are gross increases, not including the impact of the homeowner's Homestead Credit Refund ("Circuit Breaker") program. Many owners of homestead property will qualify for a refund, based on their income and total property taxes. This will decrease the net effect of the proposed bond issue for many property owners.

\+ For commercial-industrial property, the tax impact estimates above are for property in Rice and Goodhue counties. For commercial-industrial property in Dakota county, the tax impact would be less than shown above, due to the impact of the Twin Cities Fiscal Disparities program.

** For agricultural property, estimated tax impact includes 40% reduction due to the School Building Bond Agricultural Credit. Average value per acre is the total estimated market value of all land & buildings divided by total acres. Homestead examples exclude the house, garage, and one acre, which has the same tax impact as a residential homestead.



The Bond Buyer "20 Bond Index" (BBI) shows average yields on a group of municipal bonds that mature in 20 years and have an average rating equivalent to Moody's Aa2 and S&P's AA.

Source: The Bond Buyer

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S&P Global Ratings

RatingsDirect®

Summary:

Northfield Independent School District No. 659, Minnesota; School State Program

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Table Of Contents

Rationale

Outlook

Summary:

Northfield Independent School District No. 659, Minnesota; School State Program

Credit Profile		
US$40.195 mil GO sch bldg bnds ser 2019A dtd 01/31/2019 due 02/01/2039		
Long Term Rating	AAA/Stable	New
Underlying Rating for Credit Program	AA+/Stable	New

Rationale

S&P Global Ratings assigned its 'AAA' enhanced long-term rating and 'AA+' underlying rating to Northfield Independent School District (ISD) No. 659, Minn.'s series 2019A general obligation (GO) school building bonds. At the same time, we affirmed our 'AA+' underlying rating on the district's existing GO debt. The outlook is stable.

The bonds are GOs of the district, secured by its full-faith-and-credit pledge. Proceeds of the bonds will be used to finance the construction of a new elementary school and renovate multiple other elementary school facilities throughout the district.

The 'AAA' long term rating reflects the additional security provided by the district's eligibility for and participation in Minnesota's School District Credit Enhancement Program, a state standing appropriation program to prevent a default on the district's bond issues as authorized by Minnesota State Statutes, Section 126C.55. Under the program, the state will pay debt service on behalf of the district from the state's general fund if the district fails to meet its debt service obligations for the qualified debt. Payments from the state represent a standing appropriation from the state's general fund. We view this standing appropriation pledge as equivalent to a general fund pledge because the standing appropriation does not require adoption of a budget or any action of the legislature to make payment. Furthermore, the standing appropriation is not subject to executive unallotment authority. Additionally, the credit enhancement program supports projects that are central to the state of Minnesota's operations and purpose. In our opinion, there is no unusual political, timing, or administrative risk related to the debt payment. The rating on obligations that have received enhancement under the program is on par and moves in tandem with the rating on the state.

The 'AA+' underlying rating reflects our assessment of the district's creditworthiness, specifically its:

- Relatively close proximity to the Twin Cities metropolitan statistical area (MSA);
- Very strong budgetary flexibility, with historically high reserve levels;
- Financial management practices and policies that we consider good; and
- Low-to-moderate overall net debt.

Offsetting the above strengths is the district's heavy reliance on state-source revenues, which could present a challenge if enrollment declines.

Historically, the district has maintained a very stable financial profile, with reserves consistently at a level we consider very strong. Steadily increasing enrollment has also had a positive effect on finances, displayed in year-over-year revenue increases, that the district expects will continue. Assisted by good management and conservative budgeting practices, the district has strategically developed its budget to account for upcoming projects and expenditures. While the economy is somewhat modest, increased residential and commercial development within the past few years has helped maintain upward valuation trends, bringing in both local and national businesses into the district.

Economy

Forty miles south of Minneapolis, Northfield ISD No. 659 serves an estimated population of 28,723 in southeastern Minnesota. The community is home to two small liberal arts colleges that help provide a robust range of food and entertainment options, as well as a downtown area that provides a setting for local small businesses. Median household effective buying income (EBI) is strong, in our opinion, at 123% of the national level, but per capita EBI is good at 98%.

Overall, the district has been experiencing modest growth, with expansion in certain residential and commercial areas. A recent Rice County housing study established projections of 5,600 new homes to be built throughout the county in the next 20 years. This development is currently being shown through the construction of both single- and multi-family housing, as well as the development of a new retirement center. Business development throughout the district has also been strong in recent years, with the opening of a new Aldi grocery store, a new KwikTrip convenience store, and the redevelopment of a Kmart into a movie theater.

Due to a recent purchase of Malt-O-Meal by Post Consumer Products, a local cereal plant is adding on to its facility, bringing more people and jobs into the district. All of this growth is displayed through what is, in our opinion, an extremely strong economic market value, at $109,352 per capita, totaling $3.1 billion. Assessed value (AV) also grew, by a total of 12.5%, from 2016 to 2018, where it totaled $27.9 million. This number is expected to continue to grow, partially based on the expansion of Post, which has not yet been reflected in the district's AV. The tax base is very diverse, in our view, with the 10 largest taxpayers accounting for approximately 8.1% of AV.

Finances

The state's basic general education revenue funding, which is determined by pupil count, is the primary source of operating revenue for Minnesota school districts. As a result, increases or decreases in enrollment can lead to corresponding movements in revenue, which, for the district, includes 68% of state aid. Enrollment totaled 3,993 in 2018, and projections for 2019 have that number increasing to 4,050. With total student counts growing each year from 2015 to 2019, enrollment grew by a total of 7.2%. Management attributes this to the expanding real estate market, where there has been ongoing housing development and high turnover. They expect this trend to continue in the near term.

While the district sustains an overall net loss of students due to open enrollment, a majority of these students are attending two charter schools in the district, of which Northfield ISD No. 659 is a sponsor. Both of the charter schools maintain a good relationship with the district, continuously working in conjunction with one another. Many students that attend the charter school at the elementary level enroll in the public school system for middle school. The district does not expect there to be any new charter schools established in the area, and the relationship should be managed well within the budget.

Northfield ISD No. 659 is one of four districts participating in a new special education cooperative program in Minnesota. The district opted to be the "fiscal host" of the cooperative, placing it at the forefront of the program's launch, and its finances. Because this endeavor began in fiscal 2017, we saw a spike in both revenues and expenditures, with a total of $5 million flowing through the district's finances. Even with these increases, the district was able to report an operating surplus of $489,000, or 0.9% of expenditures.

For fiscal 2018, the district's audited results showed an operating deficit of $1.35 million, or 2.6% of general fund expenditures, which management attributed to a planned spend-down to bridge a one-year gap until a new operating referendum goes into effect. The district's available fund balance of $14.9 million is very strong, in our view, at 29% of general fund expenditures at fiscal year-end (June 30) 2018.

In November 2017, voters approved an operating referendum intended by the district to offset the state's lack of annual inflationary increases in per-pupil revenue. Because the new revenue would not be collected until fiscal 2019, the district opted to spend down reserves in fiscal 2018 to cover operational expenses to avoid budget cuts. If the referendum had failed, officials had a plan to reduce expenditures in fiscal 2019. Given the voter-approved additional revenue and continued enrollment growth, the district's fiscal 2019 budget reflects a roughly $434,000 surplus, which we view as an achievable result.

Management

We consider the district's management practices good under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Using both internal and external sources in addition to three years of historical trends, the district applies a line-by-line budgeting approach for both revenues and expenditures when preparing its budget each year. It also has a formalized long-term financial plan that goes out five years and is updated on an annual basis. Management provides the board with monthly financial reports, complete with cash balance and investments. It plans to provide budget-to-actual results beginning this year. However, based on historical results, the district has shown it is able to monitor and maintain a budgetary balance. Based on a requirement from the state, it maintains a 10-year long-term facilities maintenance plan tied to a state funding source and that is updated annually. It has a formal investment policy, and it reports monthly to the board on investment activity and holdings. The district also has a formal fund balance policy, with a target to maintain 16% of reserves for cash-flow needs. It does not maintain a formal debt management policy, but adheres to statutory limitations.

Debt

Overall net debt is 2.8% of market value and $3,098 per capita, which we consider to be low and moderate, respectively. With 55% of the district's direct debt scheduled to be retired within 10 years, amortization is average. Debt service carrying charges were 9.8% of total governmental fund expenditures (excluding capital outlay) in fiscal 2017, which we consider moderate.

Management confirmed that the district has no additional debt plans. In December 2009, it issued a privately placed bank loan for $1.495 million that financed capital improvements for an elementary school. The loan matures in 2024 and, in our view, does not pose a contingent liability risk to the district's credit quality.

Pension and other postemployment benefit liabilities

In fiscal 2018, the district paid its full required contribution of $2.4 million, or 3.8% of total governmental expenditures, toward its pension obligations. It also paid $845,000, or 1.3% of total governmental expenditures, toward its other postemployment benefit (OPEB) obligations in fiscal 2018. Combined pension and OPEB carrying charges totaled 5.1% of total governmental fund expenditures in 2018.

The district participates in the Minnesota Teachers' Retirement Assn. (TRA) and the General Employees Retirement Fund (GERF) that is administered by the Public Employees' Retirement Association (PERA). Both are statewide cost-sharing, defined-benefit pension plans. Required pension contributions to these plans are determined by state statute as a percentage of payroll. Statutory contributions rates have generally not kept pace with actuarially determined contribution rates, indicating potential for future payment acceleration. TRA and GERF were 51.6% and 75.9% funded, respectively, in fiscal 2017. The district's proportionate share of the net pension liability for these plans totaled $97.0 million.

The state recently passed pension legislation that will marginally increase contributions for TRA, reduce the investment rate of return to 7.5% (from 8%), and reduce some employee benefits (primarily cost-of-living adjustments). The increased employer contributions were coupled with additional state aid such that it would have a neutral budgetary effect on the district. While we view these as positive changes for future plan funding levels, the lack of an actuarial funding policy remains a weakness in these plans. (For more information about the reforms included in the 2018 omnibus retirement bill and the potential for future cost increases, see our article, "Minnesota's New Pension Bill Is A Positive Step Toward Sustainable Funding," published on June 7, 2018, on RatingsDirect.)

Outlook

The stable outlook on the long-term credit enhancement program rating reflects that on the state of Minnesota and moves in tandem with the state GO rating and outlook.

The stable outlook on the underlying rating reflects our expectation that the district's enrollment and local economy will remain stable, which will help maintain its stability in funding. We also expect management to continue to budget conservatively to maintain mostly balanced operations, and that the district will maintain at least strong reserves over the next two years. Therefore, we do not expect to change the rating within our two-year outlook horizon.

Upside scenario

We could raise the rating if the district's economic indicators improved to levels commensurate with higher rated peers, coupled with maintenance of a very strong available reserves, assuming no deterioration in other credit factors.

Downside scenario

We could lower the rating if the district's finances deteriorate materially, decreasing its reserves to a level no longer comparable with that of similarly rated peers. We could also do so if the debt or pension burdens increase substantially, pressuring the district's finances.

Ratings Detail (As Of December 21, 2018)		
Northfield Indpt Sch Dist #659 GO alternative facs rfdg bnds		
Long Term Rating	AAA/Stable	Affirmed
Underlying Rating for Credit Program	AA+/Stable	Affirmed
Northfield Indpt Sch Dist #659 GO State Credit Enhancement		
Long Term Rating	AAA/Stable	Affirmed
Underlying Rating for Credit Program	AA+/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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PUBLIC SCHOOLS

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MEMORANDUM

To: Northfield Public Schools ISD 659 School Board members: Julie Pritchard, Ellen Iverson, Rob Hardy, Noel Stratmoen, Jeff Quinnell, Tom Baraniak and Amy Goerwitz

From: Stephany Stromme, Director of Child Nutrition Services

Date: 1/9/2019

Subject: Two Schools Selected for State and Federal Administrative Review of School Nutrition Programs

During the week of March 11, 2019 Northfield Public Schools, ISD 659 will be receiving a School Nutrition Programs administrative review from the Minnesota Department of Education. As part of the Healthy Hunger Free Kids Act of 2010, the United States Department of Agriculture (USDA) established a monitoring process designed to examine compliance with Federal requirements of the USDA's school meal programs, School Lunch and Breakfast Programs, After School Snack, and the Kindergarten Milk Program. The Administrative Review is comprehensive and covers various aspects of federal nutrition programs.

The following schools have been selected by the State for the site level on-site review.

Greenvale Park Elementary and SUN Program with CVSEC (Meals catered from Greenvale Park Elementary)

Principals and student nutrition site staff are being notified and provided support in preparation for the review. Following the review, a report of commendations and findings will be provided to the superintendent. For additional information contact me at: sstromme@northfieldschools.org or phone 507-645-3432.

Sincerely,

Stephany Stromme, Director of Child Nutrition Services

CC: Superintendent