Hobson K-12 District
$4,600,000 Series 2024 Bond Issue Summary

On Monday, July 29, the Hobson K-12 District Board of Trustees will adopt the final Bond Resolution for the issuance of $4,600,000 in General Obligation School Building Bonds that voters approved in May of 2024 to pay the costs of designing, acquiring, constructing, renovating, equipping, and furnishing improvements to the District's school facilities, to include:

- Replacing the steam boiler system with propane or other heating system;
- Remodeling kitchen to meet code requirements;
- Replacing and adding egress windows;
- Upgrading bathrooms to include touchless fixtures;
- Remodeling classrooms, the library and multi-purpose room and shop to meet code requirements and address deteriorating finishes, flooring, and inadequate insulation;
- Replacing lockers;
- Upgrading flooring, furnace, ceiling, and lighting fixtures in the gymnasium;
- Purchasing duplex for teacher housing;
- Repairing the teacher trailer and superintendent house; and
- related improvements and costs.

BOND OFFERING. On July 25, the Bonds were offered in $5,000 increments and sold through D.A. Davidson to individual investors, banks, and other institutional investors locally and across Montana and the nation. Yields to investors ranged from 3.11% in early maturities to 3.91% in the final maturity in 2048.

LOWER TRUE INTEREST COST. District officials are pleased that the true interest cost rate on the 2024 Bond issue is favorable at 3.935%, which is lower than the 4.540% projected rate at the time of the election. Interest over the life of the Bonds is lower by $210,969.11.

POSITIVE TAXPAYER IMPACT INFORMATION. The final bond results dropped projected debt service mills on the Bonds from **51.46 mills with election communications to 50.02 mills, a 2.80% reduction**. Mill levies to pay debt service on the Bonds will commence in 2024/25 and conclude after the 20-year term. As the District experiences growth in its tax base from new construction and other additions, the annual mills levied to pay debt service on the Bonds would be lower throughout the 20-year term.

The Bond issue tax impacts were projected during the election at $69.47 per year ($5.79 per month) per $100,000 of residential property value and the updated figure is 2.80% less at $67.53 per year ($5.63 per month).

FAVORABLE S&P CREDIT RATING ON THE BONDS. As part of the financing process, the District received an **"A" underlying credit rating on the Bonds from S&P Global Ratings and a "AA" Assured Guaranty rating** with their insurance policy attached to the Bonds. The S&P rating report indicates the rating is due to District's: (i) concentrated local economy with the 10 largest taxpayers accounting for 60.6% of total taxable value and average income levels and extremely strong property wealth; (ii) strong financial position with positive operating results and maintenance of very strong albeit normally low available general fund reserves, supported by a stable enrollment trend; (iii) standard financial management practices; and (v) a debt burden that is low as a percentage of market value but high on a per capita basis with no additional debt plans to deteriorate the debt profile.

July 29, 2024