



Methacton School District

NEW MONEY ANALYSIS

September 24, 2024

**Prepared by:
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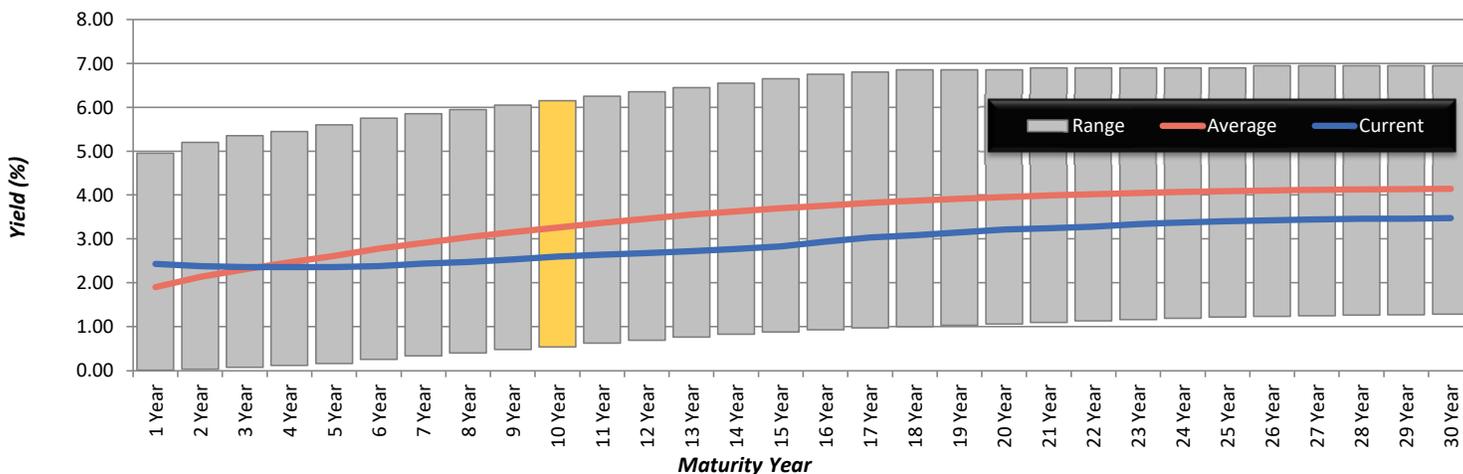
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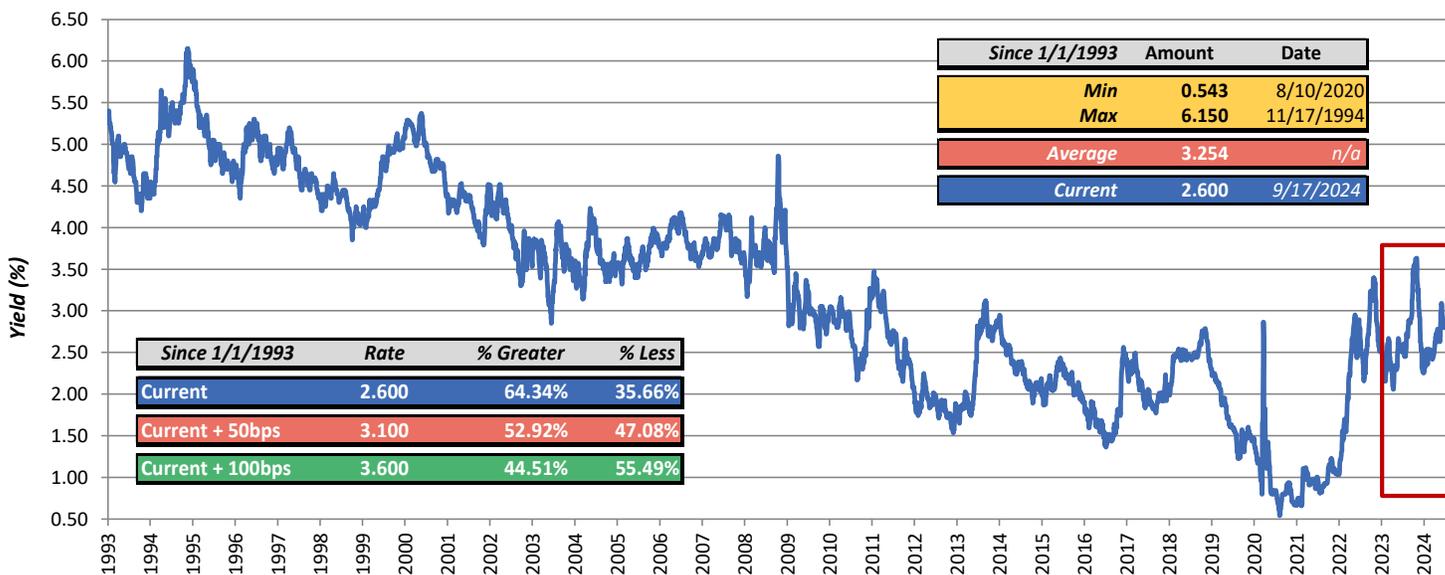
MUNICIPAL MARKET UPDATE

September 17, 2024

HISTORICAL BVAL CURVE ILLUSTRATION - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 1993 [1]



SPOT ANALYSIS - 10 YEAR BVAL - SINCE JANUARY 1, 2023



[1] Datapoints prior to January 4, 2010 are provided by MMD, datapoints after January 4, 2010 are provided by BVAL.

**METHACTON SCHOOL DISTRICT
SUMMARY OF OUTSTANDING INDEBTEDNESS**

Debt Service Requirements												
	1	2	3	4	5	6	7	8	9	10	11	12
Fiscal Year Ended	G.O. Bonds Series B of 2017	G.O. Bonds Series of 2018	G.O. Bonds Series A of 2018	G.O. Bonds Series of 2019	G.O. Bonds Series A of 2019	G.O. Bonds Series AA of 2019	G.O. Bonds Series of 2020	G.O. Notes Series of 2020	G.O. Bonds Series A of 2020	G.O. Bonds Series of 2021		Total Debt Service
6/30/2025	269,055	181,259	4,614,975	174,991	146,789	2,641,800	162,163	93,519	633,250	528,600		9,446,400
6/30/2026	639,379	1,783,400	776,475	184,800	285,300	1,600,500	2,208,300	93,519	633,200	528,550		8,733,422
6/30/2027	951,813	1,771,700		499,625	331,900			3,874,756	633,138	528,500		8,591,431
6/30/2028	967,125	1,091,400		593,000	451,750			1,402,997	633,063	528,438		5,667,772
6/30/2029	1,151,025			685,400	606,275				1,235,625	1,101,600		4,779,925
6/30/2030	1,148,275			687,900	608,900				1,235,325	1,097,600		4,778,000
6/30/2031	1,154,625			679,600	608,300				1,235,713	1,102,600		4,780,838
6/30/2032	1,167,900			729,500	611,800				1,240,000	1,032,900		4,782,100
6/30/2033	1,179,825			717,600	609,400				1,241,400	1,033,600		4,781,825
6/30/2034	1,180,550			612,000	714,000				1,241,600	1,033,300		4,781,450
6/30/2035	106,575								1,230,800	885,000		2,222,375
6/30/2036									1,224,100	991,600		2,215,700
6/30/2037									1,221,300	995,000		2,216,300
6/30/2038									1,222,200	997,200		2,219,400
6/30/2039									1,221,700	998,200		2,219,900
6/30/2040									1,224,700	993,100		2,217,800
6/30/2041									1,221,200	996,800		2,218,000
6/30/2042									1,221,200	999,100		2,220,300
6/30/2043									1,224,500	995,100		2,219,600
6/30/2044									1,221,100	999,700		2,220,800
6/30/2045									1,221,000	997,800		2,218,800
6/30/2046									1,224,000	994,500		2,218,500
6/30/2047												
6/30/2048												
6/30/2049												
6/30/2050												
TOTAL	9,916,146	4,827,759	5,391,450	5,564,416	4,974,414	4,242,300	2,370,463	5,464,789	24,640,113	20,358,788		87,750,637

Local Effort Requirements												
	13	14	15	16	17	18	19	20	21	22	23	24
Fiscal Year Ended	G.O. Bonds Series B of 2017	G.O. Bonds Series of 2018	G.O. Bonds Series A of 2018	G.O. Bonds Series of 2019	G.O. Bonds Series A of 2019	G.O. Bonds Series AA of 2019	G.O. Bonds Series of 2020	G.O. Notes Series of 2020	G.O. Bonds Series A of 2020	G.O. Bonds Series of 2021		Total Local Effort
6/30/2025	269,055	181,259	4,377,780	174,991	146,789	2,487,380	154,726	86,537	633,250	528,600		9,040,368
6/30/2026	639,379	1,783,400	736,567	184,800	285,300	1,506,947	2,107,030	86,537	633,200	528,550		8,491,709
6/30/2027	951,813	1,771,700		499,625	331,900			3,585,501	633,138	528,500		8,302,176
6/30/2028	967,125	1,091,400		593,000	451,750			1,298,261	633,063	528,438		5,563,036
6/30/2029	1,151,025			685,400	606,275				1,235,625	1,101,600		4,779,925
6/30/2030	1,148,275			687,900	608,900				1,235,325	1,097,600		4,778,000
6/30/2031	1,154,625			679,600	608,300				1,235,713	1,102,600		4,780,838
6/30/2032	1,167,900			729,500	611,800				1,240,000	1,032,900		4,782,100
6/30/2033	1,179,825			717,600	609,400				1,241,400	1,033,600		4,781,825
6/30/2034	1,180,550			612,000	714,000				1,241,600	1,033,300		4,781,450
6/30/2035	106,575								1,230,800	885,000		2,222,375
6/30/2036									1,224,100	991,600		2,215,700
6/30/2037									1,221,300	995,000		2,216,300
6/30/2038									1,222,200	997,200		2,219,400
6/30/2039									1,221,700	998,200		2,219,900
6/30/2040									1,224,700	993,100		2,217,800
6/30/2041									1,221,200	996,800		2,218,000
6/30/2042									1,221,200	999,100		2,220,300
6/30/2043									1,224,500	995,100		2,219,600
6/30/2044									1,221,100	999,700		2,220,800
6/30/2045									1,221,000	997,800		2,218,800
6/30/2046									1,224,000	994,500		2,218,500
6/30/2047												
6/30/2048												
6/30/2049												
6/30/2050												
TOTAL	9,916,146	4,827,759	5,114,347	5,564,416	4,974,414	3,994,327	2,261,756	5,056,836	24,640,113	20,358,788		86,708,901

Principal⁽¹⁾:	8,380,000	4,405,000	765,000	4,450,000	3,995,000	1,575,000	2,165,000	5,205,000	15,800,000	13,100,000		59,840,000
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PE%:	0.00%	0.00%	24.71%	0.00%	0.00%	28.10%	22.05%	35.89%	0.00%	0.00%		
PE% Status:	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	
CARF	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%	20.80%		
Call Date:	3/15/2023	9/15/2023	9/15/2023	9/15/2024	3/1/2025	Non-Callable	Non-Callable	Non-Callable	9/15/2028	7/15/2029		
Purpose:	New Money	Cur Ref 2011A & 2015	Cur Ref 2013 Notes	New Money	New Money	Cur Ref 2012A & 2013	Cur Ref 2013A	Adv Ref Portion of 2016	New Money	New Money		
BQ Status:	BQ	Non-BQ	Non-BQ	BQ	BQ	BQ	Non-BQ	Non-BQ	Non-BQ	Non-BQ		
Average Rate:	2.58%	3.35%	2.07%	2.95%	2.68%	3.25%	1.82%	1.82%	3.26%	3.23%		

⁽¹⁾ Outstanding as of September 18, 2024

Methacton School District
 Topics of Discussion
 September 24, 2024

Proposed New Money Financing Analysis

- 1) The District Administration has asked PFM to prepare a debt service affordability analysis for up to \$200 million of potential projects.

- 2) The borrowing plan is estimated and currently takes places over multiple years. As we move forward, the District and its Architect will need to provide PFM with a draw schedule so we can finetune timing as well as any potential interest earnings that may be used to downsize the total cost of the project.

Federal Tax Laws

- 3) Federal tax laws permit an Issuer to borrow at a tax-exempt interest rate and invest the proceeds at an unlimited (taxable) yield subject to arbitrage requirements during the period of project construction, but only if the following three tests can be satisfied. The governing board must reasonably expect at the time the borrowing:
 - a. **Expenditure Test** – issuer will spend 85% of the proceeds within three years.
 - b. **Time Test** – issuer will incur a substantial binding obligation (sign a design contract, award a construction bid) within six months, equal to at least 5% of the borrowing amount.
 - c. **Due Diligence Test** – construction of the project will proceed, and the bonds funds will be spent, with due diligence to completion.

Arbitrage Rebate Considerations

- 4) An issue is exempt from arbitrage rebate if they qualify under size-based and time-base exemptions:
 - a. **Small Issuer Exception** – As long as the issuer has governmental taxing base powers and does not expect to or has not issued more than \$15,000,000 in tax-exempt bonds in a calendar year, an exemption would apply.
 - b. **Time Based/Spending Exception** – The issuer must meet the following spending exceptions:

Spending Exception	6 Months	12 Months	18 Months	24 Months
6-Month All Gross Proceeds	100%			
18-Month All New Money	15%	60%	100%	
24-Month Construction Issues	10%	45%	75%	100%

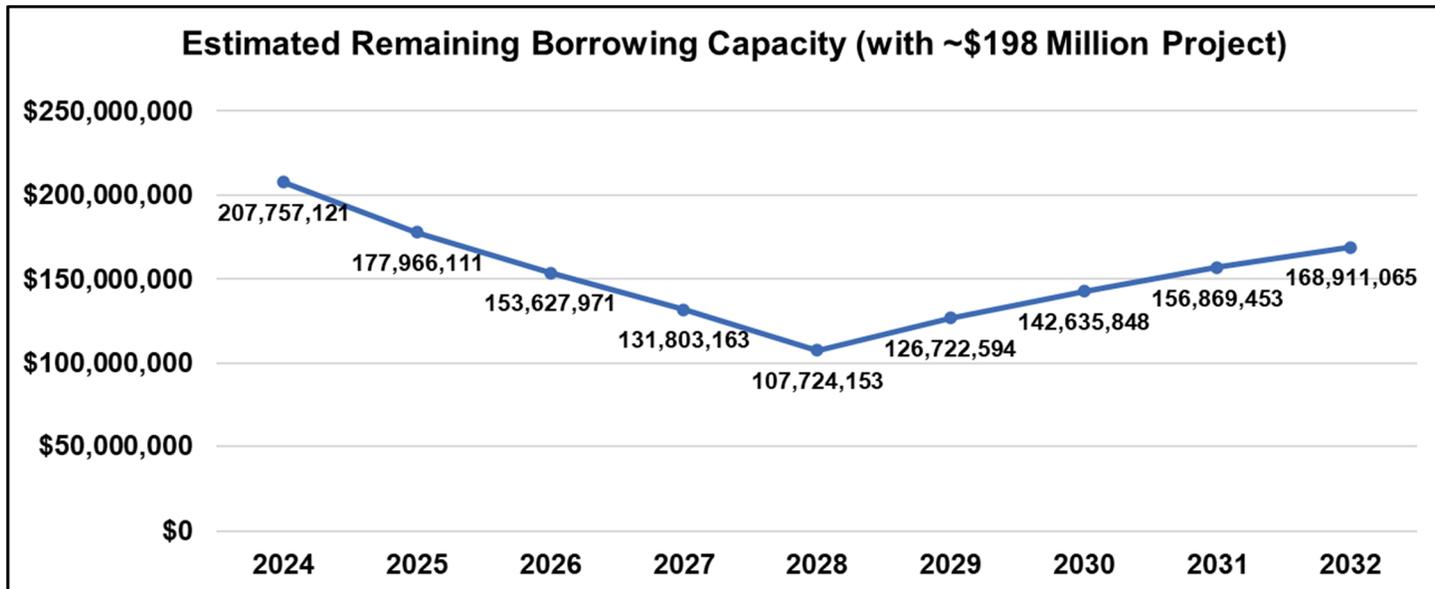
Methacton School District
Borrowing Capacity Discussion
 September 24, 2024

Legal Borrowing Capacity

- 1) Under PA State Law a school district can borrow up to its legal borrowing capacity – a formula which considers 225% of the average of the last three years of revenue less any existing debt. Any borrowing outside of this amount would require voter approval.

- 2) The remaining borrowing capacity for the School District shown below assumes the ~\$200 million project as detailed in the remaining pages of this handout:

	2024	2025	2026	2027	2028	2029	2030	2031	2032
Est. Non-Electoral Debt Limit	284,937,121	290,186,111	301,187,971	314,658,163	327,669,153	342,057,594	354,585,848	365,309,453	373,711,065
Est. Net G.O. Debt Outstanding	77,180,000	112,220,000	147,560,000	182,855,000	219,945,000	215,335,000	211,950,000	208,440,000	204,800,000
Est. Remaining Borrowing Capacity	207,757,121	177,966,111	153,627,971	131,803,163	107,724,153	126,722,594	142,635,848	156,869,453	168,911,065



Note - Borrowing base projections are based on future revenues which were provided by District administration.

METHACTON SCHOOL DISTRICT

ESTIMATED PROJECT DRAW SCHEDULE PROVIDED BY DISTRICT

1	2	3	4		5	6				7	8	9	10
Month	Date	Beginning Balance	USES		Total Draws ^[2]	SOURCES				Total Sources	Ending Balance		
			New High School School Project \$200,000,000			Project Fund Deposit	District Cash	Interest Earnings ^[1] 3.25%					
1	9/1/2024		(220,447)		(220,447)			220,447			220,447		
2	10/1/2024		(372,505)		(372,505)			372,505			372,505		
3	11/1/2024		(372,505)		(372,505)			372,505			372,505		
4	12/1/2024		(372,505)		(372,505)	15,000,000	(965,457)				14,034,543		13,662,038
5	1/1/2025	13,662,038	(360,478)		(360,478)					37,711	37,711		13,339,271
6	2/1/2025	13,339,271	(315,478)		(315,478)					36,820	36,820		13,060,613
7	3/1/2025	13,060,613	(315,478)		(315,478)					32,562	32,562		12,777,697
8	4/1/2025	12,777,697	(360,479)		(360,479)					35,270	35,270		12,452,488
9	5/1/2025	12,452,488	(315,478)		(315,478)					33,263	33,263		12,170,274
10	6/1/2025	12,170,274	(315,480)		(315,480)					33,593	33,593		11,888,387
11	7/1/2025	11,888,387	(315,478)		(315,478)					31,757	31,757		11,604,665
12	8/1/2025	11,604,665	(542,756)		(542,756)					32,032	32,032		11,093,942
13	9/1/2025	11,093,942	(542,756)		(542,756)					30,622	30,622		10,581,808
14	10/1/2025	10,581,808	(537,756)		(537,756)	42,500,000		28,266		145,114	42,528,266		52,572,318
15	11/1/2025	52,572,318	(537,756)		(537,756)					139,384	145,114		52,179,676
16	12/1/2025	52,179,676	(603,376)		(603,376)					142,931	139,384		51,781,304
17	1/1/2026	51,781,304	(194,349)		(194,349)					141,660	142,931		51,320,859
18	2/1/2026	51,320,859	(381,730)		(381,730)					127,819	141,660		51,268,170
19	3/1/2026	51,268,170	(3,406,050)		(3,406,050)					140,813	127,819		51,014,259
20	4/1/2026	51,014,259	(6,811,122)		(6,811,122)					127,549	140,813		47,749,022
21	5/1/2026	47,749,022	(7,606,702)		(7,606,702)					113,352	127,549		41,065,449
22	6/1/2026	41,065,449	(8,427,282)		(8,427,282)					89,679	113,352		33,572,099
23	7/1/2026	33,572,099	(8,452,282)		(8,452,282)					69,654	89,679		25,234,496
24	8/1/2026	25,234,496	(7,606,702)		(7,606,702)					46,516	69,654		16,851,868
25	9/1/2026	16,851,868	(7,606,702)		(7,606,702)					24,820	46,516		9,291,682
26	10/1/2026	9,291,682	(7,631,702)		(7,631,702)	80,000,000		225,541		198,482	24,820	80,024,820	81,709,800
27	11/1/2026	81,709,800	(6,786,122)		(6,786,122)					186,915	225,541		74,303,639
28	12/1/2026	74,303,639	(5,139,962)		(5,139,962)					173,243	186,915		67,716,000
29	1/1/2027	67,716,000	(6,781,122)		(6,781,122)					144,032	173,243		62,762,953
30	2/1/2027	62,762,953	(7,776,702)		(7,776,702)					141,144	144,032		57,771,233
31	3/1/2027	57,771,233	(7,601,702)		(7,601,702)					118,854	141,144		51,134,144
32	4/1/2027	51,134,144	(8,422,282)		(8,422,282)					78,364	118,854		44,494,166
33	5/1/2027	44,494,166	(8,697,282)		(8,697,282)					57,945	78,364		36,836,318
34	6/1/2027	36,836,318	(6,781,122)		(6,781,122)					34,098	57,945		29,336,295
35	7/1/2027	29,336,295	(6,781,122)		(6,781,122)					14,975	34,098		20,992,377
36	8/1/2027	20,992,377	(6,085,542)		(6,085,542)	42,500,000		114,109		94,477	14,975	42,514,975	12,353,040
37	9/1/2027	12,353,040	(5,960,542)		(5,960,542)					81,435	94,477		5,606,015
38	10/1/2027	5,606,015	(6,235,542)		(6,235,542)					65,207	81,435		41,339,868
39	11/1/2027	41,339,868	(5,960,542)		(5,960,542)					45,067	65,207		35,368,436
40	12/1/2027	35,368,436	(7,460,542)		(7,460,542)					31,847	45,067		29,502,371
41	1/1/2028	29,502,371	(3,169,632)		(3,169,632)	16,224,316		54,314		47,526	31,847	16,256,163	23,623,264
42	2/1/2028	23,623,264	(3,069,632)		(3,069,632)					37,920	47,526		44,494,166
43	3/1/2028	17,452,929	(1,848,012)		(1,848,012)					29,065	37,920		17,452,929
44	4/1/2028	11,537,453	(2,262,582)		(2,262,582)					24,044	29,065		11,537,453
45	5/1/2028	20,333,074	(2,262,182)		(2,262,182)					17,281	24,044		20,992,377
46	6/1/2028	17,217,757	(1,978,802)		(1,978,802)					5,272	17,281		12,353,040
47	7/1/2028	14,195,650											5,606,015
48	8/1/2028	10,529,838											41,339,868
49	9/1/2028	8,710,891											35,368,436
50	10/1/2028	6,469,354											29,502,371
51	11/1/2028	4,224,053											23,623,264
52	12/1/2028	1,973,530											17,452,929
TOTALS			(200,000,000)	(200,000,000)		196,224,316	0	3,775,684	200,000,000				

[1] Interest earnings are assumed to be an estimate and actual rates may vary based on market conditions during the project period.

[2] Draws provided by the District.

METHACTON SCHOOL DISTRICT
SUMMARY OF REQUESTED NEW MONEY FINANCING PLAN
ESTIMATED - For Illustrative Purposes

SCENARIO \$200 MILLION HIGH SCHOOL PROJECT

	1	2	3	4	5	6
	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	TOTAL
Total Reserves in Capital Projects Fund	-	-	-	-	-	\$18,000,000
Available for Projects	\$15,000,000	\$42,500,000	\$80,000,000	\$42,500,000	\$16,224,316	\$196,224,316
Estimated Interest Earnings[1]						<u>\$3,775,684</u>
Total Available for High School Projects (without Reserves)	\$15,000,000	\$42,500,000	\$80,000,000	\$42,500,000	\$16,224,316	\$200,000,000
Settlement	December, 2024	October, 2025	October, 2026	October, 2027	April, 2028	
Term	30 Years	30 Years	30 Years	30 Years	30 Years	

7

Independent Fiscal Office Act 1 Projections - November 2023	
25/26	4.00%
26/27	3.60%
27/28	3.20%
28/29	3.10%

Note - Provided by District administration.

	8	9	10	11	12	13	14	15	16	17	18	19
	Fiscal Year Ending	Existing Local Effort	Est. New Local Effort[2][3]	Est. Total High School Local Effort	Est. Total OVERALL Local Effort	Use of District Cash	Net OVERALL Local Effort	Total Millage Impact[4]				
6/30/2025	9,040,368	65,479					65,479	9,105,847			9,105,847	
6/30/2026	8,491,709	790,625	1,620,750				2,411,375	10,903,084			10,903,084	0.70
6/30/2027	8,302,176	790,375	2,103,625	1,161,333			4,055,333	12,357,509			12,357,509	0.57
6/30/2028	5,563,036	790,125	2,103,375	4,024,875			6,918,375	12,481,411			12,481,411	0.05
6/30/2029	4,779,925	789,875	2,103,125	4,024,625	2,763,097	667,400	10,348,122	15,128,047			15,128,047	1.03
6/30/2030	4,778,000	789,625	2,102,875	4,024,375	2,641,875	850,875	10,409,625	15,187,625			15,187,625	0.02
6/30/2031	4,780,838	789,375	2,102,625	4,024,125	2,635,625	850,625	10,402,375	15,183,213			15,183,213	
6/30/2032	4,782,100	789,125	2,102,375	4,023,875	2,633,250	850,375	10,399,000	15,181,100			15,181,100	
6/30/2033	4,781,825	788,875	2,102,125	4,023,625	2,629,625	850,125	10,394,375	15,176,200			15,176,200	
6/30/2034	4,781,450	788,625	2,101,875	4,023,375	2,629,625	849,875	10,393,375	15,174,825			15,174,825	
6/30/2035	2,222,375	788,375	2,832,875	5,739,125	2,740,250	849,625	12,950,250	15,172,625			15,172,625	
6/30/2036	2,215,700	788,125	2,839,000	5,738,625	2,741,250	849,375	12,956,375	15,172,075			15,172,075	
6/30/2037	2,216,300	787,875	2,838,000	5,738,500	2,740,250	849,125	12,953,750	15,170,050			15,170,050	
6/30/2038	2,219,400	787,625	2,835,000	5,738,500	2,742,125	848,875	12,952,125	15,171,525			15,171,525	
6/30/2039	2,219,900	787,375	2,834,875	5,738,375	2,736,875	848,625	12,946,125	15,166,025			15,166,025	
6/30/2040	2,217,800	787,125	2,837,375	5,737,875	2,734,500	848,375	12,945,250	15,163,050			15,163,050	
6/30/2041	2,218,000	786,875	2,837,375	5,736,750	2,734,750	848,125	12,943,875	15,161,875			15,161,875	
6/30/2042	2,220,300	786,625	2,834,875	5,744,500	2,727,625	847,875	12,941,500	15,161,800			15,161,800	
6/30/2043	2,219,600	786,375	2,834,750	5,740,875	2,732,875	847,625	12,942,500	15,162,100			15,162,100	
6/30/2044	2,220,800	786,125	2,836,750	5,740,750	2,730,250	847,375	12,941,250	15,162,050			15,162,050	
6/30/2045	2,218,800	785,875	2,840,625	5,733,875	2,734,625	847,125	12,942,125	15,160,925			15,160,925	
6/30/2046	2,218,500	785,625	2,836,375	5,744,625	2,726,000	846,875	12,939,500	15,158,000			15,158,000	
6/30/2047		2,155,250	3,687,125	5,737,625	2,729,250	851,500	15,160,750	15,160,750			15,160,750	
6/30/2048		2,153,000	3,691,375	5,737,750	2,724,125	851,000	15,157,250	15,157,250			15,157,250	
6/30/2049		2,157,000	3,684,750	5,744,250	2,720,625	855,375	15,162,000	15,162,000			15,162,000	
6/30/2050		2,152,125	3,691,875	5,741,750	2,723,375	849,750	15,158,875	15,158,875			15,158,875	
6/30/2051		2,153,250	3,692,250	5,740,000	2,722,125	854,125	15,161,750	15,161,750			15,161,750	
6/30/2052		2,150,125	3,695,625	5,743,375	2,716,875	853,375	15,159,375	15,159,375			15,159,375	
6/30/2053		2,152,500	3,696,625	5,736,500	2,717,375	857,500	15,160,500	15,160,500			15,160,500	
6/30/2054		2,155,000	3,690,125	5,743,750	2,713,375	856,500	15,158,750	15,158,750			15,158,750	
6/30/2055		2,152,500	3,695,625	5,739,500	2,714,625	855,500	15,157,750	15,157,750			15,157,750	
6/30/2056			4,843,125	6,742,625	2,715,750	854,500	15,156,000	15,156,000			15,156,000	
6/30/2057				10,572,875	2,716,500	1,867,500	15,156,875	15,156,875			15,156,875	
6/30/2058					8,620,250	6,538,375	15,158,625	15,158,625			15,158,625	
6/30/2059						9,957,875	9,957,875	9,957,875			9,957,875	
TOTAL	86,708,901	35,996,854	90,549,125	167,182,583	87,288,722	42,001,150	423,018,435	509,727,336	0	509,727,336	2.37	

[1] District provided an estimated draw schedule. Estimated interest earnings are being used to downsize total amount borrowed. 3.25% investment rate assumed.

[2] Estimated based on current market rates. Actual rates to be determined at time of pricing.

[3] Assumes no state reimbursement

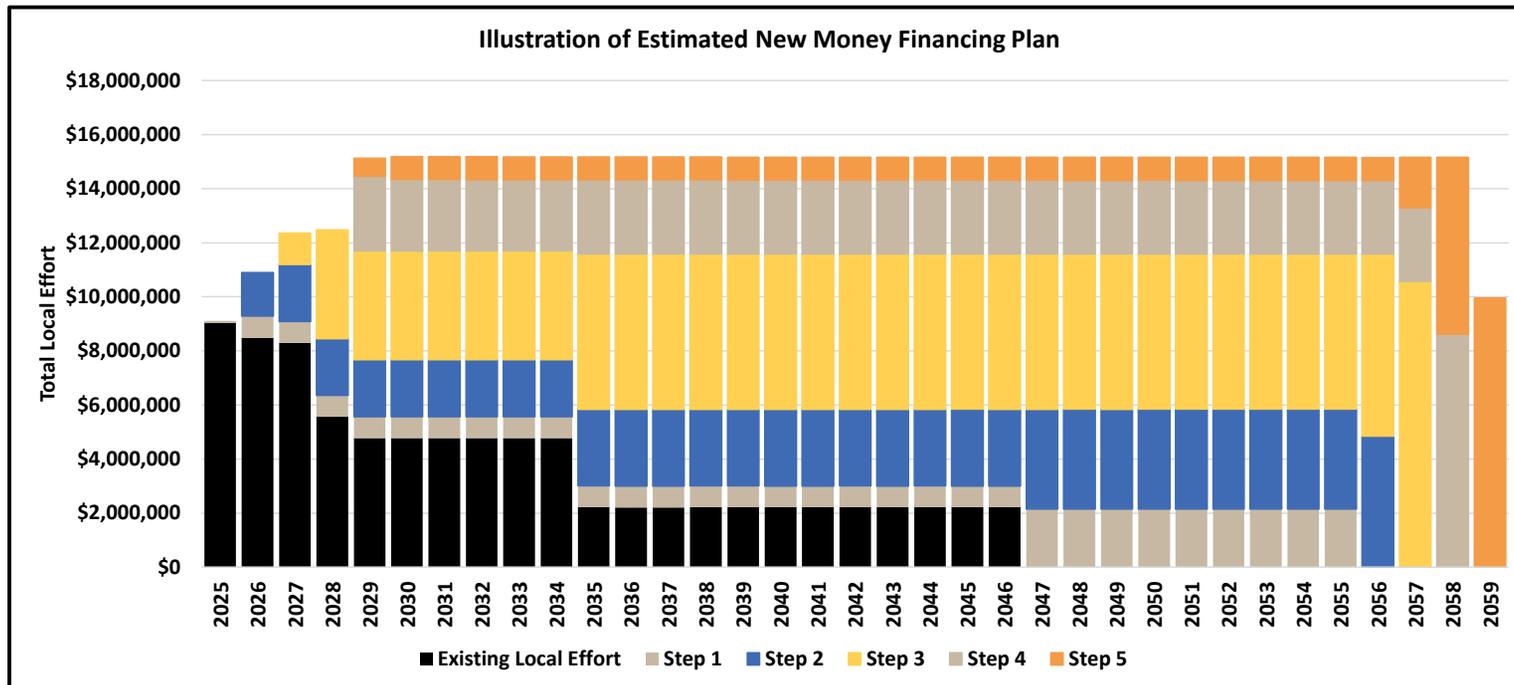
[4] 1 mill = 2,573,840

[5] The timing and size of the borrowing plan may vary.

METHACTON SCHOOL DISTRICT
SUMMARY OF REQUESTED NEW MONEY FINANCING PLAN
ESTIMATED - For Illustrative Purposes

SCENARIO \$200 MILLION HIGH SCHOOL PROJECT

	1	2	3	4	5	6
	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5	TOTAL
Total Reserves in Capital Projects Fund	-	-	-	-	-	\$18,000,000
Available for Projects	\$15,000,000	\$42,500,000	\$80,000,000	\$42,500,000	\$16,224,316	\$196,224,316
Estimated Interest Earnings[1]	-	-	-	-	-	<u>\$3,775,684</u>
Total Available for High School Projects (without Reserves)	\$15,000,000	\$42,500,000	\$80,000,000	\$42,500,000	\$16,224,316	\$200,000,000
Settlement	December, 2024	October, 2025	October, 2026	October, 2027	April, 2028	
Term	30 Years	30 Years	30 Years	30 Years	30 Years	



Notes

- [1] District provided an estimated draw schedule. Estimated interest earnings are being used to downsize total amount borrowed. 3.25% investment rate assumed.
- [2] Estimated based on current market rates. Actual rates to be determined at time of pricing.
- [3] Assumes no state reimbursement
- [4] The timing and size of the borrowing plan may vary.

Act 1
Millage Strategies
September 24, 2024

- 1. Fit millage impact under Act 1 Allowable Index Increase (the “Index”)**
 - a. Increase up to the Index every year starting in 2024-25 to phase in ungrandfathered millage gradually
 - b. The District’s 2024-25 Allowable Index Increase = 5.30% (1.8126 mills)
 - c. Seek exceptions and increase beyond the Index if possible
 - 2. Use estimated interest earnings from construction fund toward project**
 - a. Input needed from architect to determine approximate interest earnings which would then be used to downsize the bond issue
 - b. Small issuer exemption (\$15 million or less)
 - 3. Contribute cash or refunding savings towards project**
 - a. Either temporarily borrow or permanently contribute a portion of existing reserves to help phase in borrowing capacity and millage impact
 - 4. Break borrowing into smaller portions**
 - b. By prefunding \$15 million for the project in 2024, the district can secure sufficient resources to cover the initial expenses effectively.
 - 5. Consider wrap around payment structure for borrowing(s)**
 - 6. Capitalize Interest**
 - a. The use of bond proceeds or district reserves to phase the millage impact into the budget gradually
 - b. May increase the size of the bond issue (not if using district reserves)
-

Not Planned to Be Used by Methacton SD.

- 7. Indirect Cost Savings**
 - a. Utilize potential operational or capital expenditure savings to reduce millage impact
- 8. Debt Restructuring**
 - a. Restructure a portion of outstanding debt to create capacity for new ungrandfathered debt
- 9. Consider using Capital Appreciation Bonds to reduce millage impact**
 - a. Tends to increase interest expense
- 10. Debt Act Referendum (Electoral Debt)**
 - a. Voters vote on debt service millage for specific project
- 11. Act 1 Referendum**
 - a. Voters vote on property tax increase beyond the Index – not specific project

August						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November						
S	M	T	W	T	F	S
				1	2	
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Tentative Financing Timeline

<u>Date</u>	<u>Objective</u>
Tuesday, August 6, 2024	<i>*Virtual Board Workshop*</i> - PFM Introduction of 2024 Financing Plan
Tuesday, August 20, 2024	<i>*Board Work Session Meeting*</i> - District Discussion on High School Project (3 Concepts)
Wednesday, September 11, 2024	<i>*Finance Committee Meeting*</i> - PFM Discussion on 2024 Financing Plan
Tuesday, September 17, 2024	<i>*Board Work Session Meeting*</i> - District Admin Discussion on Borrowing Amount
Tuesday, September 24, 2024	<i>*School Board Meeting*</i> - PFM Discussion on 2024 Financing Plan with Full Board - District May Vote to Authorize Financing Team To Prepare for Possible 2024 Borrowing
Wednesday, October 9, 2024	<i>*Special School Board Meeting*</i> - District Discussion on How to Proceed with HS Project
Week of October 14th	- PFM to Circulate Draft Preliminary Official Statement "POS" to Working Group - Send Info Packets to Credit Rating / Bond Insurance
Week of October 28th	- Credit Rating Interview Call with District - Due Diligence Call with Working Group
Tuesday, October 29, 2024	<i>*School Board Meeting*</i> <u>Debt Resolution Available</u> - District May Vote to Approve 2024 Borrowing In the Amount of \$XX,000,000
Week of November 4th or 11th	- Credit Rating Due to District - Post / Print Final POS
Week of November 18th or Later	- Bond Pricing Date / Interest Rate Lock
Before December 31st	- Estimated Settlement Date

Credit Rating Discussion

Methacton School District

Rating Discussion

Raymond James Public Finance

September 24, 2024



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RAYMOND JAMES



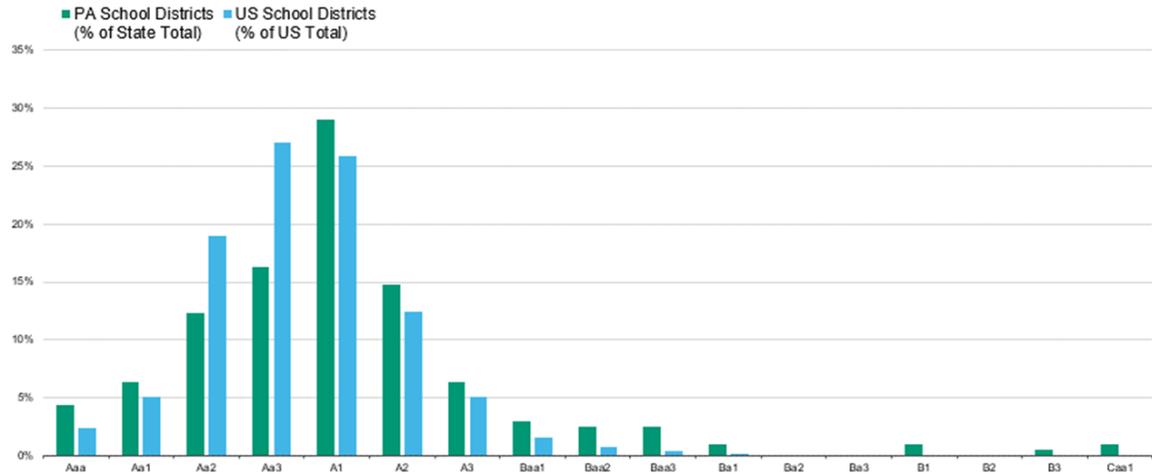
- **Methacton School District is currently rated Aa2 by Moody’s.**
 - The District is one of 27 PA school districts rated Aa2 by Moody’s and one of 72 Districts rated in the Aa category by Moody’s in PA.
- In the District’s credit opinion provided by Moody’s in October of 2021 (rating last affirmed in May of 2024) they cite the following:
 - **Credit Strengths:**
 - Above average resident wealth and incomes
 - consistent, strong operating surpluses
 - **Credit Challenges:**
 - Comprehensive capital plan requiring substantial borrowing
 - **Factors that Could Lead to an Upgrade:**
 - Significant, sustained, fund balance growth
 - Materially reduced debt burden
 - **Factors that Could Lead to a Downgrade:**
 - Structural imbalance that leads to material draws on the general fund reserve
 - Significant declines in tax base or wealth levels
 - Material increase to leverage beyond current expectations

	Moody’s	S&P	Fitch	Rating Description
Investment grade	Aaa	AAA	AAA	Prime
	Aa1	AA+	AA+	
	Aa2	AA	AA	High grade
	Aa3	AA-	AA-	
	A1	A+	A+	Upper medium grade
	A2	A	A	
	A3	A-	A-	
	Baa1	BBB+	BBB+	Lower medium grade
	Baa2	BBB	BBB	
Baa3	BBB-	BBB-		
Non-investment grade	Ba1	BB+	BB+	Speculative
	Ba2	BB	BB	
	Ba3	BB-	BB-	
	B1	B+	B+	Highly speculative
	B2	B	B	
	B3	B-	B-	
	Caa1 & below	CCC+ & below	CCC & below	Extremely speculative/ Default

Source: Moody’s, S&P and Fitch.

Source: Moody’s Investors Service, MFRA and rating report from Moody’s Investors Service dated October 21, 2021

- Most PA School District issuers are rated A2 and above.
- Even with a rating downgrade the District would still be considered highly rated in the K-12 sector both nationally and in Pennsylvania.



- Of the 22 School Districts in Montgomery County Methacton is one of 7 Districts with a Aa2 (or equivalent) rating.
- 64% of the Districts in Montgomery County are rated in the Aa category.

Montgomery County School District Ratings			
School District	Rating	School District	Rating
Abington SD	AA	Pottsgrove SD	AA
Bryn Athyn SD	NR	Pottstown SD	A1
Cheltenham SD	AA-	Jenkintown SD	A-
Colonial SD	Aaa	Springfield TSD	Aa2
Hatboro-Horsham SD	Aa1	Souderton ASD	Aa3
Lower Merion ASD	Aaa	Spring-Ford ASD	Aa1
Lower Moreland TSD	AA	Upper Dublin SD	Aa3
Methacton SD	Aa2	Upper Merion ASD	Aaa
Norristown ASD	A1	Upper Moreland TSD	Aa1
North Penn SD	Aa1	Upper Perkiomen SD	Aa2
Perkiomen Valley SD	AA	Wissahickon SD	Aaa

Source: Moody's Investors Service, MFRA and rating report from Moody's Investors Service dated October 21, 2021

Scorecard Factors



Step 1

Economy

- Resident Income 10%
- Full Value Per Capita 10%
- Enrollment Trend 10%

Financial Performance

- Available Fund Balance Ratio 20%
- Net Cash Ratio 10%

Leverage

- Long-term Liabilities Ratio 20%
- Fixed-Costs Ratio 10%

Institutional Framework

Considers the framework governing how operating revenue is determined

10%

Source: Moody's Investors Service

FINANCIAL PERFORMANCE (30%)	
Available Fund Balance Ratio (20%)	
Available Fund Balance	\$ 8,861,000.00
<i>divided by</i>	
Operating Revenue	\$ 124,830,266.00
Available Fund Balance Ratio	7.1%
Net Cash Ratio (10%)	
Net Cash	\$ 22,154,000.00
<i>divided by</i>	
Operating Revenue	\$ 124,830,266.00
Available Fund Balance Ratio	17.7%

LEVERAGE (30%)	
Long-term Liabilities Ratio (20%)	
Outstanding Debt	\$ 80,497,000.00
+	
Adj. Net Pension Liabilities	\$ 124,038,000.00
+	
Adj. Net OPEB Liabilities	\$ 7,395,000.00
<i>divided by</i>	
Operating Revenue	\$ 124,830,266.00
Available Fund Balance Ratio	169.8%
Fixed-Costs Ratio (10%)	
<i>Tread water payment (net of support) +</i>	\$ 5,810,000.00
<i>Implied debt service +</i>	\$ 6,213,000.00
<i>OPEB Contribution (benefit payment)</i>	\$ 461,000.00
Adj. Fixed Costs	\$ 12,484,000.00
<i>divided by</i>	
Operating Revenue	\$ 124,830,266.00
Available Fund Balance Ratio	10.0%

Notes:

Pension tread water indicator represents Moody's estimate of the pension contribution necessary to prevent unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met.

Implied debt service represents the annual cost to amortize long-term debt over 20 years with level payments.

Source: Moody's Investors Service

Moody's US K-12 Public School Districts Methodology

Methacton School District, Pennsylvania

Rating Factors	Sub Factor Weight
Economy	
Resident Income	10.0%
Full Value per Capita	10.0%
Enrollment Trend	10.0%
Financial Performance	
Available Fund Balance Ratio	20.0%
Net Cash Ratio	10.0%
Leverage	
Long-term Liabilities Ratio	20.0%
Fixed-Costs Ratio	10.0%
Institutional Framework	10.0%
	100.0%

2023 FY Audited Financials		
Value	Score	Rating
165.7%	0.9	Aaa
\$126,448	3.5	Aa2
-0.2%	4.8	A1
7.1%	9.3	Baa2
17.7%	4.4	Aa3
169.8%	2.6	Aa2
10.0%	1.2	Aaa
"A"	6.0	A
Issuer Rating	4.4	Aa3

Post Financing Plan		
Value	Score	Rating
165.7%	0.9	Aaa
\$126,448	3.5	Aa2
-0.2%	4.8	A1
5.8%	10.5	Baa3
14.6%	6.0	A2
169.8%	4.5	Aa3
15.9%	1.5	Aa1
"A"	6.0	A
Issuer Rating	5.3	A1

Indicative Rating			
Aaa	$x \leq 1.50$	Ba1	$10.5 < x \leq 11.5$
Aa1	$1.5 < x \leq 2.5$	Ba2	$11.5 < x \leq 12.5$
Aa2	$2.5 < x \leq 3.5$	Ba3	$12.5 < x \leq 13.5$
Aa3	$3.5 < x \leq 4.5$	B1	$13.5 < x \leq 14.5$
A1	$4.5 < x \leq 5.5$	B2	$14.5 < x \leq 15.5$
A2	$5.5 < x \leq 6.5$	B3	$15.5 < x \leq 16.5$
A3	$6.5 < x \leq 7.5$	Caa1	$16.5 < x \leq 17.5$
Baa1	$7.5 < x \leq 8.5$	Caa2	$17.5 < x \leq 18.5$
Baa2	$8.5 < x \leq 9.5$	Caa3	$18.5 < x \leq 19.5$
Baa3	$9.5 < x \leq 10.5$	Ca	$19.5 < x \leq 20.5$

Source: Moody's Investors Service and MFRA

Note: Pro-Forma calculated based on estimates calculated by Raymond James based on plan of finance provided by PFM, all assumptions and calculations subject to review and adjustment by Moody's Investor Service.

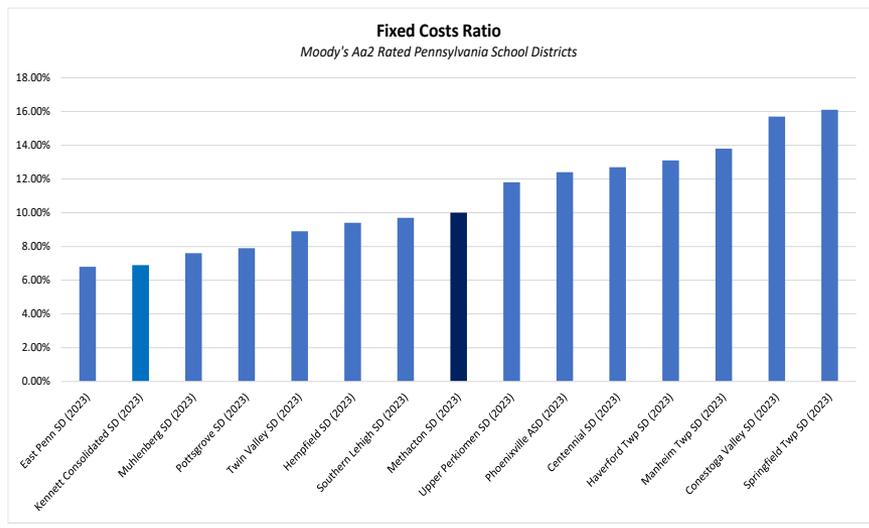
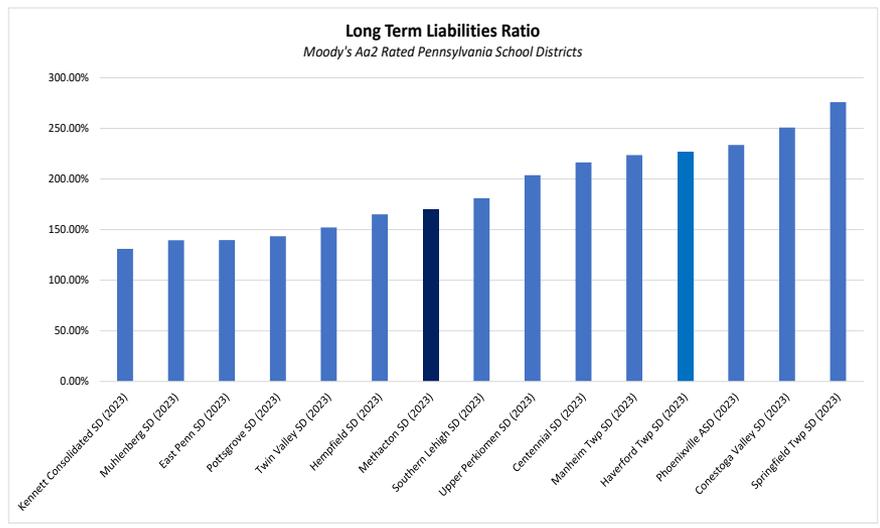
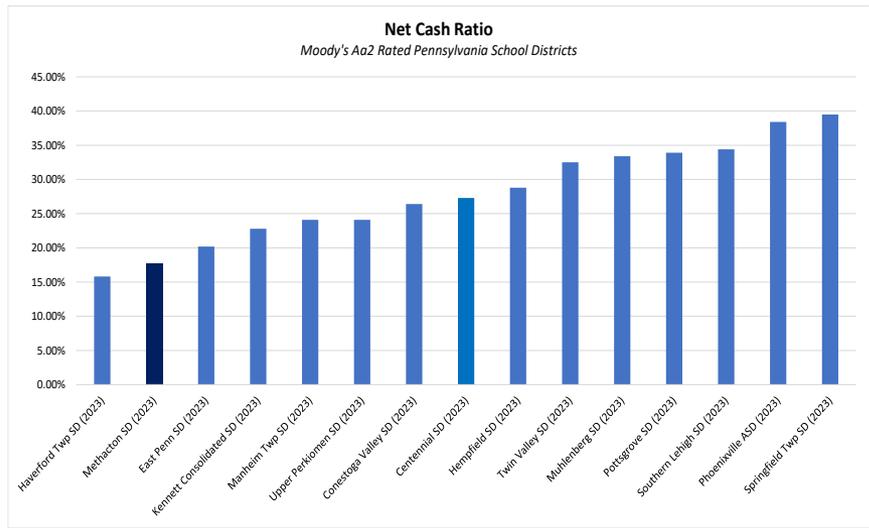
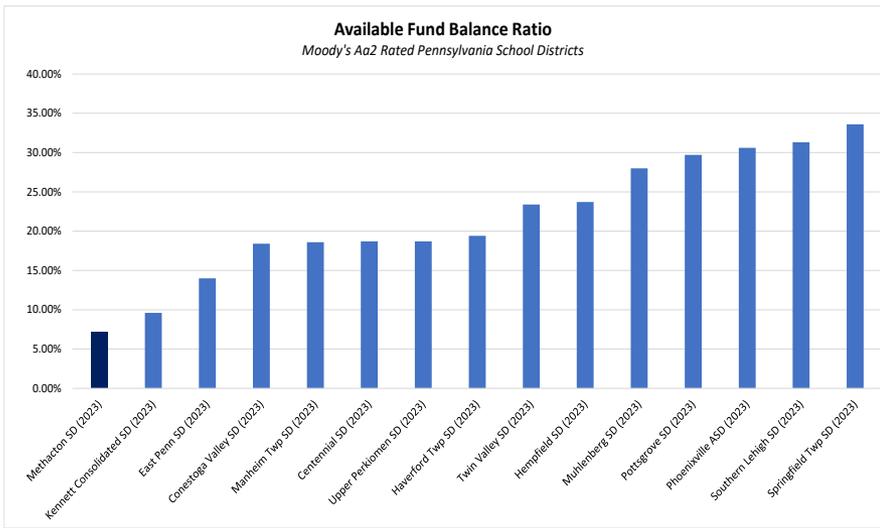
Rating Considerations and Takeaways:

- When adding significant leverage that will pressure the rating keeping fund balances and cash reserves strong until the end of the financing plan will be key to trying to maintain a higher-grade rating.
- Long-term capital and financial planning for required millage increases will help to position the District more favorably.

Moody's Site Visit:

- Hosting Moody's for a site visit and tour of the District helps the assigned rating analysts to:
 - Visualize the need for the proposed project.
 - Cultivate a stronger sense of the geographic area and associated demographics.
 - Provide an opportunity for the District to demonstrate the strength of its management team.

Aa2 RATED SELECT PEER COMPARISON BASED ON MOST RECENT MOODY'S CALCULATION PUBLIC FINANCE



Source: Moody's Investors Service and MFRA

The information contained herein is solely intended to facilitate discussion of potentially applicable financing applications and is not intended to be a specific buy/sell recommendation, nor is it an official confirmation of terms. Any terms discussed herein are preliminary until confirmed in a definitive written agreement. While we believe that the outlined financial structure or marketing strategy is the best approach under the current market conditions, the market conditions at the time any proposed transaction is structured or sold may be different, which may require a different approach.

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Refinancing Discussion

Methacton School District
Refinancing Topics of Discussion
September 24, 2024

2024 Refinancing Opportunity

- The District has a number of potential refinancing opportunities for its existing debt. The District plans to set up a max parameters resolution in the coming weeks to make sure the District is in a position to take advantage of debt service savings. Below are the bonds that could be refinanced in calendar year 2024.

	<u>Series B of 2017</u>	<u>Series of 2018</u>	<u>Series A of 2018</u>	<u>Series of 2019</u>	<u>Series A of 2019</u>
Outstanding Par:	\$8,410,000	\$4,410,000	\$5,280,000	\$4,455,000	\$4,000,000
Call Date:	Anytime	Anytime	Anytime	9/15/2024	3/1/2025
Rate Range:	2.15 - 3.00%	2.30 - 4.00%	3.00 - 4.00%	2.00 - 4.00%	2.00 - 4.00%

	Series of 2024
Settlement	December 2024
Principal	\$10,650,000
Net Local Effort Savings	\$255,633

	2	3	4	5
	Fiscal Year Ending	Existing Local Effort	Estimated Net Local Effort Savings ^[1]	Estimated Overall Local Effort
	6/30/2024	9,403,484		9,403,484
	6/30/2025	9,040,368	78,333	8,962,034
	6/30/2026	8,491,709	18,800	8,472,909
	6/30/2027	8,302,176	17,850	8,284,326
	6/30/2028	5,563,036	19,675	5,543,361
	6/30/2029	4,779,925	16,275	4,763,650
	6/30/2030	4,778,000	18,300	4,759,700
	6/30/2031	4,780,838	22,800	4,758,038
	6/30/2032	4,782,100	22,000	4,760,100
	6/30/2033	4,781,825	21,200	4,760,625
	6/30/2034	4,781,450	20,400	4,761,050
	6/30/2035	2,222,375		2,222,375
	6/30/2036	2,215,700		2,215,700
	6/30/2037	2,216,300		2,216,300
	6/30/2038	2,219,400		2,219,400
	6/30/2039	2,219,900		2,219,900
	6/30/2040	2,217,800		2,217,800
	6/30/2041	2,218,000		2,218,000
	6/30/2042	2,220,300		2,220,300
	6/30/2043	2,219,600		2,219,600
	6/30/2044	2,220,800		2,220,800
	6/30/2045	2,218,800		2,218,800
	6/30/2046	2,218,500		2,218,500
TOTAL		93,893,885	255,633	93,638,251

Notes:

[1] Estimated rates based on current market conditions. Actual rates to be determined at time of pricing.



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