Nebraska State College System

CHADRON | PERU | WAYNE

FACILITIES CORPORATION

Board of Directors

Annual Meeting Notice

Notice is hereby given that the annual meeting of the Board of Directors of the Nebraska State Colleges Facilities Corporation will convene at Wayne State College, Wayne, Nebraska on November 10, 2021 at 4:00 p.m. This notice and accompanying agenda are being distributed to members of the Board of Directors, the presidents of the state colleges, the Associated Press and selected Nebraska newspapers.

Board of Directors
Nebraska State College System Facilities Corporation

Membership List

Mr. Jess Zeiss
Omaha, NE

Mr. John Chaney
Omaha, NE

Mr. Gary Bieganski
Chadron, NE

Mr. Bob Engles
Auburn, NE

Mr. Carter ‘Cap’ Peterson
Wayne, NE

Ms. Marjean Terrell
Hay Springs, NE

Mr. Matt Blomstedt
Lincoln, NE

November 2021

Board of Directors
NSCS Facilities Corporation

AGENDA

November 10, 2021
Wayne State College
Wayne, Nebraska

1. Roll Call

2. Approval of Agenda

3. Election of Officers

4. Approval of Minutes from the November 12, 2020 Meeting

5. Acceptance of Annual Report

6. Acceptance of Audit

7. Bond Restructuring to Capture Proceeds from LB 384 Funding

8. Adjournment

Facilities Corporation

Jess Zeiss
John Chaney
Gary Bieganski
Matt Blomstedt
Bob Engles
Carter ‘Cap’ Peterson
Marjean Terrell

November 10, 2021

ACTION: **Election of Officers for Facilities Corporation**

It is customary for the Officers of the Board of Trustees of the Nebraska State Colleges to also serve as the Officers for the Nebraska State Colleges Facilities Corporation. Therefore, the slate of officers for the Facilities Corporation is as follows:

President	Jess Zeiss
Vice President	John Chaney

The remaining officers have been the Chancellor and the Vice Chancellor for Finance and Administration.

Secretary-Treasurer	Paul Turman
Managing Officer	Monte Kramer

THE NEBRASKA STATE COLLEGE SYSTEM FACILITIES CORPORATION

November 12, 2020
VIDEOCONFERENCE

MINUTES

A meeting of the Nebraska State College System Facilities Corporation was called to order at 4:25 p.m. on Thursday, November 12, 2020, via videoconference by President, Gary Bieganski.

Directors present were: Gary Bieganski, President, Chadron; Bob Engles, Auburn; Cap Peterson, Wayne; John Chaney, Omaha; and Marjean Terrell, Hay Springs.

Other corporation officers in attendance were: Carolyn Murphy, Managing Officer, Lincoln and Paul Turman, Secretary-Treasurer, Lincoln.

APPROVAL OF THE AGENDA

The meeting agenda was unanimously approved.

APPROVAL OF MINUTES

The minutes of the February 27, 2020 meeting were unanimously approved.

AUDIT REPORT

The audit report for the Facilities Corporation for the period from July 1, 2019 to June 30, 2020 was unanimously accepted. Carolyn Murphy, Managing Officer, summarized the audit.

ANNUAL REPORT

The Facilities Corporation annual report was unanimously approved.

ADJOURNMENT – The meeting was adjourned at 4:36 p.m.

Respectfully submitted,

Carolyn Murphy
Managing Officer

Nebraska State Colleges Facilities Corporation
Annual Report
Fiscal Year July 1, 2020 through June 30, 2021

Background Information

The organizational meeting of the Nebraska State Colleges Facilities Corporation was July 22, 1983. The corporation's formation was in response to the passage of legislation (LB410) allowing the Board of Trustees to make certain renovations and land purchases at the colleges. The bill authorized the sale of long-term bonds to pay for projects.

Satisfied Bonds

The first Facilities Corporation bonds were issued in October of 1983 and were repaid by September of 1994.

From the **first sale through 1997**, the Facilities Corporation issued bonds amounting to $36,065,000, including the following:

- 1987, for the purchase of computer equipment for the state college system;
- 1987, to renovate the Education Building at Peru State College and to add to and renovate the Cushing Coliseum at Kearney State College; and
- 1992, to build the Gardner Business Building at Wayne State College

The last of the historical bonds matured in 1997.

The Facilities Corporation next issued **LB 1100 (1998) bonds in 1999**, The State appropriated $400,000 annually to the Board of Trustees. Matching funds were provided from the NSCS Capital Improvement Fund, derived from a per-credit-hour charge on all students attending a state college. Bond proceeds included $6,980,354 toward construction. Projects receiving funding from the LB 1100 (1998) bonds were:

- Chadron Memorial Hall renovation and Chilled Water Piping Extension
- Peru Campus Services Building renovation/addition and Boiler Replacement/Distribution System
- Wayne Ramsey Theatre renovation, Broadcast Studio Relocation, Hahn Administration Asbestos Survey, Memorial Stadium Design/Development and Improvements, and the Rice Floor replacement

Final payment to the bondholders was made in September, 2009.

In 2002, the Facilities Corporation issued **LB 1 (Oct., 2001) bonds**. The State provided all payments for the debt service. Total expenditures from the bond proceeds were $10,907,749 for the Peru Library/ARC project and the Wayne Energy Plant purchase and renovation. Final payment to the bondholders was made in September, 2009.

In 2006, the Facilities Corporation issued **LB 605 (2006) bonds**. This was a partnership between the State, which provided $1,125,000 annually and the NSCS, which provided matching funds of $200,000 in 2006-07, $400,000 in 2007-08, $600,000 in 2008-09 and $1,200,000 for each of the remaining 11 years. The matching funds came from the State Colleges' Capital Improvement Fund, derived from a per-credit-hour charge on all students attending a state college. Total project expenditures from the bond proceeds was $23,176,853 for the CSC Academic/Administration building renovation and Street/Drainage improvement; the PSC emergency power generator and AWAC renovation/addition & bleacher replacement; and for WSC Carhart Science improvements, Campus Service Building renovation/addition, Memorial Stadium/Rice Auditorium lower level renovation, and a Street Improvement project. These bonds were refinanced as part of LB957 (2016) on September 1, 2016.

Building Bonds, 2014 Series

Authorization and Issuance

During the 2013 legislative session, LB198 authorized the appropriation of state funds for payment of new Facility Corporation bonds. Bond proceeds were for construction of the Chadron State College Rangeland Project, Phase II and for the renovation of the U.S. Conn Library at Wayne State College.

The Board of Directors approved the bond resolution and related bond documents in September, 2013. Bonds in the par amount of $13,460,000 sold on November 20, 2013 and the sale closed on January 3, 2014. The bonds received an "AA+" rating with a stable outlook by Standard and Poor's. The average coupon rate for the bond issue was 4.78% and the true interest cost was 2.0%. Ameritas Investment Corporation was the Underwriter for the bonds; and BOK Financial is the Trustee. Michael Rogers of Gilmore & Bell served as bond counsel.

Debt Service Funding

The appropriation included $2,216,000 for each of the fiscal years FY14 and FY15. LB198 also included intent language to continue the annual appropriations through FY21. The Legislature appropriated the funding through FY21 in line with its intent language.

Funded Projects

The projects funded with the 2014 Building Bonds were:

Chadron State College Rangeland Project, Phase II	$ 3,696,470
Wayne State College U.S. Conn Library	$12,000,000
	$15,696,470

Project Status

As of June 30, 2016, construction on the Chadron Rangeland Project, Phase II project was complete and all bond proceeds expended. Architect for the project was BVH Architects. The Construction Manager at Risk was Sampson Construction.

As of June 30, 2019, construction on the Wayne U.S. Conn Library project was complete and all bond proceeds approved for the project were expended. Architect for the project was Jackson, Jackson & Assoc. The Construction Manager at Risk was Beckenhauer Construction, Inc.

Payments to Retire Bonds

BOK made an interest payment in the amount of $83,125 on December 16, 2020 and the last principal and interest payment of $3,408,125 on June 15, 2020 in accordance with the debt service schedule. The funding for the payment included the State appropriation of $2,216,000, the balance in the debt service fund of $588,608, and utilized a portion of the Debt Service Reserve Fund in the amount of $686,642. This final payment fully satisfies the 2014 bonds.

Debt Service Reserve Fund

The Debt Service Reserve Fund balance as of June 30, 2021 was $659,590.62. This balance plus interest of $18.29 totaling, $659,608.91 was transferred to the CSC Match and Science project, as provided for in the legislation (LB297) for the Math Science project.

Outstanding Bonds

Summary of Debt and Debt Retirement Sources

The following table is a summary of the outstanding Facilities Corporation debt and the sources of repaying that debt.

Nebraska State College System
Bonds Outstanding - Facilities Corporation
As of June 30, 2021

Bond Series	Last Payment Date	Projects Funded	Original Issue Amount	Remaining Payments Principal	Remaining Payments Interest	Remaining Payments Total	Funding Source
2016	7/15/2030	CSC Stadium	$26,655,000	$21,385,000	$3,868,097	$25,253,097	FY17-FY30 - State Appropriation - $1,125,000
LB957 (2016)		PSC Theatre					FY17-FY20 -Capital Improvement Fee $1,200,000
		WSC CAT					FY21-FY30 - CIF - $1,440,000
		Refund 2006 Issue					
2020	6/15/2035	CSC Math/Science	$23,465,000	$23,465,000	$7,509,800	$30,974,800	FY21 - CSC - Interest Only - $1,030,851
LB297 (2019) - Extends LB198 funding stream from State Appropriations							FY22-FY35 - State Appropriation - $2,216,000
Total Facilities Corporation Bond Payments Remaining				$44,850,000	$11,377,897	$56,227,897	

Deferred Maintenance and Refunding Bonds, Series 2016 (LB957)

Authorization and Issuance

During the 2016 legislative session, the Legislature approved and the Governor signed LB957. LB957 allowed the Facilities Corporation to refund the Series 2006 Bonds and generate new bond proceeds to provide project funding toward the maintenance, repair and renovation projects at the State Colleges.

The Board of Directors approved the bond resolution and related bond documents in June, 2016. Bonds in the amount of $26,655,000 were issued on September 1, 2016. New funds were used first to pay off the LB605 (2006) bonds and funding of $21,275,000 was provided for new projects.

The bonds received an "AA" rating with a stable outlook by Standard and Poor's, supported by the purchase of bond insurance. The true interest cost for the bonds was 2.1%. Bond Insurance was purchased from Assured Guaranty Municipal Corporation, as well as a surety policy in lieu of a debt service reserve fund.

Ameritas Investment Corporation was designated as Underwriter for the bonds and BOK Financial as the Trustee. Michael Rogers of Gilmore & Bell served as bond counsel.

Debt Service Funding

LB957 extended the appropriations related to the Series 2006 Bonds (LB605 - 2006). The bill appropriated funds for FY2018 and FY2019 and provided intent language to continue the annual appropriation of $1,125,000 for bond repayments through FY2030. LB297 (2019) included appropriations for FY2020 and FY2021 in line with the intent language.

Matching funds toward the bond payments are required of $1,200,000 annually for FY2017 through FY2020 and $1,440,000 annually beginning in FY2021 and continuing through the balance of the bond repayments. The matching funds come from the State Colleges' Capital Improvement Fund, derived from a per-credit-hour charge on all students attending a state college.

Funded Projects

The projects funded with the 2016 Series Bonds were:

1) Chadron State College - Renovation of the Stadium
2) Peru State College - Renovation of the Theatre/Event Center
3) Wayne State College - Construction of applied technology programmatic space

Project Status

The Board of Trustees approved the following amounts for use on projects at its September 9, 2016 meeting:

CSC Stadium Renovation/Replacement, Phase I	$6,205,766
PSC Theatre/Event Center Renovation and Addition	$6,138,234
WSC Center for Applied Technology (CAT)	$8,931,000
TOTAL	$ 21,275,000

At its November 16, 2018 meeting, the Board approved the remaining proceeds (interest and residual funds) to go to the CSC Stadium Complex, Phase II Track at Chadron State College. This resulted in an additional $231,752 in funding for the Stadium Renovation/Replacement Project. The revised distribution as of June 30, 2020 is as follows:

CSC Stadium Renovation/Replacement Phases I and II	$6,437,518
PSC Theatre/Event Center Renovation and Addition	$6,138,234
WSC Center for Applied Technology (CAT)	$8,931,000
TOTAL	$21,506,752

All funds in the Construction Fund were expended prior to June 30, 2020.

The Chadron State Stadium Renovation/Replacement project is nearly complete. The Stadium portion was determined to be substantially complete on August 23, 2018. The track portion is still in progress as of June 30, 2021. There remain a number of components that need to be completed which will exceed the remaining other funds of $85,657. The architect for the Project is Bahr Vermeer and Haecker and the Construction Manager at Risk is Adolfson & Peterson Construction.

The Peru State Theatre/Event Center project is completed with all monies spent. The architect for the project was Architectural Design Associates, Inc. and the contractor was Rogge General Contractors.

The Wayne State CAT project is completed with all monies spent. The architect for the project was Bahr Vermeer and Haecker and the Construction Manager at Risk was Hausmann Construction.

Payments to Retire Bonds

BOK Financial made a principal and interest payment in the amount of $1,898,734 on July 15, 2020 and an interest payment of $386,859 on January 15, 2021 in accordance with the debt service schedule. The balance in the Bond Fund on June 30, 2021 was $2,232,844, which is necessary to pay the principal and interest payment of $2,176,859 due on July 15, 2021. The remaining debt schedule for the Series 2016 bonds follows:

Outstanding Principal and Interest Bond Payment Schedule Deferred Maintenance Refunding (Series 2016)						
Fiscal Year		**Principal Due**		**Interest Due**		**Total FY Debt Service**
2022		$1,790,000		$728,968		$2,518,968
2023		$1,880,000		$656,018		$2,536,018
2024		$1,935,000		$598,793		$2,533,793
2025		$1,995,000		$539,843		$2,534,843
2026		$2,055,000		$458,543		$2,513,543
2027		$2,155,000		$353,293		$2,508,293
2028		$2,265,000		$254,118		$2,519,118
2029		$2,355,000		$161,718		$2,516,718
2030		$2,450,000		$87,056		$2,537,056
2031		$2,505,000		$29,747		$2,534,747
		$21,385,000		$3,868,097		$25,253,097

Debt Service Reserve Fund

A Debt Service Reserve fund was not required. Surety insurance was purchased in lieu of establishing a Debt Service Reserve.

Other Funds

A remaining amount of $86,285 from the original 2006 series bonds remained after the bonds were closed out. The funds were transferred from Wells Fargo, the previous trustee, to BOK. The legislation continuously appropriates the funds through FY2031. Given the need for additional funding for the CSC Stadium project, and that this project was funded with the 2016 Bond Series, it will be recommended that the funds be allocated to the remaining open project. A separate board action is included on the Board of Trustee’s November 2021 agenda to allocate these funds to the CSC Stadium project.

CSC Math Science Bonds, 2020 Series

Authorization and Issuance

During the 2019 legislative session, LB297 was approved authorizing the Facilities Corporation to issue bonds for the CSC Math Science project and to utilize funding remaining from the 2014 Series for that project.

The Board of Directors approved the bond resolution and related bond documents on February 27, 2020. Bonds in the par amount of $23,465,000 were sold on April 30, 2020, with closing on May 7, 2020. Janney, Montgomery, Scott LLC serves as the financial consultant, Piper Jaffrey as the underwriter, and Gilmore Bell as bond counsel.

The bonds received an "AA+" rating with a stable outlook by Standard and Poor's. The true interest cost for the bonds was 2.4%.

Debt Service Funding

LB297 extended the appropriations related to the Series 2014 Bonds. The bill provided intent language to continue the annual appropriations an additional 14 years, through Fiscal Year 2035. With final payment on the Series 2014 bonds made in FY21, the funding stream paying the Series 2014 bonds of $2,216,000 annually from the State, as described above, will then make the remaining payments on the Series 2020 bonds through FY2035. Language in LB297 (2019) also allows the use of any residual funds remaining from the Series 2014 bond toward the CSC Math Science project.

During the first year of bond repayment (2020), Chadron provided for the interest-only payments totaling $1,030,851.

Funded Projects

The Chadron State College Math Science project was funded with the Series 2020 bonds.

Project Status

The project is under construction as of June 30, 2021. The original funding from bond proceeds for the CSC Math Science Project totaled $26,197,744. As of June 30, 2021 expenditures totaled $13,325,349. The unexpended balance was $13,794,574, including the transfer of $659,608.91 from the 2014 bonds and interest earnings on the construction fund.

Payments to Retire Bonds

During the first year of bond repayment (2020), Chadron paid the interest only payments of $557,501 and $473,350 due December 15, 2020 and June 15, 2021 respectively. The remaining debt schedule for the Series 2020 bonds follows:

Outstanding Principal and Interest Bond Payment Schedule						
CSC Math Science Bonds (Series 2020)						
Fiscal Year		Principal Due		Interest Due		Total FY Debt Service
2022		$1,265,000		$946,700		$2,211,700
2023		$1,315,000		$896,100		$2,211,100
2024		$1,370,000		$843,500		$2,213,500
2025		$1,425,000		$788,700		$2,213,700
2026		$1,480,000		$731,700		$2,211,700
2027		$1,540,000		$672,500		$2,212,500
2028		$1,600,000		$610,900		$2,210,900
2029		$1,680,000		$530,900		$2,210,900
2030		$1,765,000		$446,900		$2,211,900
2031		$1,855,000		$358,650		$2,213,650
2032		$1,930,000		$284,450		$2,214,450
2033		$2,005,000		$207,250		$2,212,250
2034		$2,085,000		$127,050		$2,212,050
2035		$2,150,000		$64,500		$2,214,500
		$23,465,000		$7,509,800		$30,974,800

Annual Audit

On March 17, 2021, the Board approved extending the contract with BKD to perform the audit of the Facilities Corporation for the fiscal year ending June 30, 2021 at a cost of $10,550. The audit is presented for the acceptance of the Board of Directors at this meeting. The BKD audit report provides the following opinion on the Facilities Corporation financial statements:

Opinion

"In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nebraska State Colleges Facilities Corporation as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America."

Respectfully submitted,

Monte R. Kramer
Managing Officer

Facilities Corporation

Jess Zeiss
John Chaney
Gary Bieganski
Bob Engles
Carter ‘Cap’ Peterson
Marjean Terrell
Matt Blomstedt

November 10, 2021

ACTION: **Accept the Audit Report for the Facilities Corporation for the Period from July 1, 2020 to June 30, 2021**

The audit firm BKD, LLP conducted an audit of the Nebraska State Colleges Facilities Corporation covering the period July 1, 2020 to June 30, 2021. The fee negotiated for the audit is $10,250.

The audit includes financial activity related to the LB 997 (2016) Deferred Maintenance Refunding bond issue, the 2014 Building Bonds, and the 2020 CSC Math Science Bonds. The capital assets accrue to the colleges, while the debt remains a responsibility of the Facilities Corporation, resulting in the negative net assets (deficit) at the end of the year. The information from this audit will be included in our state audit, being performed by the Auditor of Public Accounts.

The letter to the Board indicates that, in the opinion of the BKD, LLP auditors, the financial statements “present fairly, in all material respects, the financial position of the Nebraska State Colleges Facilities Corporation as of June 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.”

Facilities Corporation

November 10, 2021

INFORMATION: **Bond Restructuring to Capture Proceeds from LB384 Funding**

During the 2020 legislative session, LB384 was approved which extended the capital funding support for the State College Facilities Program out to 2040. The legislation extended the $1,125,000 provided in LB957 (2016) which was scheduled to end in 2030 to 2040. This will provide an additional $11,250,000 to support facility projects at the Colleges. The legislation also extended the $2,216,000 provided in LB297 (2019) which was scheduled to end in 2035 to 2040. This will provide an additional $11,080,000 to support the State College Facilities Program. Finally, the legislation extends the match requirement of $1,440,000 currently supporting the 2016 Bond Series debt retirement and schedule to end in 2030, for an additional ten years. This will provide an additional $14,400,000 to support facility projects. The total funding authorized is $36,730,000. This funding as it is structured, is partially available starting in 2036.

Mary Jane Darby and Robert Kanzer with Janney Montgomery Scott, LLC, the NSCS financial advisors, have been looking at structuring a bond refinancing to see what savings might be gained and combined with this new capital funding to make the biggest facility impact. The decision to issue tax-exempt bonds or taxable bonds and when to issue bonds are all options being considered. Given spend-down provisions for tax-exempt bonds, we have been waiting for the program and planning statements to be completed for the potential College projects so we have a better understanding of the costs of the projects and when tax-exempt bonds could be issued.

Our financial advisors will join us by Zoom to review the attached presentation which looks at defeasing the 2016 bonds (using taxable debt) and issuing tax-exempt bonds for the new money.

NOVEMBER 10, 2021

Janney

DISCUSSION MATERIALS

THE NEBRASKA STATE COLLEGES FACILITIES CORPORATION

Nebraska State College System
CHADRON | PERU | WAYNE

REVIEW OF DEBT PORTFOLIO

Debt Portfolio Overview (as of November 1, 2021)

PORTFOLIO SUMMARY: NEBRASKA STATE COLLEGES FACILITIES CORPORATION

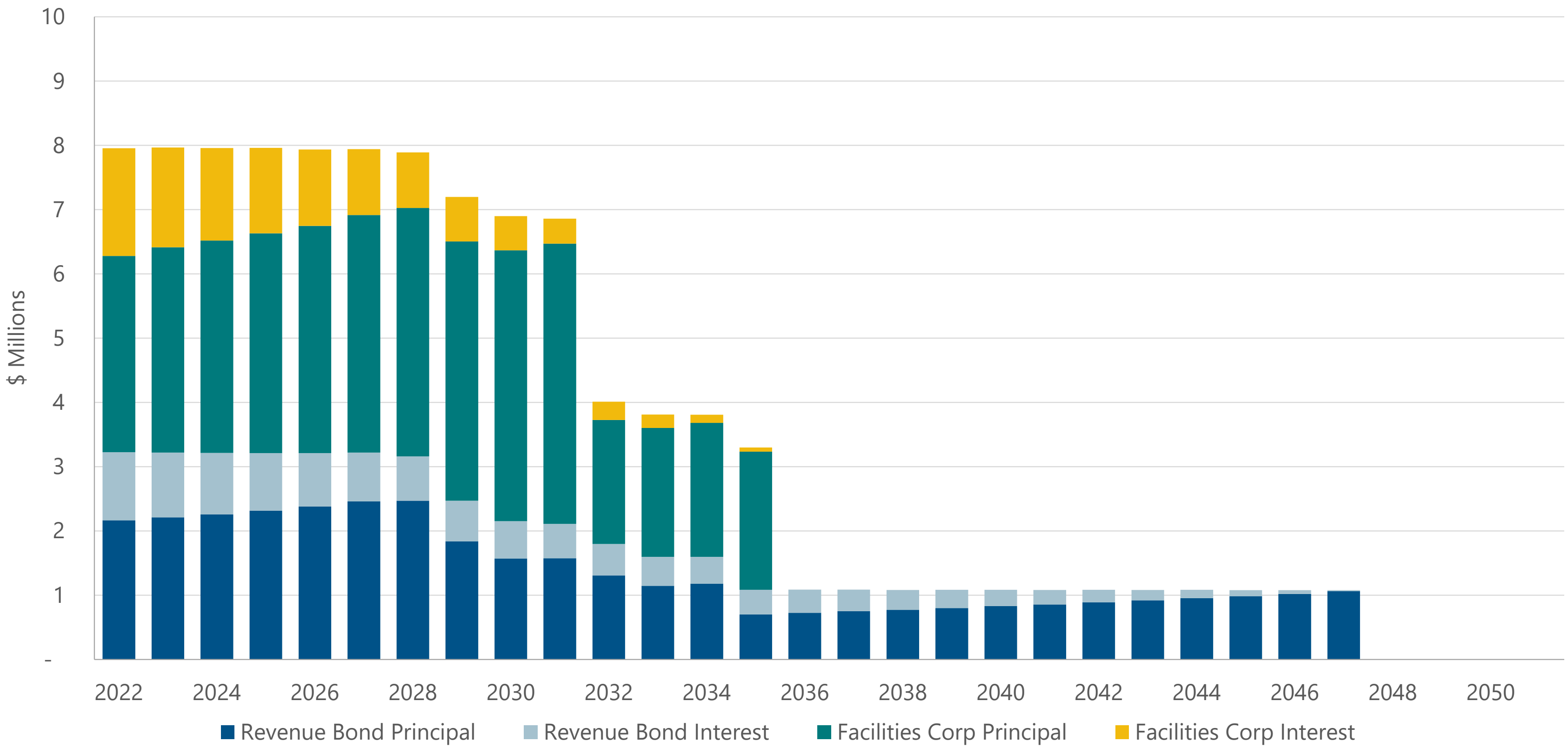
Campus	Project	Series	Tax Status	Par Amount	Next Call Date	Final Maturity
N/A	Deferred Maintenance (LB 957)	Series 2016	Tax-Exempt	19,595,000	07/15/2026	07/15/2030
Chadron State	Math Science (LB 297)	Series 2020	Tax-Exempt	23,465,000	06/15/2030	06/15/2035
Total				43,060,000		

PORTFOLIO SUMMARY: REVENUE BONDS (MTI)

Campus	Project	Series	Tax Status	Par Amount	Next Call Date	Final Maturity
Chadron State	Student Fees & Facilities	Series 2013	Tax-Exempt	5,195,000	Current	07/01/2033
Chadron State	Student Fees & Facilities	Series 2014	Tax-Exempt	2,300,000	Current	07/01/2028
Peru State	Student Fees & Facilities	Series 2012B	Tax-Exempt	1,165,000	Current	07/01/2027
Wayne State	Student Fees & Facilities	Series 2012A	Tax-Exempt	2,595,000	Current	07/01/2027
Wayne State	Student Fees & Facilities	Series 2016B	Tax-Exempt	2,490,000	Current	07/01/2030
Peru State	Student Fees & Facilities	Series 2016C	Tax-Exempt	2,055,000	Current	07/01/2031
Peru State	Student Fees & Facilities	Series 2015	Tax-Exempt	8,075,000	07/01/2025	07/01/2046
Wayne State	Student Fees & Facilities	Series 2016	Tax-Exempt	10,090,000	01/01/2026	07/01/2046
Total				33,965,000		

Debt Service Profile (as of November 1, 2021)

- The outstanding Facilities Corporation debt ($43.1 million) amortizes through 2035.
- The outstanding revenue bonds ($33.9 million) amortize through 2047.



Note: Excludes annual state appropriation amounts for Series 2016 Deferred Maintenance bonds ($1.125 million) and Series 2020 CSC Math Science bonds ($2.216 million).

CAPITAL RENEWAL STRATEGY

Legislative Bill 384 (2021)

- On April 22, 2021, the Nebraska Legislature gave final approval to a plan to extend the state/NSCS partnership to address building maintenance needs across the campuses.

- The bill was signed into law by the Governor of Nebraska on April 26, 2021.

- LB384 provides important funding and flexibility to the NSCS including:

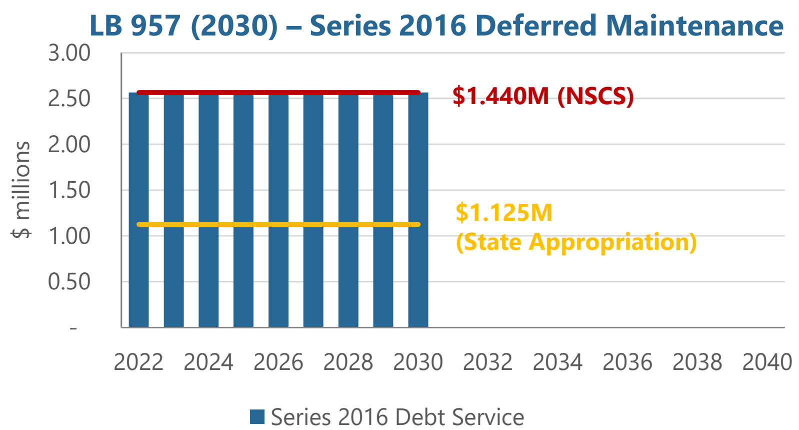
    - extending appropriations through 2040

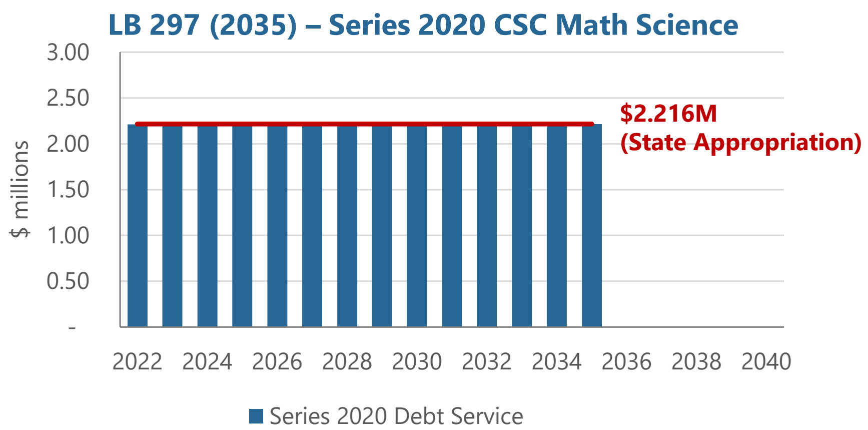
    - authorizing the NSCS to apply program appropriations for any renewal, replacement, repair or renovation of any existing NSCS facility;

    - consolidating other NSCS capital appropriations into the program.

Existing Appropriation Debt

- The NSCS has outstanding bonds under LB 957 (Series 2016) and LB 297 (Series 2020) with each series structured to utilize nearly all of the annual funds available for debt service.
- Under LB 384, these programs will be extended through 2040, providing the NSCS with additional capacity in the future after the existing bonds mature.
- However, LB 384 will also allow the NSCS to restructure existing debt which would create additional capacity in the near-term as well.
- Because the call date is sooner, the Series 2016 bonds are more cost-effective than the Series 2020 bonds.





Financing Considerations

Restructuring of Series 2016 Bonds

- In order to issue new debt for capital renewal, the NSCS will need to restructure the Series 2016 bonds.
  - The Series 2016 bonds are not callable until 2026.
- The NSCS can restructure the bonds prior to the call date but it will require the issuance of taxable debt.

New Debt for Capital Renewal

- In the current market, tax-exempt debt will result in a lower financing cost than taxable debt.
- However, tax-exempt bond proceeds must be spent according to IRS regulations over a period of three years.
- The NSCS is currently reviewing both the amount and projected spend schedule for capital renewal needs.
  - <u>Scenario 1 (2021)</u>: Issue ***taxable debt*** in the near term; not subject to IRS spenddown rules.
  - <u>Scenario 2 (2022)</u>: Issue ***tax-exempt debt*** later in 2022 when capital needs are finalized.

Taxable Restructuring of Series 2016[1]

- The restructuring extends the final maturity of the Series 2016 bonds from 2030 to 2040 which reduces annual debt service payments (see pages 17-19 for additional detail).
- This creates room to issue new debt in the near term but increases total debt service over the life of the debt.
  - Total debt service increases by $7.1 million through 2040; equates to; $1.5 million on a present value basis.

	STATE APPROPRIATION DEBT SERVICE				NSCS DEBT SERVICE				TOTAL DEBT SERVICE			
	Series 2016	Series 2022	Difference	Present Value	Series 2016	Series 2022	Difference	Present Value	Series 2016	Series 2022	Difference	Present Value
2022	961,786	125,638	(836,149)	(824,883)	1,229,913	728,825	(501,088)	(494,337)	2,191,700	854,463	(1,337,237)	(1,319,219)
2023	1,125,513	275,790	(849,723)	(813,678)	1,437,306	837,320	(599,987)	(574,896)	2,562,819	1,113,110	(1,449,709)	(1,388,575)
2024	1,125,013	275,790	(849,223)	(789,164)	1,439,756	838,735	(601,021)	(558,790)	2,564,769	1,114,525	(1,450,244)	(1,347,953)
2025	1,123,763	275,790	(847,973)	(764,706)	1,441,156	838,551	(602,605)	(543,632)	2,564,919	1,114,341	(1,450,578)	(1,308,338)
2026	1,123,763	275,790	(847,973)	(741,975)	1,438,406	834,886	(603,521)	(528,163)	2,562,169	1,110,676	(1,451,493)	(1,270,138)
2027	1,126,513	275,790	(850,723)	(722,243)	1,437,906	835,316	(602,591)	(511,552)	2,564,419	1,111,106	(1,453,313)	(1,233,795)
2028	1,126,713	275,790	(850,923)	(700,973)	1,437,106	838,668	(598,439)	(492,876)	2,563,819	1,114,458	(1,449,361)	(1,193,848)
2029	1,125,313	275,790	(849,523)	(679,037)	1,439,306	836,133	(603,174)	(481,966)	2,564,619	1,111,923	(1,452,696)	(1,161,003)
2030	1,126,125	275,790	(850,335)	(659,606)	1,438,369	837,327	(601,042)	(466,069)	2,564,494	1,113,117	(1,451,377)	(1,125,675)
2031	-	275,790	275,790	209,673	-	837,567	837,567	633,292	-	1,113,357	1,113,357	842,965
2032	-	275,790	275,790	203,522	-	836,823	836,823	614,081	-	1,112,613	1,112,613	817,603
2033	-	275,790	275,790	197,551	-	836,978	836,978	596,069	-	1,112,768	1,112,768	793,620
2034	-	275,790	275,790	191,755	-	836,503	836,503	578,148	-	1,112,293	1,112,293	769,903
2035	-	275,790	275,790	186,129	-	835,398	835,398	560,340	-	1,111,188	1,111,188	746,469
2036	-	2,070,790	2,070,790	1,347,812	-	838,663	838,663	545,917	-	2,909,453	2,909,453	1,893,729
2037	-	2,068,735	2,068,735	1,306,726	-	835,425	835,425	527,748	-	2,904,160	2,904,160	1,834,473
2038	-	2,070,230	2,070,230	1,269,059	-	836,538	836,538	512,836	-	2,906,768	2,906,768	1,781,895
2039	-	2,070,130	2,070,130	1,231,522	-	836,838	836,838	497,859	-	2,906,968	2,906,968	1,729,380
2040	-	2,073,435	2,073,435	1,197,053	-	836,325	836,325	482,846	-	2,909,760	2,909,760	1,679,899
TOTAL	9,964,499	14,064,228	4,099,729	644,537	12,739,226	15,792,812	3,053,586	896,854	22,703,725	29,857,040	7,153,315	1,541,392

(1) The restructuring bonds will be issued in two series (based on the State of Nebraska's appropriation credit and the NSCS credit). For purposes of this analysis, we assume the cost to defease the Series 2016 bonds is allocated on a pro rata basis between the bonds issued under the state appropriation and NSCS credits since both entities currently provide funds for annual debt service.

Capital Renewal (Issue Taxable Now vs. Tax-Exempt Later)

- The restructuring of the Series 2016 bonds provides near-term capacity to borrow under LB 384.

- The key question is when to issue new debt for capital renewal.

  - Issue Taxable Debt Sooner (February 2022): Eliminates interest rate risk; taxable debt is more expensive than tax-exempt debt in the current market[1].

  - Issue Tax-Exempt Debt Later (July 2022): Subject to interest rate risk[2]; tax-exempt debt may allow for lower cost or more proceeds under the program – will depend on future market conditions.

Net Proceeds for Capital	Taxable (Feb 2022)	Tax-Exempt (July 2022)	Difference
State Appropriation Issue:	14,250,000	13,970,000	(280,000)
NSCS Issue:	8,905,000	8,705,000	(200,000)
Unused LB 384 Funds (2022):	0	1,715,000	1,715,000
Total:	23,155,000	24,390,000	1,235,000

If tax-exempt rates rise by more than 78 basis points in the next eight months, the NSCS will have been better off issuing new taxable debt in the near term..

(1) For reference, if the NSCS were to issue tax-exempt debt in February 2022, the net proceeds for capital would be $24,000,000.
(2) Assumes a tax-exempt issue with a delivery date of July 15, 2022. Based on market conditions as of October 13, 2021.

APPENDIX

Existing Debt Service (Series 2016 & 2020)

CY	Series 2016 Principal	Series 2016 Interest	Total Debt Service	State Approp Avail for DS	NSCS Avail for DS	Total Avail for DS
2022	1,880,000	684,219	2,564,219	1,125,000	1,440,000	2,565,000
2023	1,935,000	627,819	2,562,819	1,125,000	1,440,000	2,565,000
2024	1,995,000	569,769	2,564,769	1,125,000	1,440,000	2,565,000
2025	2,055,000	509,919	2,564,919	1,125,000	1,440,000	2,565,000
2026	2,155,000	407,169	2,562,169	1,125,000	1,440,000	2,565,000
2027	2,265,000	299,419	2,564,419	1,125,000	1,440,000	2,565,000
2028	2,355,000	208,819	2,563,819	1,125,000	1,440,000	2,565,000
2029	2,450,000	114,619	2,564,619	1,125,000	1,440,000	2,565,000
2030	2,505,000	59,494	2,564,494	1,125,000	1,440,000	2,565,000
2031	-	-	-	-	-	
2032	-	-	-	-	-	
2033	-	-	-	-	-	
2034	-	-	-	-	-	
2035	-	-	-	-	-	
2036	-	-	-	-	-	
2037	-	-	-	-	-	
2038	-	-	-	-	-	
2039	-	-	-	-	-	
2040						
TOTAL	19,595,000	3,481,244	23,076,244	10,125,000	12,960,000	23,085,000

CY	Series 2020 Principal	Series 2020 Interest	Total Debt Service	State Approp Avail for DS
2022	1,265,000	946,700	2,211,700	2,216,000
2023	1,315,000	896,100	2,211,100	2,216,000
2024	1,370,000	843,500	2,213,500	2,216,000
2025	1,425,000	788,700	2,213,700	2,216,000
2026	1,480,000	731,700	2,211,700	2,216,000
2027	1,540,000	672,500	2,212,500	2,216,000
2028	1,600,000	610,900	2,210,900	2,216,000
2029	1,680,000	530,900	2,210,900	2,216,000
2030	1,765,000	446,900	2,211,900	2,216,000
2031	1,855,000	358,650	2,213,650	2,216,000
2032	1,930,000	284,450	2,214,450	2,216,000
2033	2,005,000	207,250	2,212,250	2,216,000
2034	2,085,000	127,050	2,212,050	2,216,000
2035	2,150,000	64,500	2,214,500	2,216,000
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040				
TOTAL	23,465,000	7,509,800	30,974,800	31,024,000

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Restructuring of Series 2016 (State Portion)[1]

- Total debt service increases by $4.1 million through 2040; equates to; $0.6 million on a present value basis.

	SERIES 2016 DEBT SERVICE			SERIES 2022 DEBT SERVICE			CASHFLOW DIFFERENCE			
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Present Value
2022	825,000	136,786	961,786	-	125,638	125,638	(825,000)	(11,149)	(836,149)	(824,883)
2023	850,000	275,513	1,125,513	-	275,790	275,790	(850,000)	278	(849,723)	(813,678)
2024	875,000	250,013	1,125,013	-	275,790	275,790	(875,000)	25,778	(849,223)	(789,164)
2025	900,000	223,763	1,123,763	-	275,790	275,790	(900,000)	52,028	(847,973)	(764,706)
2026	945,000	178,763	1,123,763	-	275,790	275,790	(945,000)	97,028	(847,973)	(741,975)
2027	995,000	131,513	1,126,513	-	275,790	275,790	(995,000)	144,278	(850,723)	(722,243)
2028	1,035,000	91,713	1,126,713	-	275,790	275,790	(1,035,000)	184,078	(850,923)	(700,973)
2029	1,075,000	50,313	1,125,313	-	275,790	275,790	(1,075,000)	225,478	(849,523)	(679,037)
2030	1,100,000	26,125	1,126,125	-	275,790	275,790	(1,100,000)	249,665	(850,335)	(659,606)
2031	-	-	-	-	275,790	275,790	-	275,790	275,790	209,673
2032	-	-	-	-	275,790	275,790	-	275,790	275,790	203,522
2033	-	-	-	-	275,790	275,790	-	275,790	275,790	197,551
2034	-	-	-	-	275,790	275,790	-	275,790	275,790	191,755
2035	-	-	-	-	275,790	275,790	-	275,790	275,790	186,129
2036	-	-	-	1,795,000	275,790	2,070,790	1,795,000	275,790	2,070,790	1,347,812
2037	-	-	-	1,845,000	223,735	2,068,735	1,845,000	223,735	2,068,735	1,306,726
2038	-	-	-	1,900,000	170,230	2,070,230	1,900,000	170,230	2,070,230	1,269,059
2039	-	-	-	1,955,000	115,130	2,070,130	1,955,000	115,130	2,070,130	1,231,522
2040	-	-	-	2,015,000	58,435	2,073,435	2,015,000	58,435	2,073,435	1,197,053
TOTAL	8,600,000	1,364,499	9,964,499	9,510,000	4,554,228	14,064,228	910,000	3,189,729	4,099,729	644,537

(1) The restructuring bonds will be issued in two series (based on the State of Nebraska's appropriation credit and the NSCS credit). For purposes of this analysis, we assume the cost to defease the Series 2016 bonds is allocated on a pro rata basis between the bonds issued under the state appropriation and NSCS credits since both entities currently provide funds for annual debt service.

Restructuring of Series 2016 (NSCS Portion)[1]

- Total debt service increases by $3.1 million through 2040; equates to; $0.9 million on a present value basis.

	SERIES 2016 DEBT SERVICE			SERIES 2022 DEBT SERVICE			CASHFLOW DIFFERENCE			
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Present Value
2022	1,055,000	174,913	1,229,913	590,000	138,825	728,825	(465,000)	(36,088)	(501,088)	(494,337)
2023	1,085,000	352,306	1,437,306	535,000	302,320	837,320	(550,000)	(49,987)	(599,987)	(574,896)
2024	1,120,000	319,756	1,439,756	540,000	298,735	838,735	(580,000)	(21,021)	(601,021)	(558,790)
2025	1,155,000	286,156	1,441,156	545,000	293,551	838,551	(610,000)	7,395	(602,605)	(543,632)
2026	1,210,000	228,406	1,438,406	550,000	284,886	834,886	(660,000)	56,479	(603,521)	(528,163)
2027	1,270,000	167,906	1,437,906	560,000	275,316	835,316	(710,000)	107,409	(602,591)	(511,552)
2028	1,320,000	117,106	1,437,106	575,000	263,668	838,668	(745,000)	146,561	(598,439)	(492,876)
2029	1,375,000	64,306	1,439,306	585,000	251,133	836,133	(790,000)	186,826	(603,174)	(481,966)
2030	1,405,000	33,369	1,438,369	600,000	237,327	837,327	(805,000)	203,958	(601,042)	(466,069)
2031	-	-	-	615,000	222,567	837,567	615,000	222,567	837,567	633,292
2032	-	-	-	630,000	206,823	836,823	630,000	206,823	836,823	614,081
2033	-	-	-	650,000	186,978	836,978	650,000	186,978	836,978	596,069
2034	-	-	-	670,000	166,503	836,503	670,000	166,503	836,503	578,148
2035	-	-	-	690,000	145,398	835,398	690,000	145,398	835,398	560,340
2036	-	-	-	715,000	123,663	838,663	715,000	123,663	838,663	545,917
2037	-	-	-	735,000	100,425	835,425	735,000	100,425	835,425	527,748
2038	-	-	-	760,000	76,538	836,538	760,000	76,538	836,538	512,836
2039	-	-	-	785,000	51,838	836,838	785,000	51,838	836,838	497,859
2040	-	-	-	810,000	26,325	836,325	810,000	26,325	836,325	482,846
TOTAL	10,995,000	1,744,226	12,739,226	12,140,000	3,652,812	15,792,812	1,145,000	1,908,586	3,053,586	896,854

(1) The restructuring bonds will be issued in two series (based on the State of Nebraska's appropriation credit and the NSCS credit). For purposes of this analysis, we assume the cost to defease the Series 2016 bonds is allocated on a pro rata basis between the bonds issued under the state appropriation and NSCS credits since both entities currently provide funds for annual debt service.

Restructuring of Series 2016 (Combined)[1]

- Total debt service increases by $7.2 million through 2040; equates to; $1.5 million on a present value basis.

	SERIES 2016 DEBT SERVICE			SERIES 2022 DEBT SERVICE			CASHFLOW DIFFERENCE			
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Present Value
2022	1,880,000	311,700	2,191,700	590,000	264,463	854,463	(1,290,000)	(47,237)	(1,337,237)	(1,319,219)
2023	1,935,000	627,819	2,562,819	535,000	578,110	1,113,110	(1,400,000)	(49,709)	(1,449,709)	(1,388,575)
2024	1,995,000	569,769	2,564,769	540,000	574,525	1,114,525	(1,455,000)	4,756	(1,450,244)	(1,347,953)
2025	2,055,000	509,919	2,564,919	545,000	569,341	1,114,341	(1,510,000)	59,422	(1,450,578)	(1,308,338)
2026	2,155,000	407,169	2,562,169	550,000	560,676	1,110,676	(1,605,000)	153,507	(1,451,493)	(1,270,138)
2027	2,265,000	299,419	2,564,419	560,000	551,106	1,111,106	(1,705,000)	251,687	(1,453,313)	(1,233,795)
2028	2,355,000	208,819	2,563,819	575,000	539,458	1,114,458	(1,780,000)	330,639	(1,449,361)	(1,193,848)
2029	2,450,000	114,619	2,564,619	585,000	526,923	1,111,923	(1,865,000)	412,304	(1,452,696)	(1,161,003)
2030	2,505,000	59,494	2,564,494	600,000	513,117	1,113,117	(1,905,000)	453,623	(1,451,377)	(1,125,675)
2031	-	-	-	615,000	498,357	1,113,357	615,000	498,357	1,113,357	842,965
2032	-	-	-	630,000	482,613	1,112,613	630,000	482,613	1,112,613	817,603
2033	-	-	-	650,000	462,768	1,112,768	650,000	462,768	1,112,768	793,620
2034	-	-	-	670,000	442,293	1,112,293	670,000	442,293	1,112,293	769,903
2035	-	-	-	690,000	421,188	1,111,188	690,000	421,188	1,111,188	746,469
2036	-	-	-	2,510,000	399,453	2,909,453	2,510,000	399,453	2,909,453	1,893,729
2037	-	-	-	2,580,000	324,160	2,904,160	2,580,000	324,160	2,904,160	1,834,473
2038	-	-	-	2,660,000	246,768	2,906,768	2,660,000	246,768	2,906,768	1,781,895
2039	-	-	-	2,740,000	166,968	2,906,968	2,740,000	166,968	2,906,968	1,729,380
2040	-	-	-	2,825,000	84,760	2,909,760	2,825,000	84,760	2,909,760	1,679,899
TOTAL	19,595,000	3,108,725	22,703,725	21,650,000	8,207,040	29,857,040	2,055,000	5,098,315	7,153,315	1,541,392

(1) The restructuring bonds will be issued in two series (based on the State of Nebraska's appropriation credit and the NSCS credit). For purposes of this analysis, we assume the cost to defease the Series 2016 bonds is allocated on a pro rata basis between the bonds issued under the state appropriation and NSCS credits since both entities currently provide funds for annual debt service.

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