

Presentation to Oldham County Schools

BAIRD

November 28, 2023



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Financial/Economic Analysis

Oldham County is a Bright Light in the Commonwealth

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Strong school district drives families to buy homes in Oldham County

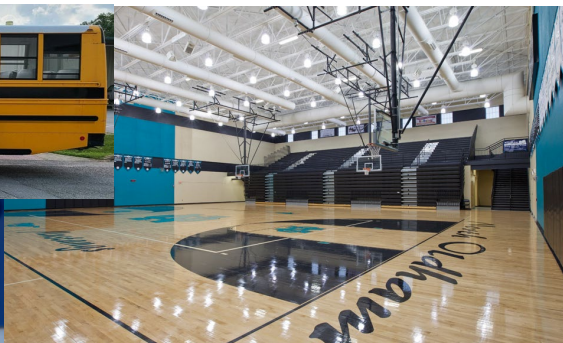
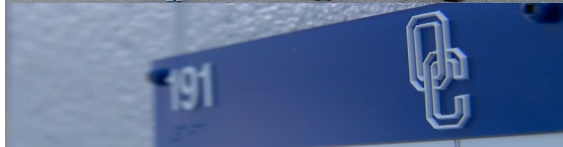
BY AMBER SMITH | KENTUCKY
PUBLISHED 7:35 AM ET MAR. 29, 2022

Many families with school-aged children are searching for homes in Oldham County, citing the school district as a major factor driving them to want to move there.

- Spectrum News

FAST FACTS:

- **Wealthiest county in Kentucky (measured by median family income)**
- **2nd most educated county in Kentucky (43% of population with Bachelor's or higher)**
- **12th largest county in Kentucky (2022 population estimates)**
- **Historic income levels well above the State and national average**
- **Best school district in Kentucky with over 10,000 students – Niche.com**



Oldham County has a Strong Tax Base with Growing Population



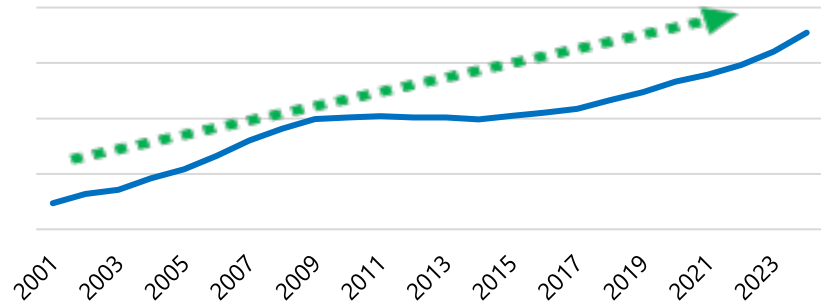
- **Total Property Assessments total over \$9 billion for 2024 (doubled since 2005 - \$4.4 billion)**
 - 5-year average growth (2020-2024) is 5.5%

FY	% Change	FY	% Change
2005	8.6%	2015	2.1%
2006	11.5%	2016	1.9%
2007	12.0%	2017	2.4%
2008	8.2%	2018	4.8%
2009	6.0%	2019	4.5%
2010	1.0%	2020	5.4%
2011	0.8%	2021	3.6%
2012	-0.9%	2022	4.5%
2013	0.1%	2023	6.0%
2014	-1.3%	2024	8.1%

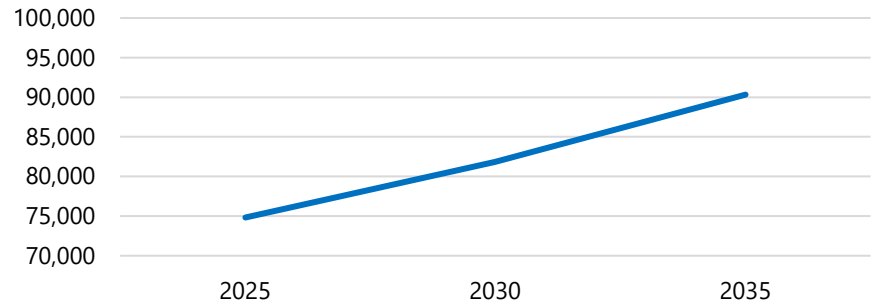
- **Population projected to increase from ~70,000 current inhabitants to over 90,000 by 2035**

- **Number 1 in the Commonwealth for median household income**
 - Far outpaces the National and State averages
 - Moody’s scores communities with resident incomes ≥120% in the Aaa-rating category; Oldham’s ≈180%
 - 38th wealthiest county in America by MHI

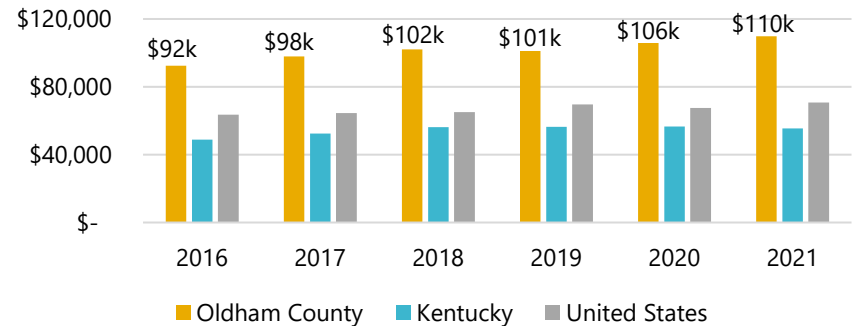
TOTAL PROPERTY ASSESSMENT



POPULATION PROJECTION



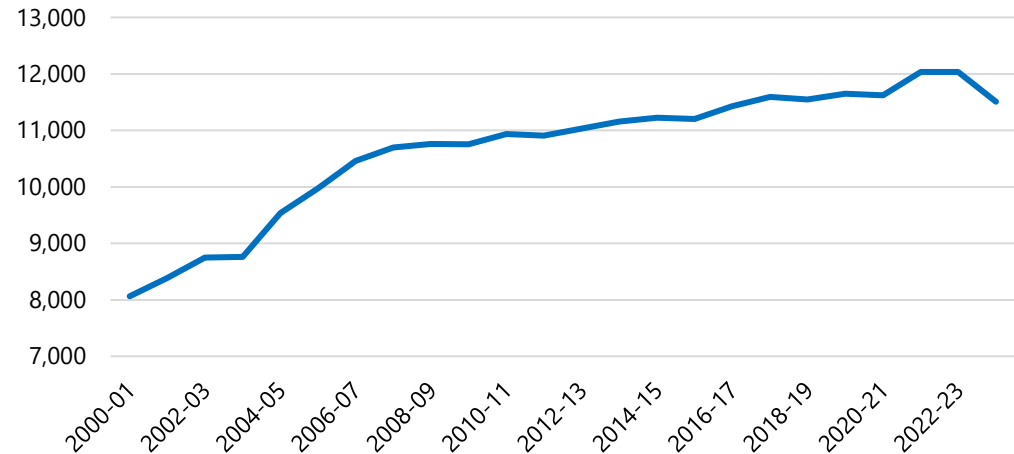
MEDIAN HOUSEHOLD INCOME



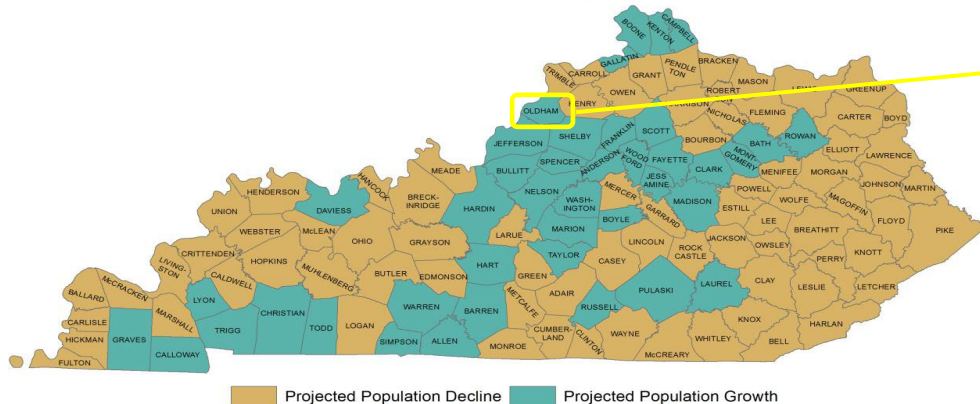
History of Steady Enrollment

- Moody's looks at a 3-year enrollment trend
 - Full funding kindergarten began in FY 2022
 - FY 2024's State funding will be based on 2023's ADA
- According to the Kentucky State Data Center, Oldham County is one of the 40 Kentucky Counties expected to grow in population

AADA

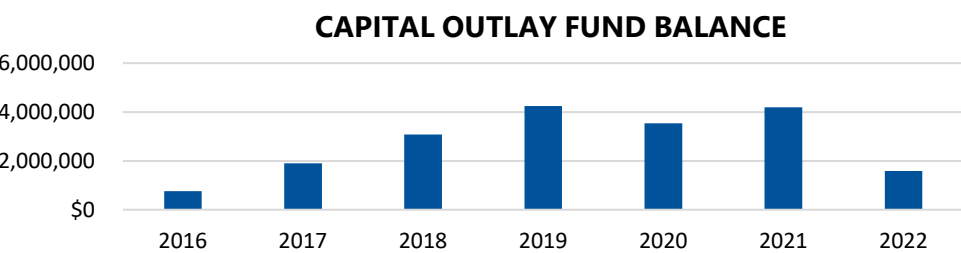
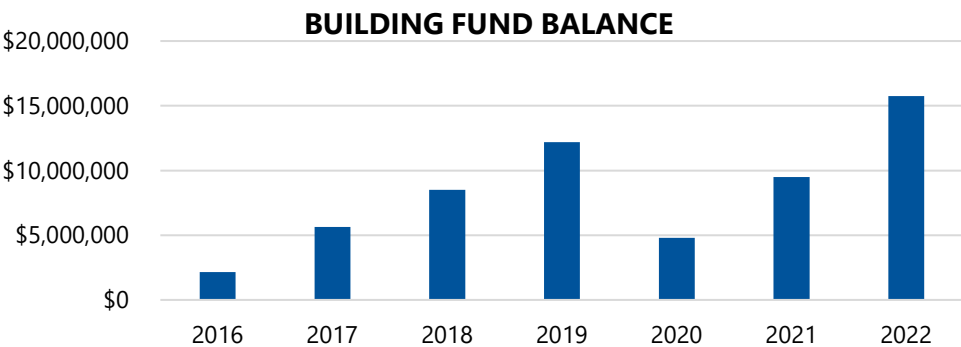
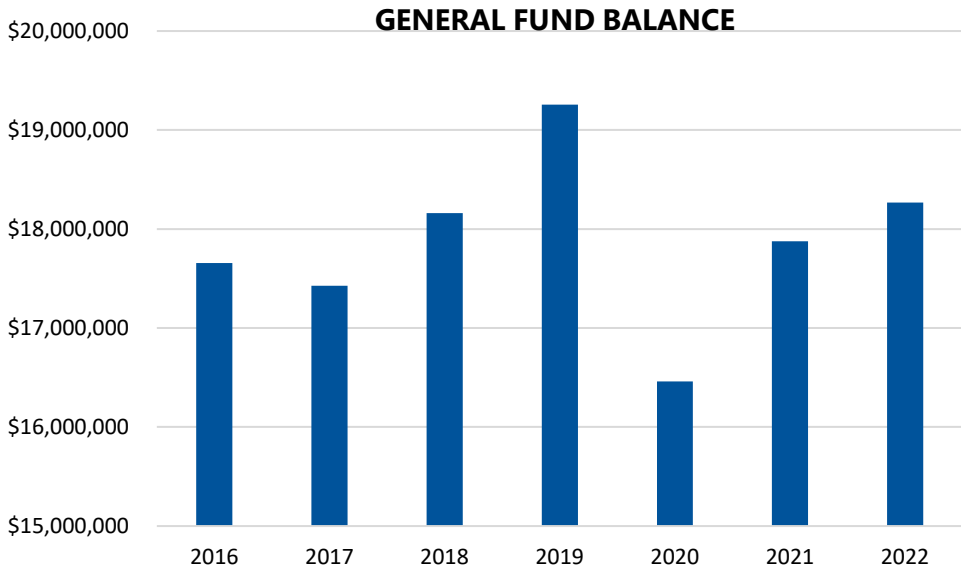


Projected Change in Total Population 2015 - 2040



- 10th fastest-growing county in the Commonwealth over the past decade
- +15% population change for the period 2010-2020

Healthy and Growing Fund Balances Provide Opportunities in the Future



Financial operations: strong financial position expected to remain stable

“The financial position is strong and will remain stable given the district’s prudent budgeting and willingness to implement increases in the tax levy to support operations and capital projects.”

-Moody’s Investors Service
(April 2023, using FY 2022 financials)

Excess Building and Capital Outlay Funds:

- Pay off existing debt
- Cash funding projects

When assessing total fund balance, Moody’s sums:

- Building Fund
- Capital Outlay Fund
- Debt Service Fund
- General Fund

OCS Outpaces its Kentucky Peers – Solidly in AA Rating Category

	Aa2 (Issuer)/ Aa3 (Bonds) K-12 Peers					Aa MEDIAN (2021)
	OLDHAM	HARDIN	SCOTT	KENTON	WARREN	
Population	68,685	90,166	55,961	104,694	97,740	31,619
Total Assessment	\$9.1 billion	\$8.6 billion	\$7.6 billion	\$12.3 billion	\$12.9 billion	\$3.9 billion
Prior Year AADA	11,511	13,051	9,056	12,949	16,116	4,288
Resident Income	173%	104%	115%	125%	101%	120%
Operating Revenue (\$000)	149,016	158,389	107,551	158,484	167,526	71,385
Available Fund Balance (\$000)	35,827	24,805	12,944	28,274	26,042	18,076
Available Fund Balance Ratio	24%	16%	16%	18%	16%	27%
Long-Term Liabilities Ratio	194%	316%	285%	273%	225%	317%
Outstanding Long-term Bonds	\$129 Million	\$208 Million	\$171 Million	\$219 Million	\$191 Million	n/a

- **Moody's Credit Challenges from April 2023:**
 - **Temporary pandemic driven enrollment decline**
 - **Slightly below average reserves compared to similarly rated peers**

Legend
Weaker compared to OCS
Stronger compared to OCS
Neutral compared to OCS

Outstanding Debt Profile and Current Bonding Analysis

Constantly Monitoring Outstanding Debt For Refinancing and/or Prepayment Opportunities

SERIES	PURPOSE	ORIGINAL PRINCIPAL	OUTSTANDING PRINCIPAL*	COUPONS ON OUTSTANDING PRINCIPAL	FIRST OPTIONAL REDEMPTION/ PREPAYMENT DATE	PAYMENT DATES	FINAL MATURITY
2012 REF	Advance refund Series 2004 Bonds; SFCC pays $\approx 2.8\%$ ⁽¹⁾	\$17,820,000	\$1,885,000	2.00%	non-callable	May: P+I; Nov: I	05/01/2024
2013	Fund renovations to Oldham County Middle School	10,360,000	5,570,000	3.875%	08/01/2023	August: P+I; Feb: I	08/01/2033
2015	Fund renovations to South Oldham MS; SFCC pays $\approx 2.5\%$	18,465,000	18,170,000	2.50%-4.00%	03/01/2025	March: P+I, Sept: I	03/01/2035
2016	Fund renovations to Arvin Education Center	15,565,000	14,160,000	2.00%-4.00%	10/01/2025	Oct: P+I; April: I	10/01/2036
2016 REF	Advance refund Series 2007 Bonds ⁽²⁾	28,965,000	23,975,000	5.00%	non-callable	June: P+I, Dec: I	06/01/2027
2016B REF	Advance refund 2nd Series of 2007 Bonds; SFCC pays $\approx 0.5\%$ ⁽³⁾	33,485,000	18,830,000	3.00%-4.00%	non-callable	Sept: P+I; March: I	09/01/2027
2018	Fund renovations/addition to Camden Station ES	13,740,000	11,035,000	3.00%-3.50%	09/01/2026	Sept: P+I; March: I	09/01/2038
2020 REF	Advance refund Series 2011 Bonds ⁽⁴⁾	1,960,000	1,640,000	1.00%-1.50%	02/01/2031	Feb: P+I, Aug: I	02/01/2031
2021 REF	Advance refund Series 2012 Bonds ⁽⁵⁾	6,700,000	6,560,000	1.50%	09/01/2029	Sept: P+I; March: I	09/01/2032
2021	Fund renovations to Buckner ES and East Oldham MS	8,800,000	8,065,000	2.00%	10/01/2029	Oct: P+I; April: I	10/01/2041
2023	Fund athletic improvements at Oldham County, North Oldham County and South Oldham County High Schools	12,755,000	12,755,000	4.00%	05/01/2031	May: P+I; Nov: I	05/01/2042
Total		\$168,615,000	\$122,645,000				

*Outstanding Principal as of December 1, 2023; paid final payment on 2012B Refunding on October 1, 2023

(1) Series 2004 Bonds funded the construction of Kenwood Station Elementary and North Elementary

(2) Series 2007 Bonds funded additions/renovations at Oldham County HS and construction of new Locust Grove ES

(3) 2nd Series of 2007 Bonds funded addition/renovations to North Oldham HS and demolition of existing building and construction of new Crestwood ES

(4) Series 2011 Bonds funded renovations at the bus compound/annex

(5) Series 2012 Bonds funded construction of Centerfield Elementary

Amortization of Principal is Vital to Protecting Bonding Capacity and Minimizing Interest Expense

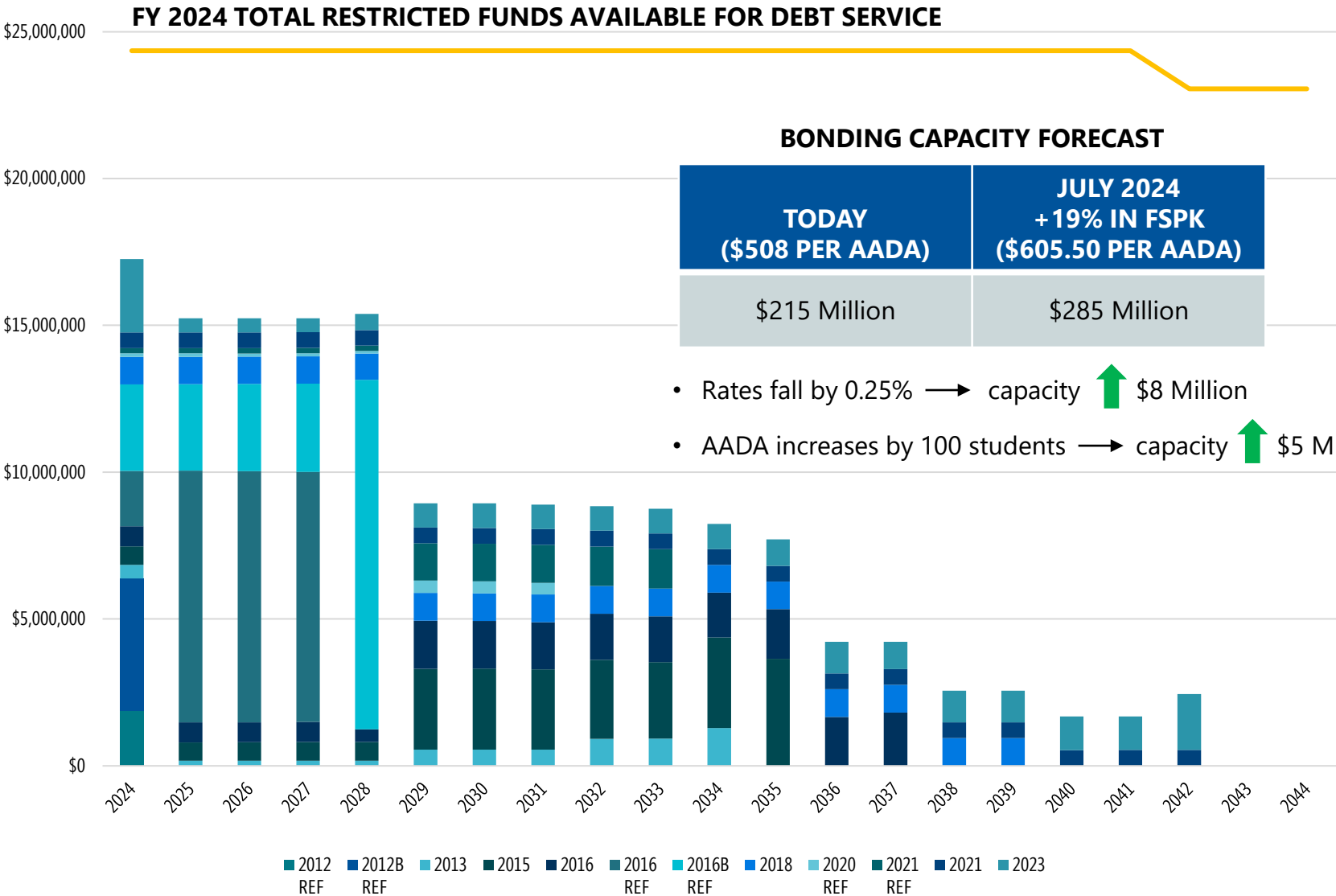
FY	2012 REF	2012B REF	2013	2015	2016	2016 REF	2016B REF	2018	2020 REF	2021 REF	2021	2023	Total
2024	\$1,868,917	\$4,508,895	\$463,421	\$635,971	\$678,650	\$1,888,750	\$2,945,888	\$933,644	\$122,450	\$178,708	\$535,000	\$2,497,445	\$17,257,739
2025			168,055	629,471	676,850	8,579,250	2,943,914	931,469	116,450	177,658	532,550	485,200	15,240,867
2026			168,116	638,041	674,650	8,553,500	2,967,536	928,844	110,500	186,533	534,950	478,000	15,240,670
2027			167,981	646,253	680,200	8,515,500	3,004,107	930,694	104,600	185,333	532,200	471,000	15,237,868
2028			167,652	644,003	426,200		11,910,145	887,619	93,750	184,133	524,400	549,200	15,387,102
2029			549,575	2,751,753	1,642,400			943,794	417,925	1,269,720	536,400	829,200	8,940,767
2030			548,456	2,761,203	1,620,431			943,116	411,925	1,276,908	533,150	842,800	8,937,989
2031			546,563	2,740,578	1,596,719			946,319	400,925	1,292,719	534,750	835,200	8,893,773
2032			916,531	2,690,503	1,572,075			943,819		1,346,068	536,150	837,200	8,842,346
2033			922,878	2,609,616	1,555,538			945,144		1,342,303	532,400	848,400	8,756,279
2034			1,281,904	3,085,978	1,528,675			944,713			533,500	863,400	8,238,170
2035				3,638,610	1,692,300			942,463			534,400	902,000	7,709,773
2036					1,662,325			943,763			535,100	1,083,200	4,224,388
2037					1,811,775			944,013			535,600	931,200	4,222,588
2038								943,213			535,900	1,079,000	2,558,113
2039								946,275			531,050	1,079,800	2,557,125
2040											531,050	1,149,200	1,680,250
2041											535,800	1,144,400	1,680,200
2042											535,300	1,903,200	2,438,500
TOTAL	\$1,868,917	\$4,508,895	\$5,901,132	\$23,471,980	\$17,818,788	\$27,537,000	\$23,771,590	\$14,998,902	\$1,778,525	\$7,440,079	\$10,139,650	\$18,809,045	\$158,044,503

Very Healthy Amount of Restricted Funds Available for Bonding Capacity

	FY 2024	FY 2025 (est.)
ASSESSMENT	\$9,092,588,181	\$9,456,291,708
PRIOR YEAR AADA PLUS GROWTH	11,510.984	11,510.984
FSPK EQUALIZATION PER AADA	\$508.00	\$605.50
State Capital Outlay at 80%	\$920,879	\$920,879
Local FSPK Nickel	4,546,294	4,728,146
Local Original Growth Nickel	4,546,294	4,728,146
Local Equalized Growth Nickel	4,546,294	4,728,146
Local Recallable Nickel	4,546,294	4,728,146
State Equalization of FSPK	1,301,286	2,241,755
State Equalization of Original Growth	1,301,286	2,241,755
State Equalization of Eq. Growth	1,301,286	2,241,755
State Equalization of Recallable	1,301,286	2,241,755
Total Restricted Funds Available for Debt Service	\$24,311,198	\$28,800,482
SFCC Offer of Assistance (2016 Offer)	5,245	5,245
TOTAL RESTRICTED FUNDS AVAILABLE FOR DEBT SERVICE	\$24,316,443	\$28,805,727

FY 2024 bondable revenue based on 2023-24 Tentative SEEK
FY 2025 bondable revenue includes flat AADA, 4% growth in assessments and new FSPK equalization rate per AADA of \$605.50

Equalization of 4th Nickel Generates Among the Highest Bonding Capacity of Any Kentucky District



Capital Planning Analysis

The Best Time to Start Construction Projects is Now

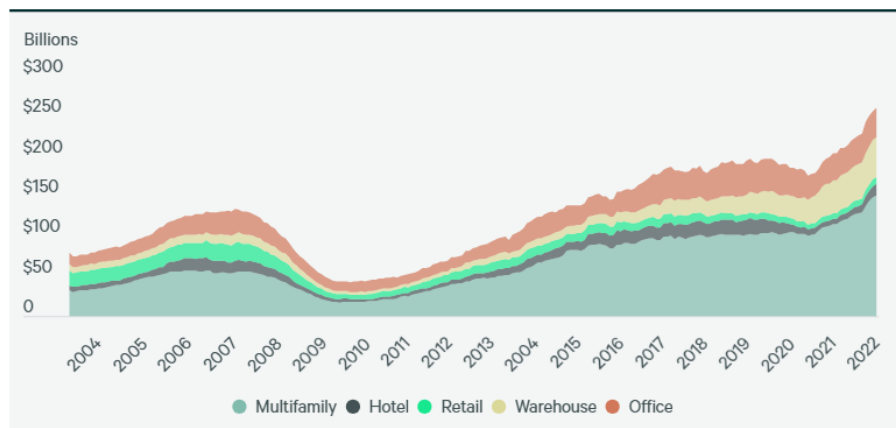


CBRE is the global leader in commercial real estate services and investments

2023 FORECAST/COMMENTS

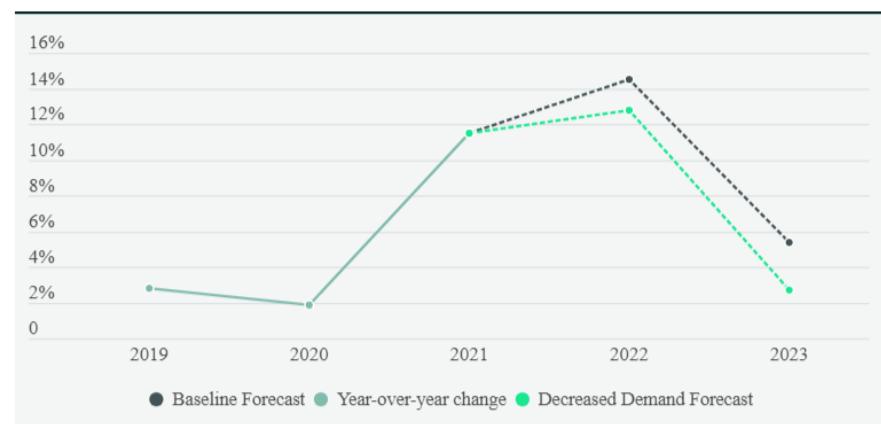
- Lower construction activity in late 2023 due to rising interest rates and an economic slowdown
- The US Government's \$500 billion infrastructure program will support construction spending growth over the next several years
- Less global supply chain disruptions
- Labor market to remain tight, pressuring wages
- 5.4% construction cost growth in 2023 vs. double-digit growth in 2021 and 2022 (do not forecast prices to reset)

Figure 28: Annualized Dollar Value of Construction Starts by Property Type



Note: 2022 data is annualized as of August.
Source: CBRE Strategic Investment Consulting.

Figure 29: CBRE Construction Cost Index, Annual Increase by Scenario



Sources: CBRE Econometric Advisors, CBRE Strategic Investment Consulting, Q3 2022.

Optimal Structuring of Debt Will Protect OCPS' Borrowing Capacity and Save Interest Costs



**OPTIMAL
REPAYMENT**

**LEVEL
REPAYMENT**



**WRAPPED/
DEFERRED
REPAYMENT**



Wrapped Debt Service Can Protect Capacity, But Costs Much More Than Level Repayment

WRAPPED/DEFERRED REPAYMENT

LEVEL REPAYMENT

FY	2012 REF	2012B REF	2013	2015	2016	2016 REF	2016B REF	2018	2020 REF	2021 REF	2021	2023	Total
2024	\$1,868,917	\$4,508,895	\$463,421	\$635,971	\$678,650	\$1,888,750	\$2,945,888	\$933,644	\$122,450	\$178,708	\$535,000	\$2,497,445	\$17,257,739
2025			168,055	629,471	676,850	8,579,250	2,943,914	931,469	116,450	177,658	532,550	485,200	15,240,867
2026			168,116	638,041	674,650	8,553,500	2,967,536	928,844	110,500	186,533	534,950	478,000	15,240,670
2027			167,981	646,253	680,200	8,515,500	3,004,107	930,694	104,600	185,333	532,200	471,000	15,237,868
2028			167,652	644,003	426,200		11,910,145	887,619	93,750	184,133	524,400	549,200	15,387,102
2029			549,575	2,751,753	1,642,400			943,794	417,925	1,269,720	536,400	829,200	8,940,767
2030			548,456	2,761,203	1,620,431			943,116	411,925	1,276,908	533,150	842,800	8,937,989
2031			546,563	2,740,578	1,596,719			946,319	400,925	1,292,719	534,750	835,200	8,893,773
2032			916,531	2,690,503	1,572,075			943,819		1,346,068	536,150	837,200	8,842,346
2033			922,878	2,609,616	1,555,538			945,144		1,342,303	532,400	848,400	8,756,279
2034			1,281,904	3,085,978	1,528,675			944,713			533,500	863,400	8,238,170
2035				3,638,610	1,692,300			942,463			534,400	902,000	7,709,773
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TOTAL	\$1,868,917	\$4,508,895	\$5,901,132	\$23,471,980	\$17,818,788	\$27,537,000	\$23,771,590	\$14,998,902	\$1,778,525	\$7,440,079	\$10,139,650	\$18,809,045	\$158,044,503

OCPS Can Repay Debt Much Faster Than Other Districts, Saving Millions in Interest Expense

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Fiscal Year	Existing Debt Service	LEVEL			Total Debt Service
		Principal	Interest	Total P+I	
2024	\$17,257,739				\$17,257,739
1 2025	15,240,867	\$1,805,000	\$1,935,303	\$3,740,303	18,981,169
2 2026	15,240,670	1,790,000	1,948,630	3,738,630	18,979,300
3 2027	15,237,868	1,855,000	1,885,085	3,740,085	18,977,953
4 2028	15,387,102	1,920,000	1,820,160	3,740,160	19,127,262
5 2029	8,940,767	1,985,000	1,752,960	3,737,960	12,678,727
6 2030	8,937,989	2,055,000	1,683,485	3,738,485	12,676,474
7 2031	8,893,773	2,125,000	1,611,560	3,736,560	12,630,333
8 2032	8,842,346	2,205,000	1,535,060	3,740,060	12,582,406
9 2033	8,756,279	2,285,000	1,455,680	3,740,680	12,496,959
10 2034	8,238,170	2,365,000	1,371,135	3,736,135	11,974,305
11 2035	7,709,773	2,455,000	1,283,630	3,738,630	11,448,403
12 2036	4,224,388	2,550,000	1,190,340	3,740,340	7,964,728
13 2037	4,222,588	2,650,000	1,090,890	3,740,890	7,963,478
14 2038	2,558,113	2,755,000	984,890	3,739,890	6,298,003
15 2039	2,557,125	2,870,000	870,558	3,740,558	6,297,683
16 2040	1,680,250	2,990,000	748,583	3,738,583	5,418,833
17 2041	1,680,200	3,120,000	620,013	3,740,013	5,420,213
18 2042	2,438,500	3,255,000	482,733	3,737,733	6,176,233
19 2043		3,400,000	337,885	3,737,885	3,737,885
20 2044		3,565,000	174,685	3,739,685	3,739,685
Total	\$158,044,503	\$50,000,000	\$24,783,263	\$74,783,263	\$232,827,766

Fiscal Year	Existing Debt Service	OPTIMAL			Total Debt Service
		Principal	Interest	Total P+I	
2024	\$17,257,739				\$17,257,739
1 2025	15,240,867	\$645,000	\$1,860,413	\$2,505,413	17,746,280
2 2026	15,240,670	595,000	1,912,470	2,507,470	17,748,140
3 2027	15,237,868	615,000	1,891,348	2,506,348	17,744,215
4 2028	15,387,102	490,000	1,869,823	2,359,823	17,746,924
5 2029	8,940,767	4,205,000	1,852,673	6,057,673	14,998,440
6 2030	8,937,989	4,355,000	1,705,498	6,060,498	14,998,486
7 2031	8,893,773	4,550,000	1,553,073	6,103,073	14,996,845
8 2032	8,842,346	4,765,000	1,389,273	6,154,273	14,996,618
9 2033	8,756,279	2,025,000	1,217,733	3,242,733	11,999,011
10 2034	8,238,170	2,615,000	1,142,808	3,757,808	11,995,978
11 2035	7,709,773	3,240,000	1,046,053	4,286,053	11,995,826
12 2036	4,224,388	2,860,000	922,933	3,782,933	8,007,321
13 2037	4,222,588	2,975,000	811,393	3,786,393	8,008,981
14 2038	2,558,113	3,090,000	692,393	3,782,393	6,340,506
15 2039	2,557,125	3,220,000	564,158	3,784,158	6,341,283
16 2040	1,680,250	3,360,000	427,308	3,787,308	5,467,558
17 2041	1,680,200	3,500,000	282,828	3,782,828	5,463,028
18 2042	2,438,500	2,895,000	128,828	3,023,828	5,462,328
19 2043					
20 2044					
Total	\$158,044,503	\$50,000,000	\$21,270,998	\$71,270,998	\$229,315,501

- Saves ≈\$3.5 million of interest expense (18-year repayment term vs. traditional 20-year)
- Results in \$10 million more in future borrowing capacity compared to the level repayment scenario

Key Features of OCPS' Bonding Capacity



The Commonwealth recognizes OCPS' commitment to the Building Fund by equalizing its four Local Nickels



OCPS' rebuilds bonding capacity much faster than most other districts (\$10-\$15 million per year)



Ability to shorten the payback terms on capital projects (savings taxpayers significant interest expense)

OPTIMAL REPAYMENT
≈\$200M PROJECTS

