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March 26, 2018

Pre-Sale Report for

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota

$5,925,000 General Obligation School Building Refunding Bonds, Series 2018A

BUFFALO HANOVER MONTROSE SCHOOLS
Making a Difference!

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Executive Summary of Proposed Debt

Proposed Issue:	$5,925,000 General Obligation School Building Refunding Bonds, Series 2018A
Purposes:	The Bonds will finance a current refunding of the 2019 - 2022 maturities of the $20,400,000 District's General Obligation School Building Refunding Bonds, Series 2008A. The existing bonds have interest rates of 5.0% to 5.125% (see page 6). Based on current market conditions, we estimate that the new refunding bonds would have interest rates of 3.0% (see Page 7). In addition, we expect that the underwriter of the bonds will pay a net premium (a price in excess of the par amount of the bonds), as shown on page 5. Any premium will be used to reduce the par amount of the new issue. The lower interest rates, along with the premium paid by the underwriter, would reduce future debt service payments by approximately $244,000 over fiscal years 2019 through 2022 (see page 8). The Net Present Value Benefit of the refunding is estimated to be approximately $230,939, equal to 3.688% of the refunded debt service. Actual results will be determined based on market conditions on the day of sale. The refunding is considered to be a Current Refunding as the 2008A Bonds can be called (prepaid) beginning August 1, 2018, which is within 90 days of the date of issue of the new Bonds. Debt service on Bonds will be paid from the District's annual debt service property tax levy.
Authority:	The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 475.67. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.
Term/Call Feature:	The Bonds are being issued for a term of 3 years and 8 months. Principal on the Bonds will be due on February 1 of 2019 through 2022. Interest is payable every six months beginning February 1, 2019. The Bonds are being offered without option of prior redemption.
Bank Qualification:	Because the District is expecting to issue no more than $10,000,000 in tax exempt debt during the calendar year, the District will be able to designate the Bonds as "bank qualified" obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.
State Credit Enhancement:	By resolution the District will covenant and obligate itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation. To qualify for the credit enhancement, the District must submit an application to the State. Ehlers will coordinate the application process to the State on your behalf.

Rating:	Under current bond ratings, the state credit enhancement would bring a Moody's "Aa2" rating. The District's most recent bond issues were rated by Moody's Investors Service. The current ratings on those bonds are "Aa2" (underlying rating) and "Aa2" (credit-enhanced rating). The District will request a new rating for the Bonds. If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the District's bond rating in the event that the bond rating of the insurer is higher than that of the District.
Basis for Recommendation:	Based on our knowledge of your situation and characteristics of various municipal financing options, we are recommending the issuance of General Obligation School Building Refunding Bonds as a suitable option to meet the District's objective of reducing future debt service payments. General Obligation Bonds will result in lower interest rates than some other financing options.
Method of Sale/Placement:	In order to obtain the lowest interest cost to the District, we will solicit competitive bids for the purchase of the Bonds from banks and underwriters. We will include an allowance for discount bidding in the terms of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction. If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance will be used to lower your borrowing amount.
Premium Pricing Structure:	Under current market conditions, most investors in municipal bonds prefer "premium" pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered "reoffering premium." The underwriter of the bonds will retain a portion of this reoffering premium as their compensation (or "discount"), but will pay the remainder of the premium to the District. Any premium will be used to reduce the Principal amount of the new Bonds.
Other Considerations:	Proceeds from the new Bonds will be available for investment by the District from the closing date (May 17, 2018) until shortly before the August 1, 2018 call date. The attached schedules include an estimate of investment earnings (see page 9).
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the District and find that, other than the obligations proposed to be refunded by the Bonds, there are no other refunding opportunities at this time. We will continue to monitor the market and the call dates for the District's outstanding debt and will alert you to any future refunding opportunities.

Continuing Disclosure:	The District will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The District is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.
Arbitrage Monitoring:	Because the Bonds are tax-exempt obligations, the District must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Nonarbitrage Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you.
Risk Factors:	The Bonds are being issued to finance a current refunding of the 2008A Bonds. The 2008A Bonds are “callable” beginning on August 1, 2018. The new Bonds will not be callable. This refunding is being undertaken based in part on an assumption that market conditions warrant the refinancing at this time.
Other Service Providers:	This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but their final fees may vary slightly. If you have any questions pertaining to the identified service providers or their roles, or if you would like to use a different service provider for any of the listed services please contact us. **Bond Attorney:** Knutson, Flynn & Deans, P.A. **Paying Agent:** Bond Trust Services Corporation **Rating Agency:** Moody's Investors Service

This presale report summarizes our understanding of the District's objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the District's objectives.

Proposed Debt Issuance Schedule

Pre-Sale Review by School Board; Board Approves Resolution Authorizing the Sale of Bonds:	March 26, 2018
Distribute Official Statement:	Week of April 9, 2018
Conference with Rating Agency:	Week of April 9, 2018
Ehlers Receives and Evaluates Bids for the Bonds:	April 23, 2018
School Board Meeting to Award Sale of the Bonds:	April 23, 2018
Estimated Closing Date:	May 17, 2018
Redemption Date for 2008A Bonds:	August 1, 2018

Attachments

Estimated Sources and Uses of Funds

Debt Service Schedule – Callable Portion of 2008A Bonds

Estimated Debt Service Schedule for Proposed Bonds

Refunding Savings Analysis

Current Refunding Account Cashflow

Resolution Authorizing Sale of Bonds/Credit Enhancement Resolution (provided separately)

Ehlers Contacts

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The Official Statement for this financing will be mailed to the School Board at their home address or e-mailed for review prior to the sale date.

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

$5,925,000 General Obligation School Building Refunding Bonds, Series 2018
Proposed Current Refunding of
$20,340,000 General Obligation School Building Refunding Bonds, Series 2008A

Sources & Uses

Dated 05/17/2018 | Delivered 05/17/2018

Sources Of Funds

Par Amount	$5,925,000.00
Original Issue Premium	137,330.40
Total Sources	**$6,062,330.40**

Uses Of Funds

Total Underwriter's Discount (0.800%)	47,400.00
Costs of Issuance	49,000.00
Deposit to Current Refunding Fund	5,963,856.75
Rounding Amount	2,073.65
Total Uses	**$6,062,330.40**

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Prior Original Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/01/2018	-	-	-	-	-
02/01/2019	1,720,000.00	5.000%	152,162.50	1,872,162.50	1,872,162.50
08/01/2019	-	-	109,162.50	109,162.50	-
02/01/2020	1,790,000.00	5.125%	109,162.50	1,899,162.50	2,008,325.00
08/01/2020	-	-	63,293.75	63,293.75	-
02/01/2021	1,885,000.00	5.125%	63,293.75	1,948,293.75	2,011,587.50
08/01/2021	-	-	14,990.63	14,990.63	-
02/01/2022	585,000.00	5.125%	14,990.63	599,990.63	614,981.26
Total	**$5,980,000.00**	**-**	**$527,056.26**	**$6,507,056.26**	**-**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	5/17/2018
Average Life	1.929 Years
Average Coupon	5.1118484%
Weighted Average Maturity (Par Basis)	1.929 Years
Weighted Average Maturity (Original Price Basis)	1.929 Years

Refunding Bond Information

Refunding Dated Date	5/17/2018
Refunding Delivery Date	5/17/2018

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Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/17/2018	-	-	-	-	-
02/01/2019	1,745,000.00	3.000%	125,412.50	1,870,412.50	1,870,412.50
08/01/2019	-	-	62,700.00	62,700.00	-
02/01/2020	1,800,000.00	3.000%	62,700.00	1,862,700.00	1,925,400.00
08/01/2020	-	-	35,700.00	35,700.00	-
02/01/2021	1,860,000.00	3.000%	35,700.00	1,895,700.00	1,931,400.00
08/01/2021	-	-	7,800.00	7,800.00	-
02/01/2022	520,000.00	3.000%	7,800.00	527,800.00	535,600.00
Total	**$5,925,000.00**	**-**	**$337,812.50**	**$6,262,812.50**	**-**

Yield Statistics

Bond Year Dollars	$11,260.42
Average Life	1.900 Years
Average Coupon	3.0000000%
Net Interest Cost (NIC)	2.2013581%
True Interest Cost (TIC)	2.1736703%
Bond Yield for Arbitrage Purposes	1.7475254%
All Inclusive Cost (AIC)	2.6196456%

IRS Form 8038

Net Interest Cost	1.7318242%
Weighted Average Maturity	1.910 Years

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Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2019	1,870,412.50	1,870,412.50	1,872,162.50	1,750.00
02/01/2020	1,925,400.00	1,925,400.00	2,008,325.00	82,925.00
02/01/2021	1,931,400.00	1,931,400.00	2,011,587.50	80,187.50
02/01/2022	535,600.00	535,600.00	614,981.26	79,381.26
Total	**$6,262,812.50**	**$6,262,812.50**	**$6,507,056.26**	**$244,243.76**

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....................	228,865.59
Net PV Cashflow Savings @ 2.620%(AIC)............	228,865.59
Contingency or Rounding Amount....................	2,073.65
Net Present Value Benefit	$230,939.24
Net PV Benefit / $6,296,167.25 PV Refunded Debt Service	3.668%
Net PV Benefit / $5,980,000 Refunded Principal...	3.862%
Net PV Benefit / $5,925,000 Refunding Principal..	3.898%

Refunding Bond Information

Refunding Dated Date	5/17/2018
Refunding Delivery Date	5/17/2018

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Current Refunding Escrow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
05/17/2018	-	-	-	0.75	-	0.75
08/01/2018	5,963,856.00	1.300%	16,143.25	5,979,999.25	5,980,000.00	-
Total	**$5,963,856.00**	**-**	**$16,143.25**	**$5,980,000.00**	**$5,980,000.00**	**-**

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Unrestricted
Cash Deposit	0.75
Cost of Investments Purchased with Bond Proceeds	5,963,856.00
Total Cost of Investments	$5,963,856.75
Target Cost of Investments at bond yield	$5,958,650.53
Actual positive or (negative) arbitrage	(5,206.22)
Yield to Receipt	1.3193988%
Yield for Arbitrage Purposes	1.7475254%
State and Local Government Series (SLGS) rates for	1/16/2018