

January 18, 2023

PRE-SALE REPORT FOR

# Independent School District No. 2167 (Lakeview Public Schools), Minnesota

## \$1,695,000 General Obligation Facilities Maintenance and School Building Bonds, Series 2023A



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**Prepared by:**

Ehlers  
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**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$1,695,000 General Obligation Facilities Maintenance and School Building Bonds, Series 2023A

A portion of this issue is the issuance of School Building Bonds. District voters authorized the issuance of up to \$10,815,000 in bonds in a bond referendum election held on February 9, 2021. On April 19, 2021, the District issued General Obligation School Building Bonds, Series 2021A totaling \$10,350,000, leaving a remaining unused authority of \$465,000.

## Purposes:

The proposed issue includes financing for the acquisition and betterment of school sites and facilities as approved by voters on February 9, 2021, and various deferred maintenance projects at District facilities described in the District's Long Term Facilities Maintenance ten-year plan submitted to the Commissioner of Education. Debt service will be paid from annual property tax levies and state aid received as part of the Long Term Facilities Maintenance program.

## Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, and Section 123B.595. 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 14 years, 11 months. Principal on the Bonds will be due on February 1 in the years 2024 through 2038. Interest will be due every six months beginning February 1, 2024.

The Bonds will be subject to prepayment at the discretion of the District on February 1, 2031 or any date thereafter.

## 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 Standard & Poor's "AAA" rating. The District's most recent bond issues were rated by S&P Global Ratings. The current rating on those bonds is "A+". The District will request a new rating for the Bonds.

## **Basis for Recommendation:**

Based on your objectives, financial situation and need, risk tolerance, liquidity needs, experience with the issuance of Bonds and long-term financial capacity, as well as the tax status considerations related to the Bonds and the structure, timing and other similar matters related to the Bonds, we are recommending the issuance of Bonds as a suitable option.

## **Method of Sale/Placement:**

We are recommending the Bonds be issued as municipal securities and offered through a competitive underwriting process. We will solicit competitive bids for the purchase of the Bonds from underwriters and banks. 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 may be used to reduce your borrowing amount.

## **Premium Pricing:**

In some cases, 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 net premium received may be used to reduce the principal amount of the Bonds, increase the net proceeds for the project, or to fund a portion of the interest on the Bonds.

## **Review of Existing Debt:**

We have reviewed all outstanding indebtedness for the District and find that there are no 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:**

The District must ensure compliance with certain sections of the Internal Revenue Code and Treasury Regulations ("Arbitrage Rules") throughout the life of the issue to maintain the tax-exempt status of the Bonds. These Arbitrage Rules apply to amounts held in construction, escrow, reserve, debt service account(s), etc., along with related investment income on each fund/account.

IRS audits will verify compliance with rebate, yield restriction and records retention requirements within the Arbitrage Rules. The District's specific arbitrage responsibilities will be detailed in the Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt (the "Tax Compliance Document") prepared by your Bond Attorney and provided at closing.

The Bonds may qualify for one or more exception(s) to the Arbitrage Rules by meeting 1) small issuer exception, 2) spend down requirements, 3) bona fide debt service fund limits, 4) reasonable reserve requirements, 5) expenditure within an available period limitations, 6) investments yield restrictions, 7) de minimis rules, or; 8) borrower limited requirements.

We recommend that the District review its specific responsibilities related to the Bonds with an arbitrage expert in order to utilize one or more of the exceptions listed above.

## **Investment of Bond Proceeds:**

Ehlers will assist the District in developing a strategy to invest your Bond proceeds until the funds are needed to pay project costs.

## **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 the final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.

**Bond Counsel:** Dorsey & Whitney LLP

**Paying Agent:** Bond Trust Services Corporation

**Rating Agency:** Standard & Poor's Global Ratings (S&P)

*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

School Board Approved Resolution Authorizing Sale of the Bonds:	September 19, 2022
Ehlers Presents Pre-Sale Report to School Board:	January 18, 2023
Due Diligence Call to review Official Statement:	Week of Jan. 30, 2023
Conference with Rating Agency:	Week of Jan. 30, 2023
Distribute Official Statement:	February 2, 2023
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	February 15, 2023
School Board Meeting to Award Sale of Bonds:	February 15, 2023
Estimated Closing Date:	March 9, 2023

### Attachments

Estimated Sources and Uses of Funds

Estimated Combined Debt Service Schedule

Estimated Long-Term Financing Plan for Debt and Capital Payments and Levies

Estimated Long-Term Facilities Maintenance Revenue and Facilities Maintenance Bond Debt Service Schedule

## EHLERS' CONTACTS

Matthew Hammer, Senior Municipal Advisor	(651) 697-8592
Aaron Bushberger, Municipal Advisor	(651) 697-8532
Rose Xiong, Public Finance Analyst	(651) 697-8589
Brian Shannon, Manager, Senior Financial Analyst	(651) 697-8515

**ESTIMATES PRIOR TO BOND SALE**

**Lakeview Public Schools, No. 2167**

Estimated Sources and Uses

**January 3, 2023**

<b>Description</b>	<b>School Building Bonds</b>	<b>LTFM Bonds</b>	<b>Total</b>
<b>Authorized Bond Amount</b>	<b>\$465,000</b>	<b>\$1,275,000</b>	<b>\$1,740,000</b>
<b>Bond Amount</b>	<b>\$465,000</b>	<b>\$1,230,000</b>	<b>\$1,695,000</b>
<b>Sources of Funds</b>			
Par Amount	\$465,000	\$1,230,000	\$1,695,000
Reoffering Premium <sup>1</sup>	18,919	35,014	53,934
Investment Earnings <sup>2</sup>	1,151	3,008	4,159
<b>Total Sources</b>	<b>\$485,071</b>	<b>\$1,268,022</b>	<b>\$1,753,092</b>
<b>Uses of Funds</b>			
Underwriter's Discount <sup>3</sup>	\$6,975	\$18,450	\$25,425
Legal and Fiscal Costs <sup>4</sup>	16,460	43,540	60,000
<b>Net Available for Project Costs</b>	<b>461,635</b>	<b>1,206,032</b>	<b>1,667,667</b>
<b>Total Uses</b>	<b>\$485,071</b>	<b>\$1,268,022</b>	<b>\$1,753,092</b>
<b>Initial Deposit to Construction Fund</b>	<b>\$460,484</b>	<b>\$1,203,024</b>	<b>\$1,663,509</b>

- 1 The underwriter of the bonds may receive a reoffering premium in the sale of the bonds. They will retain a portion of the premium as their compensation, or underwriter's discount. The remainder of the premium will either be used to reduce the par amount of the bonds, pay a portion of the first year's interest on the bonds, or deposited in the construction fund and used to fund a portion of the project costs. toward the project.
- 2 Estimated investment earnings are based on an average interest rate of 1.0%, and an average life of 6 months.
- 3 The underwriter's discount is an estimate of the compensation taken by the underwriter who provides the lowest true interest cost as part of the competitive bidding process and purchases the bonds. Ehlers provides independent municipal advisory services as part of the bond sale process and is not an underwriting firm.
- 4 Includes fees for municipal advisor, bond counsel, rating agency, and paying agent.

# Lakeview School District No. 2167

\$1,695,000 G.O. Facilities Maintenance and School Building Bonds, Series 2023A

Issue Summary

Dated: March 9, 2023

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/09/2023	-	-	-	-	-
02/01/2024	185,000.00	5.000%	69,744.30	254,744.30	254,744.30
08/01/2024	-	-	34,362.50	34,362.50	-
02/01/2025	205,000.00	5.000%	34,362.50	239,362.50	273,725.00
08/01/2025	-	-	29,237.50	29,237.50	-
02/01/2026	220,000.00	5.000%	29,237.50	249,237.50	278,475.00
08/01/2026	-	-	23,737.50	23,737.50	-
02/01/2027	170,000.00	5.000%	23,737.50	193,737.50	217,475.00
08/01/2027	-	-	19,487.50	19,487.50	-
02/01/2028	50,000.00	5.000%	19,487.50	69,487.50	88,975.00
08/01/2028	-	-	18,237.50	18,237.50	-
02/01/2029	50,000.00	5.000%	18,237.50	68,237.50	86,475.00
08/01/2029	-	-	16,987.50	16,987.50	-
02/01/2030	60,000.00	5.000%	16,987.50	76,987.50	93,975.00
08/01/2030	-	-	15,487.50	15,487.50	-
02/01/2031	65,000.00	5.000%	15,487.50	80,487.50	95,975.00
08/01/2031	-	-	13,862.50	13,862.50	-
02/01/2032	80,000.00	4.000%	13,862.50	93,862.50	107,725.00
08/01/2032	-	-	12,262.50	12,262.50	-
02/01/2033	80,000.00	4.000%	12,262.50	92,262.50	104,525.00
08/01/2033	-	-	10,662.50	10,662.50	-
02/01/2034	90,000.00	4.000%	10,662.50	100,662.50	111,325.00
08/01/2034	-	-	8,862.50	8,862.50	-
02/01/2035	95,000.00	4.000%	8,862.50	103,862.50	112,725.00
08/01/2035	-	-	6,962.50	6,962.50	-
02/01/2036	105,000.00	4.000%	6,962.50	111,962.50	118,925.00
08/01/2036	-	-	4,862.50	4,862.50	-
02/01/2037	115,000.00	4.000%	4,862.50	119,862.50	124,725.00
08/01/2037	-	-	2,562.50	2,562.50	-
02/01/2038	125,000.00	4.100%	2,562.50	127,562.50	130,125.00
<b>Total</b>	<b>\$1,695,000.00</b>	<b>-</b>	<b>\$504,894.30</b>	<b>\$2,199,894.30</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$11,746.08
Average Life	6.930 Years
Average Coupon	4.2984056%
Net Interest Cost (NIC)	4.0556974%
True Interest Cost (TIC)	4.0253487%
Bond Yield for Arbitrage Purposes	3.7640493%
All Inclusive Cost (AIC)	4.6651996%

## IRS Form 8038

Net Interest Cost	3.7608715%
Weighted Average Maturity	6.856 Years



**ESTIMATES PRIOR TO BOND SALE**

**Lakeview School District No. 2167**  
**Analysis of Possible Structure for Capital and Debt Levies**

**\$465,000 Bond Issue**  
**4 Tax Levies**  
**Wrapped Around Existing Debt**

Type of Bond	Principal Amount	Dated Date	Interest Rate
Voter-Approved Building	\$465,000	03/09/23	3.87%

**January 3, 2023**

Levy Payable Year	Fiscal Year	Tax Capacity Value <sup>1</sup>		Existing Commitments				Proposed New School Building Bonds				Combined Totals			
		(\$000s)	% Chg	Building Bonds <sup>2</sup>	Est. Debt Excess <sup>3</sup>	Net Levy	Tax Rate	Principal	Interest	Add'l. Debt Excess <sup>3</sup>	Net Levy	Initial Debt Levy	State Aid	Net Levy	Tax Rate
2022	2023	7,614	2.9%	1,617,815	(71,216)	1,546,599	20.31	-	-	-	-	1,546,599	-	1,546,599	20.31
2023	2024	9,023	18.5%	1,618,419	(60,642)	1,557,777	17.27	105,000	20,796	-	132,086	1,689,863	-	1,689,863	18.73
2024	2025	9,023	0.0%	1,615,412	(64,109)	1,551,303	17.19	115,000	18,000	-	139,650	1,690,953	-	1,690,953	18.74
2025	2026	9,023	0.0%	1,616,961	(64,616)	1,552,344	17.21	120,000	12,250	-	138,863	1,691,207	-	1,691,207	18.74
2026	2027	9,023	0.0%	1,215,729	(64,678)	1,151,051	12.76	125,000	6,250	(5,555)	132,258	1,283,309	-	1,283,309	14.22
2027	2028	9,023	0.0%	1,202,421	(48,629)	1,153,791	12.79	-	-	-	-	1,153,791	-	1,153,791	12.79
2028	2029	9,023	0.0%	1,198,824	(48,097)	1,150,728	12.75	-	-	-	-	1,150,728	-	1,150,728	12.75
2029	2030	9,023	0.0%	1,199,546	(47,953)	1,151,593	12.76	-	-	-	-	1,151,593	-	1,151,593	12.76
2030	2031	9,023	0.0%	1,197,866	(47,982)	1,149,884	12.74	-	-	-	-	1,149,884	-	1,149,884	12.74
2031	2032	9,023	0.0%	1,199,021	(47,915)	1,151,107	12.76	-	-	-	-	1,151,107	-	1,151,107	12.76
2032	2033	9,023	0.0%	1,199,153	(47,961)	1,151,192	12.76	-	-	-	-	1,151,192	-	1,151,192	12.76
2033	2034	9,023	0.0%	1,202,486	(47,966)	1,154,520	12.80	-	-	-	-	1,154,520	-	1,154,520	12.80
2034	2035	9,023	0.0%	1,178,625	(48,099)	1,130,526	12.53	-	-	-	-	1,130,526	-	1,130,526	12.53
2035	2036	9,023	0.0%	1,200,150	(47,145)	1,153,005	12.78	-	-	-	-	1,153,005	-	1,153,005	12.78
2036	2037	9,023	0.0%	1,199,835	(48,006)	1,151,829	12.77	-	-	-	-	1,151,829	-	1,151,829	12.77
2037	2038	9,023	0.0%	1,199,100	(47,993)	1,151,107	12.76	-	-	-	-	1,151,107	-	1,151,107	12.76
2038	2039	9,023	0.0%	1,197,945	(47,964)	1,149,981	12.75	-	-	-	-	1,149,981	-	1,149,981	12.75
2039	2040	9,023	0.0%	1,201,620	(47,918)	1,153,702	12.79	-	-	-	-	1,153,702	-	1,153,702	12.79
2040	2041	9,023	0.0%	1,199,520	(48,065)	1,151,455	12.76	-	-	-	-	1,151,455	-	1,151,455	12.76
2041	2042	9,023	0.0%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>				<b>24,460,448</b>	<b>(996,954)</b>	<b>23,463,494</b>		<b>465,000</b>	<b>57,296</b>	<b>(5,555)</b>	<b>542,856</b>	<b>24,006,350</b>	<b>-</b>	<b>24,006,350</b>	

1 Tax capacity value for taxes payable in 2022 is the actual value. 2023 is an estimate from the Lyon County. Estimates for future years are based on the percentage changes as shown above.  
2 Initial debt service levies (prior to subtracting debt equalization aid) are set at 105 percent of the principal and interest payments during the next fiscal year.  
3 Debt excess adjustment for taxes payable in 2022 and 2023 are the actual amounts. The adjustment for 2024 is an estimate using the June 30, 2022 debt service fund balance. Debt excess for future years is estimated at 4% of the prior year's initial debt service levy.

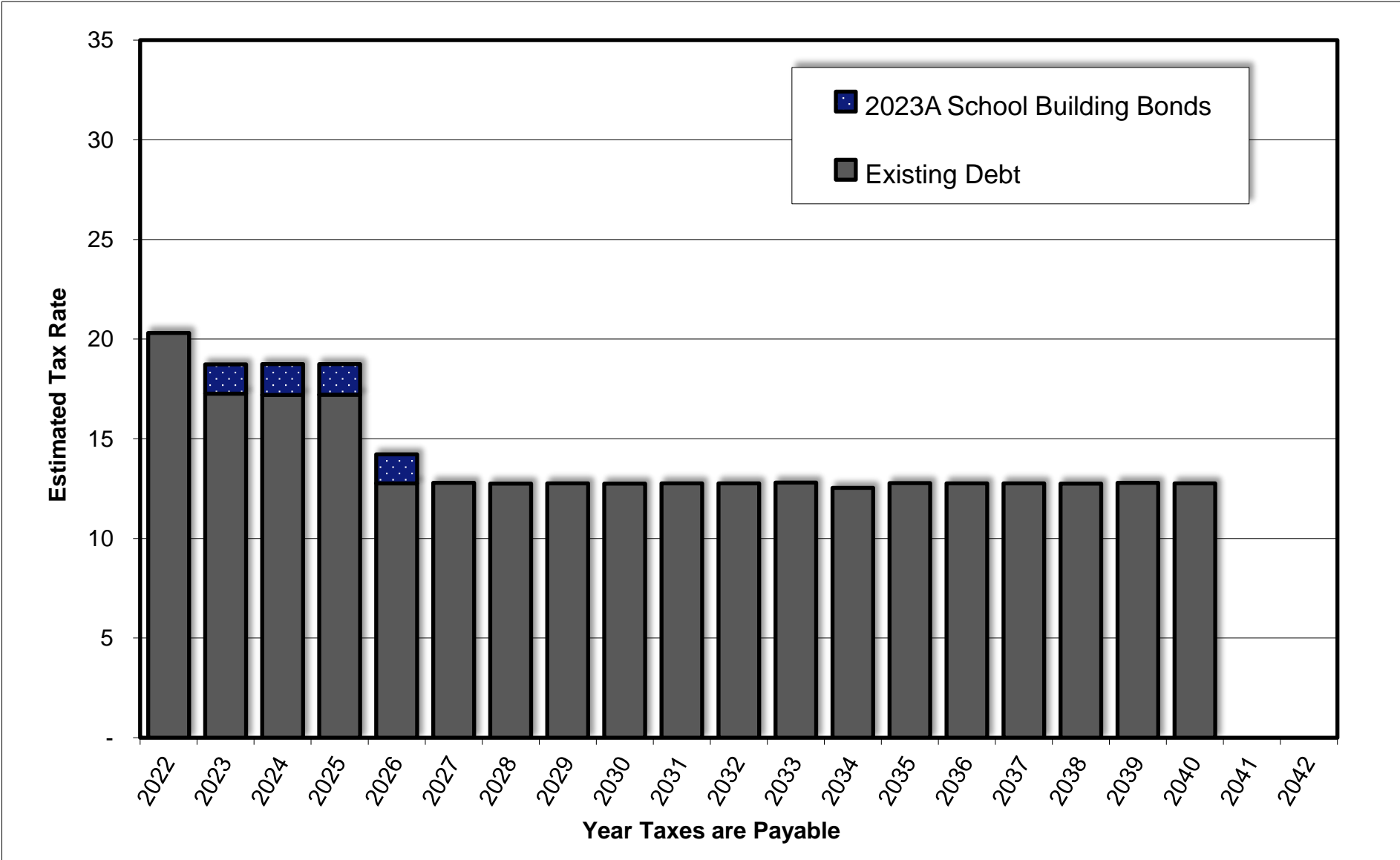


# ESTIMATES PRIOR TO BOND SALE

**Lakeview School District No. 2167**  
**Estimated Tax Rates for Capital and Debt Service Levies**  
**Existing Commitments and Proposed New Debt**

**\$465,000 Bond Issue**  
**4 Tax Levies**  
**Wrapped Around Existing Debt**

Date Prepared: January 3, 2023



## ESTIMATES PRIOR TO BOND SALE

### Lakeview School District No. 2167

#### Estimates of LTFM Revenue and Bond Payments

**\$1,230,000 Fac. Maint. Bond Issue**  
**15 Year Repayment Period**

Principal Amount:	Proposed Bond Issue \$1,230,000
Dated Date:	3/9/2023
Average Interest Rate:	4.04%

January 3, 2023

Levy Pay Year	Fiscal Year	Adjusted Pupil Units	Building Age	Revenue/Pupil	Est. Total LTFM Revenue	LTFM Aid	Tax Levy	Potential New Bonds				Total Debt Service	Gen. Fund Revenue Remaining
								Principal	Interest	Est. Debt Excess <sup>2</sup>	Total Debt Service <sup>1</sup>		
2022	2023	735	18.63	202.27	148,667	62,328	86,339	-	-	-	-	0	148,667
2023	2024	747	19.63	213.13	159,290	65,303	93,987	80,000	48,948	-	135,396 <sup>3</sup>	135,396	23,894
2024	2025	747	20.63	223.98	167,405	65,410	101,995	90,000	50,725	(5,416)	142,345	142,345	25,059
2025	2026	747	21.63	234.84	175,519	75,024	100,495	100,000	46,225	(5,694)	147,842	147,842	27,677
2026	2027	747	22.63	245.70	183,634	79,787	103,847	45,000	41,225	(5,914)	84,623	84,623	99,011
2027	2028	747	23.63	256.55	191,749	83,313	108,436	50,000	38,975	(3,385)	90,039	90,039	101,710
2028	2029	747	24.63	267.41	199,863	86,838	113,025	50,000	36,475	(3,602)	87,197	87,197	112,666
2029	2030	747	25.63	278.27	207,978	90,364	117,614	60,000	33,975	(3,488)	95,186	95,186	112,792
2030	2031	747	26.63	289.13	216,093	93,890	122,203	65,000	30,975	(3,807)	96,966	96,966	119,126
2031	2032	747	27.63	299.98	224,207	97,416	126,792	80,000	27,725	(3,879)	109,233	109,233	114,975
2032	2033	747	28.63	310.84	232,322	100,941	131,380	80,000	24,525	(4,369)	105,382	105,382	126,940
2033	2034	747	29.63	321.70	240,436	104,467	135,969	90,000	21,325	(4,215)	112,676	112,676	127,760
2034	2035	747	30.63	332.55	248,551	107,993	140,558	95,000	17,725	(4,507)	113,854	113,854	134,697
2035	2036	747	31.63	343.41	256,666	111,519	145,147	105,000	13,925	(4,554)	120,317	120,317	136,349
2036	2037	747	32.63	354.27	264,780	115,044	149,736	115,000	9,725	(4,813)	126,149	126,149	138,632
2037	2038	747	33.63	365.13	272,895	118,570	154,325	125,000	5,125	(5,046)	131,585	131,585	141,310
2038	2039	747	34.63	375.98	281,010	122,096	158,914	-	-	-	-	0	281,010
2039	2040	747	35.63	380.00	284,012	123,400	160,612	-	-	-	-	0	284,012
2040	2041	747	36.63	380.00	284,012	123,400	160,612	-	-	-	-	0	284,012
<b>Totals</b>					<b>4,239,089</b>	<b>1,827,103</b>	<b>2,411,986</b>	<b>1,230,000</b>	<b>447,598</b>	<b>(62,688)</b>	<b>1,698,790</b>	<b>1,698,790</b>	<b>2,540,299</b>

- 1 Debt service levies are set at 105 percent of the principal and interest payments during the next fiscal year.
- 2 Debt excess adjustment is estimated at 4% of the prior year's initial debt service levy.
- 3 Due to the timing of the levy process, the district will need to make a transfer from the long term facilities maintenance revenue in the General Fund for the payment due during fiscal year 2023-24.



**ESTIMATES PRIOR TO BOND SALE**

**Lakeview School District No. 2167**

Estimated \$380 Per Pupil Long-Term Facilities Maintenance Revenue

Estimates of LTFM Revenue and Bond Payments

**\$1,230,000 Fac. Maint. Bond Issue**  
**15 Year Repayment Period**  
**52% of LTFM Revenue**

Date Prepared:

January 3, 2023

