March 15, 2021

Pre-Sale Report for

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

$10,510,000 General Obligation School Building Bonds, Series 2021A

Prepared by:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

$10,510,000 General Obligation School Building Bonds, Series 2021A

District voters authorized the issuance of up to $10,815,000 in bonds in a bond referendum election held on February 9, 2021. $10,510,00 is our current estimate of the bond amount necessary to finance the projects approved by the voters based on the expected premium pricing structure explained in more detail on page 3.

Purposes:

The proposed issue includes financing for the acquisition and betterment of school sites and facilities, including but not limited to safety and security updates; playground and parking lot improvements; various deferred capital maintenance projects; repurposing of outdoor activity spaces; football field and track renovations; and baseball/softball field lighting.

Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and the election held on February 9, 2021. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged. Debt service will be paid from the District's annual debt service tax levy.

Term/Call Feature:

The Bonds are being issued for a term of 19 years, 9 months. Principal on the Bonds will be due on February 1 of 2027 through 2041. Interest is payable every six months beginning February 1, 2022.

The Bonds maturing on February 1, 2030 and later will be subject to prepayment at the discretion of the District on February 1, 2029 or any date thereafter.

Bank Qualification:

Because the District is issuing more than $10,000,000 in tax-exempt obligations during the calendar year, the District will not be able to designate the Bonds as "bank qualified" obligations.

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 Standard & Poor's. The current ratings on those bonds are "A+" (underlying rating) and "AAA" (credit enhanced rating). The District will request a new rating for the Bonds.

Basis for Recommendation:

Based on your objectives and characteristics of various municipal financing options, you have chosen the issuance of General Obligation School Building Bonds as a suitable option to finance the planned projects.

- This is the only financing tool that can legally be used to finance all the projects in the District's planned construction program.
- General Obligation Bonds will result in lower interest rates than some other financing options.
- Unlike with some other financing options, the District will be able to finance the payments with an additional debt service levy.
- Debt service levies for the Bonds will qualify for the School Building Bond Agricultural Credit, which will offset a portion of the tax levy for agricultural land owners. This credit is not available on some other forms of financing.
- This is also consistent with the District's plans communicated to the community prior to the election.

Method of Sale/Placement:

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 is received, it 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 as discussed previously, note that the District's 2014A bonds could produce a modest amount of savings via a taxable advance refunding 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:

Proceeds from the new Bonds will be available for investment by the District from the closing date (May 13, 2021) until the funds are needed to pay for project costs. Ehlers is a registered investment advisor and can assist the District in developing an appropriate investment strategy.

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

Board of Education Approves Resolution Authorizing Sale of the Bonds:	March 15, 2021
Conference with Rating Agency:	March 30, 2021
Due Diligence Call to review Official Statement:	April 1 - 7, 2021
Distribute Official Statement:	April 8, 2021
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	April 19, 2021
School Board Meeting to Award Sale of Bonds:	April 19, 2021
Estimated Closing Date:	May 13, 2021

Attachments

Estimated Sources and Uses of Funds

Estimated Proposed Debt Service Schedule

Resolution Authorizing Ehlers to Proceed with Bonds Sale/Credit Enhancement Resolution (provided separately)

EHLERS' CONTACTS

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The Preliminary Official Statement for this financing will be sent to the Board of Education at their home or email address for review prior to the sale date.

Lakeview Public Schools, ISD 2167

March 4, 2021

Estimated Sources and Uses of Funds
2021A General Obligation School Building Bonds
February 2021 Election

	Pre-Election Estimates	Estimates Prior to Bond Sale
Authorized Bond Amount	**$10,815,000**	**$10,815,000**
Estimated Bond Amount	**$10,815,000**	**$10,510,000**
Project Costs	**$10,412,099**	**$10,412,099**
Dated Date	**5/1/2021**	**5/6/2021**
Sources of Funds		
Par Amount	$10,815,000	$10,510,000
Investment Earnings [1]	20,785	20,794
Reoffering Premium	0	294,028
Total Sources	$10,835,785	$10,824,822
Uses of Funds		
Allowance for Discount Bidding [2]	$108,150	$105,100
Capitalized Interest [3]	223,059	212,759
Legal and Fiscal Costs [4]	91,436	89,244
Rounding/Deposit to Debt Service Fund [5]	0	0
Net Available for Project Costs	**10,413,140**	**10,417,720**
Total Uses	$10,835,785	$10,824,822
Deposit to Construction Fund	**$10,392,355**	**$10,396,926**

1 Estimated investment earnings are based on an average interest rate of 0.20%, and an average life of 12 months.

2 The allowance for discount bidding 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.

3 Due to timing of the levy process, the District will not be able to make a tax levy to fund payments on the new bonds due during fiscal year 2022, so those payments will be made from bond proceeds.

4 Includes fees for municipal advisor, bond counsel, rating agency, paying agent and county certificates.

Lakeview Public Schools, No. 2167

Analysis of Possible Structure for Capital and Debt Levies

$10,510,000 Bond Issue
February 2021 Election, 20 Year Term
Wrapped Around Existing Debt

Principal Amount:	$10,510,000
Dated Date:	5/6/2021
True Interest Cost:	2.57%

March 4, 2021

Levy		Tax Capacity		Existing Commitments				Proposed New Debt				Combined Totals		
Pay Year	Fiscal Year	Value [1] ($000s)	% Chg	Building Bonds [2]	Est. Debt Excess [3]	Net Levy	Tax Rate	Principal	Interest	Est. Debt Excess [3]	Adjusted Debt Levy	Adjusted Debt Levy	Net Levy	Tax Rate
2020	2021	7,355	-0.6%	1,362,769	(72,079)	1,290,690	17.55	-	-	-	-	1,290,690	1,290,690	17.55
2021	2022	7,476	1.6%	1,356,469	(76,343)	1,280,126	17.12	-	212,759 [4]	-	-	1,280,126	1,280,126	17.12
2022	2023	7,476	0.0%	1,363,346	(54,259)	1,309,088	17.51	-	296,873	-	311,716	1,620,804	1,620,804	21.68
2023	2024	7,476	0.0%	1,363,950	(54,534)	1,309,416	17.52	-	296,873	-	311,716	1,621,132	1,621,132	21.69
2024	2025	7,476	0.0%	1,360,944	(54,558)	1,306,386	17.47	-	296,873	-	311,716	1,618,103	1,618,103	21.64
2025	2026	7,476	0.0%	1,362,493	(54,438)	1,308,055	17.50		296,873	(12,469)	299,247	1,607,303	1,607,303	21.50
2026	2027	7,476	0.0%	635,762	(54,500)	581,262	7.78	310,000	296,873	(11,970)	625,246	1,206,508	1,206,508	16.14
2027	2028	7,476	0.0%	598,723	(25,430)	573,293	7.67	345,000	281,373	(25,010)	632,681	1,205,974	1,205,974	16.13
2028	2029	7,476	0.0%	599,117	(23,949)	575,168	7.69	360,000	264,123	(25,307)	630,021	1,205,189	1,205,189	16.12
2029	2030	7,476	0.0%	598,999	(23,965)	575,034	7.69	375,000	246,123	(25,201)	626,978	1,202,012	1,202,012	16.08
2030	2031	7,476	0.0%	602,359	(23,960)	578,399	7.74	385,000	234,873	(25,079)	625,787	1,204,186	1,204,186	16.11
2031	2032	7,476	0.0%	599,734	(24,094)	575,639	7.70	400,000	223,323	(25,031)	629,457	1,205,097	1,205,097	16.12
2032	2033	7,476	0.0%	601,808	(23,989)	577,818	7.73	405,000	215,323	(25,178)	626,160	1,203,978	1,203,978	16.11
2033	2034	7,476	0.0%	603,146	(24,072)	579,074	7.75	415,000	206,210	(25,046)	627,224	1,206,298	1,206,298	16.14
2034	2035	7,476	0.0%	-	-	-	-	975,000	196,873	(25,089)	1,205,377	1,205,377	1,205,377	16.12
2035	2036	7,476	0.0%	-	-	-	-	1,020,000	172,498	(48,215)	1,203,907	1,203,907	1,203,907	16.10
2036	2037	7,476	0.0%	-	-	-	-	1,050,000	146,998	(48,156)	1,208,691	1,208,691	1,208,691	16.17
2037	2038	7,476	0.0%	-	-	-	-	1,075,000	120,748	(48,348)	1,207,187	1,207,187	1,207,187	16.15
2038	2039	7,476	0.0%	-	-	-	-	1,100,000	92,798	(48,287)	1,204,150	1,204,150	1,204,150	16.11
2039	2040	7,476	0.0%	-	-	-	-	1,130,000	62,548	(48,166)	1,204,009	1,204,009	1,204,009	16.11
2040	2041	7,476	0.0%	-	-	-	-	1,165,000	32,038	(48,160)	1,208,729	1,208,729	1,208,729	16.17
2041	2042	7,476	0.0%	-	-	-	-	-	-	-	-	-	-	-
Totals				13,009,618	(590,170)	12,419,448		10,510,000	4,192,964	(514,714)	14,700,002	27,119,450	27,119,450	

1 Tax capacity values for taxes payable in 2020 is the final value, and for taxes payable in 2021 is based on preliminary estimates from the counties. 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 adjustments for taxes payable in 2020 and 2021 are the actual amounts. Debt excess for future years is estimated at 4% of the prior year's initial debt service levy.

4 The district would not be able to make a tax levy to fund payments on the new bonds due during fiscal year 2022, so those payments, estimated at $212,759, will be made from bond proceeds.

ESTIMATES PRIOR TO BOND SALE

<u>Lakeview Public Schools, No. 2167</u>
Estimated Tax Rates for Capital and Debt Service Levies
Existing Commitments and Proposed New Debt

$10,510,000 Bond Issue
February 2021 Election, 20 Year Term
Wrapped Around Existing Debt

Date Prepared: **March 4, 2021**