

December 9, 2024

PRE-SALE REPORT FOR

# Independent School District No. 857 (Lewiston-Altura Public Schools), Minnesota

**\$19,950,000 General Obligation School Building Bonds,  
Series 2025A**



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**Prepared by:**

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

# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$19,950,000 General Obligation School Building Bonds, Series 2025A

## Purposes:

The proposed issue will finance the acquisition and betterment of school sites and facilities as authorized by voters in an election held on November 5, 2024.

## Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475. 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 annual debt service property tax levies and state aid received as part of the School Building Bond Agricultural Credit program.

## Term/Call Feature:

The Bonds are being issued for a term of 20 years. Principal on the Bonds will be due on February 1 in the years 2026 through 2045. Interest will be due every six months beginning August 1, 2025.

The Bonds maturing on February 1, 2034 and later will be subject to prepayment at the discretion of the District on February 1, 2033 or any date thereafter.

## 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 "Aa1" rating. The District does not currently have an underlying rating, but will request both a new credit-enhanced rating and an underlying 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. You will solicit competitive bids, which we will compile on your behalf, for the purchase of the Bonds from underwriters and banks.

An allowance for discount bidding will be incorporated 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.” 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 Tax Certificate (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.

An Ehlers arbitrage expert will contact the District within 30 days after the sale date to review the District’s specific responsibilities for the Bonds. The District is currently receiving arbitrage services from Ehlers in relation to the Bonds.

## **Investment of Bond Proceeds:**

The District will be able to invest the 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:** Kennedy & Graven, Chartered

**Paying Agent:** Bond Trust Services Corporation

**Rating Agency:** Moody’s Investors Service, Inc.

## PROPOSED DEBT ISSUANCE SCHEDULE

Ehlers Presents Pre-Sale Report to School Board, School Board Approves Resolution Authorizing Sale of the Bonds:	December 9, 2024
Due Diligence Call to Review Official Statement:	Week of December 9, 2024
Conference with Rating Agency:	Tuesday December 17, 2024
Distribute Official Statement:	January 2, 2025
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	January 13, 2025
School Board Meeting to Award Sale of Bonds:	January 13, 2025
Estimated Closing Date:	February 6, 2025

### Attachments

- Estimated Sources and Uses of Funds
- Estimated Debt Service Schedule
- Estimated Long-Term Financing Plan for Debt and Capital Payments and Levies
- Resolution Authorizing Ehlers to Proceed with Bond Sale/Credit Enhancement
- Resolution (provided separately)

## EHLERS' CONTACTS

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## ESTIMATES PRIOR TO BOND SALE

**Lewiston-Altura School District, ISD No. 857**

**December 6, 2024**

Estimated Sources and Uses of Funds

Proposed General Obligation School Building Bonds

Bond Amount Term Dated Date	Pre-Election	Presale
	\$19,950,000 20 2/1/2025	\$19,950,000 20 2/6/2025
<b>Sources of Funds</b>		
Par Amount	\$19,950,000	\$19,950,000
Investment Earnings <sup>1</sup>	146,344	150,676
Bond Premium <sup>2</sup>	0	477,856
<b>Total Sources</b>	<b>\$20,096,344</b>	<b>\$20,578,532</b>
<b>Uses of Funds</b>		
Underwriter's Discount <sup>3</sup>	\$299,250	\$199,500
Legal and Fiscal Costs <sup>4</sup>	138,250	138,250
<b>Net Available for Project Costs</b>	<b>19,658,844</b>	<b>20,240,782</b>
<b>Total Uses</b>	<b>\$20,096,344</b>	<b>\$20,578,532</b>
<b>Deposit to Construction Fund</b>	<b>\$19,512,500</b>	<b>\$20,090,106</b>

<sup>1</sup> Estimated investment earnings are based on an average interest rate of 0.75%, and an average life of 12 months.

<sup>2</sup> 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 be deposited in the construction fund and used to fund a portion of the project costs.

<sup>3</sup> 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.

<sup>4</sup> Includes fees for municipal advisor, bond counsel, rating agency, paying agent and county certificate.

# I.S.D. No. 857 (Lewiston Altura), MN

\$19,950,000 General Obligation School Building Bond, Series 2025A

Dated: February 6, 2025

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/06/2025	-	-	-	-	-
08/01/2025	-	-	446,381.25	446,381.25	-
02/01/2026	575,000.00	5.000%	459,135.00	1,034,135.00	1,480,516.25
08/01/2026	-	-	444,760.00	444,760.00	-
02/01/2027	530,000.00	5.000%	444,760.00	974,760.00	1,419,520.00
08/01/2027	-	-	431,510.00	431,510.00	-
02/01/2028	560,000.00	5.000%	431,510.00	991,510.00	1,423,020.00
08/01/2028	-	-	417,510.00	417,510.00	-
02/01/2029	640,000.00	5.000%	417,510.00	1,057,510.00	1,475,020.00
08/01/2029	-	-	401,510.00	401,510.00	-
02/01/2030	670,000.00	5.000%	401,510.00	1,071,510.00	1,473,020.00
08/01/2030	-	-	384,760.00	384,760.00	-
02/01/2031	705,000.00	5.000%	384,760.00	1,089,760.00	1,474,520.00
08/01/2031	-	-	367,135.00	367,135.00	-
02/01/2032	745,000.00	5.000%	367,135.00	1,112,135.00	1,479,270.00
08/01/2032	-	-	348,510.00	348,510.00	-
02/01/2033	775,000.00	5.000%	348,510.00	1,123,510.00	1,472,020.00
08/01/2033	-	-	329,135.00	329,135.00	-
02/01/2034	820,000.00	5.000%	329,135.00	1,149,135.00	1,478,270.00
08/01/2034	-	-	308,635.00	308,635.00	-
02/01/2035	860,000.00	5.000%	308,635.00	1,168,635.00	1,477,270.00
08/01/2035	-	-	287,135.00	287,135.00	-
02/01/2036	900,000.00	4.000%	287,135.00	1,187,135.00	1,474,270.00
08/01/2036	-	-	269,135.00	269,135.00	-
02/01/2037	935,000.00	4.000%	269,135.00	1,204,135.00	1,473,270.00
08/01/2037	-	-	250,435.00	250,435.00	-
02/01/2038	975,000.00	4.100%	250,435.00	1,225,435.00	1,475,870.00
08/01/2038	-	-	230,447.50	230,447.50	-
02/01/2039	1,275,000.00	4.250%	230,447.50	1,505,447.50	1,735,895.00
08/01/2039	-	-	203,353.75	203,353.75	-
02/01/2040	1,340,000.00	4.250%	203,353.75	1,543,353.75	1,746,707.50
08/01/2040	-	-	174,878.75	174,878.75	-
02/01/2041	1,395,000.00	4.500%	174,878.75	1,569,878.75	1,744,757.50
08/01/2041	-	-	143,491.25	143,491.25	-
02/01/2042	1,460,000.00	4.500%	143,491.25	1,603,491.25	1,746,982.50
08/01/2042	-	-	110,641.25	110,641.25	-
02/01/2043	1,525,000.00	4.500%	110,641.25	1,635,641.25	1,746,282.50
08/01/2043	-	-	76,328.75	76,328.75	-
02/01/2044	1,595,000.00	4.650%	76,328.75	1,671,328.75	1,747,657.50
08/01/2044	-	-	39,245.00	39,245.00	-
02/01/2045	1,670,000.00	4.700%	39,245.00	1,709,245.00	1,748,490.00
<b>Total</b>	<b>\$19,950,000.00</b>	<b>-</b>	<b>\$11,342,628.75</b>	<b>\$31,292,628.75</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$250,612.92
Average Life	12.562 Years
Average Coupon	4.5259554%
Net Interest Cost (NIC)	4.4148854%
True Interest Cost (TIC)	4.3796351%
Bond Yield for Arbitrage Purposes	4.2655786%
All Inclusive Cost (AIC)	4.4548687%

## IRS Form 8038

Net Interest Cost	4.2798260%
Weighted Average Maturity	12.427 Years

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ESTIMATES PRIOR TO BOND SALE

**Lewiston-Altura Public School District No. 857**  
**Analysis of Possible Structure for Capital and Debt Levies**

**\$19,950,000 Bond Issue**  
**20 Tax Levies**  
**Wrapped Around Existing Debt**

Type of Bond	Principal Amount	Dated Date	Interest Rate
Voter-Approved Building	\$19,950,000	02/06/24	4.38%

December 6, 2024

Levy		Tax Capacity		Existing Commitments				Proposed New School Building Bonds				Combined Totals			
Payable	Fiscal	Value <sup>1</sup>	% Chg	Alt Fac/Fac Maint	Est. Debt Excess <sup>2</sup>	Net Levy	Tax Rate	Existing Tax Rate	Principal	Interest	Add'l. Debt Excess <sup>3</sup>	Net Levy	Initial Debt Levy	Net Levy	Tax Rate
2023	2024	7,542	14.5%	482,765	-	482,765	6.40	6.40	-	-	-	-	482,765	482,765	6.40
2024	2025	8,287	9.9%	491,427	-	491,427	5.93	5.93	-	-	-	-	491,427	491,427	5.93
2025	2026	8,294	0.1%	283,526	(8,422)	275,105	3.32	3.32	575,000	905,516	8,422	1,563,974	1,839,078	1,839,078	22.17
2026	2027	8,294	0.0%	283,106	(11,341)	271,765	3.28	3.28	530,000	889,520	-	1,490,496	1,762,261	1,762,261	21.25
2027	2028	8,294	0.0%	282,529	(11,324)	271,205	3.27	3.27	560,000	863,020	-	1,494,171	1,765,376	1,765,376	21.28
2028	2029	8,294	0.0%	287,044	(11,301)	275,743	3.32	3.32	640,000	835,020	(59,767)	1,489,004	1,764,747	1,764,747	21.28
2029	2030	8,294	0.0%	285,994	(11,482)	274,512	3.31	3.31	670,000	803,020	(59,560)	1,487,111	1,761,623	1,761,623	21.24
2030	2031	8,294	0.0%	284,786	(11,440)	273,347	3.30	3.30	705,000	769,520	(59,484)	1,488,762	1,762,108	1,762,108	21.25
2031	2032	8,294	0.0%	283,421	(11,391)	272,030	3.28	3.28	745,000	734,270	(59,550)	1,493,683	1,765,713	1,765,713	21.29
2032	2033	8,294	0.0%	287,149	(11,337)	275,812	3.33	3.33	775,000	697,020	(59,747)	1,485,874	1,761,686	1,761,686	21.24
2033	2034	8,294	0.0%	285,311	(11,486)	273,825	3.30	3.30	820,000	658,270	(59,435)	1,492,749	1,766,574	1,766,574	21.30
2034	2035	8,294	0.0%	283,316	(11,412)	271,904	3.28	3.28	860,000	617,270	(59,710)	1,491,424	1,763,327	1,763,327	21.26
2035	2036	8,294	0.0%	285,180	(11,333)	273,847	3.30	3.30	900,000	574,270	(59,657)	1,488,327	1,762,174	1,762,174	21.25
2036	2037	8,294	0.0%	286,676	(11,407)	275,269	3.32	3.32	935,000	538,270	(59,533)	1,487,400	1,762,669	1,762,669	21.25
2037	2038	8,294	0.0%	282,555	(11,467)	271,088	3.27	3.27	975,000	500,870	(59,496)	1,490,167	1,761,255	1,761,255	21.23
2038	2039	8,294	0.0%	-	-	-	-	-	1,275,000	460,895	(59,607)	1,763,083	1,763,083	1,763,083	21.26
2039	2040	8,294	0.0%	-	-	-	-	-	1,340,000	406,708	(70,523)	1,763,520	1,763,520	1,763,520	21.26
2040	2041	8,294	0.0%	-	-	-	-	-	1,395,000	349,758	(70,541)	1,761,455	1,761,455	1,761,455	21.24
2041	2042	8,294	0.0%	-	-	-	-	-	1,460,000	286,983	(70,458)	1,763,873	1,763,873	1,763,873	21.27
2042	2043	8,294	0.0%	-	-	-	-	-	1,525,000	221,283	(70,555)	1,763,042	1,763,042	1,763,042	21.26
2043	2044	8,294	0.0%	-	-	-	-	-	1,595,000	152,658	(70,522)	1,764,519	1,764,519	1,764,519	21.27
2044	2045	8,294	0.0%	-	-	-	-	-	1,670,000	78,490	(70,581)	1,765,334	1,765,334	1,765,334	21.28
2045	2046	8,294	0.0%	-	-	-	-	-	-	-	-	-	-	-	-
2046	2047	8,294	0.0%	-	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>				<b>4,674,786</b>	<b>(145,143)</b>	<b>4,529,642</b>			<b>19,950,000</b>	<b>11,342,629</b>	<b>(1,070,305)</b>	<b>31,787,965</b>	<b>36,317,608</b>	<b>36,317,608</b>	

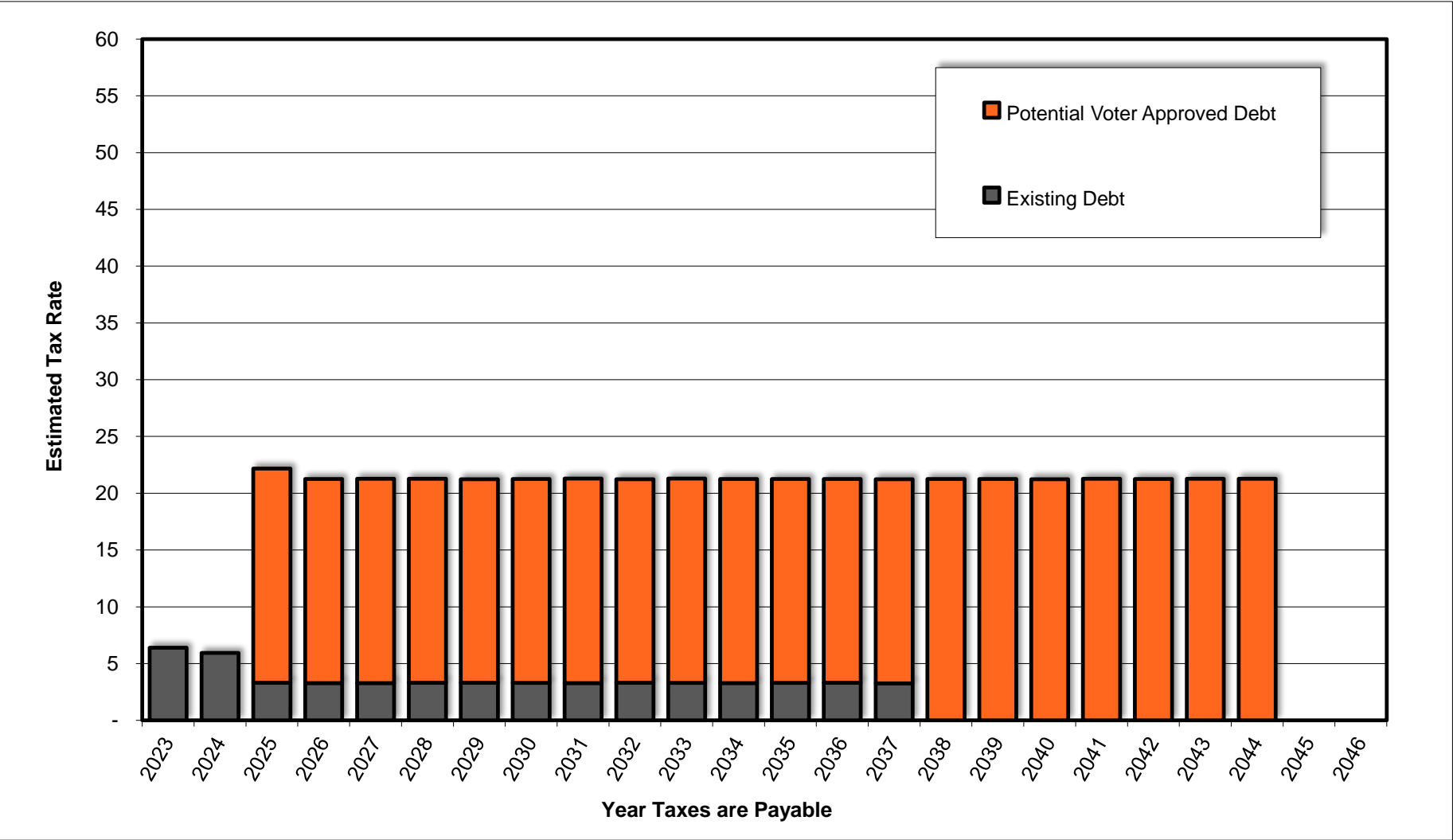
- 1 Tax capacity value for taxes payable in 2023 is the actual value. Estimates for future years are based on the percentage changes as shown above.
- 2 Initial debt service levies (prior to subtracting debt equalization aid) are set at 105 percent of the principal and interest payments during the next fiscal year.
- 3 Debt excess adjustment for taxes payable in 2023 and 2024 are the actual amounts. The adjustment for 2025 is an estimate using the June 30, 2023 debt service fund balance. Debt excess for future years is estimated at 4% of the prior year's initial debt service levy.
- 4 The District's levy for taxes payable in 2025 is certified in December of 2024 and includes a debt service levy of \$1,555,552 (based on a preliminary estimate of principal and interest payments totalling \$1,480,516.25 due in fiscal year 2025-26 and the requirement to levy at 105% of that amount).



ESTIMATES PRIOR TO BOND SALE

**Lewiston-Altura Public School District No. 857**  
**Estimated Tax Rates for Capital and Debt Service Levies**  
**Existing Commitments and Proposed New Debt**

**\$19,950,000 Bond Issue**  
**20 Tax Levies**  
**Wrapped Around Existing Debt**



Date Prepared: December 6, 2024

