

February 9, 2022

Pre-Sale Report for

Independent School District No. 363 (South Koochiching-Rainy River), MN

\$3,645,000 General Obligation Facilities
Maintenance Bonds, Series 2022A



Prepared by:

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Advisors:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$3,645,000 General Obligation Facilities Maintenance Bonds, Series 2022A

The School Board will authorize the issuance of up to \$3,815,000 in Facilities Maintenance Bonds. Our current estimate of the bond amount necessary based on project costs to be financed and the expected premium pricing structure (explained in more detail on page 2) is \$3,645,000.

Purposes:

The proposed issue includes financing for health and safety (indoor air quality) projects at school district facilities included in the districts ten year Long-Term Facilities Maintenance Plan to be approved by the Commissioner of Education.

Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Section 123B.595 and 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 bond proceeds and additional property tax levies as part of the Long-Term Facilities Maintenance program.

Term/Call Feature:

The Bonds are being issued for a term of 20 years, 9 months. Principal on the Bonds will be due on February 1 in the years 2024 through 2043. Interest will be due every six months beginning February 1, 2023.

The Bonds maturing on or after February 1, 2031 will be subject to prepayment at the discretion of the District on February 1, 2030 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 Moody's "Aa2" rating. The District does not currently have a underlying bond rating. The District will request both a credit-enhanced and an underlying rating for these 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 your objectives and characteristics of various municipal financing options, we are recommending the issuance of General Obligation Facilities Maintenance Bonds as a suitable option to finance the planned projects.

- 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.

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 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 its Audited Financial Statements 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 Arbitrage 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.

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:

To maximize investment earnings, we recommend using an SEC registered investment advisor to assist with the investment of bond proceeds. Ehlers is a registered investment advisor and can 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: Kennedy & Graven, Chartered

Paying Agent: Bond Trust Services Corporation

Rating Agency: Moody's Investors Service, Inc.

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

Ehlers Presents Pre-Sale Report to School Board, School Board Approves Resolution Authorizing Sale of the Bonds:	February 9, 2022
Due Diligence Call to Review Official Statement:	Week of March 28, 2022
Distribute Official Statement:	Week of March 28, 2022
Conference with Rating Agency:	Week of March 28, 2022
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	April 13, 2022
School Board Meeting to Award Sale of Bonds:	April 13, 2022
Estimated Closing Date:	May 5, 2022

Attachments

- Estimated Sources and Uses of Funds
- Estimated Debt Service Schedule
- Estimated Long-Term Debt Plan, Including Existing and Proposed Debt
- Estimated Tax Impact Schedule
- Resolution Authorizing Ehlers to Proceed with Bond Sale/Credit Enhancement
- Resolution (provided separately)

EHLERS' CONTACTS

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Shelby McQuay, Senior Municipal Advisor	(651) 697-8548
Nate Gilger, Public Finance Analyst	(651) 697-8538
Brian Shannon, Manager, Senior Financial Analyst	(651) 697-8515

ESTIMATES PRIOR TO BOND SALE

South Koochiching- Rainy River School District, ISD No. 363

Estimated Sources and Uses of Funds for LTFM Bond Issue

February 1, 2022

	LTFM Bonds
Authorized Amount	\$3,815,000
Bond Amount	\$3,645,000
Project Cost Estimate	\$3,600,000
Dated Date of Bonds	May 5, 2022
Sources of Funds	
Par Amount	\$3,645,000
Estimated Net Bond Premium ¹	128,342
Estimated Investment Earnings ²	3,604
Total Sources	\$3,776,946
Uses of Funds	
Allowance for Discount Bidding	\$36,450
Capitalized Interest ³	80,585
Estimated Legal and Fiscal Costs ⁴	52,000
Net Available for Project Costs	3,607,911
Total Uses	\$3,776,946
Deposit to the Construction Fund	\$3,604,306

- 1 The underwriter of the bonds may pay a premium to purchase the bonds. The amount will be determined based on the competitive bidding process, and may range from 0 to 5 percent or more of the bond amount. If any premium is received, it may be used for project costs or to reduce the par amount of the bonds.

- 2 Bond proceeds may be invested. Estimated investment earnings are assumed to be negligible due to the timing of the project.

- 3 The District would not be able to levy for the interest payments due during fiscal year 2023. The FY 2023 payments for the bonds would be funded from funds on hand in the debt service fund or from bond proceeds.

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

South Koochiching School District, MN

\$3,645,000 General Obligation Facilities Maintenance Bonds, Series 2022A

Dated: May 5, 2022

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
05/05/2022	-	-	-	-	-	-	-
02/01/2023	-	-	80,585.07	80,585.07	(80,585.07)	-	-
08/01/2023	-	-	54,531.25	54,531.25	-	54,531.25	-
02/01/2024	130,000.00	4.000%	54,531.25	184,531.25	-	184,531.25	239,062.50
08/01/2024	-	-	51,931.25	51,931.25	-	51,931.25	-
02/01/2025	135,000.00	4.000%	51,931.25	186,931.25	-	186,931.25	238,862.50
08/01/2025	-	-	49,231.25	49,231.25	-	49,231.25	-
02/01/2026	140,000.00	4.000%	49,231.25	189,231.25	-	189,231.25	238,462.50
08/01/2026	-	-	46,431.25	46,431.25	-	46,431.25	-
02/01/2027	145,000.00	4.000%	46,431.25	191,431.25	-	191,431.25	237,862.50
08/01/2027	-	-	43,531.25	43,531.25	-	43,531.25	-
02/01/2028	155,000.00	4.000%	43,531.25	198,531.25	-	198,531.25	242,062.50
08/01/2028	-	-	40,431.25	40,431.25	-	40,431.25	-
02/01/2029	160,000.00	4.000%	40,431.25	200,431.25	-	200,431.25	240,862.50
08/01/2029	-	-	37,231.25	37,231.25	-	37,231.25	-
02/01/2030	165,000.00	4.000%	37,231.25	202,231.25	-	202,231.25	239,462.50
08/01/2030	-	-	33,931.25	33,931.25	-	33,931.25	-
02/01/2031	170,000.00	4.000%	33,931.25	203,931.25	-	203,931.25	237,862.50
08/01/2031	-	-	30,531.25	30,531.25	-	30,531.25	-
02/01/2032	180,000.00	2.000%	30,531.25	210,531.25	-	210,531.25	241,062.50
08/01/2032	-	-	28,731.25	28,731.25	-	28,731.25	-
02/01/2033	185,000.00	2.250%	28,731.25	213,731.25	-	213,731.25	242,462.50
08/01/2033	-	-	26,650.00	26,650.00	-	26,650.00	-
02/01/2034	185,000.00	2.250%	26,650.00	211,650.00	-	211,650.00	238,300.00
08/01/2034	-	-	24,568.75	24,568.75	-	24,568.75	-
02/01/2035	190,000.00	2.250%	24,568.75	214,568.75	-	214,568.75	239,137.50
08/01/2035	-	-	22,431.25	22,431.25	-	22,431.25	-
02/01/2036	195,000.00	2.500%	22,431.25	217,431.25	-	217,431.25	239,862.50
08/01/2036	-	-	19,993.75	19,993.75	-	19,993.75	-
02/01/2037	200,000.00	2.500%	19,993.75	219,993.75	-	219,993.75	239,987.50
08/01/2037	-	-	17,493.75	17,493.75	-	17,493.75	-
02/01/2038	205,000.00	2.500%	17,493.75	222,493.75	-	222,493.75	239,987.50
08/01/2038	-	-	14,931.25	14,931.25	-	14,931.25	-
02/01/2039	210,000.00	2.500%	14,931.25	224,931.25	-	224,931.25	239,862.50
08/01/2039	-	-	12,306.25	12,306.25	-	12,306.25	-
02/01/2040	215,000.00	2.750%	12,306.25	227,306.25	-	227,306.25	239,612.50
08/01/2040	-	-	9,350.00	9,350.00	-	9,350.00	-
02/01/2041	220,000.00	2.750%	9,350.00	229,350.00	-	229,350.00	238,700.00
08/01/2041	-	-	6,325.00	6,325.00	-	6,325.00	-
02/01/2042	225,000.00	2.750%	6,325.00	231,325.00	-	231,325.00	237,650.00
08/01/2042	-	-	3,231.25	3,231.25	-	3,231.25	-
02/01/2043	235,000.00	2.750%	3,231.25	238,231.25	-	238,231.25	241,462.50
Total	\$3,645,000.00	-	\$1,228,172.57	\$4,873,172.57	(80,585.07)	\$4,792,587.50	-

Yield Statistics

Bond Year Dollars	\$44,488.25
Average Life	12.205 Years
Average Coupon	2.7606673%
Net Interest Cost (NIC)	2.5541150%
True Interest Cost (TIC)	2.5270210%
Bond Yield for Arbitrage Purposes	2.4244866%
All Inclusive Cost (AIC)	2.6673727%

IRS Form 8038

Net Interest Cost	2.4287735%
Weighted Average Maturity	12.001 Years

ESTIMATES PRIOR TO BOND SALE

South Koochiching - Rainy River School District, ISD No. 363

Analysis of Possible Structure for Capital and Debt Levies

**\$3,645,000 Bond Issue
20 Tax Levies
Wrapped Around Existing Debt**

February 1, 2022

Type of Bond	Principal Amount	Dated Date	Interest Rate
FM - Heath & Safety	\$3,645,000	05/05/22	2.53%

Levy Payable Year	Fiscal Year	Tax Capacity Value ¹		Existing Commitments				Proposed New Board Approved Bonds				Combined Totals		
		(\$000s)	% Chg	Building Bonds ²	Est. Debt Excess ³	Net Levy	Tax Rate	Principal	Interest	Add'l. Debt Excess ³	Net Debt Levy	Initial Debt Levy	Net Levy	Tax Rate
2021	2022	1,739	1.0%	209,213	(12,406)	196,806	11.31	-	-	-	-	196,806	196,806	11.31
2022	2023	1,741	0.1%	193,725	(10,543)	183,182	10.52	-	80,585 ⁴	-	-	183,182	183,182	10.52
2023	2024	1,741	0.0%	-	-	-	-	130,000	109,063	(9,592)	241,424	241,424	241,424	13.87
2024	2025	1,741	0.0%	-	-	-	-	135,000	103,863	(9,657)	241,149	241,149	241,149	13.85
2025	2026	1,741	0.0%	-	-	-	-	140,000	98,463	(9,646)	240,740	240,740	240,740	13.83
2026	2027	1,741	0.0%	-	-	-	-	145,000	92,863	(9,630)	240,126	240,126	240,126	13.79
2027	2028	1,741	0.0%	-	-	-	-	155,000	87,063	(9,605)	244,561	244,561	244,561	14.05
2028	2029	1,741	0.0%	-	-	-	-	160,000	80,863	(9,782)	243,123	243,123	243,123	13.97
2029	2030	1,741	0.0%	-	-	-	-	165,000	74,463	(9,725)	241,711	241,711	241,711	13.89
2030	2031	1,741	0.0%	-	-	-	-	170,000	67,863	(9,668)	240,087	240,087	240,087	13.79
2031	2032	1,741	0.0%	-	-	-	-	180,000	61,063	(9,603)	243,512	243,512	243,512	13.99
2032	2033	1,741	0.0%	-	-	-	-	185,000	57,463	(9,740)	244,845	244,845	244,845	14.07
2033	2034	1,741	0.0%	-	-	-	-	185,000	53,300	(9,794)	240,421	240,421	240,421	13.81
2034	2035	1,741	0.0%	-	-	-	-	190,000	49,138	(9,617)	241,478	241,478	241,478	13.87
2035	2036	1,741	0.0%	-	-	-	-	195,000	44,863	(9,659)	242,197	242,197	242,197	13.91
2036	2037	1,741	0.0%	-	-	-	-	200,000	39,988	(9,688)	242,299	242,299	242,299	13.92
2037	2038	1,741	0.0%	-	-	-	-	205,000	34,988	(9,692)	242,295	242,295	242,295	13.92
2038	2039	1,741	0.0%	-	-	-	-	210,000	29,863	(9,692)	242,164	242,164	242,164	13.91
2039	2040	1,741	0.0%	-	-	-	-	215,000	24,613	(9,687)	241,907	241,907	241,907	13.90
2040	2041	1,741	0.0%	-	-	-	-	220,000	18,700	(9,676)	240,959	240,959	240,959	13.84
2041	2042	1,741	0.0%	-	-	-	-	225,000	12,650	(9,638)	239,894	239,894	239,894	13.78
2042	2043	1,741	0.0%	-	-	-	-	235,000	6,463	(9,596)	243,940	243,940	243,940	14.01
2043	2044	1,741	0.0%	-	-	-	-	-	-	-	-	-	-	-
2044	2045	1,741	0.0%	-	-	-	-	-	-	-	-	-	-	-
2045	2046	1,741	0.0%	-	-	-	-	-	-	-	-	-	-	-
2046	2047	1,741	0.0%	-	-	-	-	-	-	-	-	-	-	-
2047	2048	1,741	0.0%	-	-	-	-	-	-	-	-	-	-	-
Totals				402,938	(22,949)	379,988		3,645,000	1,228,173	(193,387)	4,838,829	5,218,818	5,218,818	

- 1 Tax capacity value for taxes payable in 2021 is the final value. The value for 2022 is preliminary from MN DOR. Estimates for future years are based on the percentage changes 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 is the actual amount. 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 2023, so those payments, estimated at \$80,585, would have to be made from bond proceeds.



ESTIMATES PRIOR TO BOND SALE

South Koochiching - Rainy River School District, ISD No. 363

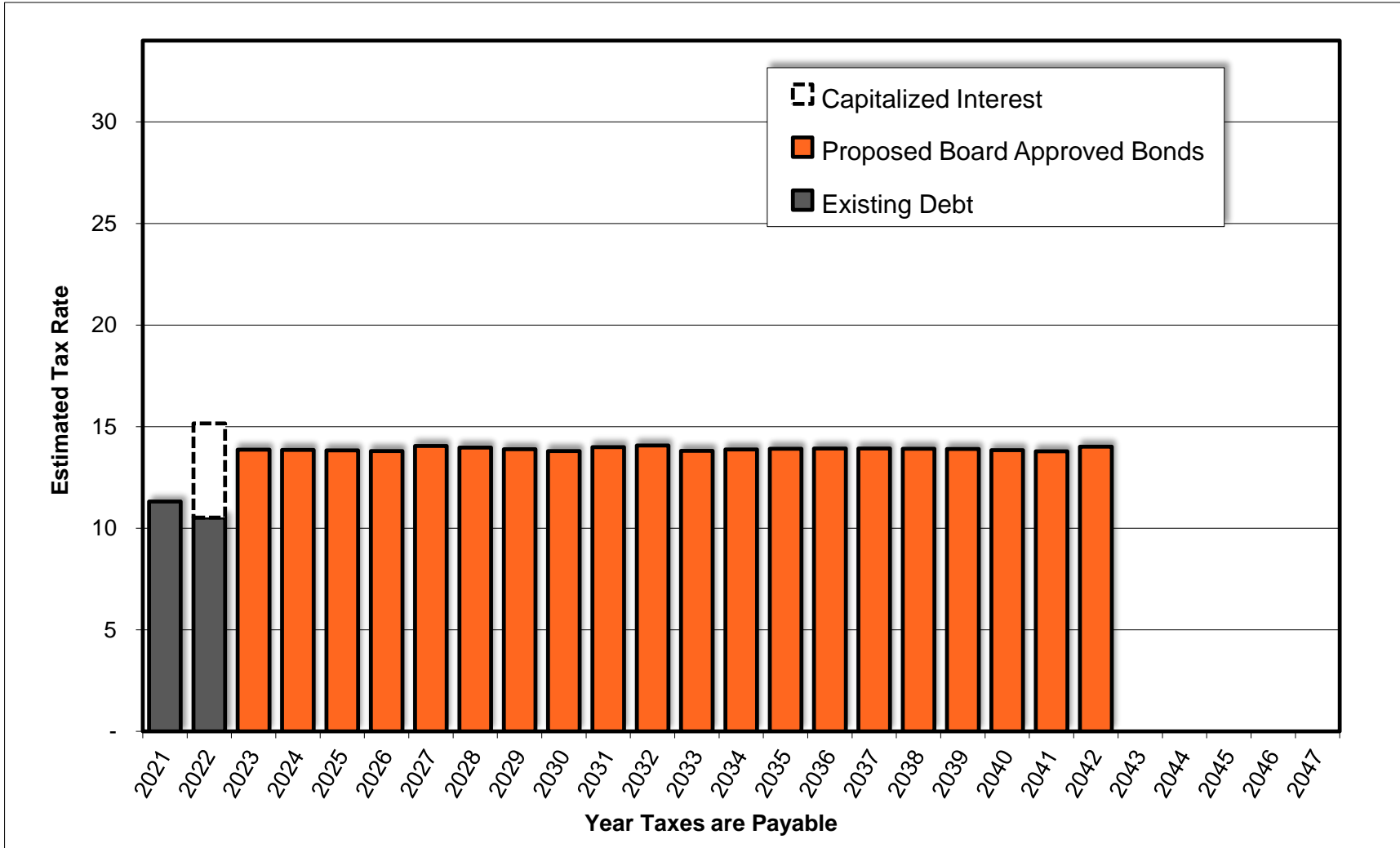
Estimated Tax Rates for Capital and Debt Service Levies

Existing Commitments and Proposed New Debt

\$3,645,000 Bond Issue
20 Tax Levies
Wrapped Around Existing Debt

Date Prepared:

February 1, 2022



ESTIMATES PRIOR TO BOND SALE

South Koochiching - Rainy River School District, ISD No. 363
Analysis of Tax Impact for Potential Bond Issue

Bond Issue Amount	\$3,645,000
Project Amount	\$3,600,000

Type of Property	Estimated Market Value	Estimated Change in Annual Taxes from 2022 to 2023*
Residential Homestead	\$50,000	\$10
	60,000	12
	70,000	14
	80,000	17
	90,000	20
	100,000	24
	150,000	42
	200,000	60
	250,000	79
	300,000	97
Commercial/Industrial	\$50,000	\$25
	100,000	50
	250,000	142
	500,000	309
	750,000	477
Agricultural Homestead** (average value per acre of land & buildings)	\$1,000	\$0.00
	1,500	0.00
	2,000	0.00
	2,500	-0.01
	3,000	-0.01
Agricultural Non-Homestead** (average value per acre of land & buildings)	\$1,000	\$0.00
	1,500	-0.01
	2,000	-0.01
	2,500	-0.01
	3,000	-0.01
Seasonal Recreational Residential	\$50,000	\$17
	75,000	25
	100,000	33
	125,000	42
	150,000	50
200,000	67	

* Estimated tax impact includes principal and interest payments on the new bonds. The amounts in the table are based on school district taxes for bonded debt levies only, and do not include tax levies for other purposes. Tax increases shown above are gross increases, not including the impact of the homeowner's Homestead Credit Refund ("Circuit Breaker") program. Owners of homestead property may qualify for a refund, based on their income and total property taxes. This may change the net effect of the proposed bond issue for those property owners.

** For all agricultural property, estimated tax impact for 2022 includes a 60% reduction and for 2023, a 70% reduction due to the School Building Bond Agricultural Credit. Under current law, the School Building Agricultural Credit will remain at that higher level. Average value per acre is the total estimated market value of all land & buildings divided by total acres. If the property includes a home, then the tax impact on the house, garage, and one acre of land will be calculated in addition to the taxes per acre, on the same basis as a residential homestead or non-homestead property. If the same property owner owns more than approximately \$1.9 million of agricultural homestead land and buildings, a portion of the property will be taxed at the higher non-homestead rate.