January 9, 2017

Pre-Sale Report for

Independent School District No. 763 (Medford), Minnesota

$725,000 General Obligation Facilities Maintenance Bonds, Series 2017A

Medford Public School
ISD #763

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Executive Summary of Proposed Debt

Proposed Issue:	$725,000 General Obligation Facilities Maintenance Bonds, Series 2017A The Board will authorize the issuance of up to $740,000 in Bonds; $725,000 is our current estimate of the bond amount necessary based on project costs and the expected premium pricing structure explained in more detail on page 2.
Purposes:	The proposed issue includes financing for deferred maintenance projects included in the District's ten-year facility plan approved by the Commissioner of Education, including financing for HVAC improvements and other deferred maintenance projects included in the District's ten year facilities plan.
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. Debt service will be paid from property tax levies and state aid received as part of the Long Term Facilities Maintenance program.
Term/Call Feature:	The Bonds are being issued for a term of 13 years. Principal on the Bonds will be due on February 1 in the years 2019 through 2030. Interest is payable every six months beginning February 1, 2018. The Bonds maturing on and after February 1, 2027 will be subject to prepayment at the discretion of the District on February 1, 2026 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 "AA+" rating. The District's most recent bond issues were rated "A+" by Standard & Poor's. 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 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. • The District will qualify for Long-Term Facilities Maintenance Aid to finance a portion of the payments on the Bonds. State aid is not available on most other forms of debt. • The District will be able to finance payments on the Bonds from their annual Long-Term Facilities Maintenance Revenue, without requiring an additional tax levy.
Method of Sale/Placement:	In order to obtain the lowest interest cost to the District, we will solicit competitive bids for purchase of the Bonds from banks and underwriters. We have included an allowance for discount bidding equal to 1.0% of the principal amount 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 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." On the sale day, we will adjust the amount of the bond issue and the use of funds as needed to comply with the restrictions in statutes, and to ensure that the results of the bond issue will comply with the District's objectives for available funds for construction.
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 will contract 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.
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, so their 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 Attorney:** Knutson, Flynn & Deans, P.A. **Paying Agent:** Bond Trust Services Corporation **Rating Agency:** S&P Global Markets

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:	January 9, 2017
Distribute Official Statement:	Week of January 30, 2017
Conference with Rating Agency:	Week of February 6, 2017
Ehlers Receives Proposals for the Sale of the Bonds:	February 16, 2017
School Board Meeting to Award Sale of the Bonds:	February 16, 2017
Estimated Closing Date:	March 9, 2017

Attachments

Estimated Sources and Uses of Funds

Estimated Long Term Facilities Maintenance Revenue Schedule with Proposed and Previous Facilities Maintenance Bond Issue Debt Service

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

Ehlers Contacts

Municipal Advisors:	Greg Crowe	(651) 697-8522
	Jeff Seeley	(651) 697-8585
	Shelby McQuay	(651) 697-8548
Disclosure Coordinator:	Meghan Lindblom	(651) 697-8549
Financial Analyst:	Brian Shannon	(651) 697-8515

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.

Medford School District No. 763

$725,000 G.O. Facilities Maintenance Bonds, Series 2017A

Dated: March 9, 2017

Sources & Uses

Dated 03/09/2017 | Delivered 03/09/2017

Sources Of Funds

Par Amount	$725,000.00
Original Issue Premium	13,910.50
Total Sources	**$738,910.50**

Uses Of Funds

Total Underwriter's Discount (1.000%)	7,250.00
Costs of Issuance	26,940.00
Deposit to Project Construction Fund	700,000.00
Rounding Amount	4,720.50
Total Uses	**$738,910.50**

Medford School District No. 763

$725,000 G.O. Facilities Maintenance Bonds, Series 2017A

Dated: March 9, 2017

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
02/01/2018	-	-	19,742.63	19,742.63
02/01/2019	25,000.00	3.000%	22,072.50	47,072.50
02/01/2020	20,000.00	3.000%	21,322.50	41,322.50
02/01/2021	30,000.00	3.000%	20,722.50	50,722.50
02/01/2022	30,000.00	3.000%	19,822.50	49,822.50
02/01/2023	40,000.00	3.000%	18,922.50	58,922.50
02/01/2024	50,000.00	3.000%	17,722.50	67,722.50
02/01/2025	55,000.00	3.000%	16,222.50	71,222.50
02/01/2026	55,000.00	3.000%	14,572.50	69,572.50
02/01/2027	60,000.00	3.000%	12,922.50	72,922.50
02/01/2028	70,000.00	3.000%	11,122.50	81,122.50
02/01/2029	75,000.00	3.000%	9,022.50	84,022.50
02/01/2030	215,000.00	3.150%	6,772.50	221,772.50
Total	**$725,000.00**	**-**	**$210,962.63**	**$935,962.63**

Yield Statistics

Bond Year Dollars	$6,893.47
Average Life	9.508 Years
Average Coupon	3.0603247%
Net Interest Cost (NIC)	2.9637043%
True Interest Cost (TIC)	2.9433757%
Bond Yield for Arbitrage Purposes	2.8218281%
All Inclusive Cost (AIC)	3.4088541%

IRS Form 8038

Net Interest Cost	2.8182047%
Weighted Average Maturity	9.463 Years

Medford School District, No. 763
Facilities Maintenance Bond Schedules
Deferrred Maintenance Projects
January 5, 2017

					2016A Bond Sale Results $1,040,000 Bond Issue 12 Years 46.9 % of Revenue Used After 1st Issuance				2017A Estimates $725,000 Bond Issue 13 Years 75.6 % of Revenue Used After 2nd Issuance			
					Principal Amount:		$1,040,000		Principal Amount:		$725,000	
					Dated Date:		9/7/2016		Estimated Dated Date:		3/9/2017	
					Number of Years:		12		Number of Years:		13	
					True Interest Cost:		1.72%		Est. True Interest Cost:		2.94%	
Year Taxes Payable	Fiscal Year	LTFM Revenue	LTFM Levy	LTFM Aid	Principal	Interest	Total Payments	Remaining LTFM Revenue	Principal	Interest	Total Payments	Remaining LTFM Revenue
2016	2017	$73,633	$30,472	$43,161	$0	$0	$0	$73,633	$0	$0	$0	$73,633
2017	2018	119,809	46,796	73,013	0	22,701	22,701	97,108	0	19,743	19,743	77,365
2018	2019	166,310	63,984	102,326	55,000	16,215	71,215	95,095	25,000	22,073	47,073	48,022
2019	2020	176,707	66,786	109,921	80,000	15,720	95,720	80,987	20,000	21,323	41,323	39,665
2020	2021	187,105	70,450	116,655	85,000	15,000	100,000	87,105	30,000	20,723	50,723	36,382
2021	2022	197,502	74,365	123,137	85,000	14,023	99,023	98,480	30,000	19,823	49,823	48,657
2022	2023	207,890	78,276	129,614	90,000	13,045	103,045	104,845	40,000	18,923	58,923	45,922
2023	2024	218,287	82,191	136,096	90,000	11,830	101,830	116,457	50,000	17,723	67,723	48,735
2024	2025	228,685	86,106	142,579	95,000	10,615	105,615	123,070	55,000	16,223	71,223	51,847
2025	2026	239,072	90,017	149,055	110,000	9,143	119,143	119,930	55,000	14,573	69,573	50,357
2026	2027	249,470	93,932	155,538	115,000	7,438	122,438	127,032	60,000	12,923	72,923	54,110
2027	2028	259,867	97,847	162,020	115,000	4,994	119,994	139,873	70,000	11,123	81,123	58,751
2028	2029	270,264	101,762	168,503	120,000	2,550	122,550	147,714	75,000	9,023	84,023	63,692
2029	2030	280,652	105,673	174,979	0	0	0	280,652	215,000	6,773	221,773	58,880
2030	2031	291,050	109,588	181,462	0	0	0	291,050	0	0	0	291,050
2031	2032	301,447	113,503	187,944	0	0	0	301,447	0	0	0	301,447
2032	2033	311,835	117,414	194,421	0	0	0	311,835	0	0	0	311,835
2033	2034	322,232	121,329	200,903	0	0	0	322,232	0	0	0	322,232
2034	2035	332,629	125,244	207,385	0	0	0	332,629	0	0	0	332,629
2035	2036	343,027	129,159	213,868	0	0	0	343,027	0	0	0	343,027
					$1,040,000	$143,272	$1,183,272		$725,000	$210,963	$935,963	

Assumes growth in adusted pupil units of 0% per year for future years.

Assumes no change in ANTC after payable 2017.

** Levy does not include 5% overlevy, or debt excess reductions.*

Medford School District, No. 763
Facilities Maintenance Bond Schedules
Deferrred Maintenance Projects
January 5, 2017

Remaining LTFM Revenue, After Bond Payments	
Fiscal Year	Amount
2017	$73,633
2018	$77,365
2019	$48,022
2020	$39,665
2021	$36,382
2022	$48,657
2023	$45,922
2024	$48,735
2025	$51,847
2026	$50,357
2027	$54,110
2028	$58,751
2029	$63,692
2030	$58,880
2031	$291,050
2032	$301,447
2033	$311,835
2034	$322,232
2035	$332,629
2036	$343,027

Long Term Facilities Maintenance Revenue and Bond Payments for 2016A and 2017A Bond Issuance