April 24, 2017

Pre-Sale Report for

Independent School District No. 877 (Buffalo-Hanover-Montrose), Minnesota

$9,625,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A

Prepared by:

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Executive Summary of Proposed Debt

Proposed Issue:	$9,625,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017A
Purposes:	The proposed issue would finance an advance partial net cash refunding of the 2019 - 2023 maturities of the District's $10,845,000 General Obligation Taxable OPEB Bonds, Series 2009A. The purpose of the issue is to reduce future debt service payments and property tax levies. The existing bonds have interest rates of 4.20% to 4.90%, and an average coupon of 4.75% (see page 7). Based on current market conditions, we estimate that the new refunding bonds would have interest rates of 2.00% to 3.00% and a True Interest Cost of 2.43% (see page 8). We estimate that the refunding would reduce future debt service payments by $505,122. The Net Present Value Benefit of the refunding is estimated to be $472,503 or 4.625% of the refunded debt service (see page 9). The average annual debt service reduction is approximately $101,000, and will result in reductions to debt service levies for taxes payable in 2018 through 2022. Actual results will be determined based on market conditions on the day of sale. This refunding is considered an advance refunding as the new Bonds will be issued more than 90 days prior to the call date of the refunded bonds (February 1, 2018). Debt service will be paid from the District's annual debt service property tax levy.
Authority:	The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, Section 475.52 and Section 475.67. 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 5 years and 8 months, matching the maturity schedule on the existing bonds. Principal on the Bonds will be due on February 1 of 2018 through 2023. Interest will be due every six months beginning February 1, 2018. The Bonds are being offered without option of prior redemption.
Bank Qualification:	Because the Bonds are taxable obligations they will not be designated 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 Moody's "Aa2" rating. The District's most recent bond issues were rated by Moody's Investors Service. The current ratings on those bonds are "Aa2" (through the State Credit Enhancement Program) and "Aa2" (underlying rating). 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 our knowledge of your situation and characteristics of various municipal financing options, we are recommending the issuance of General Obligation Taxable OPEB Refunding Bonds as the most effective option to meet the District's objective of reducing future debt service payments and tax levies. General Obligation Bonds will result in lower interest rates than some other financing options.
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 underwriting firms. We will include an allowance for discount bidding in the terms for the Bonds. 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, some 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 premium received will be used to reduce the Principal amount of the new Bonds.
Escrow Account:	The proceeds of the Bonds will be invested in direct obligations of the U.S. Treasury, which will be held in an escrow account with U.S. Bank, National Association. The escrow account will be used to pay principal and interest on the 2009A Bonds through the call date of February 1, 2018, and to redeem the existing maturities of the 2009A bonds on that date. On the day of sale, an independent CPA will verify that the funds in the escrow account will be sufficient to finance all required payments.

Other Considerations:	The most common procedure that Ehlers uses for the sale of bonds is to take proposals on the same day as a Board meeting and ask the Board to award sale of the bonds that same day. However, in order to provide more flexibility, we recommend taking proposals on a different date. Therefore, the resolution the Board will consider at the April 24th meeting will authorize Ehlers to take proposals on the Bonds, and will designate the Board Chair and the Superintendent or Business Manager to accept the most favorable proposal if certain conditions (or "parameters") specified in the resolution are met, thereby awarding the sale of the Bonds. We intend to accept proposals on Thursday, May 18th, and present the results to the designated Board Chair and the Superintendent or Business Manager for their authorization on behalf of the Board. We will then ask the board to adopt a ratifying resolution at the May 22nd regular Board Meeting.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the District and find that, other than the 2009A Bonds, there are no other 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 Bonds are taxable obligations and are therefore not subject to IRS arbitrage and yield restriction requirements.
Risk Factors:	The Bonds are being issued for the purpose of financing an "advance" refunding of the 2009A Bonds. This refunding is being undertaken based in part on the assumption that an advance refunding at this time is likely to provide an overall lower debt cost as compared to waiting to refund the issue at a later date.

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:** Moody's Investors Service **CPA Escrow Verification Agent:** Barthe & Wahrman **Escrow Agent:** U.S. Bank National Association **Bidding Agent for Escrow Account Securities:** Ehlers Investment Partners

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:	April 24, 2017
Distribute Official Statement:	Week of May 1, 2017
Conference with Rating Agency:	Week of May 8, 2017
Ehlers Receives and Evaluates Proposals; Designated Officials Award Sale of Bonds:	May 18, 2017
School Board Meeting to Ratify Sale of the Bonds:	May 22, 2017
Estimated Closing Date:	June 8, 2017
Redemption Date for Series 2009A Bonds:	February 1, 2018

Attachments

Estimated Sources and Uses of Funds

Existing Debt Service Schedule

Estimated Debt Service Schedule

Refunding Savings Analysis

Estimated Escrow Fund Cashflow

Resolution Authorizing the Approval of the Sale of Bonds (provided separately)

Ehlers Contacts

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	Jodie Zesbaugh	(651) 697-8526
Disclosure Coordinator:	Jen Chapman	(651) 697-8566
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.

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

$9,625,000 General Obligation Taxable OPEB Refunding Bonds, Series June 8, 2017
Proposed Partial Net Cash Refunding of Series 2009A
Assuming Current GO Tax "Aa2" Market Rates

Sources & Uses

Dated 06/08/2017 | Delivered 06/08/2017

Sources Of Funds

Par Amount of Bonds	$9,625,000.00
Reoffering Premium	120,925.45
Total Sources	**$9,745,925.45**

Uses Of Funds

Total Underwriter's Discount (0.800%)	77,000.00
Costs of Issuance	63,020.00
Deposit to Net Cash Escrow Fund	9,603,690.69
Rounding Amount	2,214.76
Total Uses	**$9,745,925.45**

I.S.D. No. 877 (Buffalo, Hanover, Montrose), MN

$10,845,000 General Obligation Taxable OPEB Bonds, Series 2009A

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/01/2018	9,230,000.00	432,090.00	9,662,090.00	-	4.200%	432,090.00	432,090.00
02/01/2019	-	-	-	1,670,000.00	4.400%	432,090.00	2,102,090.00
02/01/2020	-	-	-	1,760,000.00	4.550%	358,610.00	2,118,610.00
02/01/2021	-	-	-	1,855,000.00	4.700%	278,530.00	2,133,530.00
02/01/2022	-	-	-	1,960,000.00	4.800%	191,345.00	2,151,345.00
02/01/2023	-	-	-	1,985,000.00	4.900%	97,265.00	2,082,265.00
Total	**$9,230,000.00**	**$432,090.00**	**$9,662,090.00**	**$9,230,000.00**	**-**	**$1,789,930.00**	**$11,019,930.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	6/08/2017
Average Life	3.737 Years
Average Coupon	4.7472165%
Weighted Average Maturity (Par Basis)	3.737 Years
Weighted Average Maturity (Original Price Basis)	3.737 Years

Refunding Bond Information

Refunding Dated Date	6/08/2017
Refunding Delivery Date	6/08/2017

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Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/08/2017	-	-	-	-	-
02/01/2018	280,000.00	2.000%	149,573.06	429,573.06	429,573.06
08/01/2018	-	-	112,750.00	112,750.00	-
02/01/2019	1,775,000.00	2.000%	112,750.00	1,887,750.00	2,000,500.00
08/01/2019	-	-	95,000.00	95,000.00	-
02/01/2020	1,830,000.00	2.000%	95,000.00	1,925,000.00	2,020,000.00
08/01/2020	-	-	76,700.00	76,700.00	-
02/01/2021	1,880,000.00	2.000%	76,700.00	1,956,700.00	2,033,400.00
08/01/2021	-	-	57,900.00	57,900.00	-
02/01/2022	1,935,000.00	3.000%	57,900.00	1,992,900.00	2,050,800.00
08/01/2022	-	-	28,875.00	28,875.00	-
02/01/2023	1,925,000.00	3.000%	28,875.00	1,953,875.00	1,982,750.00
Total	**$9,625,000.00**	**-**	**$892,023.06**	**$10,517,023.06**	**-**

Yield Statistics

Bond Year Dollars	$34,669.51
Average Life	3.602 Years
Average Coupon	2.5729321%
Net Interest Cost (NIC)	2.4462345%
True Interest Cost (TIC)	2.4313623%
Bond Yield for Arbitrage Purposes	2.1990598%
All Inclusive Cost (AIC)	2.6233359%

IRS Form 8038

Net Interest Cost	2.1902951%
Weighted Average Maturity	3.612 Years

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Proposed Partial Net Cash Refunding of Series 2009A
Assuming Current GO Tax "Aa2" Market Rates

Debt Service Comparison

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2018	429,573.06	797,130.00	1,224,488.30	1,229,220.00	4,731.70
02/01/2019	2,000,500.00	-	2,000,500.00	2,102,090.00	101,590.00
02/01/2020	2,020,000.00	-	2,020,000.00	2,118,610.00	98,610.00
02/01/2021	2,033,400.00	-	2,033,400.00	2,133,530.00	100,130.00
02/01/2022	2,050,800.00	-	2,050,800.00	2,151,345.00	100,545.00
02/01/2023	1,982,750.00	-	1,982,750.00	2,082,265.00	99,515.00
Total	**$10,517,023.06**	**$797,130.00**	**$11,311,938.30**	**$11,817,060.00**	**$505,121.70**

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....................	470,288.69
Net PV Cashflow Savings @ 2.199%(Bond Yield).....	470,288.69
Contingency or Rounding Amount....................	2,214.76
Net Present Value Benefit	$472,503.45
Net PV Benefit / $10,216,214.14 PV Refunded Debt Service	4.625%
Net PV Benefit / $9,230,000 Refunded Principal...	5.119%
Net PV Benefit / $9,625,000 Refunding Principal..	4.909%

Refunding Bond Information

Refunding Dated Date	6/08/2017
Refunding Delivery Date	6/08/2017

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Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
06/08/2017	-	-	-	0.69	-	0.69
08/01/2017	215,799.00	0.770%	245.83	216,044.83	216,045.00	0.52
02/01/2018	9,387,891.00	0.950%	58,153.48	9,446,044.48	9,446,045.00	-
Total	**$9,603,690.00**	**-**	**$58,399.31**	**$9,662,090.00**	**$9,662,090.00**	**-**

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield
Cash Deposit	0.69
Cost of Investments Purchased with Bond Proceeds	9,603,690.00
Total Cost of Investments	$9,603,690.69
Target Cost of Investments at bond yield	$9,528,627.43
Actual positive or (negative) arbitrage	(75,063.26)
Yield to Receipt	0.9554758%
Yield for Arbitrage Purposes	2.1990598%
State and Local Government Series (SLGS) rates for	4/12/2017