March 21, 2022

Pre-Sale Report for

Independent School District No. 2683 (Greenbush-Middle River), Minnesota

$150,000 General Obligation Tax Abatement Bonds, Series 2022A

EHLERS
PUBLIC FINANCE ADVISORS

Prepared by:

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

$150,000 General Obligation Tax Abatement Bonds, Series 2022A

Purposes:

The proposed issue includes financing for parking lot improvements. Debt service will be paid from tax abatement revenues.

Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 469.1814. The Bonds will be general obligations of the District for which its full faith, credit and taxing powers are pledged.

Under the Tax Abatement Authority, the amount of property taxes abated in any year for the Bonds, together with any outstanding annual abatements, may not exceed 10% of the District's net tax capacity or $200,000, whichever is greater.

Term/Call Feature:

The Bonds are being issued for a term of 5 years, 9 months. Principal on the Bonds will be due on February 1 in the years 2024 through 2028. Interest is payable every six months beginning February 1, 2023.

The Bonds will be subject to prepayment at the discretion of the District at any time.

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:

Ehlers does not recommend that the District obtain a rating for the Bonds because the banks and leasing companies that are likely to submit proposals do not require a rating.

Basis for Recommendation:

Based on your objectives and characteristics of various municipal financing options, we are recommending the issuance of General Obligation Tax Abatement 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 Board can authorize the issuance without an election.
- The District will be able to finance bond payments with an additional debt service levy.

Method of Sale/Placement:

In order to assist in obtaining the lowest interest cost to the District, Ehlers will prepare and distribute a term sheet and solicit proposals for the financing from multiple banks.

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:

Because the Bonds will be placed with a financial institution that intends to hold the Bonds to maturity, the Bonds are not considered a security and thus are not subject to the Continuing Disclosure requirements of the Securities and Exchange Commission (SEC). However, the District may be required to disclose the issuance of the bonds due to existing continuing disclosure obligations.

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.

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:

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: This issue will not be rated.

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

School Board holds Public Hearing on Proposed Abatement:	March 21, 2022
School Board Approves Resolution Authorizing Abatement and Sale of Tax Abatement Bonds:	March 21, 2022
Distribute Offering Document:	Week of March 28, 2022
Ehlers Receives and Evaluates Proposals for Purchase of Bonds:	April 14, 2022
School Board Meeting to Award Sale of Bonds:	April 18, 2022
Estimated Closing Date:	May 12, 2022

Attachments

Estimated Sources and Uses of Funds

Estimated Proposed Debt Service Schedule

Estimated Tax Impact Schedule

Resolution Granting the Abatement and Resolution Authorizing Ehlers to Proceed with Bond Sale/Credit Enhancement (provided separately)

EHLERS' CONTACTS

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Greenbush - Middle River, ISD 2683

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Estimated Sources and Uses of Funds

Abatement Bond Issue Amount	**$150,000**
Sources of Funds	
Par Amount of Bonds	150,000
Investment Earnings*	0
Total Sources	150,000
Uses of Funds	
Capitalized Interest **	3,238
Legal and Fiscal Costs #	12,000
Net Available for Project Costs	**134,763**
Total Uses	150,000

* Investment earnings estimate are negligible due to the timing of the project.
** The first year's interest payment will be financed with bond proceeds.
# Includes fees for municipal advisor, bond counsel, and paying agent.

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Estimated Abatement Bond Debt Service

Principal Amount:	$150,000
Estimated Dated Date:	5/12/2022
Years of Abatements:	5
Yrs/Term of Bond Issue:	6
Average Interest Rate:	3.00%

Estimated Debt Service

Year Taxes Payable	Fiscal Year	Principal	Interest	Total Payments	Initial Debt Service Levies (P & I at 105%)
2021	2022	0	0	0	0
2022	2023	0	3,238	3,238	0*
2023	2024	28,000	4,500	32,500	34,125
2024	2025	29,000	3,660	32,660	34,293
2025	2026	30,000	2,790	32,790	34,430
2026	2027	31,000	1,890	32,890	34,535
2027	2028	32,000	960	32,960	34,608
2028	2029	0	0	0	0
		$150,000	$17,038	$167,038	$171,990

* Due to timing of the property tax levy process, the district will not be eligible to make a levy for the payments due in fiscal year 2023. Those payments will be made from bond proceeds.

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Analysis of Tax Impact for Potential Abatement Bond

Bond Issue Amount	**$150,000**
Average Interest Rate	**3.00%**
Number of Tax Levies	**5**

Type of Property	Estimated Market Value	Estimated Impact on Annual Taxes Payable in 2023*
Residential Homestead	$70,000	$4
	80,000	5
	90,000	6
	100,000	8
	125,000	10
	150,000	13
	175,000	16
	200,000	19
	300,000	31
	400,000	42
Commercial/ Industrial	$50,000	$8
	100,000	16
	250,000	45
	500,000	98
Agricultural Homestead** (average value per acre of land & buildings)	$1,000	$0.02
	2,000	0.03
	3,000	0.05
	4,000	0.06
Agricultural Non-Homestead** (average value per acre of land & buildings)	$1,000	$0.03
	2,000	0.06
	3,000	0.10
	4,000	0.13

* 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 will decrease the net effect of the proposed bond issue for those property owners.

** For all agricultural property, estimated tax impact for 2023 includes a 70% reduction due to the School Building Bond Agricultural Credit. 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 $1.9 million of agricultural homestead land and buildings, a portion of the property will be taxed at the higher non-homestead rate.