

September 27, 2021

Pre-Sale Report for

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

\$8,135,000 General Obligation
School Building Refunding Bonds, Series 2021A



Prepared by:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$8,135,000 General Obligation School Building Refunding Bonds, Series 2021A

Purposes:

The proposed issue will finance a current refunding of the 2023 and 2024 maturities of the \$31,215,000 General Obligation Refunding Bonds, Series 2012A.

The existing bonds have interest rates of 4.00% (see page 7). Based on current market conditions, we estimate that the new refunding bonds would have a True Interest Cost of 0.63% (see page 8). We estimate that the underwriter of the bonds will pay a premium (a price in excess of the par amount of the bonds) to purchase the bonds (see page 6). The lower True Interest Cost would reduce future debt service payments by an estimated \$356,987 (see page 9). The Net Present Value Benefit of the refunding is estimated to be \$354,051 equal to 3.94% of the refunded debt service. Actual results will be determined based on market conditions on the day of sale.

The refunding is considered to be a Current Refunding as the obligation being refunded will be callable within 90 days of the date of issue of the new Bonds. 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, Chapters 475 and 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 2 years and 2 months. Principal on the Bonds will be due on February 1 of 2023 and 2024. Interest will be every six months beginning August 1, 2022.

The Bonds are being offered without option of prior redemption.

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's most recent bond issues were rated "Aa2" (credit enhanced and underlying ratings). 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 School Building Refunding Bonds as a suitable option to meet the District's objective of reducing future debt service payments. General Obligation Bonds will result in lower interest rates than some other financing options.

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 will be used to reduce the principal amount of the Bonds.

Review of Existing Debt:

We have reviewed all outstanding indebtedness for the District and find that, other than the obligations proposed to be refunded by the 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 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:

Proceeds from the new Bonds will be available for investment by the District from the closing date (November 18, 2021) until shortly before the February 1, 2022 call date. Ehlers can assist the District in developing an investment strategy for your Bond proceeds until the funds are needed to redeem the refunded obligations.

Risk Factors:

The Bonds are being issued to finance a current refunding of prior District debt obligations. Those prior debt obligations are “callable” on February 1, 2022, so refunding bonds can be issued 90 days or less prior to that date. Because the new Bonds will not be callable, there will not be an opportunity to refund them again in the future. This refunding is being undertaken based in part on an assumption that market conditions warrant the refinancing at this time.

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 and School Board Approves Resolution Authorizing Sale of the Bonds:	September 27, 2021
Due Diligence Call to Review Official Statement:	Week of October 11, 2021
Conference with Rating Agency:	Week of October 11, 2021
Distribute Official Statement:	October 14, 2021
Ehlers Receives and Evaluates Proposals for Purchase of Bonds; School Board Meeting to Award Sale of Bonds:	October 25, 2021
Estimated Closing Date:	November 18, 2021
Redemption Date for the 2012A Bonds:	February 1, 2022

Attachments

Estimated Sources and Uses of Funds

Existing Debt Service Schedule for Callable Portion of 2012A Bonds

Estimated Debt Service Schedule for 2021A Refunding Bonds

Estimated Debt Service Comparison/Refunding Savings Analysis

Resolution Authorizing Ehlers to Proceed with Bond Sale/Credit Enhancement
Resolution (Provided Separately)

EHLERS' CONTACTS

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Jen Chapman, Senior Public Finance Analyst	(651) 697-8566
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The Preliminary Official Statement for this financing will be sent to the School Board at their home or email address for review prior to the sale date.

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

\$8,135,000 General Obligation School Building Refunding Bonds, Series 2021A

Dated: November 18, 2021

Proposed Current Refunding of Series 2012A

Sources & Uses

Dated 11/18/2021 | Delivered 11/18/2021

Sources Of Funds

Par Amount of Bonds	\$8,135,000.00
Reoffering Premium	490,848.45
Total Sources	\$8,625,848.45

Uses Of Funds

Total Underwriter's Discount (0.300%)	24,405.00
Costs of Issuance	67,500.00
Deposit to Current Refunding Fund	8,533,772.54
Rounding Amount	170.91
Total Uses	\$8,625,848.45

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

\$8,535,000 - Purpose One

Crossover Refunding of Series 2003B

Prior Original Debt Service

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/01/2022	-	-	-	-	-
08/01/2022	-	-	170,700.00	170,700.00	-
02/01/2023	4,180,000.00	4.000%	170,700.00	4,350,700.00	4,521,400.00
08/01/2023	-	-	87,100.00	87,100.00	-
02/01/2024	4,355,000.00	4.000%	87,100.00	4,442,100.00	4,529,200.00
Total	\$8,535,000.00	-	\$515,600.00	\$9,050,600.00	-

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/18/2021
Average Life	1.713 Years
Average Coupon	4.0000000%
Weighted Average Maturity (Par Basis)	1.713 Years
Weighted Average Maturity (Original Price Basis)	1.713 Years

Refunding Bond Information

Refunding Dated Date	11/18/2021
Refunding Delivery Date	11/18/2021

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Proposed Current Refunding of Series 2012A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/18/2021	-	-	-	-	-
08/01/2022	-	-	228,683.89	228,683.89	-
02/01/2023	3,950,000.00	4.000%	162,700.00	4,112,700.00	4,341,383.89
08/01/2023	-	-	83,700.00	83,700.00	-
02/01/2024	4,185,000.00	4.000%	83,700.00	4,268,700.00	4,352,400.00
Total	\$8,135,000.00	-	\$558,783.89	\$8,693,783.89	-

Yield Statistics

Bond Year Dollars	\$13,969.60
Average Life	1.717 Years
Average Coupon	4.0000000%
Net Interest Cost (NIC)	0.6610100%
True Interest Cost (TIC)	0.6348800%
Bond Yield for Arbitrage Purposes	0.4661666%
All Inclusive Cost (AIC)	1.1050012%

IRS Form 8038

Net Interest Cost	0.4565424%
Weighted Average Maturity	1.725 Years

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Proposed Current Refunding of Series 2012A

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2022	-	(170.91)	-	170.91
02/01/2023	4,341,383.89	4,341,383.89	4,521,400.00	180,016.11
02/01/2024	4,352,400.00	4,352,400.00	4,529,200.00	176,800.00
Total	\$8,693,783.89	\$8,693,612.98	\$9,050,600.00	\$356,987.02

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	353,880.10
Net PV Cashflow Savings @ 0.466%(Bond Yield).....	353,880.10
Contingency or Rounding Amount.....	170.91
Net Present Value Benefit	\$354,051.01
Net PV Benefit / \$8,979,728.55 PV Refunded Debt Service	3.943%
Net PV Benefit / \$8,535,000 Refunded Principal...	4.148%
Net PV Benefit / \$8,135,000 Refunding Principal..	4.352%

Refunding Bond Information

Refunding Dated Date	11/18/2021
Refunding Delivery Date	11/18/2021