July 18, 2016

Pre-Sale Report for

Independent School District No. 763 (Medford), Minnesota

$1,015,000 General Obligation Facilities Maintenance Bonds, Series 2016A

Medford Public School
ISD #763

Prepared by:

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And

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Executive Summary of Proposed Debt

Proposed Issue:	$1,015,000 General Obligation Facilities Maintenance Bonds, Series 2016A The Board will authorize the issuance of up to $1,040,000 in Bonds; this 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 replacement of roof top heating, ventilation and air conditioning units, repair and replacement of parking lot surfaces, and maintenance of the athletic field.
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 12 years, 5 months. Principal on the Bonds will be due on February 1 in the years 2019 through 2029. Interest is payable every six months beginning August 1, 2017. 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 the most effective method 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.
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." 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. We estimate that the underwriter would pay a net premium of approximately $26,000. A portion of the premium may be deposited in the construction fund, to ensure the district would have sufficient funds available to fund the estimated project costs. 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 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:	Because the Bonds are tax-exempt obligations/tax credit 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:** Standard & Poor's

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:	July 18, 2016
Distribute Official Statement:	Week of August 1, 2016
Conference with Rating Agency:	Week of August 1, 2016
Ehlers Receives and Evaluates Bids for the Bonds:	August 15, 2016
School Board Meeting to Award Sale of the Bonds:	August 15, 2016
Estimated Closing Date:	September 7, 2016

Attachments

Estimated Sources and Uses of Funds

Proposed Debt Service Schedule

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

Ehlers Contacts

Municipal Advisors:	Greg Crowe	(651) 697-8522
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	Shelby McQuay	(651) 697-8548
Disclosure Coordinator:	Wendy Lundberg	(651) 697-8540
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

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Estimated Sources and Uses of Funds
Proposed 2016 Facilities Maintenance Bonds

Bond Issue Amount	**$1,015,000**
Sources of Funds	
Par Amount of Bonds	$1,015,000
Estimated Premium	35,814
Estimated Investment Earnings*	0
Total Sources	$1,050,814
Uses of Funds	
Allowance for Discount Bidding	$10,150
Rounding Amount	664
Legal and Fiscal Costs **	28,550
Net Available for Project Costs	**1,011,450**
Total Uses	$1,050,814

* Because the project will be completed very quickly, we expect that investment earnings in the construction fund would be negligible.

** Includes fees for financial advisor, bond counsel, rating agency, paying agent and county certificates.

Medford School District, No. 763

Estimated Facilities Maintenance Bond Schedule

Deferrred Maintenance Projects

$1,015,000 Bond Issue
12 Years
48.1 % of Revenue Used

Principal Amount:	$1,015,000
Dated Date:	9/7/2016
Number of Years:	12
Avg. Interest Rate:	2.00%

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Based on Maximum Revenue Available for Deferred Maintenance Costs

Doesn't Include Potential Additional Revenue Available for Health & Safety Projects

Year Taxes Payable	Fiscal Year	LTFM Revenue	LTFM Levy	LTFM Aid	Principal	Interest	Total Payments	Remaining LTFM Revenue
2016	2017	$73,633	$30,472	$43,161	$0	$0	$0	$73,633
2017	2018	119,359	46,647	72,712	0	32,970	32,970	86,389
2018	2019	165,685	63,743	101,942	50,000	23,550	73,550	92,135
2019	2020	176,043	66,535	109,508	75,000	22,550	97,550	78,493
2020	2021	186,401	70,450	115,951	80,000	21,050	101,050	85,351
2021	2022	196,759	74,365	122,395	80,000	19,450	99,450	97,309
2022	2023	207,108	78,276	128,832	85,000	17,850	102,850	104,258
2023	2024	217,466	82,191	135,275	90,000	16,150	106,150	111,316
2024	2025	227,825	86,106	141,719	95,000	13,450	108,450	119,375
2025	2026	238,173	90,017	148,156	110,000	10,600	120,600	117,573
2026	2027	248,532	93,932	154,600	115,000	7,300	122,300	126,232
2027	2028	258,890	97,847	161,043	115,000	5,000	120,000	138,890
2028	2029	269,248	101,762	167,486	120,000	2,700	122,700	146,548
2029	2030	279,597	105,673	173,924	0	0	0	279,597
2030	2031	289,955	109,588	180,367	0	0	0	289,955
2031	2032	300,313	113,503	186,811	0	0	0	300,313
2032	2033	310,662	117,414	193,248	0	0	0	310,662
2033	2034	321,020	121,329	199,691	0	0	0	321,020
2034	2035	331,379	125,244	206,135	0	0	0	331,379
2035	2036	341,737	129,159	212,578	0	0	0	341,737
					$1,015,000	$192,620	$1,207,620	

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.*