

December 22, 2016

## Pre-Sale Report for

Independent School District No. 139  
(Rush City), Minnesota

\$1,105,000 General Obligation Facilities  
Maintenance Bonds, Series 2017A



**Prepared by:**

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## Executive Summary of Proposed Debt

Proposed Issue:	\$1,105,000 General Obligation Facilities Maintenance Bonds, Series 2017A
Purposes:	The proposed issue includes financing for roofing, parking lot and sidewalk repairs, and other deferred maintenance projects included in the District's ten-year facility plan approved by the Commissioner of Education.
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:	<p>The Bonds are being issued for a term of 10 years. Principal on the Bonds will be due on February 1 in the years 2018 through 2027. Interest is payable every six months beginning August 1, 2017.</p> <p>The Bonds are being offered without option of prior redemption.</p>
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:	<p>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.</p> <p>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.</p>
Rating:	<p>Under current bond ratings, the state credit enhancement would bring a Standard &amp; Poor's "AA+" rating.</p> <p>The District's most recent bond issues were rated "A+" by Standard &amp; Poor's. The District will request a new rating for the Bonds.</p> <p>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.</p>



Basis for Recommendation:	<p>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.</p> <ul style="list-style-type: none"> <li>• General Obligation Bonds will result in lower interest rates than some other financing options.</li> <li>• 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.</li> <li>• 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.</li> </ul>
Method of Sale/Placement:	<p>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.</p> <p>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.</p>
Premium Pricing Structure:	<p>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.”</p> <p>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.</p>
Review of Existing Debt:	<p>We have reviewed all outstanding indebtedness for the District and find that there are no refunding opportunities at this time.</p> <p>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.</p>
Continuing Disclosure:	<p>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.</p>



Arbitrage Monitoring:	<p>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.</p>
Other Service Providers:	<p>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.</p> <p><b>Bond Attorney:</b> Knutson, Flynn &amp; Deans, P.A.</p> <p><b>Paying Agent:</b> Bond Trust Services Corporation</p> <p><b>Rating Agency:</b> Moody's Investors Service</p>

*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:	December 22, 2016
Distribute Official Statement:	Week of January 2, 2017
Conference with Rating Agency:	Week of January 9, 2017
School Board Meeting to Award Sale of the Bonds:	January 19, 2017
Estimated Closing Date:	February 9, 2017

### Attachments

Estimated Sources and Uses of Funds

Estimated Long Term Facilities Maintenance Program Schedule with Proposed Bond Issue

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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	Andrea Uhl	(651) 697-8542
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. 139 (Rush City), Minnesota

\$1,105,000 General Obligation Facilities Maintenance Bonds, Series 2017

Dated February 9, 2017

### Sources & Uses

Dated 02/09/2017 | Delivered 02/09/2017

#### Sources Of Funds

Par Amount of Bonds	\$1,105,000.00
Reoffering Premium	11,903.05
<b>Total Sources</b>	<b>\$1,116,903.05</b>

#### Uses Of Funds

Total Underwriter's Discount (1.000%)	11,050.00
Costs of Issuance	29,578.00
Deposit to Project Construction Fund	1,076,275.05
<b>Total Uses</b>	<b>\$1,116,903.05</b>



# I.S.D. No. 139 (Rush City), Minnesota

\$1,105,000 General Obligation Facilities Maintenance Bonds, Series 2017

Dated February 9, 2017

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/09/2017	-	-	-	-	-
08/01/2017	-	-	12,905.97	12,905.97	-
02/01/2018	30,000.00	2.000%	13,506.25	43,506.25	56,412.22
08/01/2018	-	-	13,206.25	13,206.25	-
02/01/2019	105,000.00	2.000%	13,206.25	118,206.25	131,412.50
08/01/2019	-	-	12,156.25	12,156.25	-
02/01/2020	110,000.00	2.000%	12,156.25	122,156.25	134,312.50
08/01/2020	-	-	11,056.25	11,056.25	-
02/01/2021	115,000.00	2.000%	11,056.25	126,056.25	137,112.50
08/01/2021	-	-	9,906.25	9,906.25	-
02/01/2022	115,000.00	3.000%	9,906.25	124,906.25	134,812.50
08/01/2022	-	-	8,181.25	8,181.25	-
02/01/2023	120,000.00	3.000%	8,181.25	128,181.25	136,362.50
08/01/2023	-	-	6,381.25	6,381.25	-
02/01/2024	125,000.00	2.250%	6,381.25	131,381.25	137,762.50
08/01/2024	-	-	4,975.00	4,975.00	-
02/01/2025	125,000.00	2.500%	4,975.00	129,975.00	134,950.00
08/01/2025	-	-	3,412.50	3,412.50	-
02/01/2026	130,000.00	2.500%	3,412.50	133,412.50	136,825.00
08/01/2026	-	-	1,787.50	1,787.50	-
02/01/2027	130,000.00	2.750%	1,787.50	131,787.50	133,575.00
<b>Total</b>	<b>\$1,105,000.00</b>	<b>-</b>	<b>\$168,537.22</b>	<b>\$1,273,537.22</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$6,645.44
Average Life	6.014 Years
Average Coupon	2.5361317%
Net Interest Cost (NIC)	2.5232950%
True Interest Cost (TIC)	2.5184586%
Bond Yield for Arbitrage Purposes	2.3372636%
All Inclusive Cost (AIC)	3.0156021%

## IRS Form 8038

Net Interest Cost	2.3347232%
Weighted Average Maturity	6.007 Years

**Rush City School District No. 139****Estimated Facilities Maintenance Bond Schedule****\$1,105,000 Bond Issue****10 Years****38.8 % of Revenue Used**

Principal Amount: \$1,105,000  
 Dated Date: 2/9/2017  
 Number of Years: 10  
 Avg. Interest Rate: 2.52%

December 22, 2016

Year Taxes Payable	Fiscal Year	LTFM Revenue	LTFM Levy	LTFM Aid	Principal	Interest	Total Payments	Initial Debt Service Levies (P & I at 105%)	Remaining LTFM Revenue
2016	2017	\$140,251	\$69,085	\$71,166	\$0	\$0	\$0	\$0	\$140,251
2017	2018	223,842	116,315	107,528	30,000	26,412	56,412	59,233	164,609
2018	2019	301,720	155,434	146,286	105,000	26,413	131,413	137,983	163,737
2019	2020	312,139	158,229	153,909	110,000	24,313	134,313	141,028	171,111
2020	2021	322,557	162,125	160,432	115,000	22,113	137,113	143,968	178,589
2021	2022	332,976	167,371	165,605	115,000	19,813	134,813	141,553	191,423
2022	2023	343,394	172,606	170,788	120,000	16,363	136,363	143,181	200,214
2023	2024	353,813	177,837	175,976	125,000	12,763	137,763	144,651	209,162
2024	2025	364,231	183,074	181,158	125,000	9,950	134,950	141,698	222,534
2025	2026	364,648	183,281	181,367	130,000	6,825	136,825	143,666	220,982
2026	2027	364,648	183,281	181,367	130,000	3,575	133,575	140,254	224,394
2027	2028	364,648	183,281	181,367	0	0	0	0	364,648
2028	2029	364,648	183,281	181,367	0	0	0	0	364,648
2029	2030	364,648	183,281	181,367	0	0	0	0	364,648
2030	2031	364,648	183,281	181,367	0	0	0	0	364,648
2031	2032	364,648	183,281	181,367	0	0	0	0	364,648
2032	2033	364,648	183,281	181,367	0	0	0	0	364,648
2033	2034	364,648	183,281	181,367	0	0	0	0	364,648
2034	2035	364,648	183,281	181,367	0	0	0	0	364,648
2035	2036	364,648	183,281	181,367	0	0	0	0	364,648
					\$1,105,000	\$168,537	\$1,273,537	\$1,442,074	

Pupil Unit and ANTC assumptions match the district's 10 year plan as submitted to MDE.