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LEADERS IN PUBLIC FINANCE

September 17, 2015

Pre-Sale Report for

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

$9,760,000 General Obligation School Building Refunding Bonds, Series 2015A

Prepared by:

Greg Crowe
Municipal Advisor

And

Gary Olsen
Senior Municipal Advisor

Executive Summary of Proposed Debt

Proposed Issue:	$9,760,000 General Obligation School Building Refunding Bonds, Series 2015A
Purposes:	The proposed issue includes financing for the following purposes: The proposed issue will finance a current refunding of the 2017 through 2026 maturities of the district's $10,000,000 General Obligation School Building Refunding Bonds, Series 2006A. The purpose of the refunding is to reduce future debt service payments and tax levies. This refunding is considered to be a current refunding as the obligations being refunded will be callable within 90 days of the date of issue of the new Bonds. The existing bonds have interest rates of 3.8% to 4.1% (see page 7). Based on current market conditions, we estimate that the new refunding bonds would have interest rates of 2.0% to 3.0% (see page 8). We are also estimating that the underwriter of the bonds will pay a net premium (a price in excess of the par amount of the bonds) of approximately $190,000 (see page 6). The premium will be used to partially finance the refunding, and will reduce the amount of the new bond issue. Ehlers estimates that the refunding would reduce future net debt service payments by approximately $1.0 million over fiscal years 2017 through 2026, (see page 9). The Net Present Value Benefit of the refunding is estimated to be approximately $906,000, or 8.3% of the refunded debt service. This will cause a reduction in property tax levies for taxes payable in 2016 through 2025. Actual results will be determined based on market conditions on the day of sale.
Authority:	The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 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 term of approximately 10 years and two months, the same term as the existing bonds. Principal on the Bonds will be due on February 1 in the years 2017 through 2026. Interest is payable every six months beginning August 1, 2016. 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 Standard & Poor's "AA+" rating or a Moody's "Aa2" rating. The District's most recent bond issues were also rated "AA+" through the Minnesota Credit Enhancement Program, with an underlying rating of "A+" by Standard & Poor's. Moody's recently assigned an underlying rating of "A2" to the 2006A bonds. The District will request a new rating, both credit enhanced and underlying, 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 the most effective 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:	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 have not included an allowance for discount bidding for this issue. A discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction. 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. Any premium received will be used to reduce the amount of the new bonds issued.

Other Considerations:	Proceeds from the new Bonds will be available for investment by the District from the closing date (November 12, 2015) until shortly before the February 1, 2016 call date.
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 "material 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 securities, 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.
Risk Factors:	The Bonds are being issued to finance a current refunding of prior District debt obligations. Those prior debt obligations are "callable" beginning February 1, 2016 and can therefore be paid off within 90 days or less. The new Bonds will not be pre-payable. 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, 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:	September 17, 2015
Distribute Official Statement:	October 1, 2015
Conference with Rating Agency:	Week of October 5, 2015
Ehlers Receives and Evaluates Proposals for the Bonds:	October 15, 2015
School Board Meeting to Award Sale of the Bonds:	October 15, 2015
Estimated Closing Date:	November 12, 2015
Redemption Date for Series 2006A Bonds:	February 1, 2016

Attachments

Estimated Financing Schedules Related to Refunding

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

Ehlers Contacts

Municipal Advisors:	Greg Crowe	(651) 697-8522
	Gary Olsen	(651) 697-8513
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.

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

$9,760,000 General Obligation School Building Refunding Bonds, Dated November 12
Proposed Current Refunding of Series 2006A
Assuming Current GO BQ "A" Market Rates

Sources & Uses

Dated 11/12/2015 | Delivered 11/12/2015

Sources Of Funds

Par Amount of Bonds	$9,760,000.00
Reoffering Premium	265,209.55
Total Sources	**$10,025,209.55**

Uses Of Funds

Total Underwriter's Discount (0.800%)	78,080.00
Costs of Issuance	54,000.00
Deposit to Current Refunding Fund	9,890,000.00
Rounding Amount	3,129.55
Total Uses	**$10,025,209.55**

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

$10,000,000 General Obligation School Building Refunding Bonds, Series 2006A

Debt Service To Maturity And To Call

Date	Refunded Bonds	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/01/2016	9,890,000.00	9,890,000.00	-	-	-	-
02/01/2017	-	-	30,000.00	3.800%	394,770.00	424,770.00
02/01/2018	-	-	30,000.00	3.800%	393,630.00	423,630.00
02/01/2019	-	-	905,000.00	3.800%	392,490.00	1,297,490.00
02/01/2020	-	-	1,125,000.00	3.850%	358,100.00	1,483,100.00
02/01/2021	-	-	1,170,000.00	4.000%	314,787.50	1,484,787.50
02/01/2022	-	-	1,220,000.00	4.000%	267,987.50	1,487,987.50
02/01/2023	-	-	1,270,000.00	4.000%	219,187.50	1,489,187.50
02/01/2024	-	-	1,325,000.00	4.050%	168,387.50	1,493,387.50
02/01/2025	-	-	1,380,000.00	4.050%	114,725.00	1,494,725.00
02/01/2026	-	-	1,435,000.00	4.100%	58,835.00	1,493,835.00
Total	**$9,890,000.00**	**$9,890,000.00**	**$9,890,000.00**	-	**$2,682,900.00**	**$12,572,900.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/12/2015
Average Life	6.967 Years
Average Coupon	4.0193278%
Weighted Average Maturity (Par Basis)	6.967 Years

Refunding Bond Information

Refunding Dated Date	11/12/2015
Refunding Delivery Date	11/12/2015

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Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/12/2015	-	-	-	-	-
08/01/2016	-	-	177,666.81	177,666.81	-
02/01/2017	20,000.00	2.000%	123,475.00	143,475.00	321,141.81
08/01/2017	-	-	123,275.00	123,275.00	-
02/01/2018	75,000.00	2.000%	123,275.00	198,275.00	321,550.00
08/01/2018	-	-	122,525.00	122,525.00	-
02/01/2019	950,000.00	2.000%	122,525.00	1,072,525.00	1,195,050.00
08/01/2019	-	-	113,025.00	113,025.00	-
02/01/2020	1,155,000.00	2.000%	113,025.00	1,268,025.00	1,381,050.00
08/01/2020	-	-	101,475.00	101,475.00	-
02/01/2021	1,180,000.00	2.000%	101,475.00	1,281,475.00	1,382,950.00
08/01/2021	-	-	89,675.00	89,675.00	-
02/01/2022	1,205,000.00	2.000%	89,675.00	1,294,675.00	1,384,350.00
08/01/2022	-	-	77,625.00	77,625.00	-
02/01/2023	1,235,000.00	3.000%	77,625.00	1,312,625.00	1,390,250.00
08/01/2023	-	-	59,100.00	59,100.00	-
02/01/2024	1,275,000.00	3.000%	59,100.00	1,334,100.00	1,393,200.00
08/01/2024	-	-	39,975.00	39,975.00	-
02/01/2025	1,315,000.00	3.000%	39,975.00	1,354,975.00	1,394,950.00
08/01/2025	-	-	20,250.00	20,250.00	-
02/01/2026	1,350,000.00	3.000%	20,250.00	1,370,250.00	1,390,500.00
Total	**$9,760,000.00**	-	**$1,794,991.81**	**$11,554,991.81**	-

Yield Statistics

Bond Year Dollars	$67,091.78
Average Life	6.874 Years
Average Coupon	2.6754274%
Net Interest Cost (NIC)	2.3965116%
True Interest Cost (TIC)	2.3586158%
Bond Yield for Arbitrage Purposes	2.2334513%
All Inclusive Cost (AIC)	2.4458947%

IRS Form 8038

Net Interest Cost	2.2097260%
Weighted Average Maturity	6.906 Years

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$9,760,000 General Obligation School Building Refunding Bonds, Dated November 12
Proposed Current Refunding of Series 2006A
Assuming Current GO BQ "A" Market Rates

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2016	-	(3,129.55)	-	3,129.55
02/01/2017	321,141.81	321,141.81	424,770.00	103,628.19
02/01/2018	321,550.00	321,550.00	423,630.00	102,080.00
02/01/2019	1,195,050.00	1,195,050.00	1,297,490.00	102,440.00
02/01/2020	1,381,050.00	1,381,050.00	1,483,100.00	102,050.00
02/01/2021	1,382,950.00	1,382,950.00	1,484,787.50	101,837.50
02/01/2022	1,384,350.00	1,384,350.00	1,487,987.50	103,637.50
02/01/2023	1,390,250.00	1,390,250.00	1,489,187.50	98,937.50
02/01/2024	1,393,200.00	1,393,200.00	1,493,387.50	100,187.50
02/01/2025	1,394,950.00	1,394,950.00	1,494,725.00	99,775.00
02/01/2026	1,390,500.00	1,390,500.00	1,493,835.00	103,335.00
Total	**$11,554,991.81**	**$11,551,862.26**	**$12,572,900.00**	**$1,021,037.74**

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....................	902,875.78
Net PV Cashflow Savings @ 2.233%(Bond Yield).....	902,875.78
Contingency or Rounding Amount....................	3,129.55
Net Present Value Benefit	$906,005.33
Net PV Benefit / $10,928,085.33 PV Refunded Debt Service	8.291%
Net PV Benefit / $9,890,000 Refunded Principal...	9.161%
Net PV Benefit / $9,760,000 Refunding Principal..	9.283%

Refunding Bond Information

Refunding Dated Date	11/12/2015
Refunding Delivery Date	11/12/2015