



EHLERS
LEADERS IN PUBLIC FINANCE

September 15, 2016

Pre-Sale Report for

Independent School District No. 833
(South Washington County Schools), Minnesota

\$34,130,000 General Obligation Refunding Bonds, Series 2016E



Prepared by:

Jodie Zesbaugh, CIPMA
Senior Municipal Advisor

And

Joel Sutter, CIPMA
Senior Municipal Advisor



Executive Summary of Proposed Debt

Proposed Issue:	\$34,130,000 General Obligation Refunding Bonds, Series 2016E
Purposes:	<p>The proposed issue will finance an advance crossover refunding of: the 2019 through 2027 maturities of the \$39,000,000 G.O. School Building Bonds, Series 2008A and the 2019 through 2025 maturities of the \$11,250,000 G.O. Alternative Facilities Bonds, Series 2008B.</p> <p>The existing 2008A bonds have interest rates of 4.00% to 4.75% (see page 7) and the 2008B bonds have interest rates of 4.00% to 5.00% (see page 8). Based on current market conditions, we estimate that the new refunding bonds would have interest rates of 2.00% to 4.00% (see page 9). In addition, we expect that the underwriter of the bonds will pay a premium (a price in excess of the par amount of the bonds), as shown on page 6. Any premium will be used to reduce the par amount of the new issue. The lower interest rates, along with the premium paid by the underwriter, would reduce future debt service payments by an estimated \$4,776,000 over fiscal years 2019 through 2027. The Net Present Value Benefit of the refunding is estimated to be approximately \$4,336,000 equal to 10.5% of the refunded debt service (see page 10). Actual results will be determined based on market conditions on the day of sale.</p> <p>This refunding is considered an Advance Refunding as the new Bonds will be issued more than 90 days prior to the call date of the obligations being refunded. Debt service will be paid from the District’s annual debt service property tax levy.</p>
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:	<p>The Bonds are being issued for a term of 10 years and 3 months, matching the term of the existing bonds. Principal on the Bonds will be due on February 1 of 2019 through 2027. Interest is payable every six months beginning August 1, 2017.</p> <p>The Bonds maturing on February 1, 2027 will be subject to prepayment at the discretion of the District on February 1, 2026 or any date thereafter.</p>
Bank Qualification:	Because the District is issuing more than \$10,000,000 in tax-exempt obligations during the calendar year, the District will be not able to designate the Bonds as “bank qualified” obligations.



<p>State Credit Enhancement:</p>	<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>
<p>Rating:</p>	<p>Under current bond ratings, the state credit enhancement would bring a Moody's "Aa2" rating.</p> <p>The District's most recent bond issues were rated Moody's Investors Service. The current ratings on those bonds are "Aa2" (through the State Credit Enhancement Program) and "Aa3" (underlying rating). The District will request a new rating for the Bonds from Moody's.</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>
<p>Basis for Recommendation:</p>	<p>Based on our knowledge of your situation and characteristics of various municipal financing options, we are recommending the issuance of General Obligation 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.</p>
<p>Method of Sale/Placement:</p>	<p>In order to obtain the lowest interest cost to the District, we will solicit competitive bids for the purchase of the Bonds from banks and underwriting firms.</p> <p>We will include an allowance for discount bidding in the terms for the Bonds. 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>
<p>Premium Pricing Structure:</p>	<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." 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 Principal amount of the new Bonds.</p>



Escrow Account:	The proceeds of the Bonds will be invested in direct obligations of the U.S. Treasury, which will be held in an escrow account with U.S. Bank, National Association. The escrow account will be used to pay interest on the new Bonds through the call date of February 1, 2018, and to redeem the existing bonds on that date. On the day of sale, an independent CPA will verify that the funds in the escrow account will be sufficient to finance all required payments.
Review of Existing Debt:	<p>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.</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:	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, 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 for the purpose of financing an advance refunding of the 2008A and 2008B Bonds. Only one tax-exempt advance refunding of an original tax-exempt debt obligation is permitted under current IRS rules. This refunding is being undertaken based in part on the assumption that the advance refunding at this time is likely to provide an overall lower debt cost as compared to waiting to refund the issue at a later date.



<p>Other Service Providers:</p>	<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, but their final fees may vary slightly. If you have any questions pertaining to the identified service providers or their roles, or if you would like to use a different service provider for any of the listed services please contact us.</p> <p>Bond Attorney: Knutson, Flynn & Deans, P.A.</p> <p>Paying Agent: Bond Trust Services Corporation</p> <p>Rating Agency: Moody’s Investors Service</p> <p>CPA Escrow Verification Agent: Barthe & Wahrman</p> <p>Escrow Agent: U.S. Bank National Association</p> <p>Bidding Agent for Escrow Account Securities: Ehlers Investment Partners</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 and Adopt Resolution Providing for the Sale of the Bonds:	September 15, 2016
Distribute Official Statement:	Week of September 26, 2016
Conference Call with Rating Agency:	Week of October 3, 2016
Ehlers Receives and Evaluates Proposals:	October 13, 2016
School Board Meeting to Award Sale of the Bonds:	October 13, 2016
Estimated Closing Date:	November 8, 2016
Redemption Date for 2008A and 2008B Bonds:	February 1, 2018

Attachments

- Estimated Sources and Uses of Funds
- Existing Debt Service Schedules
- Estimated Debt Service Schedule
- Refunding Savings Analysis
- Escrow Account Cashflow
- Resolution Authorizing Ehlers to Proceed With Bond Sale/Credit Enhancement Resolution

Ehlers Contacts

Municipal Advisors:	Jodie Zesbaugh	(651) 697-8526
	Joel Sutter	(651) 697-8514
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.



South Washington County School District No. 833

\$34,130,000 G.O. School Building Bonds, Dated November 8, 2016

Issue Summary

Proposed Crossover Refunding of Series 2008A & 2008B

Total Issue Sources And Uses

Dated 11/08/2016 | Delivered 11/08/2016

	AR 2008A	AR 2008B	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$25,465,000.00	\$8,665,000.00	\$34,130,000.00
Reoffering Premium	3,003,924.40	1,310,795.70	4,314,720.10
Total Sources	\$28,468,924.40	\$9,975,795.70	\$38,444,720.10
Uses Of Funds			
Total Underwriter's Discount (0.500%)	127,325.00	43,325.00	170,650.00
Costs of Issuance	93,264.72	31,735.28	125,000.00
Deposit to Crossover Escrow Fund	28,246,736.08	9,899,382.52	38,146,118.60
Rounding Amount	1,598.60	1,352.90	2,951.50
Total Uses	\$28,468,924.40	\$9,975,795.70	\$38,444,720.10

South Washington County School District No. 833

\$39,000,000 G.O. School Building Bonds, Series 2008A

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S	Fiscal Total
02/01/2017	-	588,937.50	588,937.50	-	-	588,937.50	588,937.50	588,937.50
08/01/2017	-	588,937.50	588,937.50	-	-	588,937.50	588,937.50	-
02/01/2018	27,300,000.00	588,937.50	27,888,937.50	-	-	588,937.50	588,937.50	1,177,875.00
08/01/2018	-	-	-	-	-	588,937.50	588,937.50	-
02/01/2019	-	-	-	2,400,000.00	4.000%	588,937.50	2,988,937.50	3,577,875.00
08/01/2019	-	-	-	-	-	540,937.50	540,937.50	-
02/01/2020	-	-	-	2,500,000.00	4.000%	540,937.50	3,040,937.50	3,581,875.00
08/01/2020	-	-	-	-	-	490,937.50	490,937.50	-
02/01/2021	-	-	-	2,700,000.00	4.000%	490,937.50	3,190,937.50	3,681,875.00
08/01/2021	-	-	-	-	-	436,937.50	436,937.50	-
02/01/2022	-	-	-	2,700,000.00	4.000%	436,937.50	3,136,937.50	3,573,875.00
08/01/2022	-	-	-	-	-	382,937.50	382,937.50	-
02/01/2023	-	-	-	2,800,000.00	4.000%	382,937.50	3,182,937.50	3,565,875.00
08/01/2023	-	-	-	-	-	326,937.50	326,937.50	-
02/01/2024	-	-	-	3,300,000.00	4.125%	326,937.50	3,626,937.50	3,953,875.00
08/01/2024	-	-	-	-	-	258,875.00	258,875.00	-
02/01/2025	-	-	-	3,500,000.00	4.750%	258,875.00	3,758,875.00	4,017,750.00
08/01/2025	-	-	-	-	-	175,750.00	175,750.00	-
02/01/2026	-	-	-	3,600,000.00	4.750%	175,750.00	3,775,750.00	3,951,500.00
08/01/2026	-	-	-	-	-	90,250.00	90,250.00	-
02/01/2027	-	-	-	3,800,000.00	4.750%	90,250.00	3,890,250.00	3,980,500.00
Total	\$27,300,000.00	\$1,766,812.50	\$29,066,812.50	\$27,300,000.00	-	\$8,351,812.50	\$35,651,812.50	-

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/08/2016
Average Life	6.637 Years
Average Coupon	4.4341608%
Weighted Average Maturity (Par Basis)	6.637 Years
Weighted Average Maturity (Original Price Basis)	6.637 Years

Refunding Bond Information

Refunding Dated Date	11/08/2016
Refunding Delivery Date	11/08/2016

South Washington County School District No. 833

\$11,250,000 G.O. School Building Bonds, Series 2008B

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S	Fiscal Total
02/01/2017	-	210,406.25	210,406.25	-	-	210,406.25	210,406.25	210,406.25
08/01/2017	-	210,406.25	210,406.25	-	-	210,406.25	210,406.25	-
02/01/2018	9,550,000.00	210,406.25	9,760,406.25	-	-	210,406.25	210,406.25	420,812.50
08/01/2018	-	-	-	-	-	210,406.25	210,406.25	-
02/01/2019	-	-	-	575,000.00	5.000%	210,406.25	785,406.25	995,812.50
08/01/2019	-	-	-	-	-	196,031.25	196,031.25	-
02/01/2020	-	-	-	600,000.00	4.000%	196,031.25	796,031.25	992,062.50
08/01/2020	-	-	-	-	-	184,031.25	184,031.25	-
02/01/2021	-	-	-	525,000.00	5.000%	184,031.25	709,031.25	893,062.50
08/01/2021	-	-	-	-	-	170,906.25	170,906.25	-
02/01/2022	-	-	-	525,000.00	5.000%	170,906.25	695,906.25	866,812.50
08/01/2022	-	-	-	-	-	157,781.25	157,781.25	-
02/01/2023	-	-	-	525,000.00	4.250%	157,781.25	682,781.25	840,562.50
08/01/2023	-	-	-	-	-	146,625.00	146,625.00	-
02/01/2024	-	-	-	3,400,000.00	4.250%	146,625.00	3,546,625.00	3,693,250.00
08/01/2024	-	-	-	-	-	74,375.00	74,375.00	-
02/01/2025	-	-	-	3,400,000.00	4.375%	74,375.00	3,474,375.00	3,548,750.00
Total	\$9,550,000.00	\$631,218.75	\$10,181,218.75	\$9,550,000.00	-	\$2,911,531.25	\$12,461,531.25	-

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	11/08/2016
Average Life	6.704 Years
Average Coupon	4.3702722%
Weighted Average Maturity (Par Basis)	6.704 Years
Weighted Average Maturity (Original Price Basis)	6.704 Years

Refunding Bond Information

Refunding Dated Date	11/08/2016
Refunding Delivery Date	11/08/2016

South Washington County School District No. 833

\$34,130,000 G.O. School Building Bonds, Dated November 8, 2016

Issue Summary

Proposed Crossover Refunding of Series 2008A & 2008B

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/08/2016	-	-	-	-	-
08/01/2017	-	-	945,996.39	945,996.39	-
02/01/2018	-	-	647,450.00	647,450.00	1,593,446.39
08/01/2018	-	-	647,450.00	647,450.00	-
02/01/2019	2,710,000.00	4.000%	647,450.00	3,357,450.00	4,004,900.00
08/01/2019	-	-	593,250.00	593,250.00	-
02/01/2020	2,820,000.00	4.000%	593,250.00	3,413,250.00	4,006,500.00
08/01/2020	-	-	536,850.00	536,850.00	-
02/01/2021	2,930,000.00	4.000%	536,850.00	3,466,850.00	4,003,700.00
08/01/2021	-	-	478,250.00	478,250.00	-
02/01/2022	2,915,000.00	4.000%	478,250.00	3,393,250.00	3,871,500.00
08/01/2022	-	-	419,950.00	419,950.00	-
02/01/2023	2,995,000.00	4.000%	419,950.00	3,414,950.00	3,834,900.00
08/01/2023	-	-	360,050.00	360,050.00	-
02/01/2024	6,355,000.00	4.000%	360,050.00	6,715,050.00	7,075,100.00
08/01/2024	-	-	232,950.00	232,950.00	-
02/01/2025	6,535,000.00	4.000%	232,950.00	6,767,950.00	7,000,900.00
08/01/2025	-	-	102,250.00	102,250.00	-
02/01/2026	3,355,000.00	4.000%	102,250.00	3,457,250.00	3,559,500.00
08/01/2026	-	-	35,150.00	35,150.00	-
02/01/2027	3,515,000.00	2.000%	35,150.00	3,550,150.00	3,585,300.00
Total	\$34,130,000.00	-	\$8,405,746.39	\$42,535,746.39	-

Yield Statistics

Bond Year Dollars	\$228,123.86
Average Life	6.684 Years
Average Coupon	3.6847291%
Net Interest Cost (NIC)	1.8681414%
True Interest Cost (TIC)	1.7448112%
Bond Yield for Arbitrage Purposes	1.6702688%
All Inclusive Cost (AIC)	1.7996826%

IRS Form 8038

Net Interest Cost	1.5893917%
Weighted Average Maturity	6.695 Years

South Washington County School District No. 833

\$34,130,000 G.O. School Building Bonds, Dated November 8, 2016

Issue Summary

Proposed Crossover Refunding of Series 2008A & 2008B

Debt Service Comparison

Date	Total P+I	Const Loan		Existing D/S	Net New D/S	Old Net D/S	Savings
		Pmt					
02/01/2017	-	-	-	799,343.75	796,392.25	799,343.75	2,951.50
02/01/2018	1,593,446.39	(38,443,446.39)	-	38,448,687.50	1,598,687.50	1,598,687.50	-
02/01/2019	4,004,900.00	-	-	-	4,004,900.00	4,573,687.50	568,787.50
02/01/2020	4,006,500.00	-	-	-	4,006,500.00	4,573,937.50	567,437.50
02/01/2021	4,003,700.00	-	-	-	4,003,700.00	4,574,937.50	571,237.50
02/01/2022	3,871,500.00	-	-	-	3,871,500.00	4,440,687.50	569,187.50
02/01/2023	3,834,900.00	-	-	-	3,834,900.00	4,406,437.50	571,537.50
02/01/2024	7,075,100.00	-	-	-	7,075,100.00	7,647,125.00	572,025.00
02/01/2025	7,000,900.00	-	-	-	7,000,900.00	7,566,500.00	565,600.00
02/01/2026	3,559,500.00	-	-	-	3,559,500.00	3,951,500.00	392,000.00
02/01/2027	3,585,300.00	-	-	-	3,585,300.00	3,980,500.00	395,200.00
Total	\$42,535,746.39	(38,443,446.39)		\$39,248,031.25	\$43,337,379.75	\$48,113,343.75	\$4,775,964.00

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	4,333,105.70
Net PV Cashflow Savings @ 1.670%(Bond Yield).....	4,333,105.70
Contingency or Rounding Amount.....	2,951.50
Net Present Value Benefit	\$4,336,057.20
Net PV Benefit / \$41,208,922.64 PV Refunded Debt Service	10.522%
Net PV Benefit / \$36,850,000 Refunded Principal...	11.767%
Net PV Benefit / \$34,130,000 Refunding Principal..	12.705%

Refunding Bond Information

Refunding Dated Date	11/08/2016
Refunding Delivery Date	11/08/2016

South Washington County School District No. 833

\$34,130,000 G.O. School Building Bonds, Dated November 8, 2016

Issue Summary

Proposed Crossover Refunding of Series 2008A & 2008B

Crossover Escrow Fund Cashflow

Date	Principal	Rate	Interest	Zero Coupon	Reinvestment	Receipts	Disbursements	Cash Balance
11/08/2016	-	-	-	-	-	0.60	-	0.60
02/01/2017	-	-	55,254.19	(55,254.00)	-	0.19	-	0.79
08/01/2017	768,278.00	0.510%	122,464.53	-	55,254.00	945,996.53	945,996.39	0.93
02/01/2018	37,377,840.00	0.640%	119,609.07	-	-	37,497,449.07	37,497,450.00	-
Total	\$38,146,118.00	-	\$297,327.79	(55,254.00)	\$55,254.00	\$38,443,446.39	\$38,443,446.39	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield
Cash Deposit	0.60
Cost of Investments Purchased with Bond Proceeds	38,146,118.00
Total Cost of Investments	\$38,146,118.60
Target Cost of Investments at bond yield	\$37,672,315.39
Actual positive or (negative) arbitrage	(473,803.21)
Yield to Receipt	0.6383517%
Yield for Arbitrage Purposes	1.6702688%
State and Local Government Series (SLGS) rates for	9/01/2016