March 15, 2018

Pre-Sale Report for

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

$23,265,000 General Obligation Facilities Maintenance Bonds, Series 2018A

Prepared by:

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And

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Executive Summary of Proposed Debt

Proposed Issue:	$23,265,000 General Obligation Facilities Maintenance Bonds, Series 2018A. (The Board will authorize the issuance of up to $23,395,000 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 a portion of the deferred maintenance and health and safety projects planned for fiscal years 2019 and 2020 and 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, Section 123B.595 and Chapter 475. 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 14 years, 8 months. Principal on the Bonds will be due on February 1 of 2028 through 2033. Interest is payable every six months beginning February 1, 2019. The Bonds will be subject to prepayment at the discretion of the District on February 1, 2027 or any date thereafter.
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.
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 existing bond issues were rated by Moody’s Investors Service. The current ratings on those bonds are “A1” (underlying rating) and “Aa2” (credit-enhanced rating). The District will request a new rating for the Bonds from Moody’s. 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 a suitable option 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. • Unlike with some other financing options, the District will be able to finance the payments with an additional debt service levy.
Method of Sale/Placement:	In order to obtain the lowest interest cost to the District, 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 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 reduce the principal amount of the Bonds.
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. Any net premium received may be used to reduce the principal amount of the Bonds.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the District and are monitoring one existing bond issue (Series 2010A) that could be refunded in the near future, but are not recommending proceeding with a refunding 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 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.
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 their final fees may vary slightly. 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:** Moody's Investors Service

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; Approval of Resolution of Intent to Issue Bonds:	March 15, 2018
Distribute Official Statement:	Week of April 9, 2018
Conference with Rating Agency:	Week of April 16, 2018
Ehlers Receives and Evaluates Bids for the Bonds:	April 26, 2018
School Board Meeting to Award Sale of the Bonds:	April 26, 2018
Estimated Closing Date:	May 17, 2018

Attachments

Estimated Sources and Uses of Funds

Estimated Debt Service Schedule

Updated Long-Term Financing Plan for Debt and Capital Payments and Levies

Resolution of Intent to Issue Bonds (provided separately)

Ehlers Contacts

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

PRE-SALE ESTIMATES

South Washington County School District No. 833

Estimated Sources and Uses of Funds
Facilties Maintenance Bonds, Series 2018A
March 7, 2018

Authorized Bond Amount	**$23,395,000**
Estimated Bond Amount	**$23,265,000**
Number of Debt Services Levies	**14**
Number of Years/Term of Bond Issue	**15**
Dated Date of Bonds	**5/17/2018**
Sources of Funds	
Par Amount	$23,265,000
Underwriter's Premium	362,090
Investment Earnings *	116,557
Total Sources	$23,743,647
Uses of Funds	
Allowance for Discount Bidding	$232,650
Capitalized Interest **	0
Legal and Fiscal Costs #	83,120
Net Available for Project Costs	**23,427,877**
Total Uses	$23,743,647
Estimated Deposit to Construction Fund	**$23,311,320**

* Estimated investment earnings are based on an average interest rate of .50% and an average life of 12 months for investments.

** Assumes estimated interest payments of $611,849 due during fiscal year 2018-19 would be paid from funds on hand in the debt service fund.

\# Includes fees for municipal advisor, bond counsel, rating agency, paying agent, and county certificate.

South Washington County School District No. 833

$23,265,000 G.O. Facilities Maintenance Bonds, Series 2018A

Dated: May 17, 2018

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Debt Service Funds on Hand	Net New D/S	Fiscal Total
05/17/2018	-	-	-	-	-	-	-
02/01/2019	-	-	611,848.96	611,848.96	(611,848.96)	-	-
08/01/2019	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2020	-	-	433,593.75	433,593.75	-	433,593.75	867,187.50
08/01/2020	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2021	-	-	433,593.75	433,593.75	-	433,593.75	867,187.50
08/01/2021	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2022	-	-	433,593.75	433,593.75	-	433,593.75	867,187.50
08/01/2022	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2023	-	-	433,593.75	433,593.75	-	433,593.75	867,187.50
08/01/2023	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2024	-	-	433,593.75	433,593.75	-	433,593.75	867,187.50
08/01/2024	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2025	-	-	433,593.75	433,593.75	-	433,593.75	867,187.50
08/01/2025	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2026	-	-	433,593.75	433,593.75	-	433,593.75	867,187.50
08/01/2026	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2027	-	-	433,593.75	433,593.75	-	433,593.75	867,187.50
08/01/2027	-	-	433,593.75	433,593.75	-	433,593.75	-
02/01/2028	2,625,000.00	4.000%	433,593.75	3,058,593.75	-	3,058,593.75	3,492,187.50
08/01/2028	-	-	381,093.75	381,093.75	-	381,093.75	-
02/01/2029	2,855,000.00	4.000%	381,093.75	3,236,093.75	-	3,236,093.75	3,617,187.50
08/01/2029	-	-	323,993.75	323,993.75	-	323,993.75	-
02/01/2030	2,595,000.00	3.500%	323,993.75	2,918,993.75	-	2,918,993.75	3,242,987.50
08/01/2030	-	-	278,581.25	278,581.25	-	278,581.25	-
02/01/2031	4,985,000.00	3.500%	278,581.25	5,263,581.25	-	5,263,581.25	5,542,162.50
08/01/2031	-	-	191,343.75	191,343.75	-	191,343.75	-
02/01/2032	5,095,000.00	3.750%	191,343.75	5,286,343.75	-	5,286,343.75	5,477,687.50
08/01/2032	-	-	95,812.50	95,812.50	-	95,812.50	-
02/01/2033	5,110,000.00	3.750%	95,812.50	5,205,812.50	-	5,205,812.50	5,301,625.00
Total	**$23,265,000.00**	**-**	**$10,958,186.46**	**$34,223,186.46**	**(611,848.96)**	**$33,611,337.50**	**-**

Yield Statistics

Bond Year Dollars	$294,729.75
Average Life	12.668 Years
Average Coupon	3.7180456%
Net Interest Cost (NIC)	3.6741274%
True Interest Cost (TIC)	3.6631309%
Bond Yield for Arbitrage Purposes	3.5452406%
All Inclusive Cost (AIC)	3.6987041%

IRS Form 8038

Net Interest Cost	3.5473969%
Weighted Average Maturity	12.642 Years

PRE-SALE ESTIMATES

South Washington County Schools ISD No. 833

Preliminary Financing Plan for Future Facilites Maintenance Projects

Initial Plan for Fiscal Year 2019 and Beyond
Four Facilities Maintenance Bond Issues
in 2018, 2020, 2022 and 2024

March 7, 2018

	Future Facilities Maintenance Bond Issues			
	1st Issue	2nd Issue	3rd Issue	4th Issue
Bond Issue Amount:	$23,265,000	$20,150,000	$18,990,000	$18,930,000
Average Int. Rate:	3.66%	4.25%	4.25%	4.25%
Dated Date:	5/17/2018	5/1/2020	5/1/2022	5/1/2024

				Debt Service Levies - Existing Bonds [2]					Other Levies		Facilities Maintenance Funding						Combined Totals	
Levy Pay. Year	Fiscal Year	Tax Capacity Value [1] ($000s)		Building Bonds	AF/FM Bonds	Est. Debt Excess [3]	Net Levy	Tax Rate	Lease Levy [4]	Capital Project Levy [5]	General Fund Revenue	Principal	Interest	Addl. Debt Excess [3]	Est. Facilities Maintenance Aid	Debt Levy	Total Levy	Tax Rate
2017	2018	97,180	3.4%	27,063,436	2,050,886	(879,461)	28,234,861	29.05	2,269,167	1,176,476	3,373,110	-	-	-	(2,119,173)	-	32,934,441	33.89
2018	2019	105,000	8.0%	26,560,301	2,073,658	(1,428,881)	27,205,078	25.91	3,254,518	823,524	5,865,828	-	611,849 [6]	-	(3,007,354)	-	34,141,594	32.52
2019	2020	109,200	4.0%	27,227,786	2,153,467	(1,322,156)	28,059,096	25.70	3,254,518	2,160,929	4,450,328	-	867,188	-	(2,775,595)	910,547	36,059,824	33.02
2020	2021	111,384	2.0%	27,698,291	2,050,357	(1,338,689)	28,409,959	25.51	3,254,518	2,247,366	4,949,328	-	1,509,469 [6]	-	(3,000,989)	910,547	36,770,729	33.01
2021	2022	113,612	2.0%	28,620,716	2,023,424	(1,378,986)	29,265,154	25.76	3,254,518	2,292,314	4,052,828	-	1,723,563	-	(3,170,549)	1,809,741	37,504,005	33.01
2022	2023	115,884	2.0%	29,339,809	1,998,644	(1,410,230)	29,928,223	25.83	3,254,518	2,338,160	4,013,828	-	2,328,869 [6]	(81,438)	(2,990,641)	1,728,302	38,272,390	33.03
2023	2024	117,043	1.0%	20,684,816	12,934,499	(1,512,869)	32,106,446	27.43	3,254,518	2,384,923	1,298,828	-	2,530,638	(77,774)	(2,983,889)	2,579,396	38,640,223	33.01
2024	2025	118,213	1.0%	19,986,566	12,688,312	(1,470,369)	31,204,508	26.40	3,254,518	2,408,772	2,551,328	-	3,134,031 [6]	(116,073)	(2,935,819)	2,541,097	39,024,405	33.01
2025	2026	119,395	1.0%	19,075,429	11,097,562	(1,357,785)	28,815,206	24.13	3,254,518	2,432,860	4,406,828	-	3,335,163	(114,349)	(2,887,268)	3,387,571	39,409,715	33.01
2026	2027	120,589	1.0%	18,987,649	10,831,026	(1,341,840)	28,476,834	23.61	3,254,518	2,457,189	5,107,328	-	3,335,163	(152,441)	(2,838,232)	3,349,480	39,807,117	33.01
2027	2028	120,589	0.0%	6,189,409	12,731,775	(851,453)	18,069,731	14.98	3,254,518	2,481,761	9,000,000	2,670,000	3,335,163	(150,727)	(2,788,706)	6,154,694	36,171,998	30.00
2028	2029	120,589	0.0%	12,504,109	6,358,118	(848,800)	18,013,426	14.94	3,027,726	2,481,761	9,270,000	2,910,000	3,228,250	(276,961)	(2,788,706)	6,168,201	36,172,408	30.00
2029	2030	120,589	0.0%	12,623,389	6,352,868	(853,932)	18,122,325	15.03	3,027,726	2,481,761	9,548,100	2,660,000	3,111,713	(277,569)	(2,788,706)	5,782,729	36,173,935	30.00
2030	2031	120,589	0.0%	12,444,259	1,081,500	(608,659)	12,917,100	10.71	3,027,726	2,481,761	9,834,543	5,045,000	3,018,125	(260,223)	(2,788,706)	8,206,058	33,678,482	27.93
2031	2032	120,589	0.0%	13,416,349	-	(603,736)	12,812,613	10.63	3,027,726	2,481,761	10,129,579	5,145,000	2,841,100	(369,273)	(2,788,706)	8,016,132	33,679,106	27.93
2032	2033	120,589	0.0%	13,283,918	-	(597,776)	12,686,142	10.52	3,027,726	2,481,761	10,433,467	5,160,000	2,647,913	(360,726)	(2,788,706)	7,837,582	33,677,971	27.93
2033	2034	120,589	0.0%	13,094,498	-	(589,252)	12,505,246	10.37	3,027,726	2,481,761	10,746,471	5,220,000	2,454,163	(352,691)	(2,788,706)	7,705,179	33,677,677	27.93
2034	2035	120,589	0.0%	12,508,493	-	(562,882)	11,945,611	9.91	3,027,726	2,481,761	11,068,865	5,660,000	2,232,313	(346,733)	(2,788,706)	7,940,195	33,675,452	27.93
2035	2036	120,589	0.0%	-	-	-	-	-	3,027,726	2,481,761	11,400,931	11,405,000	1,991,763	(357,309)	(2,788,706)	13,709,292	27,831,003	23.08
2036	2037	120,589	0.0%	-	-	-	-	-	3,027,726	2,481,761	11,742,959	11,810,000	1,507,050	(616,918)	(2,788,706)	13,365,984	27,829,724	23.08
2037	2038	120,589	0.0%	-	-	-	-	-	3,027,726	2,481,761	12,095,247	11,960,000	1,005,125	(601,469)	(2,788,706)	13,011,912	27,827,940	23.08
2038	2039	120,589	0.0%	-	-	-	-	-	3,027,726	2,481,761	12,458,105	11,690,000	496,825	(585,536)	(2,788,706)	12,210,630	27,389,516	22.71
Totals				341,309,223	86,426,094	(18,957,759)	408,777,558		68,119,337	50,503,642	167,797,828	81,335,000	47,245,430	(5,098,210)	(62,173,980)	127,325,270	760,349,655	

1 Tax capacity value for taxes payable in 2017 is actual. Tax capacity estimates are based on proposed value for taxes payable in 2018 from Washington County, with estimated percentage changes for later years as shown above.
2 Initial debt service levies are set at 105 percent of the principal and interest payments during the next fiscal year.
3 Debt excess adjustment for taxes payable in 2017 and 2018 are actual amounts. Estimates for future years are based on 4.5% of the prior years' total debt service levy.
4 Lease levy amounts for future years are based on best available estimates of future payments for all current and planned future leases.
5 Estimates assume current Capital Project Levy would be renewed at same tax rate when it expires. For taxes payable in 2018, the MDE made an offsetting adjustment of $1,176,476 related to the Pay 2017 levy, because authority for previous capital project levy expired after taxes payable in 2016.
6 For the each Facilities Maintenance bond issue, interest payments due during first year would be paid from bond proceeds or funds on hand in debt service fund.

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DebtPlanSWCS 2018A Presale

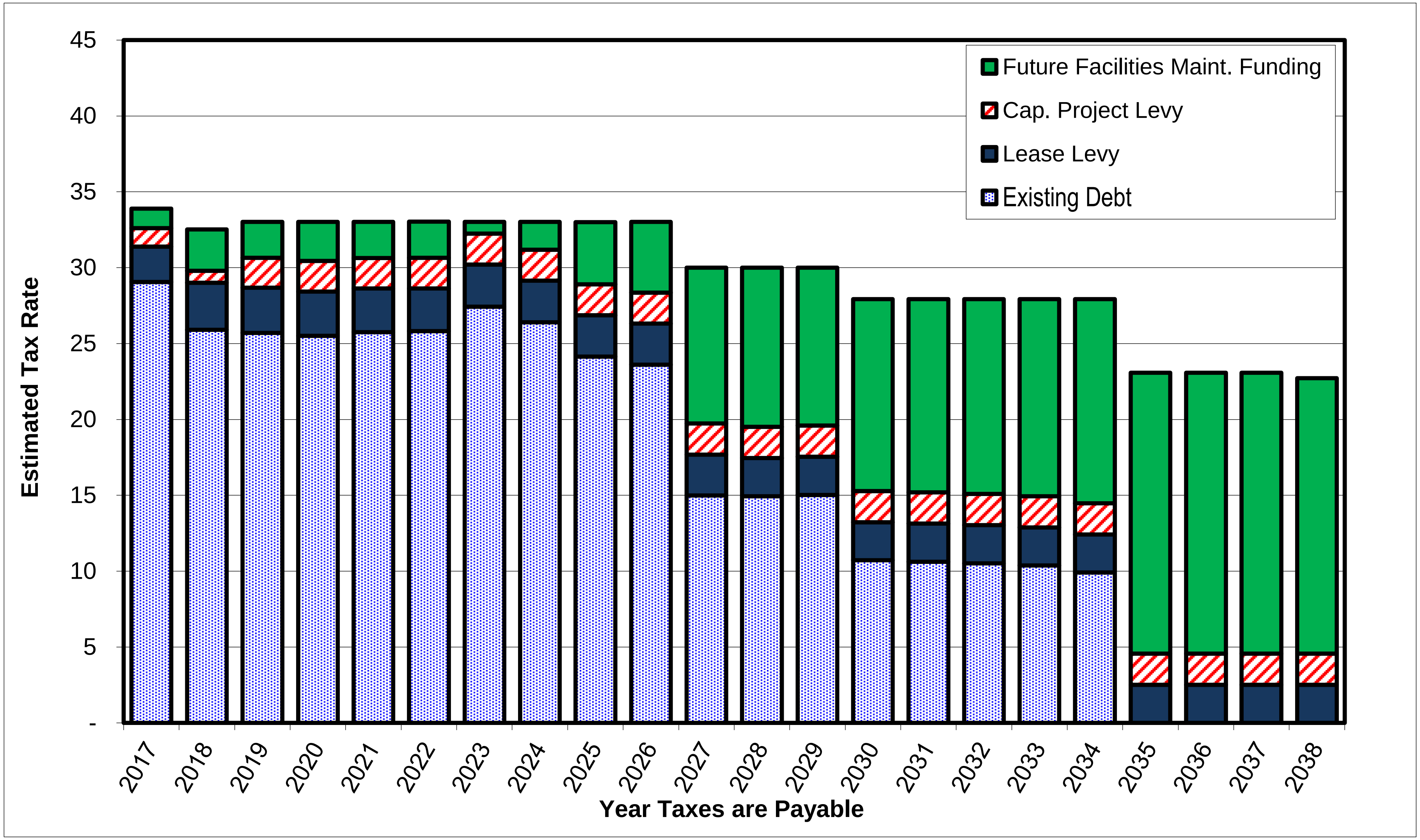
PRE-SALE ESTIMATES

South Washington County Schools ISD No. 833

Estimated Tax Rates for Capital and Debt Service Levies

Initial Plan for Fiscal Year 2019 and Beyond
Four Facilities Maintenance Bond Issues
in 2018, 2020, 2022 and 2024

Date Prepared: March 7, 2018



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