



EHLERS
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March 10, 2015

Pre-Sale Report for

City of Ramsey, Minnesota

\$3,970,000 General Obligation Capital Improvement Plan
Bonds, Series 2015A



Prepared by:

Stacie Kvilvang
Senior Financial Advisor

And

Shelly Eldridge
Senior Financial Advisor

And

Jason Aarsvold
Financial Advisor



Executive Summary of Proposed Debt

Proposed Issue:	\$3,970,000 General Obligation Capital Improvement Plan Bonds (CIP), Series 2015A
Purposes:	The proposed issue includes financing for the reconstruction of Fire Station #2. Debt service will be paid from ad valorem property taxes.
Authority:	<p>The Bonds are being issued pursuant to Minnesota Statutes, Chapter:</p> <ul style="list-style-type: none"> • 475.521 <p>The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.</p> <p>The Bonds count against the City’s General Obligation Debt Capacity Limit of 3% of estimated market value (EMV). In the City, the EMV for pay 2014 is \$1,795,975,400. Therefore, the total amount of outstanding debt cannot exceed \$53,879,262. As of February 10, 2015, the City has \$20,050,000 subject to the legal debt limit (this amount does not include the 2015A Bonds).</p> <p>In addition, a separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any one year on all CIP Bonds issued by the City debt cannot exceed 0.16% of the total estimated market value in the municipality. In the City, that maximum annual debt service amount is \$2,873,561 for the Pay 2014 tax year (\$1,795,975,400 x .0016). The annual principal and interest payments on the CIP Bonds proposed to be issued under this CIP will average approximately \$280,000. If you include other CIP debt outstanding, the annual principal and interest payments on all CIP debt will be approximately \$1,608,000. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act</p>
Term/Call Feature:	<p>The Bonds are being issued for a 20 year term. Principal on the Bonds will be due on December 1 in the years 2017 through 2035. Interest is payable every six months beginning December 1, 2015.</p> <p>The Bonds maturing on and after February 1, 2024 will be subject to prepayment at the discretion of the City on February 1, 2023 or any date thereafter.</p>
Bank Qualification:	Because the City is issuing less than \$10,000,000 in the calendar year, the City 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.



<p>Rating:</p>	<p>The City’s most recent bond issues were rated “AA+” by Standard & Poor’s. The City 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 City’s bond rating in the event that the bond rating of the insurer is higher than that of the City.</p>
<p>Basis for Recommendation:</p>	<p>Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of general obligation CIP bonds as a suitable financing option because this option is the only viable and cost effective option available to finance this type of project under state law.</p>
<p>Method of Sale/Placement:</p>	<p>In order to obtain the lowest interest cost to the City, we will solicit competitive bids for purchase of the Bonds from local banks in your area and regional underwriters.</p> <p>We have included an allowance for discount bidding equal to 1.20000% 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.</p> <p>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 Bids: 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>The amount of the premium varies, but it is not uncommon to see premiums for new issues in the range of 2.00% to 10.00% of the face amount of the issue. This means that an issuer with a \$2,000,000 offering may receive bids that result in proceeds of \$2,040,000 to \$2,200,000.</p> <p>For this issue of Bonds we have been directed to use the premium to reduce the size of the issue. The adjustments may slightly change the true interest cost of the original bid, either up or down.</p> <p>You have the choice to limit the amount of premium in the bid specifications. This may result in fewer bids, but it may also eliminate large adjustments on the day of sale and other uncertainties.</p>
<p>Review of Existing Debt:</p>	<p>We have reviewed all outstanding indebtedness for the City 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 City’s outstanding debt and will alert you to any future refunding opportunities.</p>



Continuing Disclosure:	Because the City has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the City 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 City 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/tax credit securities, the City 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. You have retained Ehlers to assist you with compliance with these rules.
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>Bond Attorney: Briggs and Morgan, Professional Association</p> <p>Paying Agent: Bond Trust Services Corporation</p> <p>Rating Agency: Standard & Poors</p>

This presale report summarizes our understanding of the City’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 City’s objectives.



Proposed Debt Issuance Schedule

Public Hearing and Pre-Sale Review by City Council	March 10, 2015
Reverse referendum period ends (within 30 days of the public hearing)	April 9, 2015
Distribute Official Statement:	By May 11, 2015
Conference with Rating Agency:	Week of May 18, 2015
City Council Meeting to Award Sale of the Bonds:	May 26, 2015
Estimated Closing Date:	June 18, 2015

Attachments

Sources and Uses of Funds

Proposed Debt Service Schedule

Resolution Approving Public Hearing and Authorizing Ehlers to Proceed With Bond Sale

Capital Improvement Plan

Ehlers Contacts

Financial Advisors:	Stacie Kvilvang	(651) 697-8506
	Shelly Eldridge	(651) 697-8504
	Jason Aarsvold	(651)-697-8512
Disclosure Coordinator:	Jen Chapman	(651) 697-8566
Financial Analyst:	Alicia Gage	(651) 697-8551

The Official Statement for this financing will be mailed to the City Council at their home address or e-mailed for review prior to the sale date.



