

October 27, 2020  
Pre-Sale Report for

# City of Ramsey, Minnesota

\$9,935,000 General Obligation Capital  
Improvement Plan Bonds, Series 2020A



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**Prepared by:**

Ehlers  
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**Advisors:**

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**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$9,935,000 General Obligation Capital Improvement Plan Bonds, Series 2020A

## Purposes:

The proposed issue includes financing to fund the construction of a new public works facility utilizing General Obligation Bonds authorized through a Capital Improvement Plan. Debt service will be paid from ad valorem property taxes.

## Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475.521.

The Bonds count against the City's net debt limit. The City may not incur debt in excess of 3% of assessor's estimated market value for the City. In the City, the EMV for pay 2020 is \$1,650,987,200. Therefore, the total amount of outstanding debt cannot exceed \$49,529,616. As of October 14, 2020, the City has \$26,135,000 subject to the legal debt limit. This figure is inclusive of the proposed 2020A Bonds.

In addition, a separate limitation under the CIP Act is that, without referendum, the total amount of principal and interest in any single year payable on all CIP Bonds issued by the City cannot exceed 0.16% of the total estimated market value in the municipality. In the City, that maximum annual debt service amount is \$2,641,580 for pay 2020 tax year ( $\$1,650,987,200 \times .0016$ ). The highest annual principal and interest payments on the City's existing CIP Bonds plus those proposed to be issued under this CIP are estimated to be approximately \$1,136,865. As such, debt service on the CIP Bonds will be within the annual limits under the CIP Act.

The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

## Term/Call Feature:

The Bonds are being issued for a term of 21 years (10 years of principle payments), with interest only payments through 2031 to wrap around existing Municipal Center debt. Principal on the Bonds will be due on December 15 in the years 2032 through 2041. Interest is payable every six months beginning June 15, 2021.

The Bonds will be subject to prepayment at the discretion of the City on December 15, 2030 or any date thereafter.

### **Bank Qualification:**

Because the City is expecting to issue no more than \$10,000,000 in tax exempt debt during 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.

### **Rating:**

The City’s most recent bond issues were rated by Standard & Poor’s. The current ratings on those bonds are “AA+”. The City will request a new rating 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 City’s bond rating in the event that the bond rating of the insurer is higher than that of the City.

### **Basis for Recommendation:**

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.

The CIP Bonds represent the legal authority and the most cost-efficient means of financing the new public works facility, and is expected to yield the lowest possible interest cost while also preserving future prepayment flexibility. In addition, the competitive sale approach described below is consistent with the City’s historical debt issuance method, as well as best practices published by the Governmental Finance Officers Association (GFOA).

### **Method of Sale/Placement:**

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 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 reduce your borrowing amount.

### **Premium Pricing:**

In some cases, 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 City. 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.

For this issue of Bonds we have been directed to use the net premium to reduce the size of the issue for the project. The resulting adjustments may slightly change the true interest cost of the issue, either up or down.

The amount of premium can be restricted in the bid specifications. Restrictions on premium may result in fewer bids, but may also eliminate large adjustments on the day of sale and unintended impacts with respect to debt service payment. Ehlers will identify appropriate premium restrictions for the Bonds intended to achieve the City's objectives for this financing.

### **Review of Existing Debt:**

We have reviewed all outstanding indebtedness for the City and find that there are no refunding opportunities at this time.

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.

### **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 reportable 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 tax-exempt obligations, 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 defined in the Arbitrage Certificate prepared by your Bond Attorney and provided at closing. You have retained Ehlers to assist you in complying with these rules.

### **Investment of Bond Proceeds:**

To maximize interest earnings we recommend using an SEC registered investment advisor to assist with the investment of bond proceeds until they are needed to pay project costs. Ehlers is a registered investment advisor, and can assist the City in developing an appropriate investment strategy if needed.

## **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 the 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 Counsel:** Taft Stettinius & Hollister LLP

**Paying Agent:** Bond Trust Services Corporation

**Rating Agency:** Standard & Poor's Global Ratings (S&P)

## **Summary:**

The decisions to be made by the City Council are as follows:

- Accept or modify the finance assumptions described in this report
- Adopt the resolution attached to this report.

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

Pre-Sale Review by City Council:	October 27, 2020
Due Diligence Call to review Official Statement:	Week of November 23, 2020
Distribute Official Statement:	Week of November 23, 2020
Conference with Rating Agency:	Week of November 30, 2020
City Council Meeting to Award Sale of the Bonds:	December 8, 2020
Estimated Closing Date:	By December 30, 2020

### Attachments

Estimated Sources and Uses of Funds

Estimated Proposed Debt Service Schedule

## EHLERS' CONTACTS

Stacie Kvilvang, Senior Municipal Advisor	(651) 697-8506
Jason Aarsvold, Senior Municipal Advisor	(651) 697-8512
Keith Dahl, Financial Specialist	(651) 697-8595
Jen Chapman, Senior Public Finance Analyst	(651) 697-8566
Alicia Gage, Senior Financial Analyst	(651) 697-8551

The Preliminary Official Statement for this financing will be sent to the City Council at their home or email address for review prior to the sale date.

# City of Ramsey, Minnesota

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\$9,935,000 General Obligation CIP Bonds, Series 2020A

Assumes Current Market BQ AA+ Rates plus 25bps

Wrap Around Debt

## Sources & Uses

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Dated 12/30/2020 | Delivered 12/30/2020

### Sources Of Funds

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Par Amount of Bonds	\$9,935,000.00
<b>Total Sources</b>	<b>\$9,935,000.00</b>

### Uses Of Funds

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Total Underwriter's Discount (1.000%)	99,350.00
Costs of Issuance	76,000.00
Deposit to Project Construction Fund	9,759,537.00
Rounding Amount	113.00
<b>Total Uses</b>	<b>\$9,935,000.00</b>

# City of Ramsey, Minnesota

\$9,935,000 General Obligation CIP Bonds, Series 2020A

Assumes Current Market BQ AA+ Rates plus 25bps

Wrap Around Debt

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/30/2020	-	-	-	-	-
06/15/2021	-	-	81,489.38	81,489.38	-
12/15/2021	-	-	88,897.50	88,897.50	170,386.88
06/15/2022	-	-	88,897.50	88,897.50	-
12/15/2022	-	-	88,897.50	88,897.50	177,795.00
06/15/2023	-	-	88,897.50	88,897.50	-
12/15/2023	-	-	88,897.50	88,897.50	177,795.00
06/15/2024	-	-	88,897.50	88,897.50	-
12/15/2024	-	-	88,897.50	88,897.50	177,795.00
06/15/2025	-	-	88,897.50	88,897.50	-
12/15/2025	-	-	88,897.50	88,897.50	177,795.00
06/15/2026	-	-	88,897.50	88,897.50	-
12/15/2026	-	-	88,897.50	88,897.50	177,795.00
06/15/2027	-	-	88,897.50	88,897.50	-
12/15/2027	-	-	88,897.50	88,897.50	177,795.00
06/15/2028	-	-	88,897.50	88,897.50	-
12/15/2028	-	-	88,897.50	88,897.50	177,795.00
06/15/2029	-	-	88,897.50	88,897.50	-
12/15/2029	-	-	88,897.50	88,897.50	177,795.00
06/15/2030	-	-	88,897.50	88,897.50	-
12/15/2030	-	-	88,897.50	88,897.50	177,795.00
06/15/2031	-	-	88,897.50	88,897.50	-
12/15/2031	-	-	88,897.50	88,897.50	177,795.00
06/15/2032	-	-	88,897.50	88,897.50	-
12/15/2032	920,000.00	1.450%	88,897.50	1,008,897.50	1,097,795.00
06/15/2033	-	-	82,227.50	82,227.50	-
12/15/2033	935,000.00	1.550%	82,227.50	1,017,227.50	1,099,455.00
06/15/2034	-	-	74,981.25	74,981.25	-
12/15/2034	950,000.00	1.600%	74,981.25	1,024,981.25	1,099,962.50
06/15/2035	-	-	67,381.25	67,381.25	-
12/15/2035	965,000.00	1.700%	67,381.25	1,032,381.25	1,099,762.50
06/15/2036	-	-	59,178.75	59,178.75	-
12/15/2036	980,000.00	1.750%	59,178.75	1,039,178.75	1,098,357.50
06/15/2037	-	-	50,603.75	50,603.75	-
12/15/2037	1,000,000.00	1.850%	50,603.75	1,050,603.75	1,101,207.50
06/15/2038	-	-	41,353.75	41,353.75	-
12/15/2038	1,015,000.00	1.900%	41,353.75	1,056,353.75	1,097,707.50
06/15/2039	-	-	31,711.25	31,711.25	-
12/15/2039	1,035,000.00	1.950%	31,711.25	1,066,711.25	1,098,422.50
06/15/2040	-	-	21,620.00	21,620.00	-
12/15/2040	1,055,000.00	2.000%	21,620.00	1,076,620.00	1,098,240.00
06/15/2041	-	-	11,070.00	11,070.00	-
12/15/2041	1,080,000.00	2.050%	11,070.00	1,091,070.00	1,102,140.00
<b>Total</b>	<b>\$9,935,000.00</b>	<b>-</b>	<b>\$3,006,386.88</b>	<b>\$12,941,386.88</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$164,951.04
Average Life	16.603 Years
Average Coupon	1.8225934%
Net Interest Cost (NIC)	1.8828234%
True Interest Cost (TIC)	1.8887092%
Bond Yield for Arbitrage Purposes	1.8181423%
All Inclusive Cost (AIC)	1.9432506%

## IRS Form 8038

Net Interest Cost	1.8225934%
Weighted Average Maturity	16.603 Years

2020A GO CIP Bonds - PreS | SINGLE PURPOSE | 10/12/2020 | 2:40 PM

# City of Ramsey, Minnesota

\$9,935,000 General Obligation CIP Bonds, Series 2020A

Assumes Current Market BQ AA+ Rates plus 25bps

Wrap Around Debt

## Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+	Existing D/S	Net New D/S	Fiscal Total
12/30/2020	-	-	-	-	-	-	-
06/15/2021	-	-	81,489.38	81,489.38	178,506.25	259,995.63	-
12/15/2021	-	-	88,897.50	88,897.50	998,506.25	1,087,403.75	1,347,399.38
06/15/2022	-	-	88,897.50	88,897.50	162,106.25	251,003.75	-
12/15/2022	-	-	88,897.50	88,897.50	1,037,106.25	1,126,003.75	1,377,007.50
06/15/2023	-	-	88,897.50	88,897.50	148,981.25	237,878.75	-
12/15/2023	-	-	88,897.50	88,897.50	1,068,981.25	1,157,878.75	1,395,757.50
06/15/2024	-	-	88,897.50	88,897.50	135,181.25	224,078.75	-
12/15/2024	-	-	88,897.50	88,897.50	1,100,181.25	1,189,078.75	1,413,157.50
06/15/2025	-	-	88,897.50	88,897.50	120,706.25	209,603.75	-
12/15/2025	-	-	88,897.50	88,897.50	1,130,706.25	1,219,603.75	1,429,207.50
06/15/2026	-	-	88,897.50	88,897.50	105,556.25	194,453.75	-
12/15/2026	-	-	88,897.50	88,897.50	1,145,556.25	1,234,453.75	1,428,907.50
06/15/2027	-	-	88,897.50	88,897.50	89,956.25	178,853.75	-
12/15/2027	-	-	88,897.50	88,897.50	1,159,956.25	1,248,853.75	1,427,707.50
06/15/2028	-	-	88,897.50	88,897.50	73,906.25	162,803.75	-
12/15/2028	-	-	88,897.50	88,897.50	1,178,906.25	1,267,803.75	1,430,607.50
06/15/2029	-	-	88,897.50	88,897.50	57,331.25	146,228.75	-
12/15/2029	-	-	88,897.50	88,897.50	1,192,331.25	1,281,228.75	1,427,457.50
06/15/2030	-	-	88,897.50	88,897.50	39,596.88	128,494.38	-
12/15/2030	-	-	88,897.50	88,897.50	1,214,596.88	1,303,494.38	1,431,988.76
06/15/2031	-	-	88,897.50	88,897.50	20,503.13	109,400.63	-
12/15/2031	-	-	88,897.50	88,897.50	1,235,503.13	1,324,400.63	1,433,801.26
06/15/2032	-	-	88,897.50	88,897.50	-	88,897.50	-
12/15/2032	920,000.00	1.450%	88,897.50	1,008,897.50	-	1,008,897.50	1,097,795.00
06/15/2033	-	-	82,227.50	82,227.50	-	82,227.50	-
12/15/2033	935,000.00	1.550%	82,227.50	1,017,227.50	-	1,017,227.50	1,099,455.00
06/15/2034	-	-	74,981.25	74,981.25	-	74,981.25	-
12/15/2034	950,000.00	1.600%	74,981.25	1,024,981.25	-	1,024,981.25	1,099,962.50
06/15/2035	-	-	67,381.25	67,381.25	-	67,381.25	-
12/15/2035	965,000.00	1.700%	67,381.25	1,032,381.25	-	1,032,381.25	1,099,762.50
06/15/2036	-	-	59,178.75	59,178.75	-	59,178.75	-
12/15/2036	980,000.00	1.750%	59,178.75	1,039,178.75	-	1,039,178.75	1,098,357.50
06/15/2037	-	-	50,603.75	50,603.75	-	50,603.75	-
12/15/2037	1,000,000.00	1.850%	50,603.75	1,050,603.75	-	1,050,603.75	1,101,207.50
06/15/2038	-	-	41,353.75	41,353.75	-	41,353.75	-
12/15/2038	1,015,000.00	1.900%	41,353.75	1,056,353.75	-	1,056,353.75	1,097,707.50
06/15/2039	-	-	31,711.25	31,711.25	-	31,711.25	-
12/15/2039	1,035,000.00	1.950%	31,711.25	1,066,711.25	-	1,066,711.25	1,098,422.50
06/15/2040	-	-	21,620.00	21,620.00	-	21,620.00	-
12/15/2040	1,055,000.00	2.000%	21,620.00	1,076,620.00	-	1,076,620.00	1,098,240.00
06/15/2041	-	-	11,070.00	11,070.00	-	11,070.00	-
12/15/2041	1,080,000.00	2.050%	11,070.00	1,091,070.00	-	1,091,070.00	1,102,140.00
<b>Total</b>	<b>\$9,935,000.00</b>	<b>-</b>	<b>\$3,006,386.88</b>	<b>\$12,941,386.88</b>	<b>\$13,594,662.52</b>	<b>\$26,536,049.40</b>	<b>-</b>

# City of Ramsey, Minnesota

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\$9,935,000 General Obligation CIP Bonds, Series 2020A  
Assumes Current Market BQ AA+ Rates plus 25bps  
Wrap Around Debt

## Detail Costs Of Issuance

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Dated 12/30/2020 | Delivered 12/30/2020

### COSTS OF ISSUANCE DETAIL

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Municipal Advisor	\$43,000.00
Bond Counsel	\$15,500.00
Rating Agency Fee (S&P)	\$16,500.00
Miscellaneous	\$1,000.00
<b>TOTAL</b>	<b>\$76,000.00</b>

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# City of Ramsey, Minnesota

\$9,935,000 General Obligation CIP Bonds, Series 2020A

Assumes Current Market BQ AA+ Rates plus 25bps

Wrap Around Debt

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
12/15/2021	-	-	170,386.88	170,386.88	178,906.22
12/15/2022	-	-	177,795.00	177,795.00	186,684.75
12/15/2023	-	-	177,795.00	177,795.00	186,684.75
12/15/2024	-	-	177,795.00	177,795.00	186,684.75
12/15/2025	-	-	177,795.00	177,795.00	186,684.75
12/15/2026	-	-	177,795.00	177,795.00	186,684.75
12/15/2027	-	-	177,795.00	177,795.00	186,684.75
12/15/2028	-	-	177,795.00	177,795.00	186,684.75
12/15/2029	-	-	177,795.00	177,795.00	186,684.75
12/15/2030	-	-	177,795.00	177,795.00	186,684.75
12/15/2031	-	-	177,795.00	177,795.00	186,684.75
12/15/2032	920,000.00	1.450%	177,795.00	1,097,795.00	1,152,684.75
12/15/2033	935,000.00	1.550%	164,455.00	1,099,455.00	1,154,427.75
12/15/2034	950,000.00	1.600%	149,962.50	1,099,962.50	1,154,960.63
12/15/2035	965,000.00	1.700%	134,762.50	1,099,762.50	1,154,750.63
12/15/2036	980,000.00	1.750%	118,357.50	1,098,357.50	1,153,275.38
12/15/2037	1,000,000.00	1.850%	101,207.50	1,101,207.50	1,156,267.88
12/15/2038	1,015,000.00	1.900%	82,707.50	1,097,707.50	1,152,592.88
12/15/2039	1,035,000.00	1.950%	63,422.50	1,098,422.50	1,153,343.63
12/15/2040	1,055,000.00	2.000%	43,240.00	1,098,240.00	1,153,152.00
12/15/2041	1,080,000.00	2.050%	22,140.00	1,102,140.00	1,157,247.00
<b>Total</b>	<b>\$9,935,000.00</b>	<b>-</b>	<b>\$3,006,386.88</b>	<b>\$12,941,386.88</b>	<b>\$13,588,456.22</b>

## Significant Dates

Dated	12/30/2020
First Coupon Date	6/15/2021

## Yield Statistics

Bond Year Dollars	\$164,951.04
Average Life	16.603 Years
Average Coupon	1.8225934%
Net Interest Cost (NIC)	1.8828234%
True Interest Cost (TIC)	1.8887092%
Bond Yield for Arbitrage Purposes	1.8181423%
All Inclusive Cost (AIC)	1.9432506%

## IRS Form 8038

Net Interest Cost	1.8225934%
Weighted Average Maturity	16.603 Years