

August 24, 2021  
Pre-Sale Report for

# City of Ramsey, Minnesota

\$10,700,000 General Obligation Capital  
Improvement Plan Refunding Bonds Series 2021A



---

**Prepared by:**

Ehlers  
3060 Centre Pointe Drive  
Roseville, MN 55113

**Advisors:**

Stacie Kvilvang, Senior Municipal Advisor  
Jason Aarsvold, Senior Municipal Advisor  
Keith Dahl, Municipal Advisor

---

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

# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$10,700,000 General Obligation Capital Improvement Plan Refunding Bonds Series 2021A

## Purposes:

The proposed issue includes financing for a current refunding of the 2012A General Obligation Capital Improvement Plan Bonds which were previously issued for an advance refunding of the 2005A Public Project Lease Revenue Bonds used to finance construction of the City's Municipal Center. Debt service will be paid from ad valorem property taxes.

Interest rates on the obligations proposed to be refunded are 3.000% to 3.375%. The refunding is expected to reduce debt service expense by approximately \$1,047,892 over the next 10 years. The Net Present Value Benefit of the refunding is estimated to be \$989,737 equal to 9.417% of the refunded principal.

This proposed issue is considered a Current Refunding as the obligations being refunded are callable on December 15, 2021 and will be pre-payable within 90 days of the date of issue of the new Bonds.

## Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 475.521, as amended. They will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

The Bonds count against the Net Debt Limit of 3% of the EMV of taxable property in the City. The total amount of outstanding debt may not exceed approximately \$89.7 million. Since the City has \$23,530,000 (inclusive of the proposed 2021A Bonds) of debt subject to the Net Debt Limit, the City is well under the maximum limit.

## Term/Call Feature:

The Bonds are being issued for a term of 10 years (remaining term of the existing bonds). Principal on the Bonds will be due on December 15 in the years 2022 through 2031. Interest is payable every six months beginning June 15, 2022.

The Bonds will be subject to prepayment at the discretion of the City on December 15, 2028 or any date thereafter.

## Bank Qualification:

Because the City is issuing more than \$10,000,000 in tax-exempt obligations during the calendar year, the City will be not able to designate the Bonds as "bank qualified" obligations.

## **Rating:**

The City's most recent bond issues were rated by S&P Global Ratings. 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 Refunding Bonds.

The CIP Bonds represent the legal authority and the most cost-efficient means of refunding the 2012A GO CIP Bonds, 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. 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 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 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:**

The City must ensure compliance with certain sections of the Internal Revenue Code and Treasury Regulations ("Arbitrage Rules") throughout the life of the issue to maintain the tax-exempt status of the Bonds. These Arbitrage Rules apply to amounts held in construction, escrow, reserve, debt service account(s), etc., along with related investment income on each fund/account.

IRS audits will verify compliance with rebate, yield restriction and records retention requirements within the Arbitrage Rules. The City's specific arbitrage responsibilities will be detailed in the Nonarbitrage Certificate (the "Tax Compliance Document") prepared by your Bond Attorney and provided at closing.

The Bonds may qualify for one or more exception(s) to the Arbitrage Rules by meeting 1) small issuer exception, 2) spend down requirements, 3) bona fide debt service fund limits, 4) reasonable reserve requirements, 5) expenditure within an available period limitations, 6) investments yield restrictions, 7) de minimis rules, or; 8) borrower limited requirements.

You have retained Ehlers to assist you with these reports.

## **Risk Factors:**

**Current Refunding:** The Bonds are being issued to finance a current refunding of prior City debt obligations. Those prior debt obligations are callable on or after December 15, 2021. The new Bonds will not be pre-payable until December 15, 2028.

This refunding is being undertaken based in part on an assumption that the City does not expect to pre-pay off this debt prior to the new call date and that market conditions warrant the refunding 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, 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:	August 24, 2021
Due Diligence Call to review Official Statement:	Week of September 13, 2021
Distribute Official Statement:	Week of September 13, 2021
Conference with Rating Agency:	Week of September 13, 2021
City Council Meeting to Award Sale of the Bonds:	September 28, 2021
Estimated Closing Date:	October 19, 2021
Redemption Date for the Obligations Being Refunded:	December 15, 2021

### Attachments

- Estimated Sources and Uses of Funds
- Estimated Proposed Debt Service Schedule
- Estimated Debt Service Comparison
- Resolution Authorizing Ehlers to Proceed with Bond Sale

## EHLERS' CONTACTS

Stacie Kvilvang, Senior Municipal Advisor	(651) 697-8506
Jason Aarsvold, Senior Municipal Advisor	(651) 697-8512
Keith Dahl, Municipal Advisor	(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

\$10,700,000 General Obligation CIP Refunding Bonds, Series 201A  
Proposed Current Refunding of Series 2012A  
Assuming GO Non-BQ "AA+" Market Rates + 15 bps

## Sources & Uses

Dated 10/19/2021 | Delivered 10/19/2021

### Sources Of Funds

Par Amount of Bonds	\$10,700,000.00
<b>Total Sources</b>	<b>\$10,700,000.00</b>

### Uses Of Funds

Total Underwriter's Discount (1.000%)	107,000.00
Costs of Issuance	83,000.00
Deposit to Current Refunding Fund	10,510,000.00
<b>Total Uses</b>	<b>\$10,700,000.00</b>



# City of Ramsey, Minnesota

\$10,700,000 General Obligation CIP Refunding Bonds, Series 201A

Proposed Current Refunding of Series 2012A

Assuming GO Non-BQ "AA+" Market Rates + 15 bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/19/2021	-	-	-	-	-
06/15/2022	-	-	64,092.03	64,092.03	-
12/15/2022	980,000.00	0.400%	48,883.75	1,028,883.75	1,092,975.78
06/15/2023	-	-	46,923.75	46,923.75	-
12/15/2023	1,020,000.00	0.500%	46,923.75	1,066,923.75	1,113,847.50
06/15/2024	-	-	44,373.75	44,373.75	-
12/15/2024	1,040,000.00	0.600%	44,373.75	1,084,373.75	1,128,747.50
06/15/2025	-	-	41,253.75	41,253.75	-
12/15/2025	1,065,000.00	0.700%	41,253.75	1,106,253.75	1,147,507.50
06/15/2026	-	-	37,526.25	37,526.25	-
12/15/2026	1,070,000.00	0.800%	37,526.25	1,107,526.25	1,145,052.50
06/15/2027	-	-	33,246.25	33,246.25	-
12/15/2027	1,080,000.00	0.900%	33,246.25	1,113,246.25	1,146,492.50
06/15/2028	-	-	28,386.25	28,386.25	-
12/15/2028	1,090,000.00	1.050%	28,386.25	1,118,386.25	1,146,772.50
06/15/2029	-	-	22,663.75	22,663.75	-
12/15/2029	1,100,000.00	1.250%	22,663.75	1,122,663.75	1,145,327.50
06/15/2030	-	-	15,788.75	15,788.75	-
12/15/2030	1,120,000.00	1.350%	15,788.75	1,135,788.75	1,151,577.50
06/15/2031	-	-	8,228.75	8,228.75	-
12/15/2031	1,135,000.00	1.450%	8,228.75	1,143,228.75	1,151,457.50
<b>Total</b>	<b>\$10,700,000.00</b>	<b>-</b>	<b>\$669,758.28</b>	<b>\$11,369,758.28</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$61,754.44
Average Life	5.771 Years
Average Coupon	1.0845507%
Net Interest Cost (NIC)	1.2578176%
True Interest Cost (TIC)	1.2615204%
Bond Yield for Arbitrage Purposes	1.0804394%
All Inclusive Cost (AIC)	1.4037002%

## IRS Form 8038

Net Interest Cost	1.0845507%
Weighted Average Maturity	5.771 Years

# City of Ramsey, Minnesota

\$10,700,000 General Obligation CIP Refunding Bonds, Series 201A

Proposed Current Refunding of Series 2012A

Assuming GO Non-BQ "AA+" Market Rates + 15 bps

## Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/15/2021	-	-	-	-
12/15/2022	1,092,975.78	1,092,975.78	1,199,212.50	106,236.72
12/15/2023	1,113,847.50	1,113,847.50	1,217,962.50	104,115.00
12/15/2024	1,128,747.50	1,128,747.50	1,235,362.50	106,615.00
12/15/2025	1,147,507.50	1,147,507.50	1,251,412.50	103,905.00
12/15/2026	1,145,052.50	1,145,052.50	1,251,112.50	106,060.00
12/15/2027	1,146,492.50	1,146,492.50	1,249,912.50	103,420.00
12/15/2028	1,146,772.50	1,146,772.50	1,252,812.50	106,040.00
12/15/2029	1,145,327.50	1,145,327.50	1,249,662.50	104,335.00
12/15/2030	1,151,577.50	1,151,577.50	1,254,193.76	102,616.26
12/15/2031	1,151,457.50	1,151,457.50	1,256,006.26	104,548.76
<b>Total</b>	<b>\$11,369,758.28</b>	<b>\$11,369,758.28</b>	<b>\$12,417,650.02</b>	<b>\$1,047,891.74</b>

## PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 1.080%(Bond Yield).....	989,736.53
Net Present Value Benefit	\$989,736.53
Net PV Benefit / \$11,689,736.53 PV Refunded Debt Service	8.467%
Net PV Benefit / \$10,510,000 Refunded Principal...	9.417%
Net PV Benefit / \$10,700,000 Refunding Principal..	9.250%

## Refunding Bond Information

Refunding Dated Date	10/19/2021
Refunding Delivery Date	10/19/2021

# City of Ramsey, Minnesota

\$10,700,000 General Obligation CIP Refunding Bonds, Series 201A  
Proposed Current Refunding of Series 2012A  
Assuming GO Non-BQ "AA+" Market Rates + 15 bps

## Detail Costs Of Issuance

Dated 10/19/2021 | Delivered 10/19/2021

### COSTS OF ISSUANCE DETAIL

Municipal Advisor	\$45,000.00
Bond Counsel	\$18,000.00
Rating Agency Fee	\$19,000.00
Miscellaneous	\$1,000.00
<b>TOTAL</b>	<b>\$83,000.00</b>



# City of Ramsey, Minnesota

\$10,700,000 General Obligation CIP Refunding Bonds, Series 201A

Proposed Current Refunding of Series 2012A

Assuming GO Non-BQ "AA+" Market Rates + 15 bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
12/15/2021	-	-	-	-	-
12/15/2022	980,000.00	0.400%	112,975.78	1,092,975.78	1,147,624.57
12/15/2023	1,020,000.00	0.500%	93,847.50	1,113,847.50	1,169,539.88
12/15/2024	1,040,000.00	0.600%	88,747.50	1,128,747.50	1,185,184.88
12/15/2025	1,065,000.00	0.700%	82,507.50	1,147,507.50	1,204,882.88
12/15/2026	1,070,000.00	0.800%	75,052.50	1,145,052.50	1,202,305.13
12/15/2027	1,080,000.00	0.900%	66,492.50	1,146,492.50	1,203,817.13
12/15/2028	1,090,000.00	1.050%	56,772.50	1,146,772.50	1,204,111.13
12/15/2029	1,100,000.00	1.250%	45,327.50	1,145,327.50	1,202,593.88
12/15/2030	1,120,000.00	1.350%	31,577.50	1,151,577.50	1,209,156.38
12/15/2031	1,135,000.00	1.450%	16,457.50	1,151,457.50	1,209,030.38
<b>Total</b>	<b>\$10,700,000.00</b>	<b>-</b>	<b>\$669,758.28</b>	<b>\$11,369,758.28</b>	<b>\$11,938,246.19</b>

## Significant Dates

Dated	10/19/2021
First Coupon Date	6/15/2022

## Yield Statistics

Bond Year Dollars	\$61,754.44
Average Life	5.771 Years
Average Coupon	1.0845507%
Net Interest Cost (NIC)	1.2578176%
True Interest Cost (TIC)	1.2615204%
Bond Yield for Arbitrage Purposes	1.0804394%
All Inclusive Cost (AIC)	1.4037002%

## IRS Form 8038

Net Interest Cost	1.0845507%
Weighted Average Maturity	5.771 Years