

June 1, 2026

PRE-SALE REPORT FOR

## City of Breezy Point, Minnesota

Approximately \$1,690,000 General Obligation  
Street Reconstruction Plan Bonds, Series 2026A



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**Prepared by:**

Ehlers  
3001 Broadway Street, Suite 320  
Minneapolis, MN 55413

**Advisors:**

Todd Hagen, Senior Municipal Advisor  
Rebecca Kurtz, Senior Municipal Advisor  
Schane Rudlang, Municipal Advisor

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# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$1,690,000 General Obligation Street Reconstruction Plan Bonds, Series 2026A

The City has directed Ehlers to assist in a financing method that does not require voter approval and would allow for payments over 10 years.

## Purpose:

The proposed issue includes fixed rate/tax-exempt financing with LRIP grant and township road funds, for the construction of the Buschmann Road Improvements in the City.

Debt service will be paid from ad valorem property taxes.

## Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475 (street reconstruction plan and general bonding authority).

The Bonds require a public hearing and a 30-day reverse referendum period to allow for the issuance of bonds and to approve the street reconstruction plan. The public hearing was held on November 3, 2025. The reverse referendum period ended on December 3, 2025.

The Bonds count against the Net Debt Limit of 3% of the estimated market value of taxable property in the City. The Bonds do not exceed the City's debt limit.

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 10 years. Principal on the Bonds will be due on February 1 in the years 2028 through 2037. Interest will be due every six months beginning August 1, 2027.

The Bonds will be subject to prepayment at the discretion of the City on February 1, 2034 or any date thereafter.

## Bank Qualified:

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 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 if the bond rating of the insurer is higher than that of the City.

## Basis for Recommendation:

Based on our knowledge of the City's situation, their objectives communicated to us, our advisory relationship as well as characteristics of various financing options, we are recommending the issuance of general obligation street reconstruction plan bonds with a full competitive sale as a suitable financing option for the following reasons:

- General obligation bonds provide a straight-forward approach to financing projects identified by the City.
- We expect that the size and term of the issue, with bank qualification and the City's high bond rating, will attract several quality bids based upon similar recent sales in Minnesota.
- The City does not expect to have surplus resources adequate to prepay the debt prior to the scheduled maturities.
- This is generally the most overall cost-effective option.

Because of its larger size, we are recommending against offering the Bonds to a limited number of local and regional banks and selling this issue rated through a full competitive process to the public market using an official statement. Also, there are no special circumstances that would require a negotiated sale.

This method of sale complies with City policy as well as best practices endorsed by the Government Finance Officers Association (GFOA).

## Method of Sale/Placement:

We are recommending the Bonds be issued as municipal securities and offered through a competitive underwriting process. You will solicit competitive bids, which we will compile on your behalf, for the purchase of the Bonds from underwriters and banks.

An allowance for discount bidding will be incorporated 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 more than 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.

For this issue of Bonds, we have been directed to use the net premium to reduce the size of the issue rather than increasing the net proceeds for the project; but that could change on the day of sale. The resulting adjustments may slightly change the true interest cost of the issue, either up or down.

### **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 less 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 its Audited Financial Statements 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 prepared by your bond attorney and provided at closing.

**Small Issuer Exception (\$5M or less)** – The City expects to qualify for the small issuer exception to arbitrage rebate on the Bonds.

We recommend that the City review its specific responsibilities related to the Bonds with an arbitrage expert to help monitor the exception used above.

An Ehlers arbitrage expert will contact the City within 30 days after the sale date to review the City’s specific responsibilities for the Bonds. The City is currently receiving arbitrage services from Ehlers in relation to the Bonds.

## Investment of Bond Proceeds:

Ehlers can assist the City in developing a strategy to invest your Bond proceeds until the funds are needed to pay project costs.

## Risk Factors:

**GO Pledge:** Because the Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged, if the annual property tax levy collected is not sufficient to pay the debt service payments, other City funds will need to be used.

## Other Considerations:

The Bonds are structured according to the engineers' estimate. Prior to the sale date, the amount of the Bonds may change depending on the construction bidding results.

## 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

**Paying Agent:** Bond Trust Services

**Rating Agency:** Standard & Poor's

## 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 pre-sale 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:	June 1, 2026
Due Diligence Call to review Official Statement and Conference with Rating Agency:	Week of June 22, 2026
Print Official Statement:	June 25, 2026
City Council Meeting to Award Sale of the Bonds:	July 6, 2026
Estimated Closing Date:	July 23, 2026

### Attachments

- Estimated Sources and Uses of Funds
- Estimated Proposed Debt Service Schedule
- Bond Buyer Index
- Resolution Authorizing Ehlers to Proceed with Bond Sale (provided separately)

## EHLERS' CONTACTS

Todd Hagen, Senior Municipal Advisor	(651) 697-8508
Rebecca Kurtz, Senior Municipal Advisor	(651) 697-8516
Schane Rudlang, Municipal Advisor	(651) 697-8527
Faben Bekele, Public Finance Analyst	(651) 697-8531
Alicia Gage, Senior Financial Analyst	(651) 697-8551

# City of Breezy Point, Minnesota

\$1,690,000 General Obligation Street Reconstruction Plan Bonds, Series 2026A  
Assumes Current Market BQ "AA" Rated Rates plus 50bps  
10 Years

## Sources & Uses

Dated 07/23/2026 | Delivered 07/23/2026

### Sources Of Funds

Par Amount of Bonds	\$1,690,000.00
LRIP Grant	1,500,000.00
Township Contribution	580,000.00
<b>Total Sources</b>	<b>\$3,770,000.00</b>

### Uses Of Funds

Total Underwriter's Discount (1.200%)	20,280.00
Costs of Issuance	57,000.00
Deposit to Project Construction Fund	3,690,358.70
Rounding Amount	2,361.30
<b>Total Uses</b>	<b>\$3,770,000.00</b>



# City of Breezy Point, Minnesota

\$1,690,000 General Obligation Street Reconstruction Plan Bonds, Series 2026A

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10 Years

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/23/2026	-	-	-	-	-
08/01/2027	-	-	62,020.78	62,020.78	-
02/01/2028	115,000.00	3.300%	30,336.25	145,336.25	207,357.03
08/01/2028	-	-	28,438.75	28,438.75	-
02/01/2029	150,000.00	3.350%	28,438.75	178,438.75	206,877.50
08/01/2029	-	-	25,926.25	25,926.25	-
02/01/2030	155,000.00	3.350%	25,926.25	180,926.25	206,852.50
08/01/2030	-	-	23,330.00	23,330.00	-
02/01/2031	165,000.00	3.450%	23,330.00	188,330.00	211,660.00
08/01/2031	-	-	20,483.75	20,483.75	-
02/01/2032	170,000.00	3.500%	20,483.75	190,483.75	210,967.50
08/01/2032	-	-	17,508.75	17,508.75	-
02/01/2033	175,000.00	3.600%	17,508.75	192,508.75	210,017.50
08/01/2033	-	-	14,358.75	14,358.75	-
02/01/2034	180,000.00	3.650%	14,358.75	194,358.75	208,717.50
08/01/2034	-	-	11,073.75	11,073.75	-
02/01/2035	185,000.00	3.750%	11,073.75	196,073.75	207,147.50
08/01/2035	-	-	7,605.00	7,605.00	-
02/01/2036	195,000.00	3.800%	7,605.00	202,605.00	210,210.00
08/01/2036	-	-	3,900.00	3,900.00	-
02/01/2037	200,000.00	3.900%	3,900.00	203,900.00	207,800.00
<b>Total</b>	<b>\$1,690,000.00</b>	<b>-</b>	<b>\$397,607.03</b>	<b>\$2,087,607.03</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$10,817.56
Average Life	6.401 Years
Average Coupon	3.6755719%
Net Interest Cost (NIC)	3.8630449%
True Interest Cost (TIC)	3.8792087%
Bond Yield for Arbitrage Purposes	3.6619324%
All Inclusive Cost (AIC)	4.5095016%

## IRS Form 8038

Net Interest Cost	3.6755719%
Weighted Average Maturity	6.401 Years

# City of Breezy Point, Minnesota

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Assumes Current Market BQ "AA" Rated Rates plus 50bps

10 Years

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2027	-	-	-	-	-
02/01/2028	115,000.00	3.300%	92,357.03	207,357.03	217,724.88
02/01/2029	150,000.00	3.350%	56,877.50	206,877.50	217,221.38
02/01/2030	155,000.00	3.350%	51,852.50	206,852.50	217,195.13
02/01/2031	165,000.00	3.450%	46,660.00	211,660.00	222,243.00
02/01/2032	170,000.00	3.500%	40,967.50	210,967.50	221,515.88
02/01/2033	175,000.00	3.600%	35,017.50	210,017.50	220,518.38
02/01/2034	180,000.00	3.650%	28,717.50	208,717.50	219,153.38
02/01/2035	185,000.00	3.750%	22,147.50	207,147.50	217,504.88
02/01/2036	195,000.00	3.800%	15,210.00	210,210.00	220,720.50
02/01/2037	200,000.00	3.900%	7,800.00	207,800.00	218,190.00
<b>Total</b>	<b>\$1,690,000.00</b>	<b>-</b>	<b>\$397,607.03</b>	<b>\$2,087,607.03</b>	<b>\$2,191,987.38</b>

## Significant Dates

Dated	7/23/2026
First Coupon Date	8/01/2027

## Yield Statistics

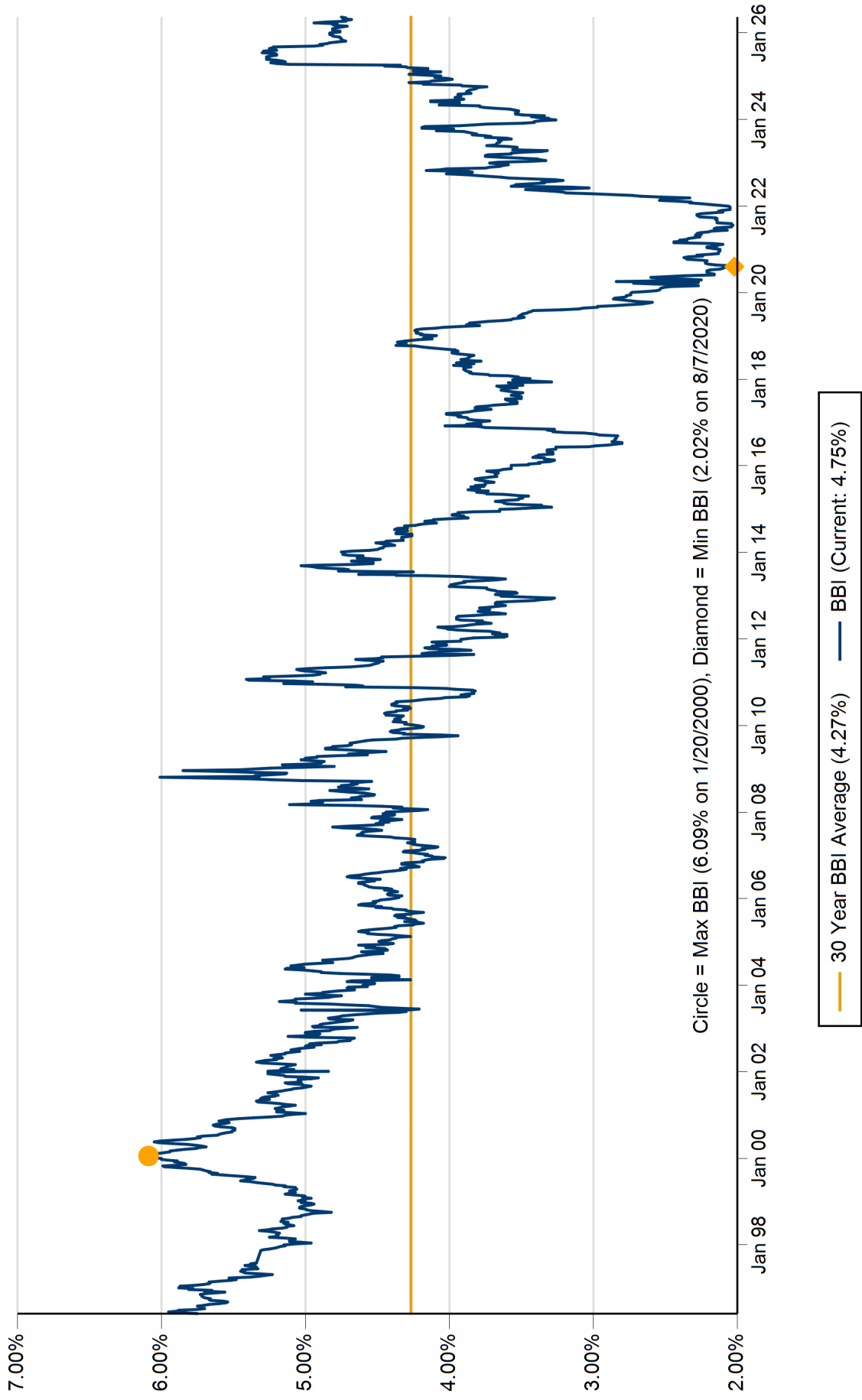
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# 30 YEAR TREND IN MUNICIPAL BOND INDICES

Weekly Rates May, 1996 - May, 2026



The Bond Buyer "20 Bond Index" (BBI) shows average yields on a group of municipal bonds that mature in 20 years and have an average rating equivalent to Moody's Aa2 and S&P's AA.

Source: The Bond Buyer

