

July 26, 2021
Revised November 1, 2021

Pre-Sale Report for

City of Grand Rapids, Minnesota

\$1,225,000 General Obligation Utility Revenue
Refunding Bonds, Series 2021D



Prepared by:

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$1,225,000 General Obligation Utility Revenue Refunding Bonds, Series 2021D

Purposes:

The proposed issue includes financing to provide funds to current refund the Series 2012D Bonds. Debt service will be paid from utility revenues.

Interest rates on the obligations proposed to be refunded are 2.25% to 3.35%. The refunding is expected to reduce debt service expense by approximately \$71,562 over the next 11 years. The Net Present Value Benefit of the refunding is estimated to be \$67,073, equal to 5.7% of the refunded principal.

This refunding is considered to be a Current Refunding as the obligations being refunded are either callable (pre-payable) now or will be within 90 days of the date of issue of the new Bonds.

Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapters:

- 444 -- Allows cities to issue debt without limitation as long as debt service is expected to be paid from water and sewer revenues.
- 475 - General Bonding Authority

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 11 years. Principal on the Bonds will be due on February 1 in the years 2023 through 2033. Interest is payable every six months beginning August 1, 2022.

The Bonds will be subject to prepayment at the discretion of the City on February 1, 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:

The proposed Bond issue is the most cost-efficient means of achieving the desired financing and is expected to yield the lowest possible interest cost while also preserving future prepayment flexibility. Moreover, 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.

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/increase the net proceeds 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, 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 Tax 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.

We recommend that the City review its specific responsibilities related to the Bonds with an arbitrage expert in order to utilize one or more of the exceptions listed above.

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:

Current Refunding: The Bonds are being issued to finance a current refunding of prior City debt obligations. The new Bonds will not be pre-payable until February 1, 2030.

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: Kennedy & Graven, Chartered

Paying Agent: U.S. Bank National Association

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:	July 26, 2021
Conference with Rating Agency:	Week of Nov. 8, 2021
Due Diligence Call to review Official Statement:	Week of Nov. 8, 2021
Distribute Official Statement:	Week of Nov. 8, 2021
GRPU Meeting to review updated sale	November 17, 2021
City Council Meeting to Award Sale of the Bonds:	November 22, 2021
GRPU Meeting to review sale results	November 30, 2021
Estimated Closing Date:	December 9, 2021
Redemption Date for the Obligations Being Refunded:	February 1, 2022

Attachments

- Estimated Sources and Uses of Funds
- Estimated Proposed Debt Service Schedule
- Estimated Debt Service Comparison

EHLERS' CONTACTS

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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 Grand Rapids, Minnesota

\$1,225,000 G.O. Utility Revenue Refunding Bonds, Series 2021D
Proposed Current Refunding G.O. Util Rev Bond 2012D
Assumes Current Market BQ "AA-" Rates plus 10bps

Sources & Uses

Dated 12/09/2021 | Delivered 12/09/2021

Sources Of Funds

Par Amount of Bonds	\$1,225,000.00
Total Sources	\$1,225,000.00

Uses Of Funds

Total Underwriter's Discount (1.200%)	14,700.00
Costs of Issuance	38,000.00
Deposit to Current Refunding Fund	1,170,000.00
Rounding Amount	2,300.00
Total Uses	\$1,225,000.00



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Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/09/2021	-	-	-	-	-
08/01/2022	-	-	9,452.39	9,452.39	-
02/01/2023	115,000.00	0.500%	7,333.75	122,333.75	131,786.14
08/01/2023	-	-	7,046.25	7,046.25	-
02/01/2024	115,000.00	0.650%	7,046.25	122,046.25	129,092.50
08/01/2024	-	-	6,672.50	6,672.50	-
02/01/2025	115,000.00	0.800%	6,672.50	121,672.50	128,345.00
08/01/2025	-	-	6,212.50	6,212.50	-
02/01/2026	125,000.00	0.950%	6,212.50	131,212.50	137,425.00
08/01/2026	-	-	5,618.75	5,618.75	-
02/01/2027	120,000.00	1.150%	5,618.75	125,618.75	131,237.50
08/01/2027	-	-	4,928.75	4,928.75	-
02/01/2028	120,000.00	1.300%	4,928.75	124,928.75	129,857.50
08/01/2028	-	-	4,148.75	4,148.75	-
02/01/2029	105,000.00	1.450%	4,148.75	109,148.75	113,297.50
08/01/2029	-	-	3,387.50	3,387.50	-
02/01/2030	100,000.00	1.500%	3,387.50	103,387.50	106,775.00
08/01/2030	-	-	2,637.50	2,637.50	-
02/01/2031	100,000.00	1.600%	2,637.50	102,637.50	105,275.00
08/01/2031	-	-	1,837.50	1,837.50	-
02/01/2032	105,000.00	1.700%	1,837.50	106,837.50	108,675.00
08/01/2032	-	-	945.00	945.00	-
02/01/2033	105,000.00	1.800%	945.00	105,945.00	106,890.00
Total	\$1,225,000.00	-	\$103,656.14	\$1,328,656.14	-

Yield Statistics

Bond Year Dollars	\$7,326.94
Average Life	5.981 Years
Average Coupon	1.4147253%
Net Interest Cost (NIC)	1.6153547%
True Interest Cost (TIC)	1.6211773%
Bond Yield for Arbitrage Purposes	1.4081322%
All Inclusive Cost (AIC)	2.1889753%

IRS Form 8038

Net Interest Cost	1.4147253%
Weighted Average Maturity	5.981 Years

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Proposed Current Refunding G.O. Util Rev Bond 2012D

Assumes Current Market BQ "AA-" Rates plus 10bps

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2022	-	(2,300.00)	-	2,300.00
02/01/2023	131,786.14	131,786.14	137,437.50	5,651.36
02/01/2024	129,092.50	129,092.50	135,075.00	5,982.50
02/01/2025	128,345.00	128,345.00	132,712.50	4,367.50
02/01/2026	137,425.00	137,425.00	140,087.50	2,662.50
02/01/2027	131,237.50	131,237.50	137,212.50	5,975.00
02/01/2028	129,857.50	129,857.50	133,992.50	4,135.00
02/01/2029	113,297.50	113,297.50	115,772.50	2,475.00
02/01/2030	106,775.00	106,775.00	112,972.50	6,197.50
02/01/2031	105,275.00	105,275.00	109,872.50	4,597.50
02/01/2032	108,675.00	108,675.00	111,772.50	3,097.50
02/01/2033	106,890.00	106,890.00	108,517.50	1,627.50
Total	\$1,328,656.14	\$1,326,356.14	\$1,375,425.00	\$49,068.86

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	43,628.49
Net PV Cashflow Savings @ 1.408%(Bond Yield).....	43,628.49
Contingency or Rounding Amount.....	2,300.00
Net Present Value Benefit	\$45,928.49
Net PV Benefit / \$1,268,628.49 PV Refunded Debt Service	3.620%
Net PV Benefit / \$1,170,000 Refunded Principal...	3.926%
Net PV Benefit / \$1,225,000 Refunding Principal..	3.749%

Refunding Bond Information

Refunding Dated Date	12/09/2021
Refunding Delivery Date	12/09/2021