

November 14, 2022

PRE-SALE REPORT FOR

City of Grand Rapids, Minnesota

**\$10,000,000 Taxable General Obligation Temporary
Bonds, Series 2022A**



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, MN 55113

Advisors:

Rebecca Kurtz, Senior Municipal Advisor
Todd Hagen, Senior Municipal Advisor
Dan Tienter, Senior Financial Specialist

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$10,000,000 Taxable General Obligation Temporary Bonds, Series 2022A

Purposes:

The proposed issue provides temporary financing to facilitate improvements to the Grand Rapids IRA Civic Center Arena and includes the following purposes:

- **Sales Tax.** On November 8, 2022, the voters approved a local option sales tax that allows revenues to finance up to \$5,980,000 for reconstruction, remodeling, and upgrades to the Grand Rapids IRA Civic Center. Authorized costs include design, construction, reconstruction, mechanical upgrades, and engineering costs, as well as the associated bond costs. Debt service will be paid from permanent G.O. bonds and sales tax revenues.
- **Equipment - Ice Arena.** The City will be updating the Arena's equipment to replace the R-22 refrigeration system with current technology. Debt service will be paid from permanent G.O. bonds and a tax levy.
- **Equipment.** The City will be replacing and updating equipment in the Civic Arena, including but not limited to, security cameras and monitors, dasher boards and glass, HVAC systems, bleacher heaters, and other equipment and furnishings. Debt service will be paid from permanent G.O. bonds and a tax levy.

Tax Abatement. The balance of project costs will be paid through tax abatement revenues. The City held the public hearing on November 14, 2022. Debt service will be paid from permanent G.O. bonds. The amount of the tax abatement may be adjusted for the permanent financing based on grant funding and other revenue sources.

Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapter(s):

- **410 - Equipment Bonding Authority.** Allows cities to issue debt without a public hearing or referendum if the amount of equipment certificates issued is less than .25% of the estimated market value of taxable property in the City.
- **469 - Tax Abatement Bonding Authority.** Allows cities to issue debt after a public hearing if the total amount of property taxes abated in any year for the Bonds, together with any outstanding annual abatements, does not exceed 10% of the City's net tax capacity or \$200,000, whichever is greater.
- **Minnesota Session Laws 2021, 1st Special Session, Chapter 14, Article 8, Section 7. Special Legislation.** Allows the City of Grand Rapids to impose a sales and use tax of one-half of one percent to finance up to \$5,980,000 for reconstruction, remodeling,

and upgrades to the Grand Rapids IRA Civic Center. Authorized costs include design, construction, reconstruction, mechanical upgrades, and engineering costs, as well as the associated bond costs.

- 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 3 years. Principal on the Bonds will be due on December 1, 2025. Interest is payable every six months beginning December 1, 2023. A portion of the December 1, 2023 payment will be paid with capitalized interest. The portion of related to the sales tax purpose will be paid with sales tax revenues.

The Bonds will be subject to prepayment at the discretion of the City on December 1, 2023 or any date thereafter.

Bank Qualification:

Because the Bonds are taxable obligations they will not be designated as “bank qualified” obligations.

Rating:

The City’s most recent bond issues were rated by S&P Global Ratings. The current rating on those bonds is “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 your objectives, financial situation and need, risk tolerance, liquidity needs, experience with the issuance of Bonds and long-term financial capacity, as well as the tax status considerations related to the Bonds and the structure, timing and other similar matters related to the Bonds, we are recommending the issuance of Bonds as a suitable option.

Ehlers has reviewed other reasonably feasible alternatives to the recommended issuance of municipal securities, including long-term financing.

Method of Sale/Placement:

We are recommending the Bonds be issued as municipal securities and offered through a competitive underwriting process. 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 increase the net proceeds for the project and reduce the equity contribution. 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.

Other Considerations:

The voters approved the local option sales tax on November 8, 2022. It is anticipated collection will begin in April 2023.

The City held a public hearing on November 14, 2022 to consider the approval of tax abatement for funding a portion of the project.

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:

The Bonds are taxable obligations and are therefore not subject to IRS arbitrage and yield restriction requirements.

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.

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 Trust Company, 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.

PROPOSED DEBT ISSUANCE SCHEDULE

Pre-Sale Review by City Council:	November 14, 2022
Due Diligence Call to review Official Statement:	Week of November 21, 2022
Distribute Official Statement:	Week of November 21, 2022
Conference with Rating Agency:	November 15, 2022
City Council Meeting to Award Sale of the Bonds:	December 5, 2022
Estimated Closing Date:	December 22, 2022

Attachments

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

EHLERS' CONTACTS

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City of Grand Rapids, Minnesota

\$10,000,000 Taxable General Obligation Temporary Bonds, Series 2022A

Issue Summary

Assumes Current Market Taxable AA- Rates plus 75bps

Total Issue Sources And Uses

Dated 12/22/2022 | Delivered 12/22/2022

	Tax Abatement	Sales Tax	Equipment - Ice Arena	Equipment - Miscellaneous	Issue Summary
Sources Of Funds					
Par Amount of Bonds	\$560,000.00	\$5,980,000.00	\$2,430,000.00	\$1,030,000.00	\$10,000,000.00
Planned Issuer Equity contribution	450,000.00	-	-	-	450,000.00
State Bonding	5,000,000.00	-	-	-	5,000,000.00
IRRRB	500,000.00	-	-	-	500,000.00
Total Sources	\$6,510,000.00	\$5,980,000.00	\$2,430,000.00	\$1,030,000.00	\$15,950,000.00
Uses Of Funds					
Total Underwriter's Discount (0.600%)	3,360.00	35,880.00	14,580.00	6,180.00	60,000.00
Costs of Issuance	5,656.00	60,398.00	24,543.00	10,403.00	101,000.00
Deposit to Capitalized Interest (CIF) Fund	27,421.33	-	118,989.00	50,435.67	196,846.00
Deposit to Project Construction Fund	6,471,902.00	5,883,000.00	2,270,571.00	965,000.00	15,590,473.00
Rounding Amount	1,660.67	722.00	1,317.00	(2,018.67)	1,681.00
Total Uses	\$6,510,000.00	\$5,980,000.00	\$2,430,000.00	\$1,030,000.00	\$15,950,000.00

City of Grand Rapids, Minnesota

\$10,000,000 Taxable General Obligation Temporary Bonds, Series 2022A

Issue Summary

Assumes Current Market Taxable AA- Rates plus 75bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/22/2022	-	-	-	-	-
12/01/2023	-	-	489,666.67	489,666.67	489,666.67
06/01/2024	-	-	260,000.00	260,000.00	-
12/01/2024	-	-	260,000.00	260,000.00	520,000.00
06/01/2025	-	-	260,000.00	260,000.00	-
12/01/2025	10,000,000.00	5.200%	260,000.00	10,260,000.00	10,520,000.00
Total	\$10,000,000.00	-	\$1,529,666.67	\$11,529,666.67	-

Yield Statistics

Bond Year Dollars	\$29,416.67
Average Life	2.942 Years
Average Coupon	5.2000000%
Net Interest Cost (NIC)	5.4039660%
True Interest Cost (TIC)	5.4026799%
Bond Yield for Arbitrage Purposes	5.1802215%
All Inclusive Cost (AIC)	5.7808514%

IRS Form 8038

Net Interest Cost	5.2000000%
Weighted Average Maturity	2.942 Years

City of Grand Rapids, Minnesota

\$10,000,000 Taxable General Obligation Temporary Bonds, Series 2022A

Issue Summary

Assumes Current Market Taxable AA- Rates plus 75bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
12/01/2023	-	-	489,666.67	489,666.67	(196,846.00)	292,820.67	307,461.70
12/01/2024	-	-	520,000.00	520,000.00	-	520,000.00	546,000.00
12/01/2025	10,000,000.00	5.200%	520,000.00	10,520,000.00	-	10,520,000.00	11,046,000.00
Total	\$10,000,000.00	-	\$1,529,666.67	\$11,529,666.67	(196,846.00)	\$11,332,820.67	\$11,899,461.70

Significant Dates

Dated	12/22/2022
First Coupon Date	12/01/2023

Yield Statistics

Bond Year Dollars	\$29,416.67
Average Life	2.942 Years
Average Coupon	5.2000000%
Net Interest Cost (NIC)	5.4039660%
True Interest Cost (TIC)	5.4026799%
Bond Yield for Arbitrage Purposes	5.1802215%
All Inclusive Cost (AIC)	5.7808514%

City of Grand Rapids, Minnesota

\$560,000 Taxable General Obligation Temporary Bonds, Series 2022A

Tax Abatement

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
12/01/2023	-	-	27,421.33	27,421.33	(27,421.33)	-	-
12/01/2024	-	-	29,120.00	29,120.00	-	29,120.00	30,576.00
12/01/2025	560,000.00	5.200%	29,120.00	589,120.00	-	589,120.00	618,576.00
Total	\$560,000.00	-	\$85,661.33	\$645,661.33	(27,421.33)	\$618,240.00	\$649,152.00

Significant Dates

Dated	12/22/2022
First Coupon Date	12/01/2023

Yield Statistics

Bond Year Dollars	\$1,647.33
Average Life	2.942 Years
Average Coupon	5.1999998%
Net Interest Cost (NIC)	5.4039658%
True Interest Cost (TIC)	5.4026797%
Bond Yield for Arbitrage Purposes	5.1802215%
All Inclusive Cost (AIC)	5.7808512%

City of Grand Rapids, Minnesota

\$5,980,000 Taxable General Obligation Temporary Bonds, Series 2022A
Sales Tax

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
12/01/2023	-	-	292,820.67	292,820.67	307,461.70
12/01/2024	-	-	310,960.00	310,960.00	326,508.00
12/01/2025	5,980,000.00	5.200%	310,960.00	6,290,960.00	6,605,508.00
Total	\$5,980,000.00	-	\$914,740.67	\$6,894,740.67	\$7,239,477.70

Significant Dates

Dated	12/22/2022
First Coupon Date	12/01/2023

Yield Statistics

Bond Year Dollars	\$17,591.17
Average Life	2.942 Years
Average Coupon	5.2000000%
Net Interest Cost (NIC)	5.4039660%
True Interest Cost (TIC)	5.4026800%
Bond Yield for Arbitrage Purposes	5.1802215%
All Inclusive Cost (AIC)	5.7808514%

IRS Form 8038

Net Interest Cost	5.2000000%
Weighted Average Maturity	2.942 Years

City of Grand Rapids, Minnesota

\$2,430,000 Taxable General Obligation Temporary Bonds, Series 2022A

Equipment - Ice Arena

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
12/01/2023	-	-	118,989.00	118,989.00	(118,989.00)	-	-
12/01/2024	-	-	126,360.00	126,360.00	-	126,360.00	132,678.00
12/01/2025	2,430,000.00	5.200%	126,360.00	2,556,360.00	-	2,556,360.00	2,684,178.00
Total	\$2,430,000.00	-	\$371,709.00	\$2,801,709.00	(118,989.00)	\$2,682,720.00	\$2,816,856.00

Significant Dates

Dated	12/22/2022
First Coupon Date	12/01/2023

Yield Statistics

Bond Year Dollars	\$7,148.25
Average Life	2.942 Years
Average Coupon	5.2000000%
Net Interest Cost (NIC)	5.4039660%
True Interest Cost (TIC)	5.4026799%
Bond Yield for Arbitrage Purposes	5.1802215%
All Inclusive Cost (AIC)	5.7808514%

City of Grand Rapids, Minnesota

\$1,030,000 Taxable General Obligation Temporary Bonds, Series 2022A

Equipment - Miscellaneous

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total
12/01/2023	-	-	50,435.67	50,435.67	(50,435.67)	-	-
12/01/2024	-	-	53,560.00	53,560.00	-	53,560.00	56,238.00
12/01/2025	1,030,000.00	5.200%	53,560.00	1,083,560.00	-	1,083,560.00	1,137,738.00
Total	\$1,030,000.00	-	\$157,555.67	\$1,187,555.67	(50,435.67)	\$1,137,120.00	\$1,193,976.00

Significant Dates

Dated	12/22/2022
First Coupon Date	12/01/2023

Yield Statistics

Bond Year Dollars	\$3,029.92
Average Life	2.942 Years
Average Coupon	5.2000001%
Net Interest Cost (NIC)	5.4039661%
True Interest Cost (TIC)	5.4026800%
Bond Yield for Arbitrage Purposes	5.1802215%
All Inclusive Cost (AIC)	5.7808515%

Resolution No. _____

Councilmember _____ introduced the following resolution and moved its adoption:

**Resolution Providing for the Sale of
\$10,000,000 Taxable General Obligation Temporary Bonds, Series
2022A**

- A. WHEREAS, the City Council of the City of Grand Rapids, Minnesota has heretofore determined that it is necessary and expedient to issue the City's \$10,000,000 Taxable General Obligation Temporary Bonds, Series 2022A (the "Bonds"), to finance improvements and equipment to the IRA Civic Center in the City; and
- B. WHEREAS, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent municipal advisor for the Bonds in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9);

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Grand Rapids, Minnesota, as follows:

- 1. Authorization; Findings. The City Council hereby authorizes Ehlers to assist the City for the sale of the Bonds.
- 2. Meeting; Proposal Opening. The City Council shall meet at 5:00 PM on December 5, 2022, for the purpose of considering proposals for and awarding the sale of the Bonds.
- 3. Official Statement. In connection with said sale, the officers or employees of the City are hereby authorized to cooperate with Ehlers and participate in the preparation of an official statement for the Bonds and to execute and deliver it on behalf of the City upon its completion.

The motion for the adoption of the foregoing resolution was duly seconded by City Council Member _____ and, after full discussion thereof and upon a vote being taken thereon, the following City Council Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this 14th day of November 2022.

City Clerk