

July 8, 2024

PRE-SALE REPORT FOR

## City of Grand Rapids, Minnesota

**\$1,055,000 General Obligation Equipment Certificates,  
Series 2024B**



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**Prepared by:**

Ehlers  
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**Advisors:**

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Dan Tienter, Municipal Advisor  
Todd Hagen, Senior Municipal Advisor

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

# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$1,055,000 General Obligation Equipment Certificates, Series 2024B

## Purposes:

The proposed issue includes financing for the purchase of financial software, which will serve the City and the Grand Rapids Public Utility (GRPU). Debt service will be paid from ad valorem property taxes; however, the tax levy for the GRPU portion of the debt will be written down by utility revenues.

## Authority:

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

- 412 - Allows cities to issue general obligation debt without a public hearing or referendum, if the amount of the equipment certificate is less than 0.25% of the estimated market value of taxable property in the City.
- 475 - General Bonding Authority

The Certificates count against the Net Debt Limit of 3% of the estimated market value of taxable property in the City.

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

## Term/Call Feature:

The Certificates are being issued for a term of 8 years. Principal on the Certificates will be due on February 1 in the years 2026 through 2032. Interest will be due every six months beginning August 1, 2025.

The Certificates 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 Certificates as "bank qualified" obligations. Bank qualified status broadens the market for the Certificates, which can result in lower interest rates.

## **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 Certificates.

If the winning bidder on the Certificates 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 Certificates and long-term financial capacity, as well as the tax status considerations related to the Certificates and the structure, timing and other similar matters related to the Certificates, we are recommending the issuance of Certificates as a suitable option. Ehlers has reviewed other reasonably feasible alternatives to the recommended issuance of municipal securities.

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

We are recommending the Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates intended to achieve the City's objectives for his 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:**

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 Certificates. 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 Certificates 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.

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

### **Investment of Certificate Proceeds:**

Ehlers can assist the City in developing a strategy to invest your Certificate 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:** US Bank

**Rating Agency:** S&P 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:	July 8, 2024
Due Diligence Call to Review Official Statement:	Week of July 29, 2024
Conference with Rating Agency:	Week of July 29, 2024
Distribute Official Statement:	August 1, 2024
City Council Meeting to Award Sale of the Certificates:	August 12, 2024
Estimated Closing Date:	September 5, 2024

**Attachments**

- Estimated Sources and Uses of Funds
- Estimated Proposed Debt Service Schedule
- Resolution Authorizing Ehlers to Proceed with Certificate Sale (Provided by Kennedy & Graven)

**EHLERS' CONTACTS**

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# City of Grand Rapids, Minnesota

\$1,055,000 General Obligation Equipment Certificates, Series 2024B

Issue Summary - Competitive Sale

Assumes Current Market BQ AA- Rates +50bps

## Total Issue Sources And Uses

Dated 09/05/2024 | Delivered 09/05/2024

	City Equipment	Utility Equipment	Issue Summary
<b>Sources Of Funds</b>			
Par Amount of Bonds	\$370,000.00	\$685,000.00	\$1,055,000.00
Planned Issuer Equity contribution	-	225,000.00	225,000.00
<b>Total Sources</b>	<b>\$370,000.00</b>	<b>\$910,000.00</b>	<b>\$1,280,000.00</b>
<b>Uses Of Funds</b>			
Total Underwriter's Discount (1.500%)	5,550.00	10,275.00	15,825.00
Costs of Issuance	13,327.02	24,672.98	38,000.00
Deposit to Project Construction Fund	350,000.00	875,000.00	1,225,000.00
Rounding Amount	1,122.98	52.02	1,175.00
<b>Total Uses</b>	<b>\$370,000.00</b>	<b>\$910,000.00</b>	<b>\$1,280,000.00</b>

# City of Grand Rapids, Minnesota

\$1,055,000 General Obligation Equipment Certificates, Series 2024B

Issue Summary - Competitive Sale

Assumes Current Market BQ AA- Rates +50bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	-	-	35,534.00	35,534.00	-
02/01/2026	120,000.00	3.900%	19,620.00	139,620.00	175,154.00
08/01/2026	-	-	17,280.00	17,280.00	-
02/01/2027	140,000.00	3.800%	17,280.00	157,280.00	174,560.00
08/01/2027	-	-	14,620.00	14,620.00	-
02/01/2028	145,000.00	3.750%	14,620.00	159,620.00	174,240.00
08/01/2028	-	-	11,901.25	11,901.25	-
02/01/2029	155,000.00	3.700%	11,901.25	166,901.25	178,802.50
08/01/2029	-	-	9,033.75	9,033.75	-
02/01/2030	160,000.00	3.650%	9,033.75	169,033.75	178,067.50
08/01/2030	-	-	6,113.75	6,113.75	-
02/01/2031	165,000.00	3.650%	6,113.75	171,113.75	177,227.50
08/01/2031	-	-	3,102.50	3,102.50	-
02/01/2032	170,000.00	3.650%	3,102.50	173,102.50	176,205.00
<b>Total</b>	<b>\$1,055,000.00</b>	<b>-</b>	<b>\$179,256.50</b>	<b>\$1,234,256.50</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$4,862.86
Average Life	4.609 Years
Average Coupon	3.6862352%
Net Interest Cost (NIC)	4.0116609%
True Interest Cost (TIC)	4.0472519%
Bond Yield for Arbitrage Purposes	3.6820825%
All Inclusive Cost (AIC)	4.9556520%

## IRS Form 8038

Net Interest Cost	3.6862352%
Weighted Average Maturity	4.609 Years



# City of Grand Rapids, Minnesota

\$1,055,000 General Obligation Equipment Certificates, Series 2024B

Issue Summary - Competitive Sale

Assumes Current Market BQ AA- Rates +50bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2025	-	-	-	-	-
02/01/2026	120,000.00	3.900%	55,154.00	175,154.00	183,911.70
02/01/2027	140,000.00	3.800%	34,560.00	174,560.00	183,288.00
02/01/2028	145,000.00	3.750%	29,240.00	174,240.00	182,952.00
02/01/2029	155,000.00	3.700%	23,802.50	178,802.50	187,742.63
02/01/2030	160,000.00	3.650%	18,067.50	178,067.50	186,970.88
02/01/2031	165,000.00	3.650%	12,227.50	177,227.50	186,088.88
02/01/2032	170,000.00	3.650%	6,205.00	176,205.00	185,015.25
<b>Total</b>	<b>\$1,055,000.00</b>	<b>-</b>	<b>\$179,256.50</b>	<b>\$1,234,256.50</b>	<b>\$1,295,969.33</b>

## Significant Dates

Dated	9/05/2024
First Coupon Date	8/01/2025

## Yield Statistics

Bond Year Dollars	\$4,862.86
Average Life	4.609 Years
Average Coupon	3.6862352%
Net Interest Cost (NIC)	4.0116609%
True Interest Cost (TIC)	4.0472519%
Bond Yield for Arbitrage Purposes	3.6820825%
All Inclusive Cost (AIC)	4.9556520%

## IRS Form 8038

Net Interest Cost	3.6862352%
Weighted Average Maturity	4.609 Years

# City of Grand Rapids, Minnesota

\$370,000 General Obligation Equipment Certificates, Series 2024B  
 City Equipment

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	-	-	12,458.18	12,458.18	-
02/01/2026	40,000.00	3.900%	6,878.75	46,878.75	59,336.93
08/01/2026	-	-	6,098.75	6,098.75	-
02/01/2027	50,000.00	3.800%	6,098.75	56,098.75	62,197.50
08/01/2027	-	-	5,148.75	5,148.75	-
02/01/2028	50,000.00	3.750%	5,148.75	55,148.75	60,297.50
08/01/2028	-	-	4,211.25	4,211.25	-
02/01/2029	55,000.00	3.700%	4,211.25	59,211.25	63,422.50
08/01/2029	-	-	3,193.75	3,193.75	-
02/01/2030	55,000.00	3.650%	3,193.75	58,193.75	61,387.50
08/01/2030	-	-	2,190.00	2,190.00	-
02/01/2031	60,000.00	3.650%	2,190.00	62,190.00	64,380.00
08/01/2031	-	-	1,095.00	1,095.00	-
02/01/2032	60,000.00	3.650%	1,095.00	61,095.00	62,190.00
<b>Total</b>	<b>\$370,000.00</b>	<b>-</b>	<b>\$63,211.93</b>	<b>\$433,211.93</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$1,715.06
Average Life	4.635 Years
Average Coupon	3.6857074%
Net Interest Cost (NIC)	4.0093121%
True Interest Cost (TIC)	4.0447782%
Bond Yield for Arbitrage Purposes	3.6820825%
All Inclusive Cost (AIC)	4.9482311%

## IRS Form 8038

Net Interest Cost	3.6857074%
Weighted Average Maturity	4.635 Years



# City of Grand Rapids, Minnesota

\$370,000 General Obligation Equipment Certificates, Series 2024B  
 City Equipment

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2025	-	-	-	-	-
02/01/2026	40,000.00	3.900%	19,336.93	59,336.93	62,303.78
02/01/2027	50,000.00	3.800%	12,197.50	62,197.50	65,307.38
02/01/2028	50,000.00	3.750%	10,297.50	60,297.50	63,312.38
02/01/2029	55,000.00	3.700%	8,422.50	63,422.50	66,593.63
02/01/2030	55,000.00	3.650%	6,387.50	61,387.50	64,456.88
02/01/2031	60,000.00	3.650%	4,380.00	64,380.00	67,599.00
02/01/2032	60,000.00	3.650%	2,190.00	62,190.00	65,299.50
<b>Total</b>	<b>\$370,000.00</b>	<b>-</b>	<b>\$63,211.93</b>	<b>\$433,211.93</b>	<b>\$454,872.53</b>

## Significant Dates

Dated	9/05/2024
First Coupon Date	8/01/2025

## Yield Statistics

Bond Year Dollars	\$1,715.06
Average Life	4.635 Years
Average Coupon	3.6857074%
Net Interest Cost (NIC)	4.0093121%
True Interest Cost (TIC)	4.0447782%
Bond Yield for Arbitrage Purposes	3.6820825%
All Inclusive Cost (AIC)	4.9482311%

## IRS Form 8038

Net Interest Cost	3.6857074%
Weighted Average Maturity	4.635 Years



# City of Grand Rapids, Minnesota

\$685,000 General Obligation Equipment Certificates, Series 2024B

Utility Equipment

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/05/2024	-	-	-	-	-
08/01/2025	-	-	23,075.82	23,075.82	-
02/01/2026	80,000.00	3.900%	12,741.25	92,741.25	115,817.07
08/01/2026	-	-	11,181.25	11,181.25	-
02/01/2027	90,000.00	3.800%	11,181.25	101,181.25	112,362.50
08/01/2027	-	-	9,471.25	9,471.25	-
02/01/2028	95,000.00	3.750%	9,471.25	104,471.25	113,942.50
08/01/2028	-	-	7,690.00	7,690.00	-
02/01/2029	100,000.00	3.700%	7,690.00	107,690.00	115,380.00
08/01/2029	-	-	5,840.00	5,840.00	-
02/01/2030	105,000.00	3.650%	5,840.00	110,840.00	116,680.00
08/01/2030	-	-	3,923.75	3,923.75	-
02/01/2031	105,000.00	3.650%	3,923.75	108,923.75	112,847.50
08/01/2031	-	-	2,007.50	2,007.50	-
02/01/2032	110,000.00	3.650%	2,007.50	112,007.50	114,015.00
<b>Total</b>	<b>\$685,000.00</b>	<b>-</b>	<b>\$116,044.57</b>	<b>\$801,044.57</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$3,147.81
Average Life	4.595 Years
Average Coupon	3.6865228%
Net Interest Cost (NIC)	4.0129407%
True Interest Cost (TIC)	4.0485990%
Bond Yield for Arbitrage Purposes	3.6820825%
All Inclusive Cost (AIC)	4.9596934%

## IRS Form 8038

Net Interest Cost	3.6865228%
Weighted Average Maturity	4.595 Years

# City of Grand Rapids, Minnesota

\$685,000 General Obligation Equipment Certificates, Series 2024B

Utility Equipment

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2025	-	-	-	-	-
02/01/2026	80,000.00	3.900%	35,817.07	115,817.07	121,607.92
02/01/2027	90,000.00	3.800%	22,362.50	112,362.50	117,980.63
02/01/2028	95,000.00	3.750%	18,942.50	113,942.50	119,639.63
02/01/2029	100,000.00	3.700%	15,380.00	115,380.00	121,149.00
02/01/2030	105,000.00	3.650%	11,680.00	116,680.00	122,514.00
02/01/2031	105,000.00	3.650%	7,847.50	112,847.50	118,489.88
02/01/2032	110,000.00	3.650%	4,015.00	114,015.00	119,715.75
<b>Total</b>	<b>\$685,000.00</b>	<b>-</b>	<b>\$116,044.57</b>	<b>\$801,044.57</b>	<b>\$841,096.80</b>

## Significant Dates

Dated	9/05/2024
First Coupon Date	8/01/2025

## Yield Statistics

Bond Year Dollars	\$3,147.81
Average Life	4.595 Years
Average Coupon	3.6865228%
Net Interest Cost (NIC)	4.0129407%
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## IRS Form 8038

Net Interest Cost	3.6865228%
Weighted Average Maturity	4.595 Years