

July 26, 2021

Pre-Sale Report for

City of Grand Rapids, Minnesota

\$1,235,000 Taxable General Obligation
Refunding Bonds, Series 2021C



Prepared by:

Ehlers
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Advisors:

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$1,235,000 Taxable General Obligation Refunding Bonds, Series 2021C

Purposes:

The proposed issue includes financing to complete a partial net cash advance refunding of the Series 2013C bonds for interest savings. Debt service will be paid from revenues per the Demand Agreement with Blandin.

Interest rates on the obligations proposed to be refunded are 4.0% to 4.5%. The refunding is expected to reduce debt service expense by approximately \$28,833 over the next 8 years. The Net Present Value Benefit of the refunding is estimated to be \$27,468, equal to 2.486% of the refunded principal.

This refunding is considered an Advance Refunding as the new Bonds will be issued more than 90 days prior to the call date of the obligations being refunded.

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 8 years. Principal on the Bonds will be due on February 1 in the years 2022 through 2029. Interest is payable every six months beginning February 1, 2022.

The Bonds will be subject to prepayment at the discretion of the City on February 1, 2027 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 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 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 redeem the refunded obligation.

Risk Factors:

Advance Refunding: The Bonds are being issued for the purpose of "advance" refunding prior City debt obligations. An advance refunding of an original tax-exempt debt obligation must be a taxable financing under current IRS rules. This refunding is being undertaken based in part on the following assumptions:

- Since the new Bonds will extend the "call" date for this debt, we are assuming that the City does not expect to have revenues available to pre-pay the current obligations prior to this new call date.
- That advance refunding on a taxable basis will provide an overall lower debt cost as compared to waiting to refund the issue until its call date

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)

CPA Escrow Verification Agent: Robert Thomas CPA

Escrow Agent: Open Markets

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 Grand Rapids Public Utilities:	July 14, 2021
Pre-Sale Review by City Council:	July 26, 2021
Due Diligence Call to review Official Statement:	Week of July 26, 2021
Distribute Official Statement:	July 29, 2021
Conference with Rating Agency:	Week of July 19, 2021
City Council Meeting to Award Sale of the Bonds:	August 9, 2021
Estimated Closing Date:	September 2, 2021
Redemption Date for the Obligations Being Refunded:	February 1, 2023

Attachments

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

EHLERS' CONTACTS

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Nick Anhut, Senior Municipal Advisor	(651) 697-8507
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 Grand Rapids, Minnesota

\$1,235,000 Taxable G.O. Refunding Bonds, Series 2021C
Proposed Partial Net Cash Refunding Tax GO Util Rev Bds, 2013C
Assumes Current Market Taxable "A1" Rates plus 10bps

Sources & Uses

Dated 09/02/2021 | Delivered 09/02/2021

Sources Of Funds

Par Amount of Bonds	\$1,235,000.00
Total Sources	\$1,235,000.00

Uses Of Funds

Total Underwriter's Discount (1.200%)	14,820.00
Costs of Issuance	47,500.00
Deposit to Net Cash Escrow Fund	1,168,769.90
Rounding Amount	3,910.10
Total Uses	\$1,235,000.00



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Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+	Fiscal Total
09/02/2021	-	-	-	-	-
02/01/2022	15,000.00	0.450%	6,203.16	21,203.16	21,203.16
08/01/2022	-	-	7,460.00	7,460.00	-
02/01/2023	30,000.00	0.600%	7,460.00	37,460.00	44,920.00
08/01/2023	-	-	7,370.00	7,370.00	-
02/01/2024	195,000.00	0.750%	7,370.00	202,370.00	209,740.00
08/01/2024	-	-	6,638.75	6,638.75	-
02/01/2025	195,000.00	0.900%	6,638.75	201,638.75	208,277.50
08/01/2025	-	-	5,761.25	5,761.25	-
02/01/2026	200,000.00	1.100%	5,761.25	205,761.25	211,522.50
08/01/2026	-	-	4,661.25	4,661.25	-
02/01/2027	195,000.00	1.300%	4,661.25	199,661.25	204,322.50
08/01/2027	-	-	3,393.75	3,393.75	-
02/01/2028	200,000.00	1.600%	3,393.75	203,393.75	206,787.50
08/01/2028	-	-	1,793.75	1,793.75	-
02/01/2029	205,000.00	1.750%	1,793.75	206,793.75	208,587.50
Total	\$1,235,000.00	-	\$80,360.66	\$1,315,360.66	-

Yield Statistics

Bond Year Dollars	\$5,926.15
Average Life	4.799 Years
Average Coupon	1.3560342%
Net Interest Cost (NIC)	1.6061122%
True Interest Cost (TIC)	1.6139208%
Bond Yield for Arbitrage Purposes	1.3523156%
All Inclusive Cost (AIC)	2.4804253%

IRS Form 8038

Net Interest Cost	1.3560342%
Weighted Average Maturity	4.799 Years

City of Grand Rapids, Minnesota

\$1,235,000 Taxable G.O. Refunding Bonds, Series 2021C

Proposed Partial Net Cash Refunding Tax GO Util Rev Bds, 2013C

Assumes Current Market Taxable "A1" Rates plus 10bps

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Existing D/S	Net New D/S	Fiscal Total
09/02/2021	-	-	-	-	-	-	-
02/01/2022	15,000.00	0.450%	6,203.16	21,203.16	155,531.25	176,734.41	176,734.41
08/01/2022	-	-	7,460.00	7,460.00	2,906.25	10,366.25	-
02/01/2023	30,000.00	0.600%	7,460.00	37,460.00	157,906.25	195,366.25	205,732.50
08/01/2023	-	-	7,370.00	7,370.00	-	7,370.00	-
02/01/2024	195,000.00	0.750%	7,370.00	202,370.00	-	202,370.00	209,740.00
08/01/2024	-	-	6,638.75	6,638.75	-	6,638.75	-
02/01/2025	195,000.00	0.900%	6,638.75	201,638.75	-	201,638.75	208,277.50
08/01/2025	-	-	5,761.25	5,761.25	-	5,761.25	-
02/01/2026	200,000.00	1.100%	5,761.25	205,761.25	-	205,761.25	211,522.50
08/01/2026	-	-	4,661.25	4,661.25	-	4,661.25	-
02/01/2027	195,000.00	1.300%	4,661.25	199,661.25	-	199,661.25	204,322.50
08/01/2027	-	-	3,393.75	3,393.75	-	3,393.75	-
02/01/2028	200,000.00	1.600%	3,393.75	203,393.75	-	203,393.75	206,787.50
08/01/2028	-	-	1,793.75	1,793.75	-	1,793.75	-
02/01/2029	205,000.00	1.750%	1,793.75	206,793.75	-	206,793.75	208,587.50
Total	\$1,235,000.00	-	\$80,360.66	\$1,315,360.66	\$316,343.75	\$1,631,704.41	-

City of Grand Rapids, Minnesota

\$1,235,000 Taxable G.O. Refunding Bonds, Series 2021C
Proposed Partial Net Cash Refunding Tax GO Util Rev Bds, 2013C
Assumes Current Market Taxable "A1" Rates plus 10bps

Debt Service Comparison

Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2022	21,203.16	155,531.25	176,734.41	178,987.50	2,253.09
02/01/2023	44,920.00	160,812.50	205,732.50	207,725.00	1,992.50
02/01/2024	209,740.00	-	209,740.00	211,912.50	2,172.50
02/01/2025	208,277.50	-	208,277.50	210,312.50	2,035.00
02/01/2026	211,522.50	-	211,522.50	213,512.50	1,990.00
02/01/2027	204,322.50	-	204,322.50	210,862.50	6,540.00
02/01/2028	206,787.50	-	206,787.50	213,000.00	6,212.50
02/01/2029	208,587.50	-	208,587.50	214,225.00	5,637.50
Total	\$1,315,360.66	\$316,343.75	\$1,631,704.41	\$1,660,537.50	\$28,833.09

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	27,468.94
Net PV Cashflow Savings @ 1.352%(Bond Yield).....	27,468.94
Contingency or Rounding Amount.....	3,910.10
Net Present Value Benefit	\$31,379.04
Net PV Benefit / \$1,262,468.94 PV Refunded Debt Service	2.486%
Net PV Benefit / \$1,100,000 Refunded Principal...	2.853%
Net PV Benefit / \$1,235,000 Refunding Principal..	2.541%

Refunding Bond Information

Refunding Dated Date	9/02/2021
Refunding Delivery Date	9/02/2021

Resolution No. _____

Councilmember _____ introduced the following resolution and moved its adoption:

**Resolution Providing for the Sale of
\$1,235,000 Taxable General Obligation Refunding Bonds, Series 2021C**

- 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 \$1,235,000 Taxable General Obligation Refunding Bonds, Series 2021C (the "Bonds"), to finance a partial net cash refunding of the City's Series 2013C Bonds for interest savings; 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 August 9, 2021, 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 26th day of July 2021.

City Clerk