

September 10, 2025

PRE-SALE REPORT FOR

New Prague Economic Development Authority, Minnesota

\$10,130,000 Lease Revenue Bonds (City of New Prague, Minnesota Police Facility Lease), Series 2025C



Prepared by:

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BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$10,130,000 Lease Revenue Bonds (City of New Prague, Minnesota Police Facility Lease), Series 2025C

Purposes:

The proposed issue includes financing for the construction of a new police facility. Pursuant to a lease agreement, the City will provide lease payments to the EDA in an amount sufficient to pay debt service from annual appropriated ad valorem property taxes.

The City is using \$380,000 in cash from the building fund to reduce the issuance amount. In addition, the City has further reduced the overall amount of the issuance by reducing contingency in the project costs by \$390,000.

Authority:

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

- Minnesota Statutes, Sections 465.71 (City Lease Purchase)
- Minnesota Statutes, Sections 469.090 to 469.1082 (EDA Bonding Authority)

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

The Bonds will not carry a pledge of the EDA or City's full faith and credit. Payments on the Bonds will be payable solely from annually appropriated funds by the City Council as required by law.

Term/Call Feature:

The Bonds are being issued for a term of 30 years. Principal on the Bonds will be due on February 1 in the years 2027 through 2055. Interest will be due every six months beginning August 1, 2026.

The Bonds will be subject to prepayment at the discretion of the Authority on February 1, 2036 or any date thereafter.

Bank Qualification:

Because the Authority is issuing more than \$10,000,000 in tax-exempt obligations during the calendar year, the Authority will be not able to designate the Bonds 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 Authority has no outstanding debt, therefore does not have a rating. The Authority will request an Annual Appropriation 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 Authority's bond rating in the event that the bond rating of the insurer is higher than that of the Authority.

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.

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 in excess of face value is considered "reoffering premium." 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. 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 Authority's objectives for this financing.

Review of Existing Debt:

The EDA does not have any outstanding debt.

Continuing Disclosure:

Because the Authority has more than \$10,000,000 in outstanding debt subject to a continuing disclosure undertaking (including this issue) and this issue does not meet an available exemption from continuing disclosure, the Authority 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 Authority 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 Authority 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 Authority'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.

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

Investment of Bond Proceeds:

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

Risk Factors:

Annual Appropriation: The lease with the City for the EDA Bonds (the “Lease”) will contain an annual non-appropriation clause under which the City has the right to terminate the Lease at the end of any fiscal year if it does not appropriate moneys sufficient to make required payments for the next fiscal year under the Lease.

In an event of default under the Lease or termination of the Lease under the non-appropriation clause, the bondholders may exercise all of the rights of the EDA under the Lease, including the right to take possession of the Project and sell the Project or any portion thereof at a public or private sale in accordance with applicable state laws.

If the City ever terminated the Lease, it is likely that the City’s G.O. bond rating would be downgraded.

As long as the City has not exercised its ability to non-appropriate under the terms of the Lease, the EDA’s involvement is minimal.

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: Bond Trust Services Corporation

Rating Agency: S&P Global Ratings (S&P)

Summary:

The decisions to be made by the Board of Commissioners are as follows:

- Accept or modify the finance assumptions described in this report
- Adopt the resolution attached to this report.

PROPOSED DEBT ISSUANCE SCHEDULE

City Council authorization of Lease Agreements and approval of issuance of Lease Revenue Bonds:	July 21, 2025
Pre-Sale Review by EDA Board of Commissioners:	September 10, 2025
Due Diligence Call to Review Official Statement:	Week of September 22, 2025
Conference with Rating Agency:	Week of September 22, 2025
Distribute Official Statement:	September 25, 2025
Ehlers receives and evaluates proposals for purchase of the Bonds to provide a recommendation for award:	October 7, 2025
EDA meets at 7:30 AM to Award Sale of the Bonds:	October 8, 2025
Estimated Closing Date:	October 30, 2025

Attachments

Estimated Sources and Uses of Funds

Estimated Proposed Debt Service Schedule

EHLERS' CONTACTS

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City of New Prague, Minnesota

\$10,130,000 Lease Revenue (Police Facility) Bonds, Series 2025C
(City of New Prague, Minnesota Police Facility Lease)
Assumes Current Market Non-BQ AA- Rates

Sources & Uses

Dated 09/25/2025 | Delivered 09/25/2025

Sources Of Funds

Par Amount of Bonds	\$10,130,000.00
Planned Issuer Equity contribution	380,000.00
Total Sources	\$10,510,000.00

Uses Of Funds

Total Underwriter's Discount (1.200%)	121,560.00
Costs of Issuance	113,465.00
Deposit to Project Construction Fund	10,273,950.00
Rounding Amount	1,025.00
Total Uses	\$10,510,000.00

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Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/25/2025	-	-	-	-	-
08/01/2026	-	-	409,761.63	409,761.63	-
02/01/2027	30,000.00	3.200%	241,036.25	271,036.25	680,797.88
08/01/2027	-	-	240,556.25	240,556.25	-
02/01/2028	195,000.00	3.200%	240,556.25	435,556.25	676,112.50
08/01/2028	-	-	237,436.25	237,436.25	-
02/01/2029	205,000.00	3.250%	237,436.25	442,436.25	679,872.50
08/01/2029	-	-	234,105.00	234,105.00	-
02/01/2030	210,000.00	3.300%	234,105.00	444,105.00	678,210.00
08/01/2030	-	-	230,640.00	230,640.00	-
02/01/2031	215,000.00	3.400%	230,640.00	445,640.00	676,280.00
08/01/2031	-	-	226,985.00	226,985.00	-
02/01/2032	225,000.00	3.500%	226,985.00	451,985.00	678,970.00
08/01/2032	-	-	223,047.50	223,047.50	-
02/01/2033	230,000.00	3.600%	223,047.50	453,047.50	676,095.00
08/01/2033	-	-	218,907.50	218,907.50	-
02/01/2034	240,000.00	3.700%	218,907.50	458,907.50	677,815.00
08/01/2034	-	-	214,467.50	214,467.50	-
02/01/2035	250,000.00	3.900%	214,467.50	464,467.50	678,935.00
08/01/2035	-	-	209,592.50	209,592.50	-
02/01/2036	260,000.00	4.000%	209,592.50	469,592.50	679,185.00
08/01/2036	-	-	204,392.50	204,392.50	-
02/01/2037	270,000.00	4.100%	204,392.50	474,392.50	678,785.00
08/01/2037	-	-	198,857.50	198,857.50	-
02/01/2038	280,000.00	4.350%	198,857.50	478,857.50	677,715.00
08/01/2038	-	-	192,767.50	192,767.50	-
02/01/2039	295,000.00	4.450%	192,767.50	487,767.50	680,535.00
08/01/2039	-	-	186,203.75	186,203.75	-
02/01/2040	305,000.00	4.550%	186,203.75	491,203.75	677,407.50
08/01/2040	-	-	179,265.00	179,265.00	-
02/01/2041	320,000.00	4.700%	179,265.00	499,265.00	678,530.00
08/01/2041	-	-	171,745.00	171,745.00	-
02/01/2042	335,000.00	4.800%	171,745.00	506,745.00	678,490.00
08/01/2042	-	-	163,705.00	163,705.00	-
02/01/2043	350,000.00	4.950%	163,705.00	513,705.00	677,410.00
08/01/2043	-	-	155,042.50	155,042.50	-
02/01/2044	370,000.00	5.000%	155,042.50	525,042.50	680,085.00
08/01/2044	-	-	145,792.50	145,792.50	-
02/01/2045	385,000.00	5.050%	145,792.50	530,792.50	676,585.00
08/01/2045	-	-	136,071.25	136,071.25	-
02/01/2046	405,000.00	5.100%	136,071.25	541,071.25	677,142.50
08/01/2046	-	-	125,743.75	125,743.75	-
02/01/2047	425,000.00	5.150%	125,743.75	550,743.75	676,487.50
08/01/2047	-	-	114,800.00	114,800.00	-
02/01/2048	450,000.00	5.200%	114,800.00	564,800.00	679,600.00
08/01/2048	-	-	103,100.00	103,100.00	-
02/01/2049	475,000.00	5.200%	103,100.00	578,100.00	681,200.00
08/01/2049	-	-	90,750.00	90,750.00	-
02/01/2050	495,000.00	5.250%	90,750.00	585,750.00	676,500.00
08/01/2050	-	-	77,756.25	77,756.25	-
02/01/2051	525,000.00	5.250%	77,756.25	602,756.25	680,512.50
08/01/2051	-	-	63,975.00	63,975.00	-
02/01/2052	550,000.00	5.300%	63,975.00	613,975.00	677,950.00
08/01/2052	-	-	49,400.00	49,400.00	-
02/01/2053	580,000.00	5.350%	49,400.00	629,400.00	678,800.00
08/01/2053	-	-	33,885.00	33,885.00	-
02/01/2054	610,000.00	5.400%	33,885.00	643,885.00	677,770.00
08/01/2054	-	-	17,415.00	17,415.00	-
02/01/2055	645,000.00	5.400%	17,415.00	662,415.00	679,830.00
Total	\$10,130,000.00	-	\$9,543,607.88	\$19,673,607.88	-

Yield Statistics

Bond Year Dollars	\$189,345.50
Average Life	18.692 Years
Average Coupon	5.0403141%
Net Interest Cost (NIC)	5.1045142%
True Interest Cost (TIC)	5.0773044%
Bond Yield for Arbitrage Purposes	4.9726243%
All Inclusive Cost (AIC)	5.1767522%

IRS Form 8038

Net Interest Cost	5.0403141%
Weighted Average Maturity	18.692 Years

Series 2025C EDA Lease Re | SINGLE PURPOSE | 7/29/2025 | 9:00 AM

