

July 6, 2026

PRE-SALE REPORT FOR

City of Pipestone, Minnesota

\$3,130,000 General Obligation Bonds, Series 2026A



Prepared by:

Ehlers
3001 Broadway Street, Suite 320
Minneapolis, MN 55413

Advisors:

Rebecca Kurtz, Senior Municipal Advisor
Keith Dahl, Senior Municipal Advisor

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$3,130,000 General Obligation Bonds, Series 2026A

Purposes:

The proposed issue includes financing for the following purposes:

- 2nd Avenue SW Improvement Project in the amount of \$2,645,000. Debt service will be paid from special assessments of at least 20% of the project and taxes.
- 7th Avenue SE Street Repairs in the project amount of \$70,000. Debt service will be paid from tax abatement revenues / taxes.
- Fuel Tank Replacement at the Airport in the project amount of \$415,000. Debt service will be paid from taxes.

Authority:

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

- **429: Improvement Bond Authority.** Because the City is assessing at least 20% of the project costs, the Bonds can be a general obligation without a referendum and will not count against the City's debt limit.
- **469: Tax Abatement Authority.** On August 3rd, the City will hold a public hearing and consider the approval or a tax abatement to be used to pay debt service on tax abatement purpose of the bonds. Under the Tax Abatement Authority, the amount of property taxes abated in any year for the Bonds, together with any outstanding annual abatements, may not exceed 10% of the City's net tax capacity or \$200,000, whichever is greater.
- **410 and 412: Equipment Certificate Authority.** If the amount of equipment certificates issued is more than .25% of the estimated market value of taxable property in the City a public hearing must be held, and the issue is subject to reverse referendum. The City is under the maximum amount of debt limit proscribed by the statutory authority.
- **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 15 years. Principal on the Bonds will be due on February 1 in the years 2028 through 2042. Interest will be due every six months beginning August 1, 2027.

The Bonds will be subject to prepayment at the discretion of the City on February 1, 2036 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 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.

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/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 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 subject to a continuing disclosure undertaking (including this issue) and this issue does not meet an available exemption from continuing disclosure, 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 Nonarbitrage 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 City within 30 days after the sale date to review the City's specific responsibilities for the Bonds. The City is currently receiving arbitrage services from Ehlers in relation to the Bonds.

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 the project costs.

Risk Factors:

Special Assessments: We have not assumed any pre-paid special assessments and we have assumed that assessments will be levied as projected. If the City receives a significant amount of pre-paid assessments or does not levy the assessments, it may need to increase the levy portion of the debt service to make up for lower interest earnings than the expected assessment interest rate.

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

Paying Agent: Bond Trust Services Corporation

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:	July 6, 2026
Due Diligence Call to Review Official Statement:	Week of July 20, 2026
Conference with Rating Agency:	Week of July 20, 2026
Distribute Official Statement:	July 2, 2026
City Council Meeting to Award Sale of the Bonds:	August 3, 2026
Estimated Closing Date:	August 20, 2026

Attachments

Estimated Sources and Uses of Funds

Estimated Proposed Debt Service Schedule

Resolution Authorizing Ehlers to Proceed with Bond Sale

EHLERS' CONTACTS

Rebecca Kurtz, Senior Municipal Advisor	(651) 697-8516
Keith Dahl, Senior Municipal Advisor	(651) 697-8595
Silvia Johnson, Senior Public Finance Analyst	(651) 697-8580
Alicia Gage, Senior Financial Analyst	(651) 697-8551

City of Pipestone, Minnesota

\$3,130,000 General Obligation Bonds, Series 2026A

Issue Summary

Assumes Current Market BQ AA- Rates plus 50bps

Total Issue Sources And Uses

Dated 08/20/2026 | Delivered 08/20/2026

	Improvements	Equipment	Tax Abatement	Issue Summary
Sources Of Funds				
Par Amount of Bonds	\$2,645,000.00	\$415,000.00	\$70,000.00	\$3,130,000.00
Total Sources	\$2,645,000.00	\$415,000.00	\$70,000.00	\$3,130,000.00
Uses Of Funds				
Total Underwriter's Discount (1.200%)	31,740.00	4,980.00	840.00	37,560.00
Costs of Issuance	66,758.79	10,474.44	1,766.77	79,000.00
Deposit to Project Construction Fund	2,542,600.00	400,000.00	70,000.00	3,012,600.00
Rounding Amount	3,901.21	(454.44)	(2,606.77)	840.00
Total Uses	\$2,645,000.00	\$415,000.00	\$70,000.00	\$3,130,000.00

City of Pipestone, Minnesota

\$3,130,000 General Obligation Bonds, Series 2026A

Issue Summary

Assumes Current Market BQ AA- Rates plus 50bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
08/20/2026	-	-	-	-	-
08/01/2027	-	-	108,935.76	108,935.76	-
02/01/2028	135,000.00	3.100%	57,502.75	192,502.75	301,438.51
08/01/2028	-	-	55,410.25	55,410.25	-
02/01/2029	195,000.00	3.200%	55,410.25	250,410.25	305,820.50
08/01/2029	-	-	52,290.25	52,290.25	-
02/01/2030	205,000.00	3.260%	52,290.25	257,290.25	309,580.50
08/01/2030	-	-	48,948.75	48,948.75	-
02/01/2031	210,000.00	3.350%	48,948.75	258,948.75	307,897.50
08/01/2031	-	-	45,431.25	45,431.25	-
02/01/2032	215,000.00	3.400%	45,431.25	260,431.25	305,862.50
08/01/2032	-	-	41,776.25	41,776.25	-
02/01/2033	210,000.00	3.500%	41,776.25	251,776.25	293,552.50
08/01/2033	-	-	38,101.25	38,101.25	-
02/01/2034	215,000.00	3.550%	38,101.25	253,101.25	291,202.50
08/01/2034	-	-	34,285.00	34,285.00	-
02/01/2035	220,000.00	3.600%	34,285.00	254,285.00	288,570.00
08/01/2035	-	-	30,325.00	30,325.00	-
02/01/2036	225,000.00	3.700%	30,325.00	255,325.00	285,650.00
08/01/2036	-	-	26,162.50	26,162.50	-
02/01/2037	240,000.00	3.800%	26,162.50	266,162.50	292,325.00
08/01/2037	-	-	21,602.50	21,602.50	-
02/01/2038	195,000.00	3.900%	21,602.50	216,602.50	238,205.00
08/01/2038	-	-	17,800.00	17,800.00	-
02/01/2039	205,000.00	4.000%	17,800.00	222,800.00	240,600.00
08/01/2039	-	-	13,700.00	13,700.00	-
02/01/2040	210,000.00	4.100%	13,700.00	223,700.00	237,400.00
08/01/2040	-	-	9,395.00	9,395.00	-
02/01/2041	220,000.00	4.150%	9,395.00	229,395.00	238,790.00
08/01/2041	-	-	4,830.00	4,830.00	-
02/01/2042	230,000.00	4.200%	4,830.00	234,830.00	239,660.00
Total	\$3,130,000.00	-	\$1,046,554.51	\$4,176,554.51	-

Yield Statistics

Bond Year Dollars	\$27,269.81
Average Life	8.712 Years
Average Coupon	3.8377777%
Net Interest Cost (NIC)	3.9755124%
True Interest Cost (TIC)	3.9831126%
Bond Yield for Arbitrage Purposes	3.8140155%
All Inclusive Cost (AIC)	4.3483908%

IRS Form 8038

Net Interest Cost	3.8377777%
Weighted Average Maturity	8.712 Years

City of Pipestone, Minnesota

\$3,130,000 General Obligation Bonds, Series 2026A

Issue Summary

Assumes Current Market BQ AA- Rates plus 50bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Assessments	Levy/(Surplus)
02/01/2027	-	-	-	-	-	-	-
02/01/2028	135,000.00	3.100%	166,438.51	301,438.51	316,510.44	60,212.42	256,298.02
02/01/2029	195,000.00	3.200%	110,820.50	305,820.50	321,111.53	60,212.41	260,899.12
02/01/2030	205,000.00	3.260%	104,580.50	309,580.50	325,059.53	60,212.41	264,847.12
02/01/2031	210,000.00	3.350%	97,897.50	307,897.50	323,292.38	60,212.43	263,079.95
02/01/2032	215,000.00	3.400%	90,862.50	305,862.50	321,155.63	60,212.41	260,943.22
02/01/2033	210,000.00	3.500%	83,552.50	293,552.50	308,230.13	60,212.42	248,017.71
02/01/2034	215,000.00	3.550%	76,202.50	291,202.50	305,762.63	60,212.42	245,550.21
02/01/2035	220,000.00	3.600%	68,570.00	288,570.00	302,998.50	60,212.41	242,786.09
02/01/2036	225,000.00	3.700%	60,650.00	285,650.00	299,932.50	60,212.42	239,720.08
02/01/2037	240,000.00	3.800%	52,325.00	292,325.00	306,941.25	60,212.42	246,728.83
02/01/2038	195,000.00	3.900%	43,205.00	238,205.00	250,115.25	60,212.42	189,902.83
02/01/2039	205,000.00	4.000%	35,600.00	240,600.00	252,630.00	60,212.41	192,417.59
02/01/2040	210,000.00	4.100%	27,400.00	237,400.00	249,270.00	60,212.43	189,057.57
02/01/2041	220,000.00	4.150%	18,790.00	238,790.00	250,729.50	60,212.42	190,517.08
02/01/2042	230,000.00	4.200%	9,660.00	239,660.00	251,643.00	60,212.43	191,430.57
Total	\$3,130,000.00	-	\$1,046,554.51	\$4,176,554.51	\$4,385,382.24	\$903,186.28	\$3,482,195.96

Significant Dates

Dated	8/20/2026
First Coupon Date	8/01/2027

Yield Statistics

Bond Year Dollars	\$27,269.81
Average Life	8.712 Years
Average Coupon	3.8377777%
Net Interest Cost (NIC)	3.9755124%
True Interest Cost (TIC)	3.9831126%
Bond Yield for Arbitrage Purposes	3.8140155%
All Inclusive Cost (AIC)	4.3483908%

City of Pipestone, Minnesota

\$2,645,000 General Obligation Bonds, Series 2026A

Improvements

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Assessments	Levy/(Surplus)
02/01/2027	-	-	-	-	-	-	-
02/01/2028	95,000.00	3.100%	142,265.56	237,265.56	249,128.84	60,212.42	188,916.42
02/01/2029	145,000.00	3.200%	95,357.50	240,357.50	252,375.38	60,212.41	192,162.97
02/01/2030	150,000.00	3.260%	90,717.50	240,717.50	252,753.38	60,212.41	192,540.97
02/01/2031	155,000.00	3.350%	85,827.50	240,827.50	252,868.88	60,212.43	192,656.45
02/01/2032	160,000.00	3.400%	80,635.00	240,635.00	252,666.75	60,212.41	192,454.34
02/01/2033	165,000.00	3.500%	75,195.00	240,195.00	252,204.75	60,212.42	191,992.33
02/01/2034	170,000.00	3.550%	69,420.00	239,420.00	251,391.00	60,212.42	191,178.58
02/01/2035	175,000.00	3.600%	63,385.00	238,385.00	250,304.25	60,212.41	190,091.84
02/01/2036	180,000.00	3.700%	57,085.00	237,085.00	248,939.25	60,212.42	188,726.83
02/01/2037	190,000.00	3.800%	50,425.00	240,425.00	252,446.25	60,212.42	192,233.83
02/01/2038	195,000.00	3.900%	43,205.00	238,205.00	250,115.25	60,212.42	189,902.83
02/01/2039	205,000.00	4.000%	35,600.00	240,600.00	252,630.00	60,212.41	192,417.59
02/01/2040	210,000.00	4.100%	27,400.00	237,400.00	249,270.00	60,212.43	189,057.57
02/01/2041	220,000.00	4.150%	18,790.00	238,790.00	250,729.50	60,212.42	190,517.08
02/01/2042	230,000.00	4.200%	9,660.00	239,660.00	251,643.00	60,212.43	191,430.57
Total	\$2,645,000.00	-	\$944,968.06	\$3,589,968.06	\$3,769,466.46	\$903,186.28	\$2,866,280.18

Significant Dates

Dated	8/20/2026
First Coupon Date	8/01/2027

Yield Statistics

Bond Year Dollars	\$24,402.90
Average Life	9.226 Years
Average Coupon	3.8723592%
Net Interest Cost (NIC)	4.0024257%
True Interest Cost (TIC)	4.0107933%
Bond Yield for Arbitrage Purposes	3.8140155%
All Inclusive Cost (AIC)	4.3588725%

City of Pipestone, Minnesota

\$415,000 General Obligation Bonds, Series 2026A

Equipment

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2027	-	-	-	-	-
02/01/2028	30,000.00	3.100%	20,856.64	50,856.64	53,399.47
02/01/2029	35,000.00	3.200%	13,481.50	48,481.50	50,905.58
02/01/2030	40,000.00	3.260%	12,361.50	52,361.50	54,979.58
02/01/2031	40,000.00	3.350%	11,057.50	51,057.50	53,610.38
02/01/2032	40,000.00	3.400%	9,717.50	49,717.50	52,203.38
02/01/2033	45,000.00	3.500%	8,357.50	53,357.50	56,025.38
02/01/2034	45,000.00	3.550%	6,782.50	51,782.50	54,371.63
02/01/2035	45,000.00	3.600%	5,185.00	50,185.00	52,694.25
02/01/2036	45,000.00	3.700%	3,565.00	48,565.00	50,993.25
02/01/2037	50,000.00	3.800%	1,900.00	51,900.00	54,495.00
Total	\$415,000.00	-	\$93,264.64	\$508,264.64	\$533,677.87

Significant Dates

Dated	8/20/2026
First Coupon Date	8/01/2027

Yield Statistics

Bond Year Dollars	\$2,615.60
Average Life	6.303 Years
Average Coupon	3.5657111%
Net Interest Cost (NIC)	3.7561074%
True Interest Cost (TIC)	3.7731847%
Bond Yield for Arbitrage Purposes	3.8140155%
All Inclusive Cost (AIC)	4.2470655%

IRS Form 8038

Net Interest Cost	3.5657111%
Weighted Average Maturity	6.303 Years

City of Pipestone, Minnesota

\$70,000 General Obligation Bonds, Series 2026A

Tax Abatement

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2027	-	-	-	-	-
02/01/2028	10,000.00	3.100%	3,316.31	13,316.31	13,982.13
02/01/2029	15,000.00	3.200%	1,981.50	16,981.50	17,830.58
02/01/2030	15,000.00	3.260%	1,501.50	16,501.50	17,326.58
02/01/2031	15,000.00	3.350%	1,012.50	16,012.50	16,813.13
02/01/2032	15,000.00	3.400%	510.00	15,510.00	16,285.50
Total	\$70,000.00	-	\$8,321.81	\$78,321.81	\$82,237.90

Significant Dates

Dated	8/20/2026
First Coupon Date	8/01/2027

Yield Statistics

Bond Year Dollars	\$251.31
Average Life	3.590 Years
Average Coupon	3.3114310%
Net Interest Cost (NIC)	3.6456854%
True Interest Cost (TIC)	3.6650098%
Bond Yield for Arbitrage Purposes	3.8140155%
All Inclusive Cost (AIC)	4.4456579%

IRS Form 8038

Net Interest Cost	3.3114310%
Weighted Average Maturity	3.590 Years