

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: November 9, 2020

Item No.: 7.e

Department Approval



City Manager Approval



Item Description: Establish a Date of Sale for the Issuance of the City's 2020 General Obligation Bonds to finance Water system improvements and to refinance the outstanding 2011A Bonds

BACKGROUND

At the October 19, 2020 City Council meeting, the Council received a presentation on the Utility Rate Study prepared by Ehlers. For the Water Fund, issuing bond financing of \$2.5 million for the capital improvement needs over the next three years was identified as necessary. Staff have been working with Ehlers to prepare a bond sale.

When a city plans to issue bonds it is best practice to review outstanding debt issues to determine if there are any potential cost savings that can be achieved for the City by refinancing. A review of the City's debt issues identified one bond for a current refunding. The 2011A General Obligation Bond currently has a balance of \$5.1 million outstanding and a refinance of this bond issue would result in a cost savings of approximately \$312,000. Staff is recommending including a current refunding of these bonds with the issuance of the Water fund bonds to achieve savings for the city.

It takes approximately 45 days to fully conduct this process, the Council is advised to take action at its November 9th meeting to set a bond sale date on Monday, December 7, 2020. Results of the sale would be presented and the winning bid awarded at the Council's meeting that evening. The receipt of the bond proceeds would take place on December 30, 2020.

The City's Bond Counsel Briggs & Morgan has drafted the attached resolution setting the date of sale for \$7,705,000 in General Obligation Bonds.

POLICY OBJECTIVE

Not applicable.

FINANCIAL IMPACTS

Not applicable.

STAFF RECOMMENDATION

The Council is asked to consider the attached resolution setting the date of sale for the issuance of the City's 2020 General Obligation Bonds on December 7, 2020.

29 **REQUESTED COUNCIL ACTION**

30 Motion to approve the attached resolution setting the date of sale for the issuance of the City's 2020
31 General Obligation Bonds for December 7, 2020.

32

33

Prepared by: Michelle Pietrick, Finance Director

Attachments: A: Resolution setting the date of sale for the issuance of the City's 2020 General Obligation Bonds.

B: Pre Sale Report 2020A General Obligation Bonds

Resolution No. _____

Councilmember _____ introduced the following resolution and moved its adoption:

**Resolution Providing for the Sale of
\$7,705,000 General Obligation Bonds, Series 2020A**

- A. WHEREAS, the City Council of the City of Roseville, Minnesota has heretofore determined that it is necessary and expedient to issue the City's \$7,705,000 General Obligation Bonds, Series 2020A (the "Bonds"), to finance improvements to the water utility system and a current refunding of General Obligation Bonds, Series 2011A 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 Roseville, 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 6:00 p.m. on December 7, 2020, 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 9th day of November 9, 2020.

City Clerk

November 9, 2020
Pre-Sale Report for

City of Roseville, Minnesota

\$7,705,000 General Obligation Bonds, Series
2020A



Prepared by:

Ehlers
3060 Centre Pointe Drive
Roseville, MN 55113

Advisors:

Stacie Kvilvang, Senior Municipal Advisor
Jason Aarsvold, Senior Municipal Advisor
Keith Dahl, Financial Specialist

BUILDING COMMUNITIES. IT'S WHAT WE DO.

EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$7,705,000 General Obligation Bonds, Series 2020A

Purposes:

The proposed issue includes financing for improvements in 2020 – 2023 to the water utility system and current refunding of the 2011A GO Bonds.

- **Water Revenue Bonds (\$2,570,000):** This portion of the Bonds is being issued to finance improvements in 2020 – 2023 to the water utility system. Debt service will be paid from utility revenues.
- **Current Refunding of Series 2011A (\$5,135,000):** These bonds were previously issued to finance public safety and park improvements. Debt service will continue to be paid from ad valorem property taxes.

Interest rates on the obligations proposed to be refunded are 2.150% to 3.050%. The refunding is expected to reduce debt service expense by approximately \$312,000 over the next 8 years. The Net Present Value Benefit of the refunding is estimated to be \$300,000, equal to 5.968% of the refunded principal.

This refunding is considered to be a Current Refunding as the obligations being refunded will be callable (pre-payable) within 90 days of the date of issue of the new Bonds.

Authority:

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

- 444 – Utility Bonding Authority
- 469.060 – Port Authority
- 475 – General Bonding Authority

Water Revenue Bonds (\$2,570,000): This portion of the Bonds are being issued pursuant to Chapter 444 which allows cities to issue debt without limitation as long as debt service is expected to be paid from water and sewer revenues.

Current Refunding of Series 2011A (\$5,135,000): This portion of the Bonds are being issued pursuant to Chapter 469.060 which allows a city utilizing its Port Authority powers to issue debt pursuant to an ordinance approved by the City Council in 2011.

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 11 years. The refunding portion of the Bonds will keep the same term. Principal on the Bonds will be due on February 1 in the years 2022 through 2031. Interest is payable every six months beginning August 1, 2021.

The Bonds will be subject to prepayment at the discretion of the City on February 1, 2028 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 Standard & Poor’s. The current ratings on those bonds are “AAA”. 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 our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of general obligation bonds as a suitable financing option for the following reasons:

- This is a viable option available to finance these types of project under State law
- This is the most overall cost-effective option that still maintains future flexibility for the repayment of debt

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 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 prepares and files its own reports. The City may continue to prepare and file its own reports or contract with Ehlers to do so.

Arbitrage Monitoring:

Because the Bonds tax-exempt obligations, the City must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be defined in the **Arbitrage Certificate** prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or contract with Ehlers to assist you. You have retained Ehlers to assist you in complying with these rules. We also recommend that you establish written procedures regarding compliance with IRS rules and/or contract with Ehlers to assist you.

Investment of Bond Proceeds:

To maximize interest earnings, we recommend using an SEC registered investment advisor to assist with the investment of bond proceeds until they are needed to pay project costs. Ehlers is a registered investment advisor, and can assist the City in developing an appropriate investment strategy if needed.

Risk Factors:

Current Refunding: The Bonds are being issued to finance a current refunding of prior City debt obligations. Those prior debt obligations are callable on or after March 1, 2021. The new Bonds will not be pre-payable until February 1, 2028.

This refunding is being undertaken based in part on an assumption that the City does not expect to pre-pay off this debt prior to the new call date and that market conditions warrant the refunding at this time.

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: Taft Stettinius & Hollister LLP

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.

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 City Council:	November 9, 2020
Due Diligence Call to review Official Statement:	Week of November 23, 2020
Distribute Official Statement:	Week of November 23, 2020
Conference with Rating Agency:	Week of November 30, 2020
City Council Meeting to Award Sale of the Bonds:	December 7, 2020
Estimated Closing Date:	December 30, 2020
Redemption Date for the Obligations Being Refunded:	March 1, 2021

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

Stacie Kvilvang, Senior Municipal Advisor	(651) 697-8506
Jason Aarsvold, Senior Municipal Advisor	(651) 697-8512
Keith Dahl, Financial Specialist	(651) 697-8595
Emily Wilkie, Senior Public Finance Analyst	(651) 697-8588
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 Roseville, MN

\$7,705,000 General Obligation Bonds, Series 2020A

Issue Summary

Assumes Current Market BQ AAA rates plus 20bps

Total Issue Sources And Uses

Dated 12/30/2020 | Delivered 12/30/2020

	Water Revenue	Current Refund 2011A GO	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$2,570,000.00	\$5,135,000.00	\$7,705,000.00
Total Sources	\$2,570,000.00	\$5,135,000.00	\$7,705,000.00
Uses Of Funds			
Total Underwriter's Discount (1.200%)	30,840.00	61,620.00	92,460.00
Costs of Issuance	27,017.51	53,982.49	81,000.00
Deposit to Capitalized Interest (CIF) Fund	11,374.95	-	11,374.95
Deposit to Project Construction Fund	2,500,000.00	-	2,500,000.00
Deposit to Current Refunding Fund	-	5,020,000.00	5,020,000.00
Rounding Amount	767.54	(602.49)	165.05
Total Uses	\$2,570,000.00	\$5,135,000.00	\$7,705,000.00

City of Roseville, MN

\$7,705,000 General Obligation Bonds, Series 2020A

Issue Summary

Assumes Current Market BQ AAA rates plus 20bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/30/2020	-	-	-	-	-
08/01/2021	-	-	29,487.25	29,487.25	-
02/01/2022	970,000.00	0.400%	25,155.00	995,155.00	1,024,642.25
08/01/2022	-	-	23,215.00	23,215.00	-
02/01/2023	980,000.00	0.450%	23,215.00	1,003,215.00	1,026,430.00
08/01/2023	-	-	21,010.00	21,010.00	-
02/01/2024	980,000.00	0.500%	21,010.00	1,001,010.00	1,022,020.00
08/01/2024	-	-	18,560.00	18,560.00	-
02/01/2025	990,000.00	0.550%	18,560.00	1,008,560.00	1,027,120.00
08/01/2025	-	-	15,837.50	15,837.50	-
02/01/2026	990,000.00	0.650%	15,837.50	1,005,837.50	1,021,675.00
08/01/2026	-	-	12,620.00	12,620.00	-
02/01/2027	1,000,000.00	0.750%	12,620.00	1,012,620.00	1,025,240.00
08/01/2027	-	-	8,870.00	8,870.00	-
02/01/2028	1,005,000.00	0.900%	8,870.00	1,013,870.00	1,022,740.00
08/01/2028	-	-	4,347.50	4,347.50	-
02/01/2029	260,000.00	1.000%	4,347.50	264,347.50	268,695.00
08/01/2029	-	-	3,047.50	3,047.50	-
02/01/2030	265,000.00	1.100%	3,047.50	268,047.50	271,095.00
08/01/2030	-	-	1,590.00	1,590.00	-
02/01/2031	265,000.00	1.200%	1,590.00	266,590.00	268,180.00
Total	\$7,705,000.00	-	\$272,837.25	\$7,977,837.25	-

Yield Statistics

Bond Year Dollars	\$35,593.49
Average Life	4.620 Years
Average Coupon	0.7665370%
Net Interest Cost (NIC)	1.0263037%
True Interest Cost (TIC)	1.0322992%
Bond Yield for Arbitrage Purposes	0.7645684%
All Inclusive Cost (AIC)	1.2706133%

IRS Form 8038

Net Interest Cost	0.7665370%
Weighted Average Maturity	4.620 Years

City of Roseville, MN

\$7,705,000 General Obligation Bonds, Series 2020A

Issue Summary

Assumes Current Market BQ AAA rates plus 20bps

Detail Costs Of Issuance

Dated 12/30/2020 | Delivered 12/30/2020

COSTS OF ISSUANCE DETAIL

Municipal Advisor	\$49,000.00
Bond Counsel	\$15,000.00
Rating Agency Fee	\$16,000.00
Miscellaneous	\$1,000.00
TOTAL	\$81,000.00

City of Roseville, MN

\$2,570,000 General Obligation Bonds, Series 2020A

Water Revenue

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/30/2020	-	-	-	-	-
08/01/2021	-	-	11,374.95	11,374.95	-
02/01/2022	250,000.00	0.400%	9,703.75	259,703.75	271,078.70
08/01/2022	-	-	9,203.75	9,203.75	-
02/01/2023	250,000.00	0.450%	9,203.75	259,203.75	268,407.50
08/01/2023	-	-	8,641.25	8,641.25	-
02/01/2024	255,000.00	0.500%	8,641.25	263,641.25	272,282.50
08/01/2024	-	-	8,003.75	8,003.75	-
02/01/2025	255,000.00	0.550%	8,003.75	263,003.75	271,007.50
08/01/2025	-	-	7,302.50	7,302.50	-
02/01/2026	255,000.00	0.650%	7,302.50	262,302.50	269,605.00
08/01/2026	-	-	6,473.75	6,473.75	-
02/01/2027	255,000.00	0.750%	6,473.75	261,473.75	267,947.50
08/01/2027	-	-	5,517.50	5,517.50	-
02/01/2028	260,000.00	0.900%	5,517.50	265,517.50	271,035.00
08/01/2028	-	-	4,347.50	4,347.50	-
02/01/2029	260,000.00	1.000%	4,347.50	264,347.50	268,695.00
08/01/2029	-	-	3,047.50	3,047.50	-
02/01/2030	265,000.00	1.100%	3,047.50	268,047.50	271,095.00
08/01/2030	-	-	1,590.00	1,590.00	-
02/01/2031	265,000.00	1.200%	1,590.00	266,590.00	268,180.00
Total	\$2,570,000.00	-	\$129,333.70	\$2,699,333.70	-

Yield Statistics

Bond Year Dollars	\$14,496.31
Average Life	5.641 Years
Average Coupon	0.8921839%
Net Interest Cost (NIC)	1.1049277%
True Interest Cost (TIC)	1.1106225%
Bond Yield for Arbitrage Purposes	0.7645684%
All Inclusive Cost (AIC)	1.3073975%

IRS Form 8038

Net Interest Cost	0.8921839%
Weighted Average Maturity	5.641 Years

City of Roseville, MN

\$5,135,000 General Obligation Bonds, Series 2020A
Current Refund 2011A GO

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/30/2020	-	-	-	-	-
08/01/2021	-	-	18,112.30	18,112.30	-
02/01/2022	720,000.00	0.400%	15,451.25	735,451.25	753,563.55
08/01/2022	-	-	14,011.25	14,011.25	-
02/01/2023	730,000.00	0.450%	14,011.25	744,011.25	758,022.50
08/01/2023	-	-	12,368.75	12,368.75	-
02/01/2024	725,000.00	0.500%	12,368.75	737,368.75	749,737.50
08/01/2024	-	-	10,556.25	10,556.25	-
02/01/2025	735,000.00	0.550%	10,556.25	745,556.25	756,112.50
08/01/2025	-	-	8,535.00	8,535.00	-
02/01/2026	735,000.00	0.650%	8,535.00	743,535.00	752,070.00
08/01/2026	-	-	6,146.25	6,146.25	-
02/01/2027	745,000.00	0.750%	6,146.25	751,146.25	757,292.50
08/01/2027	-	-	3,352.50	3,352.50	-
02/01/2028	745,000.00	0.900%	3,352.50	748,352.50	751,705.00
Total	\$5,135,000.00	-	\$143,503.55	\$5,278,503.55	-

Yield Statistics

Bond Year Dollars	\$21,097.18
Average Life	4.109 Years
Average Coupon	0.6802025%
Net Interest Cost (NIC)	0.9722794%
True Interest Cost (TIC)	0.9789428%
Bond Yield for Arbitrage Purposes	0.7645684%
All Inclusive Cost (AIC)	1.2456125%

IRS Form 8038

Net Interest Cost	0.6802025%
Weighted Average Maturity	4.109 Years

City of Roseville, MN

\$5,135,000 General Obligation Bonds, Series 2020A
Current Refund 2011A GO

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
03/01/2021	-	602.49	-	(602.49)
03/01/2022	753,563.55	753,563.55	796,982.50	43,418.95
03/01/2023	758,022.50	758,022.50	802,685.00	44,662.50
03/01/2024	749,737.50	749,737.50	796,930.00	47,192.50
03/01/2025	756,112.50	756,112.50	799,555.00	43,442.50
03/01/2026	752,070.00	752,070.00	795,607.50	43,537.50
03/01/2027	757,292.50	757,292.50	800,532.50	43,240.00
03/01/2028	751,705.00	751,705.00	798,637.50	46,932.50
Total	\$5,278,503.55	\$5,279,106.04	\$5,590,930.00	\$311,823.96

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	300,186.53
Net PV Cashflow Savings @ 0.765%(Bond Yield)....	300,186.53
Contingency or Rounding Amount.....	(602.49)
Net Present Value Benefit	\$299,584.04
Net PV Benefit / \$5,417,541.05 PV Refunded Debt Service	5.530%
Net PV Benefit / \$5,020,000 Refunded Principal...	5.968%
Net PV Benefit / \$5,135,000 Refunding Principal..	5.834%

Refunding Bond Information

Refunding Dated Date	12/30/2020
Refunding Delivery Date	12/30/2020

City of Roseville, MN

\$5,135,000 General Obligation Bonds, Series 2020A
Current Refund 2011A GO

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2021	-	-	-	-	-
02/01/2022	720,000.00	0.400%	33,563.55	753,563.55	791,241.73
02/01/2023	730,000.00	0.450%	28,022.50	758,022.50	795,923.63
02/01/2024	725,000.00	0.500%	24,737.50	749,737.50	787,224.38
02/01/2025	735,000.00	0.550%	21,112.50	756,112.50	793,918.13
02/01/2026	735,000.00	0.650%	17,070.00	752,070.00	789,673.50
02/01/2027	745,000.00	0.750%	12,292.50	757,292.50	795,157.13
02/01/2028	745,000.00	0.900%	6,705.00	751,705.00	789,290.25
Total	\$5,135,000.00	-	\$143,503.55	\$5,278,503.55	\$5,542,428.73

Significant Dates

Dated	12/30/2020
First Coupon Date	8/01/2021

Yield Statistics

Bond Year Dollars	\$21,097.18
Average Life	4.109 Years
Average Coupon	0.6802025%
Net Interest Cost (NIC)	0.9722794%
True Interest Cost (TIC)	0.9789428%
Bond Yield for Arbitrage Purposes	0.7645684%
All Inclusive Cost (AIC)	1.2456125%

IRS Form 8038

Net Interest Cost	0.6802025%
Weighted Average Maturity	4.109 Years