

January 9, 2023

PRE-SALE REPORT FOR

## City of West St. Paul, Minnesota

**\$6,110,000 Taxable General Obligation Temporary  
Tax Abatement Bonds, Series 2023A**



---

**Prepared by:**

Ehlers  
3060 Centre Pointe Drive  
Roseville, MN 55113

**Advisors:**

Keith Dahl, Municipal Advisor  
Stacie Kvilvang, Senior Municipal Advisor

---

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

# EXECUTIVE SUMMARY OF PROPOSED DEBT

## Proposed Issue:

\$6,110,000 Taxable General Obligation Temporary Tax Abatement Bonds, Series 2023A

## Purposes:

To finance the acquisition of property formerly owned by HyVee for future resale for redevelopment within the City. It is expected that the Bonds will be repaid from land sale proceeds. However, if a sale does not materialize over the next six (6) years, the principal amount of the Bonds will be paid by tax abatement revenues and interest will be paid from ad valorem property taxes.

## Authority:

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

- 469 – Tax Abatement Authority
- 475 – General Bonding Authority

The City is required to hold a public hearing on the abatement and the public purpose it serves. The hearing will be held on January 23, 2023. In addition, 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 1) 10% of the City's net tax capacity (NTC) or 2) \$200,000, whichever is greater. Since the City's NTC for Pay 2022 is \$21,801,633, the greater amount would be \$2,180,163.

These Bonds in addition to the outstanding annual abatements is approximately \$1,040,256, which is less than the maximum amount allowed under the Tax Abatement 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 3 years. Principal on the Bonds will be due on February 1, 2026. Interest has been capitalized through August 1, 2025, so the City has no out of pocket expenses and is payable every six months beginning February 1, 2024.

The Bonds will be subject to prepayment at the discretion of the City on March 3, 2023, or any date after settlement date.

## Bank Qualification:

Because the Bonds are taxable obligations they will not be designated as "bank qualified" obligations.

## **Rating:**

S&P Global Ratings "AA"

The City's most recent bond issues were rated by S&P Global Ratings. The current underlying 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. 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. 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 (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.

## **Risk Factors:**

**Development Risk:** Should a sale and development not materialize during the term of the first 3-year temporary financing, the City can reissue the bonds for another 3-year temporary period. To the extent no sale and development materializes within 6 years, the City will be required to pay off the bonds or issue long-term bond financing. To the extent land sale proceeds are not adequate to pay off the bonds at any time, the City may not recover all or a portion of its investment.

## **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:** 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:	January 9, 2023
Public Hearing on Tax Abatement	January 23, 2023
Distribute Official Statement:	Week of January 30, 2023
Due Diligence Call to Review Official Statement and Conference with Rating Agency:	Week of February 6, 2023
City Council Meeting to Award Sale of the Bonds:	February 13, 2023
Estimated Closing Date:	March 6, 2023

## Attachments

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

# EHLERS' CONTACTS

Keith Dahl, Municipal Advisor	(651) 697-8595
Stacie Kvilvang, Senior Municipal Advisor	(651) 697-8506
Silvia Johnson, Senior Public Finance Analyst	(651) 697-8580
Alicia Gage, Senior Financial Analyst	(651) 697-8551

# City of West St Paul, Minnesota

\$6,110,000 Taxable GO Temporary Tax Abatement Bonds, Series 2023A  
Assumes Current Market Taxable AA Rates plus 75bps

## Sources & Uses

Dated 03/02/2023 | Delivered 03/02/2023

### Sources Of Funds

Par Amount of Bonds	\$6,110,000.00
<b>Total Sources</b>	<b>\$6,110,000.00</b>

### Uses Of Funds

Total Underwriter's Discount (0.600%)	36,660.00
Costs of Issuance	69,000.00
Deposit to Capitalized Interest (CIF) Fund	752,191.92
Deposit to Project Construction Fund	5,251,266.00
Rounding Amount	882.08
<b>Total Uses</b>	<b>\$6,110,000.00</b>



# City of West St Paul, Minnesota

\$6,110,000 Taxable GO Temporary Tax Abatement Bonds, Series 2023A

Assumes Current Market Taxable AA Rates plus 75bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
03/02/2023	-	-	-	-	-
02/01/2024	-	-	284,776.92	284,776.92	284,776.92
08/01/2024	-	-	155,805.00	155,805.00	-
02/01/2025	-	-	155,805.00	155,805.00	311,610.00
08/01/2025	-	-	155,805.00	155,805.00	-
02/01/2026	6,110,000.00	5.100%	155,805.00	6,265,805.00	6,421,610.00
<b>Total</b>	<b>\$6,110,000.00</b>	<b>-</b>	<b>\$907,996.92</b>	<b>\$7,017,996.92</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$17,803.86
Average Life	2.914 Years
Average Coupon	5.100000%
Net Interest Cost (NIC)	5.3059104%
True Interest Cost (TIC)	5.3066892%
Bond Yield for Arbitrage Purposes	5.0825335%
All Inclusive Cost (AIC)	5.7330706%

## IRS Form 8038

Net Interest Cost	5.100000%
Weighted Average Maturity	2.914 Years



# City of West St Paul, Minnesota

\$6,110,000 Taxable GO Temporary Tax Abatement Bonds, Series 2023A  
Assumes Current Market Taxable AA Rates plus 75bps

## Detail Costs Of Issuance

Dated 03/02/2023 | Delivered 03/02/2023

### COSTS OF ISSUANCE DETAIL

Municipal Advisor	\$33,500.00
Abatement Work	\$4,000.00
Bond Counsel	\$14,000.00
Rating Agency Fee	\$16,500.00
Miscellaneous	\$1,000.00
<b>TOTAL</b>	<b>\$69,000.00</b>

