

August 24, 2021
Pre-Sale Report for

Le Sueur County, Minnesota

\$3,685,000 General Obligation State Aid Bonds, Series
2021B



Prepared by:

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EXECUTIVE SUMMARY OF PROPOSED DEBT

Proposed Issue:

\$3,685,000 General Obligation State Aid Bonds, Series 2021B

Purposes:

The proposed Series 2021B issue will finance state aid highway improvements. Debt service will be paid from future state aid allotments.

Authority:

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 162 and 475. The Bonds will be general obligations of the County 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, 6 months. Principal on the Bonds will be due on April 1 in the years 2023 through 2037. Interest is payable every six months beginning October 1, 2022. The Bonds will be subject to prepayment at the discretion of the County on April 1, 2030 or any date thereafter.

Bank Qualification:

Because the County expects to issue no more than \$10,000,000 in tax exempt debt during the calendar year, the County 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 County's most recent bond issues were rated by S&P Global Ratings. The current ratings on those bonds are "AA". The County will request a new rating for the Bonds.

Basis for Recommendation:

The proposed Bond issue is the most cost-efficient means of achieving the financing of the expected highway improvements 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 County'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, 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 its compensation (or "discount") but will pay the remainder of the premium to the County.

For this issue of Bonds, the County has preliminarily directed us to use any 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.

Review of Existing Debt:

We have reviewed all outstanding indebtedness for the County and find that there are no refunding opportunities at this time. We will continue to monitor the market and the call dates for the County's outstanding debt and will alert you to any future refunding opportunities.

Continuing Disclosure:

Because the County has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the County 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 County 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 County 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. The County's specific arbitrage responsibilities will be detailed in the Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt (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 limitation, 6) investments yield restrictions, 7) de minimis rules, or; 8) borrower limited requirements.

We recommend that the County review its specific responsibilities related to the Bonds with an arbitrage expert in order to utilize one or more of the exceptions listed above.

Investment of Bond Proceeds:

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

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. 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, please contact us.

Bond Counsel: Dorsey & Whitney LLP

Paying Agent: Bond Trust Services Corporation

Rating Agency: Standard & Poor's 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.

This presale report summarizes our understanding of the County'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 County's objectives.

PROPOSED DEBT ISSUANCE SCHEDULE

Pre-Sale Review by Board of Commissioners:	August 24, 2021
Due Diligence Call to review Official Statement:	Week of Sept. 13, 2021
Distribute Official Statement:	Week of Sept. 13, 2021
Conference with Rating Agency:	Sept. 13, 2021
Board of Commissioners Meeting to Award Sale of the Bonds:	September 28, 2021
Estimated Closing Date:	October 20, 2021

Attachments

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

EHLERS' CONTACTS

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The Preliminary Official Statement for this financing will be sent to the County Commissioners for review prior to the sale date.

Resolution No. _____

Commissioner _____ introduced the following resolution and moved its adoption:

**Resolution Providing for the Sale of
\$3,685,000 General Obligation State Aid Bonds, Series 2021B**

- A. WHEREAS, the Board of Commissioners of the Le Sueur County, Minnesota has heretofore determined that it is necessary and expedient to issue the County's \$3,685,000 General Obligation State Aid Bonds, Series 2021B (the "Bonds"), to finance state aid highway improvements within the County; and
- B. WHEREAS, the County 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 Board of Commissioners of the Le Sueur County, Minnesota, as follows:

- 1. Authorization; Findings. The Board of Commissioners hereby authorizes Ehlers to assist the County for the sale of the Bonds.
- 2. Meeting; Proposal Opening. The Board of Commissioners shall meet at 9:00 a.m. on September 28, 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 County 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 County upon its completion.

The motion for the adoption of the foregoing resolution was duly seconded by Commissioner _____ and, after full discussion thereof and upon a vote being taken thereon, the following Commissioners voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this 24th day of August, 2021.

Title of Document Signer