
Le Sueur County, MN

Tuesday, December 23, 2014

Board Meeting

Item 7

10:10 am Bruce Kimmel (15 min)

RE: 2015 Bond Sale

Staff Contact:

December 23, 2014

Pre-Sale Report for

Le Sueur County, Minnesota

\$9,975,000 General Obligation Bonds, Series 2015A



Prepared by:

Bruce Kimmel
Senior Financial Advisor

And

Todd Hagen
Senior Financial Advisor



Executive Summary of Proposed Debt

Proposed Issue:	\$9,975,000 General Obligation Bonds, Series 2015A
Purposes:	<p>The proposed issue includes financing to fund improvements to several County roads and bridges, as detailed in the County's 2015 – 2019 Capital Improvement Plan. The two statutory authorities for the issue are County Capital Improvement Plan (CIP) Bonds and County State Aid Bonds.</p> <ul style="list-style-type: none"> • CIP will comprise \$4,885,000, funding improvements to CSAH 28, CSAH 32, and County Road 104. The County will pay debt service with future ad valorem property taxes. • State Aid will comprise \$5,090,000, funding improvements to CSAH 3, CSAH 7, CSAH 14, CSAH 23, and CSAH 33. The County will pay debt service with future state aid revenues.
Authority:	<p>The Bonds are being issued pursuant to Minnesota Statutes, Chapters:</p> <ul style="list-style-type: none"> • 162 (State Aid) • 373 (Capital Improvement) • 475 (General Obligation) <p>The Bonds will be general obligations of the County for which its full faith, credit and taxing powers are pledged.</p> <p>State law limits annual debt service on CIP Bonds to a cumulative maximum equal to 0.12% of the County's Estimated Market Value. The County's CIP lists an EMV for 2015 of \$3,830,684,900 and so its maximum annual CIP debt service is \$4,596,822.</p> <p>Together with existing debt service on the County's 2005, 2006, 2007, 2008 and 2011 CIP Bonds, principal and interest due on the CIP portion of the 2015A Bonds will bring the County's total annual CIP debt service to an estimated \$1,918,841 in the 12-month period ending February 1, 2017. This total, as of the first full year of 2015A debt service, equals 42% of the County's CIP capacity given the 2015 market value.</p> <p>The Bonds will also count against the County's General Obligation Debt Capacity Limit of 3% of market value, which equals roughly \$114,920,500 with the County's 2015 market value. Counting all of the County's bond principal outstanding, the County's total principal will be \$18,285,000 when the 2015A Bonds close in late February 2015. This total equals 16% of the County's statutory maximum.</p>
Term/Call Feature:	<p>The Bonds are being issued with a 10-year principal repayment term, and approximately an 11-year total duration. Principal on the Bonds will be due on February 1 in the years 2017 through 2026. Interest is payable every six months beginning February 1, 2016, corresponding to the 2015 fiscal year.</p>



	The Bonds maturing on and after February 1, 2024 will be pre-payable at the County's sole discretion on February 1, 2023 or any date thereafter.
Bank Qualification:	Because the County is issuing less than \$10,000,000 in the 2015 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:	<p>The County's most recent bond issues were rated "AA" by Standard & Poor's. The County will request a new rating for the Bonds.</p> <p>If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the County's bond rating in the event that the bond rating of the insurer is higher than that of the County.</p>
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 proposed Series 2015A structure as a suitable financing option because a combined CIP / State Aid issuance is more cost effective than two separate issues, these two bonding authorities are the only appropriate options available for the planned road improvements.
Method of Sale/Placement:	<p>In order to obtain the lowest interest cost to the County, we will solicit competitive bids for purchase of the Bonds from regional and national bond underwriters, as well as local banks in your area.</p> <p>We have included an allowance for discount bidding equal to 1.00% of the principal amount 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 lower your borrowing amount.</p> <p>Premium Bids: Under current market conditions, most 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 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.</p> <p>For this issue, the County expects to use any premium to reduce the size of the issue. The adjustment may slightly change the true interest cost of the original bid, either up or down. The County also has the option to limit the amount of allowable premium in the bond bid specifications, but this may result in fewer competitive bids from bond underwriters and we do not envision any difficulties in adjusting the bond size as needed on the sale date.</p>



Review of Existing Debt:	<p>We have reviewed all outstanding indebtedness for the County and find that there are no refunding opportunities at this time.</p> <p>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.</p>
Continuing Disclosure:	<p>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 "material 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.</p>
Arbitrage Monitoring:	<p>Because the Bonds are tax-exempt securities, the County 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 detailed in the Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt prepared by your Bond Attorney and provided at closing. You have retained Ehlers to assist you with compliance with these rules.</p>
Other Service Providers:	<p>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 all such fees, and so actual fees may vary slightly from this estimate. If you have any questions pertaining to the service providers or their respective roles, or if you would like to use a different service provider for any of the listed services please contact us.</p> <p>Bond Attorney: Dorsey & Whitney LLP</p> <p>Paying Agent: Bond Trust Services Corporation</p> <p>Rating Agency: Standard & Poor's</p>

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	December 23, 2014
Distribute Official Statement:	Week of January 12, 2015
Conference with Rating Agency:	Week of January 19, 2015
Board of Commissioners Meeting to Award Bond Sale:	January 27, 2015
Estimated Closing Date:	February 25, 2015

Attachments

Sources and Uses of Funds

Proposed Debt Service Schedule

Resolution Authorizing Ehlers to Proceed With Bond Sale

Ehlers Contacts

Financial Advisors:	Bruce Kimmel	(651) 697-8572
	Todd Hagen	(651) 697-8508
Disclosure Coordinator:	Jen Chapman	(651) 697-8566
Financial Analyst:	Alicia Gage	(651) 697-8551

The Official Statement for this financing will be mailed to the County Commissioners at their home addresses or e-mailed for review prior to the sale date.



Resolution No. _____

Commissioner _____ introduced the following resolution and moved its adoption:

**Resolution Providing for the Sale of
\$9,975,000 General Obligation Bonds, Series 2015A**

- 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 \$9,975,000 General Obligation Bonds, Series 2015A (the "Bonds"), to finance several road improvements in the County; and
- B. WHEREAS, the County has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor for the Bonds and is therefore authorized to solicit proposals 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 solicit proposals for the sale of the Bonds.
2. Meeting; Proposal Opening. The Board of Commissioners shall meet at approximately 1:00 am on Tuesday, January 27, 2015, for the purpose of considering sealed 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 Board of Commissioners Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this _____ day of _____, 2014.

Le Sueur County, Minnesota

\$9,975,000 General Obligation Bonds, Series 2015A

Issue Summary

Assumes Current Market BQ AA Rates plus 25bp

Total Issue Sources And Uses

Dated 02/25/2015 | Delivered 02/25/2015

	State Aid	CIP	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$5,090,000.00	\$4,885,000.00	\$9,975,000.00
Total Sources	\$5,090,000.00	\$4,885,000.00	\$9,975,000.00
Uses Of Funds			
Total Underwriter's Discount (1.000%)	50,900.00	48,850.00	99,750.00
Costs of Issuance	36,739.85	35,260.15	72,000.00
Deposit to Project Construction Fund	5,000,000.00	4,800,000.00	9,800,000.00
Rounding Amount	2,360.15	889.85	3,250.00
Total Uses	\$5,090,000.00	\$4,885,000.00	\$9,975,000.00

Series 2015A GO Bonds -Pr | Issue Summary | 12/15/2014 | 2:59 PM



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Le Sueur County, Minnesota

\$9,975,000 General Obligation Bonds, Series 2015A

Issue Summary

Assumes Current Market BQ AA Rates plus 25bp

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/25/2015	-	-	-	-	-
02/01/2016	-	-	166,065.67	166,065.67	166,065.67
08/01/2016	-	-	88,963.75	88,963.75	-
02/01/2017	940,000.00	0.800%	88,963.75	1,028,963.75	1,117,927.50
08/01/2017	-	-	85,203.75	85,203.75	-
02/01/2018	945,000.00	0.950%	85,203.75	1,030,203.75	1,115,407.50
08/01/2018	-	-	80,715.00	80,715.00	-
02/01/2019	950,000.00	1.200%	80,715.00	1,030,715.00	1,111,430.00
08/01/2019	-	-	75,015.00	75,015.00	-
02/01/2020	965,000.00	1.450%	75,015.00	1,040,015.00	1,115,030.00
08/01/2020	-	-	68,018.75	68,018.75	-
02/01/2021	980,000.00	1.650%	68,018.75	1,048,018.75	1,116,037.50
08/01/2021	-	-	59,933.75	59,933.75	-
02/01/2022	1,000,000.00	1.900%	59,933.75	1,059,933.75	1,119,867.50
08/01/2022	-	-	50,433.75	50,433.75	-
02/01/2023	1,015,000.00	2.150%	50,433.75	1,065,433.75	1,115,867.50
08/01/2023	-	-	39,522.50	39,522.50	-
02/01/2024	1,035,000.00	2.350%	39,522.50	1,074,522.50	1,114,045.00
08/01/2024	-	-	27,361.25	27,361.25	-
02/01/2025	1,060,000.00	2.450%	27,361.25	1,087,361.25	1,114,722.50
08/01/2025	-	-	14,376.25	14,376.25	-
02/01/2026	1,085,000.00	2.650%	14,376.25	1,099,376.25	1,113,752.50
Total	\$9,975,000.00	-	\$1,345,153.17	\$11,320,153.17	-

Yield Statistics

Bond Year Dollars	\$65,525.00
Average Life	6.569 Years
Average Coupon	2.0528854%
Net Interest Cost (NIC)	2.2051174%
True Interest Cost (TIC)	2.2035540%
Bond Yield for Arbitrage Purposes	2.0382274%
All Inclusive Cost (AIC)	2.3242533%

IRS Form 8038

Net Interest Cost	2.0528854%
Weighted Average Maturity	6.569 Years

Le Sueur County, Minnesota

\$5,090,000 General Obligation Bonds, Series 2015A

State Aid

Assumes Current Market BQ AA Rates plus 25bp

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/25/2015	-	-	-	-	-
02/01/2016	-	-	84,781.67	84,781.67	84,781.67
08/01/2016	-	-	45,418.75	45,418.75	-
02/01/2017	480,000.00	0.800%	45,418.75	525,418.75	570,837.50
08/01/2017	-	-	43,498.75	43,498.75	-
02/01/2018	480,000.00	0.950%	43,498.75	523,498.75	566,997.50
08/01/2018	-	-	41,218.75	41,218.75	-
02/01/2019	485,000.00	1.200%	41,218.75	526,218.75	567,437.50
08/01/2019	-	-	38,308.75	38,308.75	-
02/01/2020	490,000.00	1.450%	38,308.75	528,308.75	566,617.50
08/01/2020	-	-	34,756.25	34,756.25	-
02/01/2021	500,000.00	1.650%	34,756.25	534,756.25	569,512.50
08/01/2021	-	-	30,631.25	30,631.25	-
02/01/2022	510,000.00	1.900%	30,631.25	540,631.25	571,262.50
08/01/2022	-	-	25,786.25	25,786.25	-
02/01/2023	520,000.00	2.150%	25,786.25	545,786.25	571,572.50
08/01/2023	-	-	20,196.25	20,196.25	-
02/01/2024	530,000.00	2.350%	20,196.25	550,196.25	570,392.50
08/01/2024	-	-	13,968.75	13,968.75	-
02/01/2025	540,000.00	2.450%	13,968.75	553,968.75	567,937.50
08/01/2025	-	-	7,353.75	7,353.75	-
02/01/2026	555,000.00	2.650%	7,353.75	562,353.75	569,707.50
Total	\$5,090,000.00	-	\$687,056.67	\$5,777,056.67	-

Yield Statistics

Bond Year Dollars	\$33,455.67
Average Life	6.573 Years
Average Coupon	2.0536332%
Net Interest Cost (NIC)	2.2057748%
True Interest Cost (TIC)	2.2042242%
Bond Yield for Arbitrage Purposes	2.0382274%
All Inclusive Cost (AIC)	2.3248599%

IRS Form 8038

Net Interest Cost	2.0536332%
Weighted Average Maturity	6.573 Years

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Le Sueur County, Minnesota

\$4,885,000 General Obligation Bonds, Series 2015A

CIP

Assumes Current Market BQ AA Rates plus 25bp

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/25/2015	-	-	-	-	-
02/01/2016	-	-	81,284.00	81,284.00	81,284.00
08/01/2016	-	-	43,545.00	43,545.00	-
02/01/2017	460,000.00	0.800%	43,545.00	503,545.00	547,090.00
08/01/2017	-	-	41,705.00	41,705.00	-
02/01/2018	465,000.00	0.950%	41,705.00	506,705.00	548,410.00
08/01/2018	-	-	39,496.25	39,496.25	-
02/01/2019	465,000.00	1.200%	39,496.25	504,496.25	543,992.50
08/01/2019	-	-	36,706.25	36,706.25	-
02/01/2020	475,000.00	1.450%	36,706.25	511,706.25	548,412.50
08/01/2020	-	-	33,262.50	33,262.50	-
02/01/2021	480,000.00	1.650%	33,262.50	513,262.50	546,525.00
08/01/2021	-	-	29,302.50	29,302.50	-
02/01/2022	490,000.00	1.900%	29,302.50	519,302.50	548,605.00
08/01/2022	-	-	24,647.50	24,647.50	-
02/01/2023	495,000.00	2.150%	24,647.50	519,647.50	544,295.00
08/01/2023	-	-	19,326.25	19,326.25	-
02/01/2024	505,000.00	2.350%	19,326.25	524,326.25	543,652.50
08/01/2024	-	-	13,392.50	13,392.50	-
02/01/2025	520,000.00	2.450%	13,392.50	533,392.50	546,785.00
08/01/2025	-	-	7,022.50	7,022.50	-
02/01/2026	530,000.00	2.650%	7,022.50	537,022.50	544,045.00
Total	\$4,885,000.00	-	\$658,096.50	\$5,543,096.50	-

Yield Statistics

Bond Year Dollars	\$32,069.33
Average Life	6.565 Years
Average Coupon	2.0521053%
Net Interest Cost (NIC)	2.2044315%
True Interest Cost (TIC)	2.2028549%
Bond Yield for Arbitrage Purposes	2.0382274%
All Inclusive Cost (AIC)	2.3236205%

IRS Form 8038

Net Interest Cost	2.0521053%
Weighted Average Maturity	6.565 Years

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