



CITY OF LE SUEUR  
REQUEST FOR COUNCIL ACTION

TO: Mayor and City Council

FROM: Joe Roby, City Administrator  
Ryan Graff, Finance Director

SUBJECT: R2022-044: Authorization for Negotiated Bank Placement - CSAH 36  
Improvements Project

DATE: For the City Council Meeting of October 24, 2022

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**PURPOSE**

Authorize engagement of placement agent to solicit competitive negotiated bank placement for selling a General Obligation Improvement and Utility Revenue Note related to the CSAH 36 Improvements Project.

**SUMMARY**

Staff has engaged with David Drown & Associates to determine the appropriate financing plan associated with the 2022 CSAH 36 Improvements Project. The bond proceeds will be used to reimburse Le Sueur County for the City's portion of the project related to reconstruction and utility improvements.

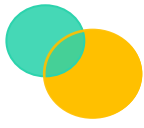
Debt service will be sourced from Water, Stormwater, and Wastewater revenues, special assessments, and tax levy. At this time, interest rates are estimated as of the most recent market analysis at 4.25%. The attached letter from Shannon Sweeney of David Drown & Associates describes the issuance in detail including a preliminary debt service schedule.

The proposed schedule for issuance and closing is as follows:

October 24, 2022	Authorize Sale Process
November 28, 2022	Award Sale of Bond Issue
December 8, 2022	Closing

**ACTION REQUESTED**

Staff recommends City Council approve Resolution R2022-044, authorizing the engagement of a placement agent to solicit competitive negotiated bids for the sale of a 2022A Series General Obligation Improvement and Utility Revenue Note.



October 19, 2022

City of Le Sueur  
Attn: Joe Roby, City Administrator  
Attn: Ryan Graff, Finance Director  
203 South Second Street  
Le Sueur, MN 56058

**RE: 2022 General Obligation Bonds**

Honorable Mayor, Council Members, Administrator Roby, and Director Graff:

The City of Le Sueur will soon be required to make a payment to Le Sueur County for its share of a portion of the CSAH 36 Reconstruction Project. We have been discussing a project financing plan with City staff for some time as a part of our capital improvement planning work. Based on those discussions, our understanding of the project costs to be financed include the following:

**Project Cost:**

CSAH 36 Construction & Engineering	\$3,209,931.81
Placement Agent	26,160.00
Finance & Legal	33,500.00
Capitalized Interest	10,042.40
<b>TOTAL PROJECT COST:</b>	<b>\$3,279,634.21</b>

The funding sources to be utilized to finance project costs are summarized below:

<b>General Obligation Bonds</b>	<b>\$3,270,000.00</b>
Construction Fund Earnings	9,634.21
<b>TOTAL FUNDING SOURCES:</b>	<b>\$3,279,634.21</b>

**Payment and Revenue Requirements:**

Based on our capital improvement planning work the city is intending to use a combination of tax levy, water revenues, sanitary sewer revenues, storm sewer revenues, and special assessments for the repayment of this bond issue. Estimated revenues needed to service this bond issue are projected on the attached preliminary debt service schedule. The final revenue requirements will be determined once bids are received for the purchase of the bonds.

**Water Revenues:**

As structured the project debt service presently relies on approximately \$96,000 annually in water utility revenues. The water utility has the capacity to make the required contributions with future modifications to rates and charges required to accommodate additional improvements planned to the water system, including well and treatment rehabilitation projects proposed for MN Public Facilities Authority funding and the High Zone Water Line/Booster Project. Rate increases of approximately 5% per year for the next several years will likely be required to continue to fund all projects within the capital improvement/capital equipment plans.

**Tax Levy:**

An annual tax levy of approximately \$57,000 starting in 2024 (collection year) will be required to support debt service on the funding that supports the CSAH 36 streetscape and street project costs.

**Storm Sewer Revenues:**

As structured the project debt service presently relies on about \$37,000 annually in storm sewer utility revenues. We have recommended modifications to rates/charges of 10% per year for the next several years to accommodate this project and others that are included in the capital improvement plan.

**Sanitary Sewer Revenues:**

Contributions from the wastewater utility are estimated to average \$13,000 annually through 2037 as debt service attributed to the wastewater fund is being offset by special assessment revenues.

**Special Assessments:**

The attached cash flow assumes the \$633,500 in special assessments will be certified on private properties over a term of 15-years at an interest rate of 5.25%.

**\$3,270,000 General Obligation Bonds:**

If the Council chooses to finance the projects as proposed, David Drown Associates, Inc. recommends the following:

- Sale of bonds through negotiated bank placement with R.W. Baird as placement agent
- Term 20-years on street and utility costs
- Bonds callable any time after 2/1/2030

Schedule and Issuance:

If determined to be appropriate to proceed with financing the project costs as recommended, the proposed schedule would be as follows:

October 24, 2022	Authorize Sale Process
November 28, 2022	Award Sale of Bond Issue
December 8, 2022	Closing

Attached you will find a resolution initiating the bond sale process as outlined above. Please feel free to contact me with any questions regarding the attached materials. Thank you for your time and consideration.

Sincerely,



Shannon Sweeney  
David Drown Associates, Inc.

**\$3,270,000**  
**General Obligation Bonds, Series 2022A**

**Uses of Funds**

CSAH 36 Project		3,209,931.81
Other		-
<b>Total Project Costs</b>		<b>3,209,931.81</b>
Underwriter's Discount Allowance	0.000%	-
Unused Underwriter's Discount Allowance		-
Fiscal Fee		18,000.00
Bond Counsel		14,000.00
Pay Agent/Registrar		-
Printing & Misc		1,500.00
Placement Agent Fee		26,160.00
Capitalized Interest		10,042.40
Accrued Interest		-
Rounding		-
		<u>3,279,634.21</u>

**Sources of Funds**

Bond Issue		<b>3,270,000.00</b>
Construction Fund Earnings		9,634.21
Cash Contribution		-
		<u>3,279,634.21</u>

**Payment Schedule & Cashflow**

<i>Payment Schedule</i>					
12-Month		Interest		Payment	plus 5%
Period ending	Principal	Rate	Interest	Total	Coverage
12/8/2022	-		-	-	
2/1/2023	-	4.25%	20,460	<b>20,460</b>	20,981
2/1/2024	55,000	4.25%	138,975	<b>193,975</b>	203,674
2/1/2025	115,000	4.25%	136,638	<b>251,638</b>	264,219
2/1/2026	120,000	4.25%	131,750	<b>251,750</b>	264,338
2/1/2027	120,000	4.25%	126,650	<b>246,650</b>	258,983
2/1/2028	130,000	4.25%	121,550	<b>251,550</b>	264,128
2/1/2029	130,000	4.25%	116,025	<b>246,025</b>	258,326
2/1/2030	140,000	4.25%	110,500	<b>250,500</b>	263,025
2/1/2031	150,000	4.25%	104,550	<b>254,550</b>	267,278
2/1/2032	150,000	4.25%	98,175	<b>248,175</b>	260,584
2/1/2033	160,000	4.25%	91,800	<b>251,800</b>	264,390
2/1/2034	165,000	4.25%	85,000	<b>250,000</b>	262,500
2/1/2035	170,000	4.25%	77,988	<b>247,988</b>	260,387
2/1/2036	180,000	4.25%	70,763	<b>250,763</b>	263,301
2/1/2037	190,000	4.25%	63,113	<b>253,113</b>	265,768
2/1/2038	195,000	4.25%	55,038	<b>250,038</b>	262,539
2/1/2039	200,000	4.25%	46,750	<b>246,750</b>	259,088
2/1/2040	210,000	4.25%	38,250	<b>248,250</b>	260,663
2/1/2041	220,000	4.25%	29,325	<b>249,325</b>	261,791
2/1/2042	230,000	4.25%	19,975	<b>249,975</b>	262,474
2/1/2043	240,000	4.25%	10,200	<b>250,200</b>	262,710
	<b>3,270,000</b>		<b>1,693,473</b>	<b>4,963,473</b>	<b>5,211,144</b>

**Bond Details**

Set Sale Date	N/A
Sale Date	11/28/2022
Dated Date	12/8/2022
Closing Date	12/8/2022
1st Interest Payment	2/1/2023
Proceeds spent by:	12/31/2022
	<i>to Dated Date</i>
Purchase Price	3,270,000.00
Net Interest Cost	1,693,472.71
Net Effective Rate	<b>4.2500%</b>
Average Coupon	4.2500%
Yield	TBD
Average Life	12.1854
Call Option	2/1/2030
Purchaser	Proposed for Bank Placement
Bond Counsel	Taft
Pay Agent	City of Le Sueur
Tax Status	<b>Tax Exempt, Bank Qualified</b>
Continuing Disclosure	Full
Rebate	Small Issuer Exemption
Statutory Authority	M.S. 429, 444, & 475

<i>Pledged Revenues</i>						<i>Account Balances</i>	
Collection	Tax	Special	Wastewater	Water	Storm Sewer	Surplus	Account
Year	Levy	Assmts	Revenues	Revenues	Revenues	(deficit)	Balance
					Capitalized & accrued interest >		10,042
2022	-	-	-	7,876	3,063	(10,042)	-
2023	-	62,069	9,555	95,076	36,974	-	-
2024	57,888	62,069	14,667	93,309	36,287	-	-
2025	56,737	62,069	13,140	95,322	37,070	-	-
2026	55,585	62,069	11,614	93,394	36,320	-	-
2027	56,691	62,069	13,081	95,247	37,040	-	-
2028	55,444	62,069	11,427	93,158	36,228	-	-
2029	56,454	62,069	12,766	94,850	36,886	-	-
2030	57,369	62,069	13,978	96,381	37,481	-	-
2031	55,930	62,069	12,071	93,971	36,544	-	-
2032	56,748	62,069	13,155	95,341	37,077	-	-
2033	55,213	62,069	11,121	96,551	37,547	-	-
2034	55,935	62,069	12,078	93,820	36,485	-	-
2035	56,562	62,069	12,909	94,869	36,893	-	-
2036	57,092	62,069	13,612	95,757	37,239	-	-
2037	55,269	62,069	11,195	96,485	37,522	-	-
2038	55,704	-	73,840	93,272	36,272	-	-
2039	56,042	-	74,289	93,839	36,493	-	-
2040	56,285	-	74,611	94,245	36,651	-	-
2041	56,432	-	74,805	94,491	36,746	-	-
2042	56,483	-	74,872	94,576	36,779	-	-
	<b>1,069,863</b>	<b>931,028</b>	<b>558,786</b>	<b>1,901,826</b>	<b>739,599</b>		<b>-</b>

City of Le Sueur, Minnesota

Preliminary

**\$1,605,000**  
**General Obligation Improvement Bonds, Series 2022A**

429 Portion Only

**Uses of Funds**

CSAH 36 Street & Streetscape Costs		674,874
Wastewater Cost		891,664
<b>Total Project Costs</b>		<b>1,566,538</b>
Underwriter's Discount Allowance	0.0000%	-
Unused Underwriter's Discount Allowance		-
Costs of Issuance		34,500
Capitalized Interest		10,042
Accrued Interest		-
Rounding		-
		<u>1,611,081</u>

**Sources of Funds**

Bond Issue	<b>1,605,000</b>
Construction Fund Earnings	6,081
Cash Contribution	-
	<u>1,611,081</u>

**Payment Schedule & Cashflow**

		<i>Payment Schedule</i>			
12-Month		Interest		Payment	plus 5%
Period ending	Principal	Rate	Interest	Total	Coverage
12/8/2022	-		-	-	
2/1/2023	-	4.250%	10,042	<b>10,042</b>	10,042
2/1/2024	-	4.250%	68,213	<b>68,213</b>	71,623
2/1/2025	60,000	4.250%	68,213	<b>128,213</b>	134,623
2/1/2026	60,000	4.250%	65,663	<b>125,663</b>	131,946
2/1/2027	60,000	4.250%	63,113	<b>123,113</b>	129,268
2/1/2028	65,000	4.250%	60,563	<b>125,563</b>	131,841
2/1/2029	65,000	4.250%	57,800	<b>122,800</b>	128,940
2/1/2030	70,000	4.250%	55,038	<b>125,038</b>	131,289
2/1/2031	75,000	4.250%	52,063	<b>127,063</b>	133,416
2/1/2032	75,000	4.250%	48,875	<b>123,875</b>	130,069
2/1/2033	80,000	4.250%	45,688	<b>125,688</b>	131,972
2/1/2034	80,000	4.250%	42,288	<b>122,288</b>	128,402
2/1/2035	85,000	4.250%	38,888	<b>123,888</b>	130,082
2/1/2036	90,000	4.250%	35,275	<b>125,275</b>	131,539
2/1/2037	95,000	4.250%	31,450	<b>126,450</b>	132,773
2/1/2038	95,000	4.250%	27,413	<b>122,413</b>	128,533
2/1/2039	100,000	4.250%	23,375	<b>123,375</b>	129,544
2/1/2040	105,000	4.250%	19,125	<b>124,125</b>	130,331
2/1/2041	110,000	4.250%	14,663	<b>124,663</b>	130,896
2/1/2042	115,000	4.250%	9,988	<b>124,988</b>	131,237
2/1/2043	120,000	4.250%	5,100	<b>125,100</b>	131,355
	<u>1,605,000</u>		<u>842,830</u>	<u>2,447,830</u>	<u>2,569,719</u>

					<i>Pledged Revenues</i>				<i>Account Balances</i>	
Collection	Tax	Special	Wastewater	Other	Surplus	Account				
Year	Levy	Assessments	Revenues	Revenues	(deficit)	Balance				
					Capitalized & accrued interest >	10,042				
2022		-	-	-	(10,042)	-				
2023	-	62,069	9,555	-	-	-				
2024	57,888	62,069	14,667	-	-	-				
2025	56,737	62,069	13,140	-	-	-				
2026	55,585	62,069	11,614	-	-	-				
2027	56,691	62,069	13,081	-	-	-				
2028	55,444	62,069	11,427	-	-	-				
2029	56,454	62,069	12,766	-	-	-				
2030	57,369	62,069	13,978	-	-	-				
2031	55,930	62,069	12,071	-	-	-				
2032	56,748	62,069	13,155	-	-	-				
2033	55,213	62,069	11,121	-	-	-				
2034	55,935	62,069	12,078	-	-	-				
2035	56,562	62,069	12,909	-	-	-				
2036	57,092	62,069	13,612	-	-	-				
2037	55,269	62,069	11,195	-	-	-				
2038	55,704	-	73,840	-	-	-				
2039	56,042	-	74,289	-	-	-				
2040	56,285	-	74,611	-	-	-				
2041	56,432	-	74,805	-	-	-				
2042	56,483	-	74,872	-	-	-				
	<u>1,069,863</u>	<u>931,028</u>	<u>558,786</u>	<u>-</u>		<u>-</u>				

City of Le Sueur, Minnesota

Preliminary

\$1,665,000

444 Portion Only

General Obligation Utility Revenue Bonds, Series 2022A

Uses of Funds

CSAH 36 - Water		1,177,362
CSAH 36 - Storm Water		466,032
<b>Total Project Costs</b>		<b>1,643,393</b>
Underwriter's Discount Allowance	0.0000%	-
Issuance Cost		25,160
Capitalized Interest		-
Accrued Interest		-
Rounding		-
		<u>1,668,553</u>

Sources of Funds

Bond Issue	<b>1,665,000</b>
Construction Fund Earnings	3,553
Cash Contribution	-
	<u>1,668,553</u>

Payment Schedule & Cashflow

<i>Payment Schedule</i>						<i>Pledged Revenues</i>				<i>Account Balances</i>	
12-Month		Interest		Payment	plus 5%	Collection	Water	Storm Sewer	Other	Surplus	Account
Period ending	Principal	Rate	Interest	Total	Coverage	Year	Revenues	Revenues	Revenues	(deficit)	Balance
12/8/2022	-		-	-						Capitalized & accrued interest >	-
2/1/2023	-	4.250%	10,418	<b>10,418</b>	10,939	2022	7,876	3,063	-	-	-
2/1/2024	55,000	4.250%	70,763	<b>125,763</b>	132,051	2023	95,076	36,974	-	-	-
2/1/2025	55,000	4.250%	68,425	<b>123,425</b>	129,596	2024	93,309	36,287	-	-	-
2/1/2026	60,000	4.250%	66,088	<b>126,088</b>	132,392	2025	95,322	37,070	-	-	-
2/1/2027	60,000	4.250%	63,538	<b>123,538</b>	129,714	2026	93,394	36,320	-	-	-
2/1/2028	65,000	4.250%	60,988	<b>125,988</b>	132,287	2027	95,247	37,040	-	-	-
2/1/2029	65,000	4.250%	58,225	<b>123,225</b>	129,386	2028	93,158	36,228	-	-	-
2/1/2030	70,000	4.250%	55,463	<b>125,463</b>	131,736	2029	94,850	36,886	-	-	-
2/1/2031	75,000	4.250%	52,488	<b>127,488</b>	133,862	2030	96,381	37,481	-	-	-
2/1/2032	75,000	4.250%	49,300	<b>124,300</b>	130,515	2031	93,971	36,544	-	-	-
2/1/2033	80,000	4.250%	46,113	<b>126,113</b>	132,418	2032	95,341	37,077	-	-	-
2/1/2034	85,000	4.250%	42,713	<b>127,713</b>	134,098	2033	96,551	37,547	-	-	-
2/1/2035	85,000	4.250%	39,100	<b>124,100</b>	130,305	2034	93,820	36,485	-	-	-
2/1/2036	90,000	4.250%	35,488	<b>125,488</b>	131,762	2035	94,869	36,893	-	-	-
2/1/2037	95,000	4.250%	31,663	<b>126,663</b>	132,996	2036	95,757	37,239	-	-	-
2/1/2038	100,000	4.250%	27,625	<b>127,625</b>	134,006	2037	96,485	37,522	-	-	-
2/1/2039	100,000	4.250%	23,375	<b>123,375</b>	129,544	2038	93,272	36,272	-	-	-
2/1/2040	105,000	4.250%	19,125	<b>124,125</b>	130,331	2039	93,839	36,493	-	-	-
2/1/2041	110,000	4.250%	14,663	<b>124,663</b>	130,896	2040	94,245	36,651	-	-	-
2/1/2042	115,000	4.250%	9,988	<b>124,988</b>	131,237	2041	94,491	36,746	-	-	-
2/1/2043	120,000	4.250%	5,100	<b>125,100</b>	131,355	2042	94,576	36,779	-	-	-
	<u>1,665,000</u>		<u>850,643</u>	<u>2,515,643</u>	<u>2,641,425</u>		<u>1,901,826</u>	<u>739,599</u>	-		-

CITY OF LE SUEUR, MINNESOTA  
CITY COUNCIL RESOLUTION **R2022-044**

INITIATING THE SALE OF A GENERAL OBLIGATION IMPROVEMENT AND UTILITY  
REVENUE NOTE SERIES 2022A THROUGH NEGOTIATED BANK PLACEMENT

WHEREAS, the City Council of the City of Le Sueur, Minnesota (the "City"), has heretofore determined that it is necessary and expedient to issue the City's General Obligation Improvement and Utility Revenue Note, Series 2022A, to provide financing for CSAH 36 Reconstruction Project, and;

WHEREAS, the City has retained David Drown Associates, Inc., in Minneapolis, Minnesota ("David Drown"), as its independent municipal advisor in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9):

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Le Sueur, Minnesota, as follows:

Authorization. The Council hereby authorizes the engagement of R.W. Baird as placement agent to solicit bids for a negotiated bank placement for the sale of the 2022A General Obligation Improvement and Utility Revenue Note.

PASSED by the City Council of the City of Le Sueur on this 24<sup>th</sup> day of October 2022.

ATTEST

\_\_\_\_\_  
Shawn Kirby, Mayor

\_\_\_\_\_  
Jacquelyn Fahey, Deputy City Clerk

VOTE: \_\_\_HUNTINGTON \_\_\_KIRBY \_\_\_KROGMANN  
\_\_\_SCHLUETER \_\_\_SULLIVAN \_\_\_SWANBERG \_\_\_WILLIAMS