May 1, 2018

Draft Pre-Sale Report for

City of Northfield, Minnesota

$4,215,000 General Obligation Capital Improvement Bonds, Series 2018A

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Executive Summary of Proposed Debt

Proposed Issue:	$4,215,000 General Obligation Capital Improvement Bonds, Series 2018A
Purposes:	The proposed issue includes financing for renovations and capital improvements to the City's fire facility, inclusive of financing, softs costs and contingency. The facility will be leased to the Northfield Area Fire and Rescue Service (NAFRS) joint powers entity who will provide semi-annual rent payments under terms of a lease agreement, which will serve to offset the debt service which would otherwise be paid from ad valorem property taxes.
Authority:	The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Chapter 475 includes the ability to issue general obligation bonds for capital improvements to certain City facilities without a referendum after a public hearing and 30-day reverse referendum period. The City Council held its CIP hearing in January 2018 and did not receive a petition. Annual CIP debt service is limited to 0.16% of the City's estimated market value. The CIP Portion of the Bonds also counts against the City's General Obligation Debt Capacity Limit of 3% of market value. After this financing, it is estimated the City will have over $1.4 million annual CIP debt service capacity and $35 million debt limit capacity remaining.
Term/Call Feature:	The Bonds are being issued for a 20.5-year term. Principal on the Bonds will be due on February 1 in the years 2020 through 2039. Interest is payable every six months beginning February 1, 2019. NAFRS will deposit the amount necessary to fund this initial interest payment. The Bonds maturing on and after February 1, 2028 will be subject to prepayment at the discretion of the City on February 1, 2027 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 "AA" by Standard & Poor's. 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:	We have based this pre-sale recommendation on our understanding of the City's fiscal condition, the project funding requirements, the NAFRS members fiscal impacts, and the City's desire to reduce future interest costs when possible. We believe the proposed financing, including the competitive sale approach described below, is the most efficient

	way to achieve these objectives while maintaining future flexibility for future prepayment and/or refinancing. The proposed bond issue also follows the City's debt policy and past practices for financing public improvement projects. Competitively bidding the purchase of the Bonds is a best practice published by the Governmental Finance Officers Association (GFOA).
Method of Sale/Placement:	In order to obtain the lowest interest cost to the City, we will competitively bid the purchase of the Bonds from local and national underwriters/banks. 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 the borrowing amount. **Issue Price:** The city's bonding authority is capped under the CIP Public Hearing process and issue price certainty will be required on the day of sale if less than three bids are received for the Bonds. Underwriters and any syndicate members, as a condition of bid submittal, will be required to hold their initial offering price for each maturity until 10% of that maturity is sold to the public at a price no higher than the initial offering price, or for five business days, whichever occurs sooner. Due to the potential for increased underwriting risk associated with the hold the price requirement, bidders may refrain or may build that risk into the price they are willing to offer for the Bonds if they believe that less than three bids may be received. The city has received at least three bids for each of its offerings going back to 2013. **Premium Bids:** As with the city's recent bond issues, in 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 to be 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 called "reoffering premium." 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 $4,000,000 offering may receive bids that result in proceeds of $4,080,000 to $4,400,000. For this issue of Bonds we have been directed to use any bid premium to reduce the size of the issue and generate the targeted proceeds needed for the CIP project and in line with the CIP Public Hearing authorization. The adjustments will not change the bid but may slightly change the calculated true interest cost of the original bid, either up or down.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the City and find that there are no refunding opportunities at this time, including the 2012B COP issue. 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 as they arise.

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:	Because the Bonds are 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 detailed in the Tax Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you.
Risk Factors:	**NAFRS Lease Agreement:** A portion of debt service is to be offset by rental revenue provided by the other members of the NAFRS joint powers entity, subject to a lease agreement between the City and NAFRS. If the lease agreement is terminated or modified, the City may have to utilize additional funds to make up for the lost rental revenue utilized to pay the debt.
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, so their 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 Attorney:** Kennedy & Graven, Chartered **Paying Agent:** Bond Trust Services Corporation **Rating Agency:** Standard & Poor's Global Ratings (S&P)

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:	May 1, 2018
Distribute Official Statement:	Week of May 1, 2018
Conference with Rating Agency:	Week of May 1, 2018
City Council Meeting to Award Sale of the Bonds:	May 15, 2018
Estimated Closing Date:	June 7, 2018

Attachments

Sources and Uses of Funds

Proposed Debt Service Schedule

Resolution Authorizing Ehlers to Proceed With Bond Sale

Ehlers Contacts

Municipal Advisors:	Nick Anhut	(651) 697-8507
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Disclosure Coordinator:	Jen Chapman	(651) 697-8566
Financial Analyst:	Alicia Gage	(651) 697-8551

The Official Statement for this financing will be sent to the City Council at their home or e-mail address or for review prior to the sale date.

City of Northfield, Minnesota

$4,215,000 GO Capital Improvement Plan Bonds, Series 2018A
Assuming Current GO BQ "AA" Market Rates

Sources & Uses

Dated 06/07/2018 | Delivered 06/07/2018

Sources Of Funds

Par Amount of Bonds	$4,215,000.00
Total Sources	**$4,215,000.00**

Uses Of Funds

Total Underwriter's Discount (1.000%)	42,150.00
Costs of Issuance	49,000.00
Deposit to Project Fund	4,123,850.00
Total Uses	**$4,215,000.00**

City of Northfield, Minnesota

$4,215,000 GO Capital Improvement Plan Bonds, Series 2018A
Assuming Current GO BQ "AA" Market Rates

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2019	-	-	77,988.63	77,988.63	81,888.06
02/01/2020	165,000.00	1.750%	119,982.50	284,982.50	299,231.63
02/01/2021	170,000.00	1.850%	117,095.00	287,095.00	301,449.75
02/01/2022	170,000.00	2.000%	113,950.00	283,950.00	298,147.50
02/01/2023	175,000.00	2.100%	110,550.00	285,550.00	299,827.50
02/01/2024	180,000.00	2.200%	106,875.00	286,875.00	301,218.75
02/01/2025	185,000.00	2.350%	102,915.00	287,915.00	302,310.75
02/01/2026	185,000.00	2.450%	98,567.50	283,567.50	297,745.88
02/01/2027	190,000.00	2.550%	94,035.00	284,035.00	298,236.75
02/01/2028	195,000.00	2.700%	89,190.00	284,190.00	298,399.50
02/01/2029	200,000.00	2.850%	83,925.00	283,925.00	298,121.25
02/01/2030	210,000.00	3.000%	78,225.00	288,225.00	302,636.25
02/01/2031	215,000.00	3.050%	71,925.00	286,925.00	301,271.25
02/01/2032	220,000.00	3.100%	65,367.50	285,367.50	299,635.88
02/01/2033	230,000.00	3.150%	58,547.50	288,547.50	302,974.88
02/01/2034	235,000.00	3.200%	51,302.50	286,302.50	300,617.63
02/01/2035	240,000.00	3.250%	43,782.50	283,782.50	297,971.63
02/01/2036	250,000.00	3.350%	35,982.50	285,982.50	300,281.63
02/01/2037	260,000.00	3.400%	27,607.50	287,607.50	301,987.88
02/01/2038	265,000.00	3.450%	18,767.50	283,767.50	297,955.88
02/01/2039	275,000.00	3.500%	9,625.00	284,625.00	298,856.25
Total	**$4,215,000.00**	**-**	**$1,576,206.13**	**$5,791,206.13**	**$6,080,766.44**

Significant Dates

Dated	6/07/2018
First Coupon Date	2/01/2019

Yield Statistics

Bond Year Dollars	$50,834.75
Average Life	12.060 Years
Average Coupon	3.1006470%
Net Interest Cost (NIC)	3.1835627%
True Interest Cost (TIC)	3.1760160%
Bond Yield for Arbitrage Purposes	3.0726886%
All Inclusive Cost (AIC)	3.2979871%

IRS Form 8038

Net Interest Cost	3.1006470%
Weighted Average Maturity	12.060 Years