July 18, 2017

Pre-Sale Report for

City of Northfield, Minnesota

$970,000 General Obligation Improvement Bonds, Series 2017A

Prepared by:

Nick Anhut, CIPMA
Municipal Advisor

And

Rebecca Kurtz, CIPMA
Senior Municipal Advisor

Executive Summary of Proposed Debt

Proposed Issue:	$970,000 General Obligation Improvement Bonds, Series 2017A (the "Bonds")
Purposes:	The proposed issue includes financing for the street portion of the City's 2017 street reclamation project. The attached projection of the sources and uses of fund for the project identify the City's water, sanitary sewer, and storm sewer utility funds will contribute cash toward their share of the total project costs. The Bonds' debt service will be paid from collections of special assessments and an ad valorem tax levy over a ten-year period starting in 2018.
Authority:	The Bonds are being issued pursuant to Minnesota Statutes, Chapter 429. Because the City is assessing at least 20% of the project costs, the Bonds can be a general obligation without a referendum and will not count against the City's debt limit. 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 just over a ten-year term. Principal on the Bonds will be due on February 1 in the years 2019 through 2028. Interest is payable every six months beginning August 1, 2018. The Bonds maturing on and after February 1, 2027 will be subject to prepayment at the discretion of the City on February 1, 2026 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 project funding requirements, on-going debt management profile, fiscal condition and its desire to reduce future interest costs when possible. We believe the proposed bond issue and method of sale is the most efficient financing to achieve these objectives while maintaining future flexibility for future prepayment and/or refinancing. Moreover, the competitive sale approach described below is consistent with the City's historical methods, as well as best practices 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 1.50% 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. **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 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 $1,000,000 offering may receive bids that result in proceeds of $1,020,000 to $1,100,000. As the City has already accepted a bid and awarded a contract for the construction, we have been directed to reduce the size of the issue using any premium generated. The bid will remain unchanged, but the true interest cost calculation of the original bid may go up or down with the adjustment. To garner the widest audience for the Bonds, our recommended bid specifications will allow for premium bidding. You have the choice to further limit the amount of premium in the bid specifications. This may result in fewer bids, but it may also eliminate large adjustments on the day of sale and other uncertainties.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the City and find that, aside from the 2007D TIF Bonds, there are no viable 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:	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 and debt service 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. You have retained Ehlers to assist you with compliance with these rules.
Risk Factors:	**Special Assessments:** We have not assumed any pre-paid special assessments to apply up front toward the project cost, and we have assumed that $492,674 in assessments will be levied for collection starting in 2018 as projected. If the City does not levy the amount of assessments or receives a significant prepayment, it may need to increase a future levy contribution toward the debt service to make up for lower interest earnings than the expected assessment interest rate.
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. We have assumed that you will continue the relationships you have used for previous bond issues. Fees charged by these service providers will be paid from proceeds of the Bonds, 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 final fees may vary. If you have any questions pertaining to the service providers, their roles, 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 (Ehlers subsidiary) **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:	July 18, 2017
Distribute Official Statement and Conference with Rating Agency:	Week of July 24, 2017
Bids received; City Council Meeting to Award Sale of the Bonds:	August 8, 2017
Estimated Closing Date:	September 7, 2017

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
	Rebecca Kurtz	(651) 697-8516
Disclosure Coordinator:	Charissa Brookley	(651) 697-8573
Financial Analyst:	Alicia Gage	(651) 697-8551

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

City of Northfield, Minnesota

$970,000 General Obligation Improvement Bonds, Series 2017A
Assumes Current Market BQ AA Rates plus 25bps

Sources & Uses

Dated 09/07/2017 | Delivered 09/07/2017

Sources Of Funds

Par Amount of Bonds	$970,000.00
Storm Sewer Cash	41,771.00
Sanitary Sewer Cash	39,418.00
Water Cash	19,600.00
Total Sources	**$1,070,789.00**

Uses Of Funds

Total Underwriter's Discount (1.500%)	14,550.00
Costs of Issuance	29,000.00
Deposit to Project Construction Fund	1,024,817.00
Rounding Amount	2,422.00
Total Uses	**$1,070,789.00**

City of Northfield, Minnesota

$970,000 General Obligation Improvement Bonds, Series 2017A

Assumes Current Market BQ AA Rates plus 25bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Net New D/S	105% of Total	Assessments	Levy/(Surplus)
02/01/2018	-	-	-	-	-	-	-	-
02/01/2019	95,000.00	1.250%	25,592.00	120,592.00	120,592.00	126,621.60	70,698.72	55,922.88
02/01/2020	100,000.00	1.400%	17,092.50	117,092.50	117,092.50	122,947.13	68,555.58	54,391.55
02/01/2021	100,000.00	1.600%	15,692.50	115,692.50	115,692.50	121,477.13	66,412.46	55,064.67
02/01/2022	100,000.00	1.700%	14,092.50	114,092.50	114,092.50	119,797.13	64,269.32	55,527.81
02/01/2023	100,000.00	1.800%	12,392.50	112,392.50	112,392.50	118,012.13	62,126.20	55,885.93
02/01/2024	95,000.00	2.000%	10,592.50	105,592.50	105,592.50	110,872.13	59,983.06	50,889.07
02/01/2025	95,000.00	2.100%	8,692.50	103,692.50	103,692.50	108,877.13	57,839.92	51,037.21
02/01/2026	95,000.00	2.250%	6,697.50	101,697.50	101,697.50	106,782.38	55,696.80	51,085.58
02/01/2027	95,000.00	2.350%	4,560.00	99,560.00	99,560.00	104,538.00	53,553.66	50,984.34
02/01/2028	95,000.00	2.450%	2,327.50	97,327.50	97,327.50	102,193.88	51,410.54	50,783.34
Total	**$970,000.00**	**-**	**$117,732.00**	**$1,087,732.00**	**$1,087,732.00**	**$1,142,118.60**	**$610,546.26**	**$531,572.34**

Significant Dates

Dated	9/07/2017
First Coupon Date	8/01/2018

Yield Statistics

Bond Year Dollars	$5,683.00
Average Life	5.859 Years
Average Coupon	2.0716523%
Net Interest Cost (NIC)	2.3276790%
True Interest Cost (TIC)	2.3404837%
Bond Yield for Arbitrage Purposes	2.0620467%
All Inclusive Cost (AIC)	2.9131264%

City of Northfield, Minnesota

$492,674 General Obligation Improvement Bonds, Series 2017A

Assessments

2.00% over TIC - Equal Principal

Assessments

Date	Principal	Coupon	Interest	Total P+I
12/31/2018	49,267.40	4.350%	21,431.32	70,698.72
12/31/2019	49,267.40	4.350%	19,288.18	68,555.58
12/31/2020	49,267.40	4.350%	17,145.06	66,412.46
12/31/2021	49,267.40	4.350%	15,001.92	64,269.32
12/31/2022	49,267.40	4.350%	12,858.80	62,126.20
12/31/2023	49,267.40	4.350%	10,715.66	59,983.06
12/31/2024	49,267.40	4.350%	8,572.52	57,839.92
12/31/2025	49,267.40	4.350%	6,429.40	55,696.80
12/31/2026	49,267.40	4.350%	4,286.26	53,553.66
12/31/2027	49,267.40	4.350%	2,143.14	51,410.54
Total	**$492,674.00**	**-**	**$117,872.26**	**$610,546.26**

Significant Dates

Filing Date	1/01/2018
First Payment Date	12/31/2018