July 18, 2017

Pre-Sale Report for

City of Northfield, Minnesota

$465,000 General Obligation Tax Increment Refunding Bonds, Series 2017B

Prepared by:

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And

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Executive Summary of Proposed Debt

Proposed Issue:	$465,000 General Obligation Tax Increment Refunding Bonds, Series 2017B (the "Bonds")
Purposes:	The proposed issue includes financing to execute a current refunding of the remaining balance of the City's Taxable General Obligation Tax Increment Refunding Bonds, Series 2007D whose debt service is paid from tax increment revenues from the Presidential Commons Tax Increment District (TIF District 1-1) established in 1999. TIF District 1-1 generated approximately $76,500 in TIF for 2016 and has relied upon advances made from the City's Municipal Development District 4 fund to cover the annual shortfall against existing debt payments. Interest rates on the existing 2007D Bonds are 5.75%. Today's market conditions suggest rates at or below 3.00%. This financing is intended to couple today's lower rates with restructuring payments to better align with the expected TIF District 1-1 revenues by extending the bond repayment three years. The restructuring would reduce payment levels over the next five years at the cost of three additional years of interest carry. The attached projections show this interest carry cost at approximately $8,500 total. However, because cashflow savings start to accrue immediately in the first five years allowing advances to be repaid, the Net Present Value Benefit of the refunding is estimated to be $7,900 to the positive, or 1.7% of the refunded debt. This refunding is a Current Refunding as the obligations being refunded are callable (pre-payable) now, which by definition must occur within 90 days of the date of issue of the new Bonds.
Authority:	The Bonds are being issued pursuant to Minnesota Statutes, Chapter 469. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Because the City is paying for at least 20% of the project costs with tax increment revenues, the Bonds can continue to be a general obligation without a referendum and will not count against the City's debt limit.
Term/Call Feature:	The Bonds are being issued for just over a seven-year term. Interest is payable every six months beginning February 1, 2018. Principal on the Bonds will be due on February 1 in the years 2018 through 2025. TIF District 1-1 is not required to decertify until year's end 2026. To solicit the lowest costs bids and because of the short repayment, the Bonds are being offered without option of prior redemption.
Bank Qualification:	Because the Bonds are taxable obligations they will not be designated as "bank qualified" obligations, nor will they interfere with the City designating the 2017A Bonds.

Rating:	The City's most recent bond issues were rated "AA" by Standard & Poor's. Since the 2017A Bonds will benefit from a new rating, we suggest rating these Bonds as well to achieve the lowest interest costs. If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the City's 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 debt management objectives, fiscal condition, expectations for TIF District 1-1's financial performance, and desire to reduce interest costs when possible. We believe the proposed bond refunding and method of sale is the most efficient financing to achieve these objectives. 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 1.20% 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 will 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 this financing is refunding existing debt, 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, other than the obligations proposed to be refunded by the Bonds, there are no other 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:	The Bonds are taxable obligations and are therefore not subject to IRS arbitrage and yield restriction requirements.
Risk Factors:	**Current Refunding:** The Bonds are being issued to current refund prior City debt obligations. Those prior debt obligations are "callable" now and can therefore be paid off, while the new Bonds will not be pre-payable. This refunding is being undertaken based in part on an assumption that the City does not expect to have future revenues to pay off this debt and that market conditions and the desired restructuring warrant the refinancing at this time.
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/Offering Document 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
Redemption Date for 2007D Bonds:	October 1, 2017

Attachments

Sources and Uses of Funds

Proposed Debt Service Schedule

Refunding Savings Analysis

Resolution Authorizing Ehlers to Proceed With Bond Sale

Ehlers Contacts

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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

$465,000 Taxable GO Tax Increment Refunding Bonds, Series 2017B

Proposed Current Refunding of Series 2007D

Assuming Current Taxable G.O. "AA" Market Rates + 25 Bpts

Sources & Uses

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

Sources Of Funds

Par Amount of Bonds	$465,000.00
Total Sources	**$465,000.00**

Uses Of Funds

Total Underwriter's Discount (1.200%)	5,580.00
Costs of Issuance	19,500.00
Deposit to Current Refunding Fund	439,168.75
Rounding Amount	751.25
Total Uses	**$465,000.00**

City of Northfield, Minnesota

$960,000 Taxable G.O. TIF Refunding Bonds, Series 2007D

Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
09/07/2017	-	-	-	-	-	-	-
10/01/2017	435,000.00	4,168.75	439,168.75	-	-	-	-
02/01/2018	-	-	-	75,000.00	5.750%	12,506.25	87,506.25
08/01/2018	-	-	-	-	-	10,350.00	10,350.00
02/01/2019	-	-	-	80,000.00	5.750%	10,350.00	90,350.00
08/01/2019	-	-	-	-	-	8,050.00	8,050.00
02/01/2020	-	-	-	90,000.00	5.750%	8,050.00	98,050.00
08/01/2020	-	-	-	-	-	5,462.50	5,462.50
02/01/2021	-	-	-	95,000.00	5.750%	5,462.50	100,462.50
08/01/2021	-	-	-	-	-	2,731.25	2,731.25
02/01/2022	-	-	-	95,000.00	5.750%	2,731.25	97,731.25
Total	**$435,000.00**	**$4,168.75**	**$439,168.75**	**$435,000.00**	**-**	**$65,693.75**	**$500,693.75**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	9/07/2017
Average Life	2.526 Years
Average Coupon	5.7500000%
Weighted Average Maturity (Par Basis)	2.526 Years
Weighted Average Maturity (Original Price Basis)	2.526 Years

Refunding Bond Information

Refunding Dated Date	9/07/2017
Refunding Delivery Date	9/07/2017

City of Northfield, Minnesota

$465,000 Taxable GO Tax Increment Refunding Bonds, Series 2017B

Proposed Current Refunding of Series 2007D

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Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/07/2017	-	-	-	-	-
02/01/2018	60,000.00	1.600%	4,130.00	64,130.00	64,130.00
08/01/2018	-	-	4,682.50	4,682.50	-
02/01/2019	55,000.00	1.750%	4,682.50	59,682.50	64,365.00
08/01/2019	-	-	4,201.25	4,201.25	-
02/01/2020	55,000.00	1.950%	4,201.25	59,201.25	63,402.50
08/01/2020	-	-	3,665.00	3,665.00	-
02/01/2021	55,000.00	2.200%	3,665.00	58,665.00	62,330.00
08/01/2021	-	-	3,060.00	3,060.00	-
02/01/2022	60,000.00	2.350%	3,060.00	63,060.00	66,120.00
08/01/2022	-	-	2,355.00	2,355.00	-
02/01/2023	60,000.00	2.450%	2,355.00	62,355.00	64,710.00
08/01/2023	-	-	1,620.00	1,620.00	-
02/01/2024	60,000.00	2.650%	1,620.00	61,620.00	63,240.00
08/01/2024	-	-	825.00	825.00	-
02/01/2025	60,000.00	2.750%	825.00	60,825.00	61,650.00
Total	**$465,000.00**	**-**	**$44,947.50**	**$509,947.50**	**-**

Yield Statistics

Bond Year Dollars	$1,836.00
Average Life	3.948 Years
Average Coupon	2.4481209%
Net Interest Cost (NIC)	2.7520425%
True Interest Cost (TIC)	2.7699312%
Bond Yield for Arbitrage Purposes	2.4420117%
All Inclusive Cost (AIC)	3.9649722%

IRS Form 8038

Net Interest Cost	2.4481209%
Weighted Average Maturity	3.948 Years

City of Northfield, Minnesota

$465,000 Taxable GO Tax Increment Refunding Bonds, Series 2017B
Proposed Current Refunding of Series 2007D
Assuming Current Taxable G.O. "AA" Market Rates + 25 Bpts

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2018	64,130.00	63,378.75	87,506.25	24,127.50
02/01/2019	64,365.00	64,365.00	100,700.00	36,335.00
02/01/2020	63,402.50	63,402.50	106,100.00	42,697.50
02/01/2021	62,330.00	62,330.00	105,925.00	43,595.00
02/01/2022	66,120.00	66,120.00	100,462.50	34,342.50
02/01/2023	64,710.00	64,710.00	-	(64,710.00)
02/01/2024	63,240.00	63,240.00	-	(63,240.00)
02/01/2025	61,650.00	61,650.00	-	(61,650.00)
Total	**$509,947.50**	**$509,196.25**	**$500,693.75**	**(8,502.50)**

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....................	7,219.36
Net PV Cashflow Savings @ 2.442%(Bond Yield).....	7,219.36
Contingency or Rounding Amount....................	751.25
Net Present Value Benefit	$7,970.61
Net PV Benefit / $472,219.36 PV Refunded Debt Service	1.688%
Net PV Benefit / $435,000 Refunded Principal...	1.832%
Net PV Benefit / $465,000 Refunding Principal..	1.714%

Refunding Bond Information

Refunding Dated Date	9/07/2017
Refunding Delivery Date	9/07/2017