

June 2, 2020

## Pre-Sale Report for

City of Northfield, Minnesota

\$5,425,000 General Obligation Street Reconstruction,  
Improvement and Stormwater Revenue Bonds,  
Series 2020A



**Prepared by:**

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And

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Senior Municipal Advisor

## Executive Summary of Proposed Debt

Proposed Issue:	\$5,425,000 General Obligation Street Reconstruction, Improvement and Stormwater Revenue Bonds, Series 2020A (the “Bonds”)
Purposes:	<p>The proposed issue includes fixed-rate, tax-exempt financing for various 2020 capital improvement projects in the City. Inclusive of estimated financing costs, the Bonds will be sized for the following purposes:</p> <ul style="list-style-type: none"> <li>• \$3,230,000 Improvements portion to fund the City’s 2020 Mill and Overlay project. Debt service will be paid from a combination of special assessments and a tax levy over a ten-year term starting with collection in 2021.</li> <li>• \$715,000 Stormwater portion to fund Stormwater infrastructure improvements. Debt service will be paid from net revenues of the storm sewer fund over the ten-year term.</li> <li>• \$1,480,000 Street Reconstruction portion to fund the joint Trunk Highway 249/Jefferson Parkway project. Debt service will be paid from a ten-year tax levy over the same term.</li> </ul>
Authority:	<p>The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444, and 475. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.</p> <p>Under Chapter 429, because the City is assessing at least 20% of the financed project costs, the Improvement Portion can be a general obligation without a referendum and will not count against the City’s debt limit.</p> <p>Chapter 444 allows cities to issue debt for utility infrastructure improvements without limitation as long as debt service on the Stormwater Portion is expected to be paid from utility revenues.</p> <p>Under Chapter 475, the City Council held a public hearing in February of 2020 and adopted a five-year Street Reconstruction Plan authorizing the issuance of up to \$1.5 million in Street Reconstruction Bonds for the TH 246 Project. The Street Reconstruction Portion of the Bonds counts against the City’s Net Debt Limit of 3% of estimated market value. The City’s current unused debt limit capacity is estimated in excess of \$37.7 million.</p>
Term/Call Feature:	The Bonds are being issued for a term of 10 years, 8 months. Principal on the Bonds will be due on February 1 in the years 2022 through 2031. Interest is payable every six months beginning August 1, 2021. The Bonds will be subject to prepayment at the discretion of the City on February 1, 2028 or any date thereafter at a price of par plus any accrued interest.
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 by Standard & Poor's. The current ratings on those bonds are "AA." 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.
Method of Sale/Placement:	We will solicit competitive bids for the purchase of the Bonds from underwriters and banks. We will include an allowance for discount bidding in the terms 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 reduce your borrowing amount.
Premium Pricing:	<p>In some cases, 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, requiring 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 underwriter of the bonds may retain a portion of this reoffering premium as their compensation (or "discount") but will pay the remainder of the premium to the City as additional proceeds for the projects.</p> <p>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 \$5,000,000 offering may receive bids that result in proceeds of \$5,100,000 to \$5,500,000.</p> <p>The amount of premium can be restricted in the bid specifications. For this issue of Bonds we have been directed to use any net premium to fund only the expected project amounts and reduce the size of the issue if possible. Ehlers will identify appropriate premium restrictions for the Bonds intended to achieve the City's objectives for this financing. The resulting adjustments will not change the pricing of the bid, but may slightly change the final calculation of the true interest cost of the issue.</p>
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the City and find that 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 as they arise.
Continuing Disclosure:	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:	<p>Because the Bonds 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 defined in the Tax Certificate prepared by your Bond Attorney and provided at closing. You have retained Ehlers to assist you in complying with these rules.</p>
Risk Factors:	<p><b>Special Assessments:</b> We have assumed 25% pre-paid special assessments and that the assessments will be levied as projected with collections starting in 2021. If the City receives a significant increase in pre-paid assessments or defers or reduces the assessments, it may need to increase the levy portion of the debt service to make up for lower assessment revenues.</p> <p><b>Utility Revenues:</b> The Stormwater Revenue portion of the Bonds is payable from net revenues of the utility. Although not expected, if there is a shortfall in annual stormwater revenues, the City may need to provide other funds or levy taxes to provide for the repayment.</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. 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, but the 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.</p> <p><b>Bond Counsel:</b> Kennedy &amp; Graven, Chartered  <b>Paying Agent:</b> Bond Trust Services Corporation  <b>Rating Agency:</b> Standard &amp; Poor's Global Ratings (S&amp;P)</p>
Basis for Recommendation:	<p>Based on the City's objectives, project funding requirements, our advisory relationship, the City's desire to minimize interest costs, and characteristics of various municipal financing options, we are recommending the issuance of General Obligation Bonds as a suitable option to finance the planned projects and refunding based on:</p> <ul style="list-style-type: none"> <li>• The issuance is consistent with the City's practices for financing these types of projects and is structured to fit within its financial plans.</li> <li>• General Obligation pledge will result in lower interest rates than other financing options available.</li> <li>• The expectation this form of financing will also meet the City's objectives for term, structure and optional redemption.</li> </ul>

	<ul style="list-style-type: none"> <li>The method of sale process identified herein complies with City policy as well as best practices endorsed by the Government Finance Officers Association (GFOA).</li> </ul>
Summary:	<p>The decisions to be made by the City related to the Presale Report are:</p> <ul style="list-style-type: none"> <li>Accept or modify the finance assumptions described in this report</li> <li>Consider the resolution provided to set a bond sale date July 7, 2020.</li> </ul>

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:	June 2, 2020
Conference with Rating Agency:	Week of June 15, 2020
Due Diligence Call to review Official Statement:	Week of June 22, 2020
Distribute Official Statement:	Week of June 22, 2020
City Council Meeting to Award Sale of the Bonds:	July 7, 2020
Estimated Closing Date:	July 30, 2020

### Attachments

Estimated Sources and Uses of Funds

Estimated Proposed Debt Service Schedule

Resolution Authorizing Ehlers to Proceed With Bonds' Sale

### Ehlers Contacts

Municipal Advisors:	Nick Anhut	(651) 697-8507
	Rebecca Kurtz	(651) 697-8516
Disclosure Coordinator:	Emily Wilkie	(651) 697-8588
Financial Analyst:	Alicia Gage	(651) 697-8551

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

# City of Northfield, Minnesota

\$5,425,000 General Obligation Bonds, Series 2020A

Issue Summary

Assuming Current GO BQ "AA" Market Rates plus 20bps

## Total Issue Sources And Uses

Dated 07/30/2020 | Delivered 07/30/2020

	Street Reconstruction	Improvements	Stormwater	Issue Summary
<b>Sources Of Funds</b>				
Par Amount of Bonds	\$1,480,000.00	\$3,230,000.00	\$715,000.00	\$5,425,000.00
Prepaid Assessments	-	338,359.00	-	338,359.00
<b>Total Sources</b>	<b>\$1,480,000.00</b>	<b>\$3,568,359.00</b>	<b>\$715,000.00</b>	<b>\$5,763,359.00</b>
<b>Uses Of Funds</b>				
Total Underwriter's Discount (1.200%)	17,760.00	38,760.00	8,580.00	65,100.00
Costs of Issuance	18,551.16	40,486.63	8,962.21	68,000.00
Deposit to Project Construction Fund	1,441,520.00	3,487,456.00	700,000.00	5,628,976.00
Rounding Amount	2,168.84	1,656.37	(2,542.21)	1,283.00
<b>Total Uses</b>	<b>\$1,480,000.00</b>	<b>\$3,568,359.00</b>	<b>\$715,000.00</b>	<b>\$5,763,359.00</b>

# City of Northfield, Minnesota

\$5,425,000 General Obligation Bonds, Series 2020A

Issue Summary

Assuming Current GO BQ "AA" Market Rates plus 20bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/30/2020	-	-	-	-	-
08/01/2021	-	-	70,206.98	70,206.98	-
02/01/2022	495,000.00	0.950%	35,006.25	530,006.25	600,213.23
08/01/2022	-	-	32,655.00	32,655.00	-
02/01/2023	540,000.00	1.000%	32,655.00	572,655.00	605,310.00
08/01/2023	-	-	29,955.00	29,955.00	-
02/01/2024	540,000.00	1.100%	29,955.00	569,955.00	599,910.00
08/01/2024	-	-	26,985.00	26,985.00	-
02/01/2025	540,000.00	1.200%	26,985.00	566,985.00	593,970.00
08/01/2025	-	-	23,745.00	23,745.00	-
02/01/2026	540,000.00	1.300%	23,745.00	563,745.00	587,490.00
08/01/2026	-	-	20,235.00	20,235.00	-
02/01/2027	545,000.00	1.350%	20,235.00	565,235.00	585,470.00
08/01/2027	-	-	16,556.25	16,556.25	-
02/01/2028	550,000.00	1.400%	16,556.25	566,556.25	583,112.50
08/01/2028	-	-	12,706.25	12,706.25	-
02/01/2029	555,000.00	1.450%	12,706.25	567,706.25	580,412.50
08/01/2029	-	-	8,682.50	8,682.50	-
02/01/2030	555,000.00	1.500%	8,682.50	563,682.50	572,365.00
08/01/2030	-	-	4,520.00	4,520.00	-
02/01/2031	565,000.00	1.600%	4,520.00	569,520.00	574,040.00
<b>Total</b>	<b>\$5,425,000.00</b>	<b>-</b>	<b>\$457,293.23</b>	<b>\$5,882,293.23</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$32,987.57
Average Life	6.081 Years
Average Coupon	1.3862592%
Net Interest Cost (NIC)	1.5836063%
True Interest Cost (TIC)	1.5920074%
Bond Yield for Arbitrage Purposes	1.3825884%
All Inclusive Cost (AIC)	1.8144082%

## IRS Form 8038

Net Interest Cost	1.3862592%
Weighted Average Maturity	6.081 Years

## City of Northfield, Minnesota

\$5,425,000 General Obligation Bonds, Series 2020A

Issue Summary

Assuming Current GO BQ "AA" Market Rates plus 20bps

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Assessments	Stormwater Rev	Levy/ (Surplus)
02/01/2021	-	-	-	-	-	-	-	-
02/01/2022	495,000.00	0.950%	105,213.23	600,213.23	630,223.89	138,050.34	82,837.84	409,335.71
02/01/2023	540,000.00	1.000%	65,310.00	605,310.00	635,575.50	134,396.06	82,558.88	418,620.57
02/01/2024	540,000.00	1.100%	59,910.00	599,910.00	629,905.50	130,741.78	81,823.88	417,339.85
02/01/2025	540,000.00	1.200%	53,970.00	593,970.00	623,668.50	127,087.52	81,015.38	415,565.61
02/01/2026	540,000.00	1.300%	47,490.00	587,490.00	616,864.50	123,433.24	80,133.38	413,297.89
02/01/2027	545,000.00	1.350%	40,470.00	585,470.00	614,743.50	119,778.96	79,177.88	415,786.67
02/01/2028	550,000.00	1.400%	33,112.50	583,112.50	612,268.13	116,124.70	83,435.63	412,707.80
02/01/2029	555,000.00	1.450%	25,412.50	580,412.50	609,433.13	112,470.42	82,333.13	414,629.58
02/01/2030	555,000.00	1.500%	17,365.00	572,365.00	600,983.25	108,816.14	81,191.25	410,975.86
02/01/2031	565,000.00	1.600%	9,040.00	574,040.00	602,742.00	105,161.88	80,010.00	417,570.12
<b>Total</b>	<b>\$5,425,000.00</b>	<b>-</b>	<b>\$457,293.23</b>	<b>\$5,882,293.23</b>	<b>\$6,176,407.89</b>	<b>\$1,216,061.04</b>	<b>\$814,517.21</b>	<b>\$4,145,829.64</b>

### Significant Dates

Dated	7/30/2020
First Coupon Date	8/01/2021

### Yield Statistics

Bond Year Dollars	\$32,987.57
Average Life	6.081 Years
Average Coupon	1.3862592%
Net Interest Cost (NIC)	1.5836063%
True Interest Cost (TIC)	1.5920074%
Bond Yield for Arbitrage Purposes	1.3825884%
All Inclusive Cost (AIC)	1.8144082%



# City of Northfield, Minnesota

\$1,015,076 General Obligation Bonds, Series 2020A

Assessments

2.00% over TIC - Equal Principal

## Assessments

Date	Principal	Coupon	Interest	Total P+I
12/31/2021	101,507.60	3.600%	36,542.74	138,050.34
12/31/2022	101,507.60	3.600%	32,888.46	134,396.06
12/31/2023	101,507.60	3.600%	29,234.18	130,741.78
12/31/2024	101,507.60	3.600%	25,579.92	127,087.52
12/31/2025	101,507.60	3.600%	21,925.64	123,433.24
12/31/2026	101,507.60	3.600%	18,271.36	119,778.96
12/31/2027	101,507.60	3.600%	14,617.10	116,124.70
12/31/2028	101,507.60	3.600%	10,962.82	112,470.42
12/31/2029	101,507.60	3.600%	7,308.54	108,816.14
12/31/2030	101,507.60	3.600%	3,654.28	105,161.88
<b>Total</b>	<b>\$1,015,076.00</b>	<b>-</b>	<b>\$200,985.04</b>	<b>\$1,216,061.04</b>

## Significant Dates

Filing Date	1/01/2021
First Payment Date	12/31/2021