

FINANCE PLAN SUMMARY

City of Lake Elmo, Minnesota

\$710,000

General Obligation Improvement Bonds, Series 2010A

Prepared by:



45 South 7th Street
Suite 2000
Minneapolis, MN 55402
612-851-5900 800-851-2920

September 7, 2010

City of Lake Elmo, Minnesota
\$710,000
General Obligation Improvement Bonds, Series 2010A

Financing Overview

Proceeds from this bond issue will be used to fund the City's 2010 Street Improvement Projects. The estimated project cost total of \$680,000 plus financing costs result in a financing requirement of \$710,000. A detailed illustration of the sources and uses of funds is as follows:

Sources & Uses

Dated 11/01/2010 | Delivered 11/01/2010

Sources Of Funds

Par Amount of Bonds	\$710,000.00
Total Sources	\$710,000.00

Uses Of Funds

Total Underwriter's Discount (1.960%)	13,916.00
Costs of Issuance	12,895.00
Deposit to Project Construction Fund	680,000.00
Rounding Amount	3,189.00
Total Uses	\$710,000.00

The estimated principal and interest is illustrated as Exhibit A. The debt is scheduled to be repaid through the years 2012 – 2021. The interest estimate is based on an assumed average rate of 1.79%. The principal payment structure is based on the City's expectations of special assessment revenues and property tax collections to be received over the term of the Bonds. The special assessment revenue stream assumes the City will file \$174,000 of assessments in 2010 for first collection in 2011 over a term of ten years at a rate of 5.00%. The estimated average annual tax levy for the project will be approximately \$58,564 at the 105% requirement. The summary cash flow analysis detailing the revenues and tax levy component is illustrated in Exhibit B.

Related Considerations

- Bank Qualified - We understand the City (in combination with any subordinate taxing jurisdictions or debt issued in the City's name by 501c3 corporations) does not anticipate issuing more than a total of \$30,000,000 in tax-exempt debt during this calendar year. Therefore the bonds will be designated as "bank qualified" obligations pursuant to Federal Tax Law if the Bonds are sold as Tax Exempt securities.
- Arbitrage and Rebate – We understand the City anticipates issuing \$5,000,000 or less in tax-exempt bonds in calendar year 2010 and therefore any arbitrage earnings in the construction fund will be exempt from rebate.

This exemption from rebate does not eliminate the need to comply with other arbitrage regulations governing the investment of bond proceeds and debt service funds. In particular, the City should become familiar with the requirements for maintaining a "bona fide" debt service fund. These requirements will be explained in the bond transcript following closing.

- The Bonds will be *global book entry with a bank designated as the paying agent*. As "paperless" bonds, you will avoid the costs of bond printing and annual registrar charges. The Paying Agent will invoice you for the interest semiannually and on an annual basis for the principal coming due. You will be charged only for paying agent/transfer agent services provided by the bank. This cost of services has been capitalized into the bond issue.
- Because the City's outstanding debt is more than \$10.0M it is subject to full disclosure requirements of the Securities and Exchange Commission. Northland can assist the City in complying with these requirements.

Summary of Recommended Terms

- | | |
|--------------------------|--|
| 1. Type of Bond Sale | Negotiated |
| 2. Bond Pricing | Wednesday, October 13, 2010 |
| 3. Council Consideration | Tuesday, October 18, 2010 at 7:00 p.m. |
| 4. Statutory Authority | The Bonds are being issued pursuant to Minnesota Statutes 429 and 475. |
| 4. Repayment Term | The Bonds will mature annually each February 1, 2012 - 2021. Interest on the Bonds will be payable on August 1, 2011 and semiannually thereafter on each February 1 and August 1. |
| 5. Security | General obligation pledge of the City. The City expects to fund debt service from a combination of special assessments and property tax collections as previously discussed. |
| 6. Prepayment Feature | The Bonds maturing February 1, 2018 – 2021 will be subject to prepayment on February 1, 2017 at a price of par plus accrued interest. |
| 7. Tax Status | Dorsey & Whitney, LLP |
| 8. Credit Rating | The City's general obligation debt is currently rated "AA" by Standard & Poor's rating service. We believe a credit rating will be cost effective for this issue and we will pursue a rating with S&P for the Bonds. |

EXHIBIT A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/01/2010	-	-	-	-	-
08/01/2011	-	-	7,741.88	7,741.88	-
02/01/2012	65,000.00	0.500%	5,161.25	70,161.25	77,903.13
08/01/2012	-	-	4,998.75	4,998.75	-
02/01/2013	70,000.00	0.500%	4,998.75	74,998.75	79,997.50
08/01/2013	-	-	4,823.75	4,823.75	-
02/01/2014	70,000.00	0.700%	4,823.75	74,823.75	79,647.50
08/01/2014	-	-	4,578.75	4,578.75	-
02/01/2015	70,000.00	1.000%	4,578.75	74,578.75	79,157.50
08/01/2015	-	-	4,228.75	4,228.75	-
02/01/2016	70,000.00	1.350%	4,228.75	74,228.75	78,457.50
08/01/2016	-	-	3,756.25	3,756.25	-
02/01/2017	70,000.00	1.650%	3,756.25	73,756.25	77,512.50
08/01/2017	-	-	3,178.75	3,178.75	-
02/01/2018	70,000.00	1.850%	3,178.75	73,178.75	76,357.50
08/01/2018	-	-	2,531.25	2,531.25	-
02/01/2019	75,000.00	2.050%	2,531.25	77,531.25	80,062.50
08/01/2019	-	-	1,762.50	1,762.50	-
02/01/2020	75,000.00	2.250%	1,762.50	76,762.50	78,525.00
08/01/2020	-	-	918.75	918.75	-
02/01/2021	75,000.00	2.450%	918.75	75,918.75	76,837.50
Total	\$710,000.00	-	\$74,458.13	\$784,458.13	-

Date And Term Structure

Dated	11/01/2010
Delivery Date	11/01/2010
First Coupon Date	8/01/2011
Average Life	5.856 Years
Average Coupon	1.7909351%
Net Interest Cost (NIC)	2.1256554%
True Interest Cost (TIC)	2.1381724%

EXHIBIT B

Revenue vs D/S

Date	Scheduled P+I	Less: Assessment Revenue	Equals:		Levy Collection Cycle	
			Debt Levy Required	Debt Levy @ 105%	Certified	Collected
02/01/2011	-	-	-	-	-	-
02/01/2012	77,903.13	22,670.67	55,232.46	57,994.08	2010	2011
02/01/2013	79,997.50	22,671.04	57,326.46	60,192.78	2011	2012
02/01/2014	79,647.50	22,671.34	56,976.16	59,824.97	2012	2013
02/01/2015	79,157.50	22,671.10	56,486.40	59,310.72	2013	2014
02/01/2016	78,457.50	22,670.50	55,787.00	58,576.35	2014	2015
02/01/2017	77,512.50	22,670.64	54,841.86	57,583.95	2015	2016
02/01/2018	76,357.50	22,671.50	53,686.00	56,370.30	2016	2017
02/01/2019	80,062.50	22,670.90	57,391.60	60,261.18	2017	2018
02/01/2020	78,525.00	22,670.70	55,854.30	58,647.02	2018	2019
02/01/2021	76,837.50	22,670.62	54,166.88	56,875.22	2019	2020
Total	\$784,458.13	\$226,709.01	\$557,749.12	\$585,636.58		

*Assumes assessments of \$174,000 for a term of 10 years at a rate of 5.00%.

EXTRACT OF MINUTES OF A MEETING
OF THE CITY COUNCIL OF THE CITY OF LAKE ELMO, STATE OF MINNESOTA

HELD: Tuesday, September 7, 2010

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Lake Elmo, State of Minnesota, was duly held on Tuesday, September 7, 2010 at 7:00 o'clock p.m.

Member _____ introduced the following resolution and moved its adoption:

**RESOLUTION APPROVING THE ISSUANCE OF
GENERAL OBLIGATION IMPROVEMENT BONDS; SERIES 2010A**

BE IT RESOLVED by the City Council of the City of Lake Elmo, State of Minnesota (herein, the "City"), as follows:

1. The City Council hereby finds and declares that it is necessary and expedient for the District to sell and issue its fully registered general obligation improvement bonds in the total aggregate principal amount of not to exceed \$710,000 (herein, the "Bonds"). The proceeds of the Bonds will be used to fund various street improvement projects within the City and to fund the costs of issuing the Bonds.
2. The City Council desires to proceed with the sale of the Bonds by direct negotiation to Northland Securities, Inc. (herein, "NSI").
3. The City Finance Director and City Administrator are hereby authorized to approve the sale of the Bonds in an aggregate principal amount of not to exceed \$710,000 and to execute a bond purchase agreement for the purchase of the Bonds with NSI, provided that the true interest cost does not exceed 3.50%.
4. Upon approval of the sale of the Bonds by the City Finance Director and the City Administrator the City Council will take action at its next regularly scheduled meeting thereafter to adopt the necessary approving resolutions as prepared by the City's bond counsel.
5. NSI is authorized to prepare an official statement related to the sale of the Bonds.
6. If the City Finance Director and City Administrator have not approved the sale of the bonds to NSI and executed the related bond purchase agreement by December 31, 2010, this resolution shall expire.

The motion for the adoption of the foregoing resolution was duly seconded by Member _____, and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

STATE OF MINNESOTA
COUNTY OF _____
CITY OF _____

FINANCE DIRECTOR CERTIFICATION REGARDING IMPROVEMENT
PROCEEDINGS

I, the undersigned, being the duly qualified and acting FINANCE DIRECTOR of the City of _____, Minnesota (the "City"), DO HEREBY CERTIFY that the resolutions and other documents furnished to Dorsey and Whitney, LLP, in connection with the 429 Improvement Proceedings for the issuance of the General Obligation Improvement Bonds, Series 2010A are true and correct copies of the original documents of which are on file and of record in the office of the City.

WITNESS my hand officially and the official seal of the City of _____
Minnesota this ____ day of _____, 2010

SEAL

Finance Director