

FINANCE PLAN SUMMARY

FOR

CITY OF LAKE ELMO, MINNESOTA

\$2,815,000

**GENERAL OBLIGATION BONDS,
SERIES 2015A**



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

June 9, 2015

City of Lake Elmo, Minnesota
\$2,815,000
General Obligation Bonds, Series 2015A

FINANCING OVERVIEW

This Finance Plan Summary describes the recommended terms and process for the public issuance of \$2,815,000 of General Obligation Bonds, Series 2015A through a competitive public sale process.

PURPOSE

Proceeds from the Bonds will be used to fund a portion of the City's 2015 infrastructure projects and purchase of equipment including:

- 39th Street Project
- Inwood Booster Station Project
- Eagle Point Reconstruction Project
- Equipment Purchases

The estimated financing required for project costs is \$2,739,211 allocated to include \$1,164,561 of utility system costs, \$1,447,100 of improvement project costs, and \$127,550 of equipment costs. The total borrowing required including financing costs is \$2,815,000 and is detailed in Figure 1.

FIGURE 1

	Improvement Portion	Utility Portion	Equipment	Issue Summary
Sources Of Funds				
Par Amount of Bonds	\$1,490,000.00	\$1,195,000.00	\$130,000.00	\$2,815,000.00
Total Sources	\$1,490,000.00	\$1,195,000.00	\$130,000.00	\$2,815,000.00
Uses Of Funds				
Total Underwriter's Discount (1.250%)	18,625.00	14,937.50	1,625.00	35,187.50
Costs of Issuance	20,881.17	16,746.98	1,821.85	39,450.00
Deposit to Project Construction Fund	1,447,100.00	1,164,561.00	127,550.00	2,739,211.00
Rounding Amount	3,393.83	(1,245.48)	(996.85)	1,151.50
Total Uses	\$1,490,000.00	\$1,195,000.00	\$130,000.00	\$2,815,000.00

STATUTORY AUTHORITY

The Bonds will be issued pursuant to the authority of Minnesota Statutes Chapter 475, 429, 444, and 412.301. The City's bond attorney from Dorsey & Whitney is assuring compliance with Minnesota and Federal laws.

DEBT SERVICE STRUCTURE

The total repayment generally reflects a level annual requirement over a term of ten years for the Improvement portion, and a term of fifteen years on the Utility portion and not to exceed seven years on the Equipment portion with an assumed average interest rate of 2.30% and an all inclusive cost of 2.69%. Individual repayment schedules for the improvement portion, utility portion, and equipment portion have been reviewed with City staff regarding projected revenues to repay the debt service and compliance with the City's Debt Management Policies. The total estimated debt service is illustrated in Figure 2.

FIGURE 2

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/15/2015	-	-	-	-	-
07/15/2016	-	-	56,262.50	56,262.50	-
01/15/2017	200,000.00	1.050%	28,131.25	228,131.25	284,393.75
07/15/2017	-	-	27,081.25	27,081.25	-
01/15/2018	225,000.00	1.200%	27,081.25	252,081.25	279,162.50
07/15/2018	-	-	25,731.25	25,731.25	-
01/15/2019	240,000.00	1.400%	25,731.25	265,731.25	291,462.50
07/15/2019	-	-	24,051.25	24,051.25	-
01/15/2020	240,000.00	1.550%	24,051.25	264,051.25	288,102.50
07/15/2020	-	-	22,191.25	22,191.25	-
01/15/2021	245,000.00	1.750%	22,191.25	267,191.25	289,382.50
07/15/2021	-	-	20,047.50	20,047.50	-
01/15/2022	245,000.00	1.900%	20,047.50	265,047.50	285,095.00
07/15/2022	-	-	17,720.00	17,720.00	-
01/15/2023	250,000.00	2.050%	17,720.00	267,720.00	285,440.00
07/15/2023	-	-	15,157.50	15,157.50	-
01/15/2024	235,000.00	2.200%	15,157.50	250,157.50	265,315.00
07/15/2024	-	-	12,572.50	12,572.50	-
01/15/2025	240,000.00	2.350%	12,572.50	252,572.50	265,145.00
07/15/2025	-	-	9,752.50	9,752.50	-
01/15/2026	250,000.00	2.500%	9,752.50	259,752.50	269,505.00
07/15/2026	-	-	6,627.50	6,627.50	-
01/15/2027	85,000.00	2.650%	6,627.50	91,627.50	98,255.00
07/15/2027	-	-	5,501.25	5,501.25	-
01/15/2028	85,000.00	2.800%	5,501.25	90,501.25	96,002.50
07/15/2028	-	-	4,311.25	4,311.25	-
01/15/2029	90,000.00	3.000%	4,311.25	94,311.25	98,622.50
07/15/2029	-	-	2,961.25	2,961.25	-
01/15/2030	90,000.00	3.150%	2,961.25	92,964.40	95,922.50
07/15/2030	-	-	1,543.75	1,543.75	-
01/15/2031	95,000.00	3.250%	1,543.75	96,543.75	98,087.50
Total	\$2,815,000.00	-	\$474,893.75	\$3,289,893.75	-

SECURITY & SOURCE OF REPAYMENT

The Bonds will be a general obligation of the City of Lake Elmo. In addition, the City will pledge special assessments of approximately \$1,460,120 on the Improvement portion, \$1,471,163 to the Utility portion for the repayment of the debt service on the Bonds. The assessment revenue assumes first collection in 2015 over a term of 10 years for the Improvement portion and an interest rate of 4.05% (2% over the average coupon on the Bonds). We have assumed the remaining Utility debt service portions of the bond issue will be supported from the enterprise funds and have therefore pledged those sources accordingly. The Equipment portion of the financing is 100% tax levy. An illustration of the projected debt service fund cash flow for the Improvement portion is shown in Figure 3, Figure 4 shows the 105% Levy required for the Equipment portion, and Figure 5 shows the Utility Portion.

FIGURE 3

Revenue vs D/S - Improvement Portion

Date	Scheduled P+I	105% Levy	Less: Assessment Revenues	Equals: City Net Levy	Levy Year	Collection Year
01/15/2016	-	-	-	-		
01/15/2017	165,826.25	174,117.56	181,365.98	(7,248.42)	2015	2016
01/15/2018	165,905.00	174,200.25	181,365.52	(7,165.27)	2016	2017
01/15/2019	169,225.00	177,686.25	181,365.09	(3,678.83)	2017	2018
01/15/2020	167,195.00	175,554.75	181,365.56	(5,810.81)	2018	2019
01/15/2021	169,947.50	178,444.88	181,365.48	(2,920.60)	2019	2020
01/15/2022	167,322.50	175,688.63	181,365.10	(5,676.47)	2020	2021
01/15/2023	169,472.50	177,946.13	181,365.30	(3,419.18)	2021	2022
01/15/2024	166,295.00	174,609.75	181,365.57	(6,755.82)	2022	2023
01/15/2025	167,885.00	176,279.25	181,366.03	(5,086.78)	2023	2024
01/15/2026	169,125.00	177,581.25	181,365.39	(3,784.14)	2024	2025
Total	\$1,678,198.75	\$1,762,108.69	\$1,813,655.03	-		

Note: Negative amounts shown for City net levy above will result in no levy to be certified.

FIGURE 4

105% Levy - Equipment Portion

Date	Scheduled P+I	105% Levy	Levy Year	Collection Year
01/15/2017	18,101.25	19,006.31	2015	2016
01/15/2018	16,910.00	17,755.50	2016	2017
01/15/2019	21,730.00	22,816.50	2017	2018
01/15/2020	21,450.00	22,522.50	2018	2019
01/15/2021	21,140.00	22,197.00	2019	2020
01/15/2022	20,790.00	21,829.50	2020	2021
01/15/2023	20,410.00	21,430.50	2021	2022
Total	\$140,531.25	\$147,557.81		

FIGURE 5

Debt Service Schedule - Utility Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/15/2015	-	-	-	-	-
07/15/2016	-	-	26,977.50	26,977.50	-
01/15/2017	60,000.00	1.050%	13,488.75	73,488.75	100,466.25
07/15/2017	-	-	13,173.75	13,173.75	-
01/15/2018	70,000.00	1.200%	13,173.75	83,173.75	96,347.50
07/15/2018	-	-	12,753.75	12,753.75	-
01/15/2019	75,000.00	1.400%	12,753.75	87,753.75	100,507.50
07/15/2019	-	-	12,228.75	12,228.75	-
01/15/2020	75,000.00	1.550%	12,228.75	87,228.75	99,457.50
07/15/2020	-	-	11,647.50	11,647.50	-
01/15/2021	75,000.00	1.750%	11,647.50	86,647.50	98,295.00
07/15/2021	-	-	10,991.25	10,991.25	-
01/15/2022	75,000.00	1.900%	10,991.25	85,991.25	96,982.50
07/15/2022	-	-	10,278.75	10,278.75	-
01/15/2023	75,000.00	2.050%	10,278.75	85,278.75	95,557.50
07/15/2023	-	-	9,510.00	9,510.00	-
01/15/2024	80,000.00	2.200%	9,510.00	89,510.00	99,020.00
07/15/2024	-	-	8,630.00	8,630.00	-
01/15/2025	80,000.00	2.350%	8,630.00	88,630.00	97,260.00
07/15/2025	-	-	7,690.00	7,690.00	-
01/15/2026	85,000.00	2.500%	7,690.00	92,690.00	100,380.00
07/15/2026	-	-	6,627.50	6,627.50	-
01/15/2027	85,000.00	2.650%	6,627.50	91,627.50	98,255.00
07/15/2027	-	-	5,501.25	5,501.25	-
01/15/2028	85,000.00	2.800%	5,501.25	90,501.25	96,002.50
07/15/2028	-	-	4,311.25	4,311.25	-
01/15/2029	90,000.00	3.000%	4,311.25	94,311.25	98,622.50
07/15/2029	-	-	2,961.25	2,961.25	-
01/15/2030	90,000.00	3.150%	2,961.25	92,961.25	95,922.50
07/15/2030	-	-	1,543.75	1,543.75	-
01/15/2031	95,000.00	3.250%	1,543.75	96,543.75	98,087.50
Total	\$1,195,000.00	-	\$276,163.75	\$1,471,163.75	-

RELATED CONSIDERATIONS

- Bank Qualification - We understand the City (in combination with any subordinate taxing jurisdictions or debt issued in the City's name by 501c3 corporations) anticipates issuing \$10.0M or less in tax-exempt debt during this calendar year. Therefore the bonds will be designated as "bank qualified" obligations pursuant to Federal Tax Law.
- Arbitrage and Rebate – All tax exempt issues are subject to federal rebate requirements which require all arbitrage earned to be rebated to the U.S. Treasury. However, bond proceeds may be exempt from rebate if certain expenditure requirements are met. Since the City will issue less than \$5 million in tax exempt bonds in 2015, we recommend the City elect the Small Issuer Exemption for this issue.
- Continuing Disclosure - Because this issue is greater than \$1,000,000, and the City's outstanding debt exceeds \$10.0M, it is subject to the Securities and Exchange Commission's continuing disclosure requirements. Northland Securities is prepared to assist the City in this capacity.

SUMMARY OF RECOMMENDED TERMS

- | | |
|--------------------------|---|
| 1. Type of Bond Sale | Public Offering – Sealed Bids |
| 2. Proposals Received | Tuesday, July 7, 2015 @ 10:30 A.M. |
| 3. Council Consideration | Tuesday, July 7, 2015 @ 7:00 P.M. |
| 4. Statutory Authority | The Bonds are being issued pursuant to Minnesota Statutes 475, 429, 444 and 412.301. |
| 5. Repayment Term | The Bonds will mature annually each January 15, 2016 – 2031. Interest on the Bonds will be payable on July 15, 2016 and semiannually thereafter on each January 15 and July 15. |
| 6. Security | General Obligation of the City. In addition, the City will pledge special assessment revenues collected from benefitted properties, utility revenues and tax levies. |
| 7. Prepayment Option | The Bonds maturing January 15, 2024– 2031 will be subject to prepayment on January 15, 2023 at a price of par plus accrued interest. |
| 8. Tax Status | Dorsey and Whitney, LLP Minneapolis, Minnesota, |
| 9. Credit Enhancement | We believe a credit rating will be cost beneficial. The City's general obligation debt is currently rated Aa2 by Moody's Investors Service. |