



STAFF REPORT

DATE: April 18, 2017

REGULAR

ITEM #: 17

AGENDA ITEM: 2017A Bonding

SUBMITTED BY: Kristina Handt, City Administrator

REVIEWED BY: Brian Swanson, Finance Director

BACKGROUND:

The City Council has included a number of projects in the 2017-2021 CIP for this year with funding proposed to come from bonding. The Council is in various stages of approval-feasibility study, advertising for bids, approving purchases, etc. for the projects. Projects include the 2017 street projects, Ideal Ave/CSAH 13 street and sewer project, Old Village Phase 3 Improvement Project, Dump Truck with Plow, Pick Up Truck, Hudson Blvd Lift Station and the fourth and final payment to the Washington County for Old Village Phase 2 Improvement Project.

ISSUE BEFORE COUNCIL:

Should the Council authorize the issuance and sale of \$9,880,000 general obligation bonds?

PROPOSAL DETAILS/ANALYSIS:

Tammy Omdahl from Northland Securities will be at the meeting to go over the finance plan, which is included in your packet, and answer any questions you may have.

The current proposed bond sizing is \$9,880,000 but staff will lower that amount if possible after bids on projects are received the first week of May.

FISCAL IMPACT:

Beginning on page 6 of the finance plan, the portion of the bond proceeds are broken down.

The improvement portion of the bonds of approximately \$4.57 million covers the street costs. The equipment portion of the bonds of approximately \$280,000 covers the dump truck and pickup truck. These two items will be paid back through the general fund debt. Annual payment will be around \$563,000 before reducing for special assessment revenue. Special assessment revenue should account for about a third of the payment.

The sewer portion of the bonds of approximately \$3.05 million covers the Old Village Phase 2 and 3 projects, CSAH 13 project and the Hudson Blvd lift station. Annual payments will be around \$255,000 before reducing for special assessments. Special assessments will cover all projects except for the Hudson Blvd lift station, which will be paid from sewer fund revenues.

The water portion covers the Old Village Phase 2 and 3 projects. Of the \$1.8 million, being borrowed nearly all of it will be paid from water revenue funds. The only exception being about \$50,000 if water is brought to the Westbrook building as part of Phase 3. Annual payments would be about \$155,000.

The storm water portion of the bonds of approximately \$155,000 is for Old Village Phase 2. The annual payment of around \$13,000 will be paid from storm water revenues.

OPTIONS:

- 1) Approve Resolution No. 2017-037
- 2) Amend and then Approve Resolution No 2017-037
- 3) Do not authorize the issuance of bonds

RECOMMENDATION:

Motion to approve Resolution No. 2017-037: A Resolution Authorizing Issuance and Sale of \$9,880,000 General Obligation Bonds, Series 2017A

ATTACHMENTS:

- Finance Plan
- Resolution No 2017-037
- Municipal Advisory Services Agreement with Northland Securities, Inc.

Finance Plan

Lake Elmo, Minnesota

\$9,880,000

**General Obligation Bonds,
Series 2017A**

April 18, 2017



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Member FINRA and SIPC

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Executive Summary

The following is a summary of the recommended terms for the issuance of \$9,880,000 General Obligation Bonds, Series 2017A (the “Bonds” or “2017A Bonds”). Additional information on the proposed finance plan and issuing process can be found after the Executive Summary, in the Issue Overview and Attachment 3 – Related Considerations.

Purpose	Proceeds from the Bonds will be used to finance an improvement project, the purchase of equipment, a sewer project, a water project and a storm water project.
Security	The Bonds will be a General Obligation of the City. The City will pledge special assessments collected from benefitted properties for payment on the Improvement Portion of the Bonds, property tax levies for payment on the Equipment Portion of the Bonds, and sewer, water and storm water revenues on the Water, Sewer and Storm Water Portions of the Bonds.
Repayment Term	The Bonds will mature annually each January 15 in the years 2019 through 2033. Interest on the Bonds will be payable on January 15, 2018 and semiannually thereafter on each July 15 and January 15.
Estimated Interest Rate	Average coupon: 2.89% True interest cost (TIC): 3.02%
Prepayment Option	Bonds maturing on and after January 15, 2026 will be subject to redemption on January 15, 2025 and any day thereafter at a price of par plus accrued interest.
Rating	A rating will be requested from Moody’s. The City’s general obligation debt is currently rated "Aa2" by Moody’s.
Tax Status	The Bonds will be tax-exempt, bank qualified obligations.
Risk Factors	There are certain risks associated with all debt. Risk factors related to the Bonds are discussed in Attachment 5.
Type of Bond Sale	Public Sale – Competitive Bids
Proposals Received	Tuesday, May 16, 2017 @ 10:30 A.M.
Council Consideration	Tuesday, May 16, 2017 @ 7:00 P.M.

Issue Overview

Purpose

Proceeds from the Bonds will be used to finance the following projects (together, the “Projects”):

- an improvement project, which includes North Tri Lakes, Ideal Ave CSAH 13 and Old Village Phase 3 (the “Improvement Portion”),
- an equipment purchase of a dump truck and plow pickup truck (the “Equipment Portion”), and
- a sewer project, which includes Ideal Ave CSAH 13, Old Village Phase 3, Hudson Blvd Lift Station and Lake Elmo Ave/Downtown Project; a water project, which includes Old Village Phase 3 and Lake Elmo Ave/Downtown Project; and a storm water project, which includes the Lake Elmo Ave/Downtown Project (together, the “Revenue Portion”).

Proceeds will also be used to pay costs associated with issuing the Bonds. The Bonds have been sized based on estimates provided by City Staff and the City engineer. The table below contains the sources and uses of funds and preliminary estimated interest rates for the bond issue. The Planned Equity Contribution will cover the interest payment due on January 15, 2018 for the Improvement Portion and the Equipment Portion.

	Improvement Portion	Equipment Portion	Sewer Portion	Water Portion	Storm Water Portion	Issue Summary
Sources Of Funds						
Par Amount of Bonds	\$4,570,000.00	\$280,000.00	\$3,045,000.00	\$1,830,000.00	\$155,000.00	\$9,880,000.00
Planned Issuer Equity contribution	67,547.28	4,003.95	-	-	-	71,551.23
Total Sources	\$4,637,547.28	\$284,003.95	\$3,045,000.00	\$1,830,000.00	\$155,000.00	\$9,951,551.23
Uses Of Funds						
Total Underwriter's Discount (1.000%)	45,700.00	2,800.00	30,450.00	18,300.00	1,550.00	98,800.00
Costs of Issuance	28,793.78	1,764.17	19,185.35	11,530.11	976.59	62,250.00
Deposit to Project Construction Fund	4,495,407.00	272,500.00	2,993,895.00	1,802,927.00	154,033.00	9,718,762.00
Deposit to Debt Service	67,547.28	4,003.95	-	-	-	71,551.23
Rounding Amount	99.22	2,935.83	1,469.65	(2,757.11)	(1,559.59)	188.00
Total Uses	\$4,637,547.28	\$284,003.95	\$3,045,000.00	\$1,830,000.00	\$155,000.00	\$9,951,551.23

Date And Term Structure

Dated	6/08/2017
Delivery Date	6/08/2017
First available call date	1/15/2025
Call Price	100.000%

Yield Statistics

Bond Year Dollars	\$76,165.44
Average Life	7.709 Years
Average Coupon	2.8899530%
Net Interest Cost (NIC)	3.0196706%
True Interest Cost (TIC)	3.0160841%
All Inclusive Cost (AIC)	3.1111896%

Authority

The Bonds will be issued pursuant to the authority of Minnesota Statutes, Chapters 429, 444, and 475 and Section 412.301.

Under Chapter 412.301, Capital Equipment includes, but is not limited to, road construction and maintenance equipment, public safety equipment and computer hardware and software, which must have a useful life at least as long as the term of the debt issued to finance the equipment. The term of the Bonds cannot exceed 10 years from the date of issuance.

If the amount of the Equipment Portion of the Bonds exceeds 0.25% of the estimated market value of the taxable property in the City, a reverse referendum provision applies. The City's estimated market value for taxes payable in 2017 is \$1,377,844,600 ($\$1,377,844,600 \times 0.0025 = \$3,444,612$). Since the Equipment Portion of the Bonds does not exceed \$3,444,612, the reverse referendum provision does not apply.

Under Chapter 429, an Improvement means any type of improvement made under authority granted by section 429.021, which includes, but is not limited to, improvements to streets and sidewalks, storm and sanitary sewer systems, and street lighting systems.

Before issuing bonds under Chapter 429, the City must hold a public hearing on the Improvements and the proposed bonds, and must then pass a resolution ordering the improvements by at least a 4/5 majority. Public hearings have been held for the Improvement Portion and all corresponding resolutions have passed with a 4/5 majority.

Structure

The Improvement Portion has been structured over 10 years, with relatively level annual debt service payments. The Equipment Portion has been structured over 9 years with relatively level annual debt service payments and based on the maximum term allowed, ten years from the date of the Bonds. The Revenue Portions have been structured over 15 years, with relatively level annual debt service payments.

The proposed structure for the bond issue and preliminary debt service projections are illustrated in Attachment 1 and the estimated levies are illustrated in Attachment 2.

Security and Source of Repayment

The Bonds will be general obligations of the City. The finance plan relies on the following assumptions for the revenues used to pay debt service, as provided by City staff:

- Special Assessments. The City is expected to levy special assessments against benefited properties in the amount of \$1,803,847 (40% of the Improvement Portion of the Bonds) for the Improvement Portion of the Bonds. The assessments will be payable over 10 years, with an interest rate of 2.00% over the average coupon on the Improvement Portion of the Bonds (currently estimated to be 4.65%), and structured for level annual payments of principal and interest. The plan assumes that the assessments will be levied in 2017 for initial payment in 2018.
- Utility Revenues. Net revenues of the City's sewer, water and storm water utilities will be pledged for payment of the Revenue Portions of the Bonds. The City will covenant to adopt sewer, water and storm water rates and charges that are sufficient to produce net revenues equal to at least 105% of the debt service requirements on the Revenue Portions of the Bonds. In the event there is a deficiency in the amount of net revenues available for payment of debt service, the City may levy taxes to cover the insufficiency, but only on a temporary basis until rates are adjusted.
- Property Taxes. The remaining revenues needed to pay debt service on the Bonds are expected to come from property tax levies. The initial projections show an annual tax levy is needed to produce the statutory requirement of 105% of debt service, after accounting for assessments and utility revenues. The levy may be adjusted annually based on actual special assessment collections and additional monies in the debt service fund. The initial tax levy will be made in 2017 for taxes payable in 2018.
- Given the timing of the initial revenue from assessments and taxes, the Bonds include a Planned Issuer Equity Contribution to pay the interest due on January 15, 2018 for the Improvement Portion and the Equipment Portion of the Bonds.

Plan Rationale

The Finance Plan recommended in this report is based on a variety of factors and information provided by the City related to the financed project and City objectives, Northland's knowledge of the City and our experience in working with similar cities and projects. The issuance of General Obligation Bonds provides the best means of achieving the City's objectives and cost effective financing. The City has successfully issued and managed this type of debt for previous projects.

Issuing Process

Northland will receive bids to purchase the Bonds on Tuesday, May 16, 2017 at 10:30 AM. Market conditions and the marketability of the Bonds support issuance through a competitive sale. This process has been chosen as it is intended to produce the lowest combination of interest expense and underwriting expense on the date and time set to receive bids. The calendar of events for the issuing process can be found in Attachment 4.

Municipal Advisor: Northland Securities, Inc., Minneapolis, Minnesota

Bond Counsel: Dorsey & Whitney LLC, Minneapolis, Minnesota

Paying Agent: Northland Trust Services, Inc. Minneapolis, Minnesota

Attachment 1 – Preliminary Debt Service Schedules

Total Combined 2017A Bonds

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/08/2017	-	-	-	-	-
01/15/2018	-	-	156,360.55	156,360.55	156,360.55
07/15/2018	-	-	129,700.00	129,700.00	-
01/15/2019	725,000.00	1.700%	129,700.00	854,700.00	984,400.00
07/15/2019	-	-	123,537.50	123,537.50	-
01/15/2020	740,000.00	1.900%	123,537.50	863,537.50	987,075.00
07/15/2020	-	-	116,507.50	116,507.50	-
01/15/2021	750,000.00	2.100%	116,507.50	866,507.50	983,015.00
07/15/2021	-	-	108,632.50	108,632.50	-
01/15/2022	770,000.00	2.250%	108,632.50	878,632.50	987,265.00
07/15/2022	-	-	99,970.00	99,970.00	-
01/15/2023	785,000.00	2.400%	99,970.00	884,970.00	984,940.00
07/15/2023	-	-	90,550.00	90,550.00	-
01/15/2024	805,000.00	2.550%	90,550.00	895,550.00	986,100.00
07/15/2024	-	-	80,286.25	80,286.25	-
01/15/2025	820,000.00	2.650%	80,286.25	900,286.25	980,572.50
07/15/2025	-	-	69,421.25	69,421.25	-
01/15/2026	845,000.00	2.750%	69,421.25	914,421.25	983,842.50
07/15/2026	-	-	57,802.50	57,802.50	-
01/15/2027	870,000.00	2.900%	57,802.50	927,802.50	985,605.00
07/15/2027	-	-	45,187.50	45,187.50	-
01/15/2028	855,000.00	3.050%	45,187.50	900,187.50	945,375.00
07/15/2028	-	-	32,148.75	32,148.75	-
01/15/2029	355,000.00	3.150%	32,148.75	387,148.75	419,297.50
07/15/2029	-	-	26,557.50	26,557.50	-
01/15/2030	370,000.00	3.250%	26,557.50	396,557.50	423,115.00
07/15/2030	-	-	20,545.00	20,545.00	-
01/15/2031	380,000.00	3.350%	20,545.00	400,545.00	421,090.00
07/15/2031	-	-	14,180.00	14,180.00	-
01/15/2032	395,000.00	3.450%	14,180.00	409,180.00	423,360.00
07/15/2032	-	-	7,366.25	7,366.25	-
01/15/2033	415,000.00	3.550%	7,366.25	422,366.25	429,732.50
Total	\$9,880,000.00	-	\$2,201,145.55	\$12,081,145.55	-

Improvement Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/08/2017	-	-	-	-	-
01/15/2018	-	-	67,547.28	67,547.28	67,547.28
07/15/2018	-	-	56,030.00	56,030.00	-
01/15/2019	415,000.00	1.700%	56,030.00	471,030.00	527,060.00
07/15/2019	-	-	52,502.50	52,502.50	-
01/15/2020	420,000.00	1.900%	52,502.50	472,502.50	525,005.00
07/15/2020	-	-	48,512.50	48,512.50	-
01/15/2021	430,000.00	2.100%	48,512.50	478,512.50	527,025.00
07/15/2021	-	-	43,997.50	43,997.50	-
01/15/2022	440,000.00	2.250%	43,997.50	483,997.50	527,995.00
07/15/2022	-	-	39,047.50	39,047.50	-
01/15/2023	450,000.00	2.400%	39,047.50	489,047.50	528,095.00
07/15/2023	-	-	33,647.50	33,647.50	-
01/15/2024	460,000.00	2.550%	33,647.50	493,647.50	527,295.00
07/15/2024	-	-	27,782.50	27,782.50	-
01/15/2025	470,000.00	2.650%	27,782.50	497,782.50	525,565.00
07/15/2025	-	-	21,555.00	21,555.00	-
01/15/2026	480,000.00	2.750%	21,555.00	501,555.00	523,110.00
07/15/2026	-	-	14,955.00	14,955.00	-
01/15/2027	495,000.00	2.900%	14,955.00	509,955.00	524,910.00
07/15/2027	-	-	7,777.50	7,777.50	-
01/15/2028	510,000.00	3.050%	7,777.50	517,777.50	525,555.00
Total	\$4,570,000.00	-	\$759,162.28	\$5,329,162.28	-

Equipment Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/08/2017	-	-	-	-	-
01/15/2018	-	-	4,003.95	4,003.95	4,003.95
07/15/2018	-	-	3,321.25	3,321.25	-
01/15/2019	30,000.00	1.700%	3,321.25	33,321.25	36,642.50
07/15/2019	-	-	3,066.25	3,066.25	-
01/15/2020	30,000.00	1.900%	3,066.25	33,066.25	36,132.50
07/15/2020	-	-	2,781.25	2,781.25	-
01/15/2021	30,000.00	2.100%	2,781.25	32,781.25	35,562.50
07/15/2021	-	-	2,466.25	2,466.25	-
01/15/2022	30,000.00	2.250%	2,466.25	32,466.25	34,932.50
07/15/2022	-	-	2,128.75	2,128.75	-
01/15/2023	30,000.00	2.400%	2,128.75	32,128.75	34,257.50
07/15/2023	-	-	1,768.75	1,768.75	-
01/15/2024	30,000.00	2.550%	1,768.75	31,768.75	33,537.50
07/15/2024	-	-	1,386.25	1,386.25	-
01/15/2025	30,000.00	2.650%	1,386.25	31,386.25	32,772.50
07/15/2025	-	-	988.75	988.75	-
01/15/2026	35,000.00	2.750%	988.75	35,988.75	36,977.50
07/15/2026	-	-	507.50	507.50	-
01/15/2027	35,000.00	2.900%	507.50	35,507.50	36,015.00
Total	\$280,000.00	-	\$40,833.95	\$320,833.95	-

Sewer Revenue Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/08/2017	-	-	-	-	-
01/15/2018	-	-	51,349.13	51,349.13	51,349.13
07/15/2018	-	-	42,593.75	42,593.75	-
01/15/2019	170,000.00	1.700%	42,593.75	212,593.75	255,187.50
07/15/2019	-	-	41,148.75	41,148.75	-
01/15/2020	175,000.00	1.900%	41,148.75	216,148.75	257,297.50
07/15/2020	-	-	39,486.25	39,486.25	-
01/15/2021	175,000.00	2.100%	39,486.25	214,486.25	253,972.50
07/15/2021	-	-	37,648.75	37,648.75	-
01/15/2022	180,000.00	2.250%	37,648.75	217,648.75	255,297.50
07/15/2022	-	-	35,623.75	35,623.75	-
01/15/2023	185,000.00	2.400%	35,623.75	220,623.75	256,247.50
07/15/2023	-	-	33,403.75	33,403.75	-
01/15/2024	190,000.00	2.550%	33,403.75	223,403.75	256,807.50
07/15/2024	-	-	30,981.25	30,981.25	-
01/15/2025	195,000.00	2.650%	30,981.25	225,981.25	256,962.50
07/15/2025	-	-	28,397.50	28,397.50	-
01/15/2026	200,000.00	2.750%	28,397.50	228,397.50	256,795.00
07/15/2026	-	-	25,647.50	25,647.50	-
01/15/2027	205,000.00	2.900%	25,647.50	230,647.50	256,295.00
07/15/2027	-	-	22,675.00	22,675.00	-
01/15/2028	210,000.00	3.050%	22,675.00	232,675.00	255,350.00
07/15/2028	-	-	19,472.50	19,472.50	-
01/15/2029	215,000.00	3.150%	19,472.50	234,472.50	253,945.00
07/15/2029	-	-	16,086.25	16,086.25	-
01/15/2030	225,000.00	3.250%	16,086.25	241,086.25	257,172.50
07/15/2030	-	-	12,430.00	12,430.00	-
01/15/2031	230,000.00	3.350%	12,430.00	242,430.00	254,860.00
07/15/2031	-	-	8,577.50	8,577.50	-
01/15/2032	240,000.00	3.450%	8,577.50	248,577.50	257,155.00
07/15/2032	-	-	4,437.50	4,437.50	-
01/15/2033	250,000.00	3.550%	4,437.50	254,437.50	258,875.00
Total	\$3,045,000.00	-	\$848,569.13	\$3,893,569.13	-

Water Revenue Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/08/2017	-	-	-	-	-
01/15/2018	-	-	30,881.81	30,881.81	30,881.81
07/15/2018	-	-	25,616.25	25,616.25	-
01/15/2019	100,000.00	1.700%	25,616.25	125,616.25	151,232.50
07/15/2019	-	-	24,766.25	24,766.25	-
01/15/2020	105,000.00	1.900%	24,766.25	129,766.25	154,532.50
07/15/2020	-	-	23,768.75	23,768.75	-
01/15/2021	105,000.00	2.100%	23,768.75	128,768.75	152,537.50
07/15/2021	-	-	22,666.25	22,666.25	-
01/15/2022	110,000.00	2.250%	22,666.25	132,666.25	155,332.50
07/15/2022	-	-	21,428.75	21,428.75	-
01/15/2023	110,000.00	2.400%	21,428.75	131,428.75	152,857.50
07/15/2023	-	-	20,108.75	20,108.75	-
01/15/2024	115,000.00	2.550%	20,108.75	135,108.75	155,217.50
07/15/2024	-	-	18,642.50	18,642.50	-
01/15/2025	115,000.00	2.650%	18,642.50	133,642.50	152,285.00
07/15/2025	-	-	17,118.75	17,118.75	-
01/15/2026	120,000.00	2.750%	17,118.75	137,118.75	154,237.50
07/15/2026	-	-	15,468.75	15,468.75	-
01/15/2027	125,000.00	2.900%	15,468.75	140,468.75	155,937.50
07/15/2027	-	-	13,656.25	13,656.25	-
01/15/2028	125,000.00	3.050%	13,656.25	138,656.25	152,312.50
07/15/2028	-	-	11,750.00	11,750.00	-
01/15/2029	130,000.00	3.150%	11,750.00	141,750.00	153,500.00
07/15/2029	-	-	9,702.50	9,702.50	-
01/15/2030	135,000.00	3.250%	9,702.50	144,702.50	154,405.00
07/15/2030	-	-	7,508.75	7,508.75	-
01/15/2031	140,000.00	3.350%	7,508.75	147,508.75	155,017.50
07/15/2031	-	-	5,163.75	5,163.75	-
01/15/2032	145,000.00	3.450%	5,163.75	150,163.75	155,327.50
07/15/2032	-	-	2,662.50	2,662.50	-
01/15/2033	150,000.00	3.550%	2,662.50	152,662.50	155,325.00
Total	\$1,830,000.00	-	\$510,939.31	\$2,340,939.31	-

Storm Water Revenue Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/08/2017	-	-	-	-	-
01/15/2018	-	-	2,578.38	2,578.38	2,578.38
07/15/2018	-	-	2,138.75	2,138.75	-
01/15/2019	10,000.00	1.700%	2,138.75	12,138.75	14,277.50
07/15/2019	-	-	2,053.75	2,053.75	-
01/15/2020	10,000.00	1.900%	2,053.75	12,053.75	14,107.50
07/15/2020	-	-	1,958.75	1,958.75	-
01/15/2021	10,000.00	2.100%	1,958.75	11,958.75	13,917.50
07/15/2021	-	-	1,853.75	1,853.75	-
01/15/2022	10,000.00	2.250%	1,853.75	11,853.75	13,707.50
07/15/2022	-	-	1,741.25	1,741.25	-
01/15/2023	10,000.00	2.400%	1,741.25	11,741.25	13,482.50
07/15/2023	-	-	1,621.25	1,621.25	-
01/15/2024	10,000.00	2.550%	1,621.25	11,621.25	13,242.50
07/15/2024	-	-	1,493.75	1,493.75	-
01/15/2025	10,000.00	2.650%	1,493.75	11,493.75	12,987.50
07/15/2025	-	-	1,361.25	1,361.25	-
01/15/2026	10,000.00	2.750%	1,361.25	11,361.25	12,722.50
07/15/2026	-	-	1,223.75	1,223.75	-
01/15/2027	10,000.00	2.900%	1,223.75	11,223.75	12,447.50
07/15/2027	-	-	1,078.75	1,078.75	-
01/15/2028	10,000.00	3.050%	1,078.75	11,078.75	12,157.50
07/15/2028	-	-	926.25	926.25	-
01/15/2029	10,000.00	3.150%	926.25	10,926.25	11,852.50
07/15/2029	-	-	768.75	768.75	-
01/15/2030	10,000.00	3.250%	768.75	10,768.75	11,537.50
07/15/2030	-	-	606.25	606.25	-
01/15/2031	10,000.00	3.350%	606.25	10,606.25	11,212.50
07/15/2031	-	-	438.75	438.75	-
01/15/2032	10,000.00	3.450%	438.75	10,438.75	10,877.50
07/15/2032	-	-	266.25	266.25	-
01/15/2033	15,000.00	3.550%	266.25	15,266.25	15,532.50
Total	\$155,000.00	-	\$41,640.88	\$196,640.88	-

Attachment 2 – Estimated Levy Schedules

Improvement Portion

Date	Total P+I	Les: Issuer Contribution:	105% Levy	Revenue*	Issuer Net Levy	Levy Year	Collection Year
01/15/2018	67,547.28	67,547.28	-	-	-		
01/15/2019	527,060.00	-	553,413.00	230,105.96	323,307.04	2017	2018
01/15/2020	525,005.00	-	551,255.25	230,105.96	321,149.29	2018	2019
01/15/2021	527,025.00	-	553,376.25	230,105.96	323,270.29	2019	2020
01/15/2022	527,995.00	-	554,394.75	230,105.97	324,288.78	2020	2021
01/15/2023	528,095.00	-	554,499.75	230,105.97	324,393.78	2021	2022
01/15/2024	527,295.00	-	553,659.75	230,105.97	323,553.78	2022	2023
01/15/2025	525,565.00	-	551,843.25	230,105.95	321,737.30	2023	2024
01/15/2026	523,110.00	-	549,265.50	230,105.97	319,159.53	2024	2025
01/15/2027	524,910.00	-	551,155.50	230,105.96	321,049.54	2025	2026
01/15/2028	525,555.00	-	551,832.75	230,105.95	321,726.80	2026	2027
Total	\$5,329,162.28	\$67,547.28	\$5,524,695.75	\$2,301,059.62	\$3,223,636.13		

*Special assessment revenue is based on assessments totaling \$1,803,847 assessed at an estimated rate of 4.65% (2% over the average coupon), with equal annual payments.

Equipment Portion

Date	Total P+I	Less: Issuer Contribution:	Issuer Net Levy	Levy Year	Collection Year
01/15/2018	4,003.95	4,003.95	-		
01/15/2019	36,642.50		38,474.63	2017	2018
01/15/2020	36,132.50		37,939.13	2018	2019
01/15/2021	35,562.50		37,340.63	2019	2020
01/15/2022	34,932.50		36,679.13	2020	2021
01/15/2023	34,257.50		35,970.38	2021	2022
01/15/2024	33,537.50		35,214.38	2022	2023
01/15/2025	32,772.50		34,411.13	2023	2024
01/15/2026	36,977.50		38,826.38	2024	2025
01/15/2027	36,015.00		37,815.75	2025	2026
Total	\$320,833.95	\$4,003.95	\$332,671.50		

Attachment 3 – Related Considerations

Bank Qualification

We understand the City (in combination with any subordinate taxing jurisdictions or debt issued in the City's name by 501(c)3 corporations) anticipates issuing \$10,000,000 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 Compliance

The Bonds are expected to qualify for the "18 month spending exception" related to arbitrage rebate.

Other aspects of arbitrage regulations will apply to the investment of bond proceeds and the debt service fund.

Project/Construction Fund. All tax-exempt bond issues are subject to federal rebate requirements which require all arbitrage earned to be rebated to the U.S. Treasury. A rebate exemption the City expects to qualify for is the "18 month spending exemption."

Debt Service Fund. The City must maintain a bona fide debt service fund for the Bonds or be subject to yield restriction in the debt service fund. A bona fide debt service fund involves an equal matching of revenues to debt service expense with a balance forward permitted equal to the greater of the investment earnings in the fund during that year or 1/12 of the debt service of that year.

The City should become familiar with the various Arbitrage Compliance requirements for this bond issue. The Resolution for the Bonds prepared by Bond Counsel explains the requirements in greater detail.

Continuing Disclosure

Type: Full

Dissemination Agent: Northland Securities

The requirements for continuing disclosure are governed by SEC Rule 15c2-12. The primary requirements of Rule 15c2-12 actually fall on underwriters. The Rule sets forth due diligence needed prior to the underwriter's purchase of municipal securities. Part of this requirement is obtaining commitment from the issuer to provide continuing disclosure. The document describing the continuing disclosure commitments (the "Undertaking") is contained in the Official Statement that will be prepared to offer the Bonds to investors.

The City has more than \$10,000,000 of outstanding debt and is required to undertake "full" continuing disclosure. Full disclosure requires annual posting of the audit and a separate continuing disclosure report, as well as the reporting of certain "material events." Material events set forth in the Rule, including, but not limited to, bond rating changes and call notices, must be reported within ten days of occurrence. The report contains annual financial information and operating data that "mirrors" material information presented in the Official Statement. The specific contents of the annual report will be described in the Undertaking that appears in the appendix of the Official Statement. Northland currently serves as dissemination agent for the City, assisting with the annual reporting. The information for the Bonds will be incorporated into our reporting.

Premiums

In the current market environment, it is likely that bids received from underwriters will include premiums. A premium bid occurs when the purchaser pays the City an amount in excess of the par amount of a maturity in exchange for a higher coupon (interest rate). The use of premiums reflects the bidder's view on future market conditions, tax considerations for investors and other factors. Ultimately, the true interest cost ("TIC") calculation will determine the lowest bid, regardless of premium.

A premium bid produces additional funds that can be used in several ways:

- The premium means that the City needs less bond proceeds and can reduce the size of the issue by the amount of the premium.
- The premium can be deposited in the Construction Fund and used to pay additional project costs, rather than used to reduce the size of the issue.
- The premium can be deposited in the Debt Service Fund and used to pay principal and interest.

Northland will work with City staff prior to the sale day to determine use of premium (if any). A consideration for use of premium is the bank qualification of the Bonds.

Rating

A rating will be requested from Moody's. The City's general obligation debt is currently rated "Aa2" by Moody's. The rating process will include a conference call with the rating analyst. Northland will assist City staff in preparing for and conducting the rating call.

Attachment 4 – Calendar of Events

February 2017						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

March 2017						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

April 2017						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

May 2017						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Date	Action	Responsible Party
March 20, 2017	City confirms project costs to be financed and source of payment and not to exceed amount for bond size	Northland, City Staff
April 11, 2017	Set Sale Resolution Sent to City for Council Packets Finance Plan Sent to the City	Northland, Bond Counsel
April 18, 2017	Set Sale Resolution for Bonds Adopted (Set Sale to be Based on Not to Exceed Amount)	City Council Action, Northland, Bond Counsel
April 19, 2017	Preliminary Official Statement Sent to City for Sign Off and to Rating Agency (Moody's)	Northland, City
April 20, 2017	Bids for Lift Station Received	City
Week of April 24, 2017	Rating Conference Call	Northland, City, Rating Agency
May 4, 2017	Bids for DT Village Received	City
May 5, 2017	Final Bond Issuance Sizing Before Northland to Release to Potential Bidders	Northland, City
May 8, 2017	Rating Received	Rating Agency, City, Northland
May 16, 2017	Bond Sale – 10:30 a.m. Authorizing Resolution Adopted – 7:00 p.m.	City Council Action, Northland, Bond Counsel
June 8, 2017	Closing on the Bonds (Proceeds available)	Northland, City Staff, Bond Counsel

Attachment 5 - Risk Factors

Property Taxes: Property tax levies shown in this Finance Plan are based on projected debt service and other revenues. Final levies will be set based on the results of sale. Levies should be reviewed annually and adjusted as needed. The debt service levy must be included in the preliminary levy for annual Truth in Taxation hearings. Future Legislative changes in the property tax system, including the imposition of levy limits and changes in calculation of property values, would affect plans for payment of debt service. Delinquent payment of property taxes would reduce revenues available to pay debt service.

Special Assessments: Special assessments for the financed project have not been levied at this time. This Finance Plan is based on the assumptions listed earlier in this report. Changes in the terms and timing for the actual assessments will alter the projected flow of funds for payment of debt service on the Bonds. Also, special assessments may be prepaid. It is likely that the income earned on the investment of prepaid assessments will be less than the interest paid if the assessments remained outstanding. Delinquencies in assessment collections would reduce revenues needed to pay debt service. The collection of deferred assessments, if any, has not been included in the revenue projections. Projected assessment income should be reviewed annually and adjusted as needed.

Utility Revenues: The City pledges the net revenues of the sewer, water and storm water utilities to the payment of principal and interest on the Bonds. The failure to adjust rates and charges as needed and the loss of significant customers will affect available net revenues. If the net revenues are insufficient, the City is required to levy property taxes or use other revenues to cover the deficiency. Property taxes can only be used on a temporary basis and may not be an ongoing source of revenue to pay debt service.

General: In addition to the risks described above, there are certain general risks associated with the issuance of bonds. These risks include, but are not limited to:

- Failure to comply with covenants in bond resolution.
- Failure to comply with Undertaking for continuing disclosure.
- Failure to comply with IRS regulations, including regulations related to use of the proceeds and arbitrage/rebate. The IRS regulations govern the ability of the City to issue its bonds as tax-exempt securities and failure to comply with the IRS regulations may lead to loss of tax-exemption.

RESOLUTION NO.2017-037

RESOLUTION AUTHORIZING ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS,
SERIES 2017A

BE IT RESOLVED by the City Council of the City of Lake Elmo, Minnesota (the “City”), as follows:

Section 1. Authorization; Purpose. It is hereby determined to be in the best interests of the City to issue its General Obligation Bonds, Series 2017A, in the approximate principal amount of \$9,880,000 (the “Bonds”), as authorized pursuant to Minnesota Statutes, Chapters 475, 444, 429 and 412.301, for the purpose of (a) financing various improvements in the City, (b) financing various water, stormwater, and sewer improvements in the City, (c) financing various items of capital equipment and (d) funding costs of issuance of the Bonds.

Section 2. Notice of Sale. Northland Securities, Inc., municipal advisor to the City, has presented to this Council a form of Notice of Sale for the Bonds which is attached hereto and hereby approved and which shall be placed on file by the City Administrator. Each and all of the provisions of the Notice of Sale are hereby adopted as the terms and conditions of the Bonds and of the sale thereof. Northland Securities, Inc. is hereby authorized to solicit bids for the Bonds on behalf of the City on a competitive basis.

Section 3. Adjustment of Principal Amount of Bonds. The principal amount of the Bond issue shall be adjusted in accordance with staff recommendations upon receipt of bids for the financed projects, provided that the principal amount shall not exceed \$9,880,000.

Section 4. Award and Sale. The City Council shall meet at the times and places shown in the Notice of Sale for the purpose of considering sealed bids for the purchase of the Bonds and of taking such action thereon as may be in the best interest of the City.

Upon vote being taken thereon, the following members voted in favor thereof:

and the following members voted against the same:

APPROVED by the Lake Elmo City Council on this 4th day of April, 2017.

By: _____

Mike Pearson
Mayor

ATTEST:

Julie Johnson
City Clerk

NOTICE OF SALE

\$9,880,000*
GENERAL OBLIGATION BONDS, SERIES 2017A

CITY OF LAKE ELMO, MINNESOTA
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

TIME AND PLACE:

Proposals will be opened by the City's Administrator, or designee, on Tuesday, May 16, 2017, at 10:30 A.M., CT, at the offices of Northland Securities, Inc., 45 South 7th Street, Suite 2000, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Tuesday, May 16, 2017, at 7:00 P.M., CT.

SUBMISSION OF PROPOSALS

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-4945, or
- d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Tuesday, May 16, 2017. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2nd floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds.

* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through Northland Trust Services, Inc. Minneapolis, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

DATE OF ORIGINAL ISSUE OF BONDS

Date of Delivery (Estimated to be June 8, 2017)

AUTHORITY/PURPOSE/SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475 and Section 412.301. Proceeds will be used to finance an improvement project, an equipment purchase, a water project, a sewer project, a storm water project, and to pay the costs associated with the issuance of the Bonds. The Bonds are payable from special assessments against benefited property, sewer, water and storm water revenues, and additionally secured by ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

INTEREST PAYMENTS

Interest is due semiannually on each January 15 and July 15, commencing January 15, 2018, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the first day (whether or not a business day) of the calendar month of such interest payment date.

MATURITIES

Principal is due annually on January 15, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2019	\$725,000	2024	\$805,000	2029	\$355,000
2020	740,000	2025	820,000	2030	370,000
2021	750,000	2026	845,000	2031	380,000
2022	770,000	2027	870,000	2032	395,000
2023	785,000	2028	855,000	2033	415,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST RATES

All rates must be in integral multiples of 1/20th or 1/8th of 1%. *Rates must be in level or ascending order.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

OPTIONAL REDEMPTION

Bonds maturing on January 15, 2026 through 2033 are subject to redemption and prepayment at the option of the City on January 15, 2025 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

DELIVERY

Delivery of the Bonds will be within forty days after award, subject to an approving legal opinion by Dorsey & Whitney LLC, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

TYPE OF PROPOSAL

Proposals of not less than \$9,781,200 (99.00%) and accrued interest on the principal sum of \$9,880,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Kristina Handt, City Administrator
Lake Elmo City Hall
3800 Laverne Ave. N.
Lake Elmo, Minnesota 55042

A good faith deposit (the "Deposit") in the amount of \$197,600 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

INFORMATION FROM SUCCESSFUL BIDDER

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

OFFICIAL STATEMENT

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

FULL CONTINUING DISCLOSURE UNDERTAKING

The City will covenant in the resolution awarding the sale of the Bonds to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

BANK QUALIFICATION

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: April 18, 2017

BY ORDER OF THE LAKE ELMO CITY COUNCIL

/s/ Kristina Handt
City Administrator

Additional information may be obtained from:

Northland Securities, Inc.

45 South 7th Street, Suite 2000

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

**MUNICIPAL ADVISORY SERVICE AGREEMENT
BY AND BETWEEN
THE CITY OF LAKE ELMO, MINNESOTA
AND
NORTHLAND SECURITIES, INC.**

This Agreement made and entered into by and between the City of Lake Elmo, Minnesota (hereinafter "City") and Northland Securities, Inc., of Minneapolis, Minnesota (hereinafter "NSI").

WITNESSETH

WHEREAS, the City desires to have NSI provide it with advice on the structure, terms, timing and other matters related to the issuance of the General Obligation Bonds, Series 2017A (the "Debt") serving in the role of municipal (financial) advisor, and

WHEREAS, NSI is a registered municipal advisor (registration # 866-00082-00), and

WHEREAS, NSI will act as municipal advisor in accordance with the duties and responsibilities of Rule G-42 of the Municipal Securities Rulemaking Board, and

WHEREAS, the City and NSI are entering into this Agreement to define the municipal advisory relationship at the earliest opportunity related to the inception of the municipal advisory relationship for the Debt, and

WHEREAS, NSI desires to furnish services to the City as hereinafter described,

NOW, THEREFORE, it is agreed by and between the parties as follows:

SERVICES TO BE PROVIDED BY NSI

NSI shall provide the City with services necessary to analyze, structure, offer for sale and close the Debt. The services will be tailored to meet the needs of this engagement and may include:

Planning and Development

1. Assist City officials to define the scope and the objectives for the Debt.
2. Investigate and consider reasonably feasible financing alternatives.
3. Assist the City in understanding the material risks, potential benefits, structure and other characteristics of the recommended plan for the Debt, including issue structure, estimated debt service payments, projected revenues, method of issuance, bond rating, sale timing, and call provisions.
4. Prepare a schedule of events related to the issuance process.
5. Coordinate with bond counsel any actions needed to authorize the issuance of the Debt.
6. Attend meetings of the City Council and other project and bond issue related meetings as needed and as requested.

Bond Sale

1. Assist the City with the preparation, review and approval of the preliminary official statement (POS).
2. Assist the City and bond counsel with preparing and publishing the Official Notice of Sale if required by law.
3. Prepare and submit application for bond rating(s) and assist the City with furnishing the rating agency(s) with any additional information required to conduct the rating review. Assist the City with preparing and conducting the rating call or other presentation.
4. Assist the City in receiving the bids, compute the accuracy of the bids received, and recommend to the City the most favorable bid for award.
5. Coordinate with bond counsel the preparation of required contracts and resolutions.

Post Sale Support

1. Assist the City with the preparation of final official statement, distribution to the underwriter and posting on EMMA.
2. Coordinate the bond issue closing, including making all arrangements for bond printing, registration, and delivery.
3. Furnish to the City a complete transcript of the transaction, if not provided by bond counsel.

There are no specific limitations on the scope of this agreement.

COMPENSATION

For providing these services with respect to the Debt, NSI shall be paid a lump sum of \$31,500. The fee due to NSI shall be payable by the City upon the closing of the Bonds.

NSI agrees to pay the following expenses from its fee:

- Out-of-pocket expenses such as travel, long distance phone, and copy costs.
- Production and distribution of material to rating agencies and/or bond insurance companies.
- Preparation of the bond transcript.

The City agrees to pay for all other expenses related to the processing of the bond issue(s) including, but not limited to, the following:

- Engineering and/or architectural fees.
- Publication of legal notices.
- Bond counsel and local attorney fees.
- Fees for various debt certificates.
- The cost of printing Official Statements, if any.
- City staff expenses.
- Airfare and lodging expenses of one NSI official and City officials when and if traveling for rating agency presentations.
- Rating agency fees, if any.
- Bond insurance fees, if any.
- Accounting and other related fees.

It is expressly understood that there is no obligation on the part of the City under the terms of this Agreement to issue the Debt. If the Debt is not issued, NSI agrees to pay its own expenses and receive no fee for any services it has rendered.

CONFLICTS OF INTEREST

NSI is not aware of any material conflicts of interest that could reasonably be anticipated to impair NSI's ability to provide advice to or on behalf of the City in accordance with the standards of conduct for municipal advisors.

The compensation for services provided in this Agreement is customary in the municipal securities market, but may pose a conflict of interest. Since the fee is payable at closing and only if the Debt is issued, NSI may have an incentive to encourage issuance. Compensation linked to the size of the transaction may provide incentive to increase the amount of the Debt. Compensation considerations will not impair NSI's ability to provide unbiased and competent advice or to fulfill its fiduciary duty to the City. In executing this Agreement, the City acknowledges and accepts the potential conflicts of interest posed by the compensation to NSI.

Northland Capital Holdings is the parent company of NSI. Another subsidiary of Northland Capital Holdings is Northland Trust, Inc. Northland Trust provides paying agent services to issuers of municipal bonds. The City is solely responsible for the decision on the source of paying agent services. Any engagement of Northland Trust is outside the scope of this Agreement. No compensation paid to Northland Trust is shared with NSI.

NSI does not provide executive search, organizational development, compensation systems or other management consulting services that may directly or indirectly affect City staff that recommend the engagement of municipal advisor services and may pose a conflict of interest.

LEGAL AND DISCIPLINARY ACTIONS

There are no legal or disciplinary events reported by the Securities and Exchange Commission contained in Form MA or Form MA-I. The City can find information about these forms and accessing information related to NSI at www.sec.gov/municipal.

SUCCESSORS OR ASSIGNS

The terms and provisions of this Agreement are binding upon and inure to the benefit of the City and NSI and their successors or assigns.

TERM OF THIS AGREEMENT

This Agreement may be terminated by thirty (30) days written notice by either the City or NSI and it shall terminate sixty (60) days following the closing date related to the issuance of the Debt.

Dated this 4th day of April, 2017.

Northland Securities, Inc.

By: 
Tom Bartzen - Executive Vice President

City of Lake Elmo, Minnesota

By: _____
Its: _____