



STAFF REPORT

DATE: April 18, 2017
REGULAR

TO: Honorable Mayor and City Councilmembers
FROM: Sue Iverson – Finance Director
AGENDA ITEM: 2019A Bonding

BACKGROUND:

Last year, the City Council chose to defer bonding for 2018 and combine both 2018 and 2019 projects identified for bonding in 2019. These include street improvement projects (South Tri Lakes – 2018 Street Improvements and Old Village Phase 4), equipment purchase Tender 1 and SCBA replacements, and utility projects which include Old Village Phase 4.

ISSUE BEFORE COUNCIL:

Should the Council authorize the issuance and sale of \$4,060,000 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.

FISCAL IMPACT:

Beginning on page 4 of the finance plan, the portion of the bond proceeds are broken down.

The improvement portion of the bonds of approximately \$2.16 million covers the street costs. The equipment portion of the bonds of approximately \$705,000 covers the Tender 1 and SCBA replacements. These two items will be paid back through the general fund debt. Annual payment will be around \$326,000 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 \$425,000 covers the Old Village Phase 4 project, and annual payments will be around \$35,000 will be paid from sewer revenues.

The water portion of the bonds of approximately \$385,000 covers the Old Village Phase 4 project, and annual payments will be around \$30,000 will be paid from water revenues.

The storm water portion of the bonds of approximately \$385,000 is for Old Village Phase 4. The annual payment of around \$30,000 will be paid from storm water revenues.

Attached is also a copy of the Bond Buyer's Index Trends showing that interest rates are low at this time and it is likely that in the current environment the bids received from the underwrites will include premiums. When this happens the purchaser pay the City an amount in excess of the par amount in exchange for a higher coupon or interest rate. (See page 15 of the finance plan for more information.) If this happens we can:

- 1) Reduce the size of the issue by the amount of the premium
- 2) The premium can be deposited in the Construction Fund and used to pay additional project costs

3) The premium can be deposited in the Debt Service Fund and used to pay principal and interest. Northland will work with staff prior to the sale to determine use of the premium if any.

OPTIONS:

- 1) Approve Resolution No. 2019-066
- 2) Amend and then Approve Resolution No 2019-066
- 3) Do not authorize the issuance of bonds

RECOMMENDATION:

Motion to approve Resolution No. 2019-066 A Resolution Authorizing Issuance and Sale of \$4,060,000 General Obligation Bonds, Series 2019A

ATTACHMENTS:

- Finance Plan
- Resolution No 2019-066
- Municipal Advisory Services Agreement with Northland Securities, Inc.
- Bond Buyer's Index Trends

Finance Plan

Lake Elmo, Minnesota

\$4,060,000

General Obligation Bonds, Series 2019A

September 3, 2019



150 South 5th Street, Suite 3300

Minneapolis, MN 55402

612-851-5900 800-851-2920

www.northlandsecurities.com

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Executive Summary

The following is a summary of the recommended terms for the issuance of \$4,060,000 General Obligation Bonds, Series 2019A (the "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 improvement projects, the purchase of equipment, a sewer project, a water project and a stormwater project and to pay costs associated with the issuance of the Bonds.
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 sewer revenues on the Water, Sewer and Storm Water Portions of the Bonds.
Repayment Term	The Bonds will mature annually each February 1 in the years 2021 through 2035. Interest on the Bonds will be payable on August 1, 2020 and semiannually thereafter on each February 1 and August 1.
Estimated Interest Rate	Average coupon: 1.92% True interest cost (TIC): 2.07%
Prepayment Option	Bonds maturing on and after February 1, 2029 will be subject to redemption on February 1, 2028 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 "Aa1" 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, October 1, 2019 @ 10:30 A.M.
Council Consideration	Tuesday, October 1, 2019 @ 7:00 P.M.

Issue Overview

Purpose

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

- improvement projects, which include South Tri Lakes (2018 street improvements) and Old Village Phase 4 (the “Improvement Portion”),
- an equipment purchase of Tender 1 and SCBA replacements (the “Equipment Portion”), and
- a sewer project, which includes Old Village Phase 4; a water project, which includes Old Village Phase 4; and a stormwater project, which includes Old Village Phase 4 (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 for the bond issue.

	Improvements	Equipment	Sewer	Water	Stormwater	Issue Summary
Sources Of Funds						
Par Amount of Bonds	\$2,160,000.00	\$705,000.00	\$425,000.00	\$385,000.00	\$385,000.00	\$4,060,000.00
Total Sources	\$2,160,000.00	\$705,000.00	\$425,000.00	\$385,000.00	\$385,000.00	\$4,060,000.00
Uses Of Funds						
Deposit to Project Construction Fund	2,108,497.00	685,000.00	418,500.00	372,500.00	379,000.00	3,963,497.00
Costs of Issuance	29,372.81	9,586.96	5,779.37	5,235.43	5,235.43	55,210.00
Total Underwriter's Discount (1.000%)	21,600.00	7,050.00	4,250.00	3,850.00	3,850.00	40,600.00
Rounding Amount	530.19	3,363.04	(3,529.37)	3,414.57	(3,085.43)	693.00
Total Uses	\$2,160,000.00	\$705,000.00	\$425,000.00	\$385,000.00	\$385,000.00	\$4,060,000.00

Authority

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

Under Section 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 2019 is \$1,723,100,200 ($\$1,723,100,200 \times 0.0025 = \$4,307,751$). Since the Equipment Portion of the Bonds does not exceed \$4,307,751, 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, will have a final maturity payment within ten years from the date of the Bonds. The Revenue Portions have been structured over 15 years, with relatively level annual debt service payments for each portion.

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 collect special assessments levied against benefited properties in the amount of \$698,752 (32% of the Improvement Portion of the Bonds) for the Improvement Portion of the Bonds. The assessments will be payable over 15 years per the Assessment Policy adopted November 20, 2018, with an interest rate of 1.00% over the average coupon on the Improvement Portion of the Bonds (currently estimated to be 3.00%) and structured for level annual payments of principal and interest. Assessments are scheduled to be collected for five years after the final maturity of the Bonds. The plan assumes that the assessments will be levied in 2019 for initial payment in 2020.
- Utility Revenues. Net revenues of the City's sewer, water and storm water utilities will be pledged for payment of the Revenue Portion 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 Portion 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, averaging \$282,410, 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 2019 for taxes payable in 2020.

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 from underwriters to purchase the Bonds on Tuesday, October 1, 2019 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: Kennedy and Graven Chartered, Minneapolis, Minnesota

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

Attachment 1 – Preliminary Debt Service Schedules

Total Combined 2019A Bonds

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/24/2019	-	-	-	-	-
08/01/2020	-	-	55,192.23	55,192.23	-
02/01/2021	325,000.00	1.450%	35,865.00	360,865.00	416,057.23
08/01/2021	-	-	33,508.75	33,508.75	-
02/01/2022	355,000.00	1.500%	33,508.75	388,508.75	422,017.50
08/01/2022	-	-	30,846.25	30,846.25	-
02/01/2023	360,000.00	1.500%	30,846.25	390,846.25	421,692.50
08/01/2023	-	-	28,146.25	28,146.25	-
02/01/2024	360,000.00	1.550%	28,146.25	388,146.25	416,292.50
08/01/2024	-	-	25,356.25	25,356.25	-
02/01/2025	370,000.00	1.550%	25,356.25	395,356.25	420,712.50
08/01/2025	-	-	22,488.75	22,488.75	-
02/01/2026	375,000.00	1.650%	22,488.75	397,488.75	419,977.50
08/01/2026	-	-	19,395.00	19,395.00	-
02/01/2027	380,000.00	1.750%	19,395.00	399,395.00	418,790.00
08/01/2027	-	-	16,070.00	16,070.00	-
02/01/2028	390,000.00	1.850%	16,070.00	406,070.00	422,140.00
08/01/2028	-	-	12,462.50	12,462.50	-
02/01/2029	395,000.00	2.050%	12,462.50	407,462.50	419,925.00
08/01/2029	-	-	8,413.75	8,413.75	-
02/01/2030	315,000.00	2.100%	8,413.75	323,413.75	331,827.50
08/01/2030	-	-	5,106.25	5,106.25	-
02/01/2031	80,000.00	2.200%	5,106.25	85,106.25	90,212.50
08/01/2031	-	-	4,226.25	4,226.25	-
02/01/2032	80,000.00	2.250%	4,226.25	84,226.25	88,452.50
08/01/2032	-	-	3,326.25	3,326.25	-
02/01/2033	90,000.00	2.300%	3,326.25	93,326.25	96,652.50
08/01/2033	-	-	2,291.25	2,291.25	-
02/01/2034	90,000.00	2.400%	2,291.25	92,291.25	94,582.50
08/01/2034	-	-	1,211.25	1,211.25	-
02/01/2035	95,000.00	2.550%	1,211.25	96,211.25	97,422.50
Total	\$4,060,000.00	-	\$516,754.73	\$4,576,754.73	-

Date And Term Structure

Dated	10/24/2019
Delivery Date	10/24/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics

Bond Year Dollars	\$26,928.94
Average Life	6.633 Years
Average Coupon	1.9189565%

Net Interest Cost (NIC)	2.0697236%
True Interest Cost (TIC)	2.0731119%
All Inclusive Cost (AIC)	2.3003501%

*Estimated "Aa1" Rates as of August 2, 2019, plus 0.25%.

Improvement Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/24/2019	-	-	-	-	-
08/01/2020	-	-	28,361.72	28,361.72	-
02/01/2021	190,000.00	1.450%	18,430.00	208,430.00	236,791.72
08/01/2021	-	-	17,052.50	17,052.50	-
02/01/2022	205,000.00	1.500%	17,052.50	222,052.50	239,105.00
08/01/2022	-	-	15,515.00	15,515.00	-
02/01/2023	210,000.00	1.500%	15,515.00	225,515.00	241,030.00
08/01/2023	-	-	13,940.00	13,940.00	-
02/01/2024	210,000.00	1.550%	13,940.00	223,940.00	237,880.00
08/01/2024	-	-	12,312.50	12,312.50	-
02/01/2025	215,000.00	1.550%	12,312.50	227,312.50	239,625.00
08/01/2025	-	-	10,646.25	10,646.25	-
02/01/2026	220,000.00	1.650%	10,646.25	230,646.25	241,292.50
08/01/2026	-	-	8,831.25	8,831.25	-
02/01/2027	220,000.00	1.750%	8,831.25	228,831.25	237,662.50
08/01/2027	-	-	6,906.25	6,906.25	-
02/01/2028	225,000.00	1.850%	6,906.25	231,906.25	238,812.50
08/01/2028	-	-	4,825.00	4,825.00	-
02/01/2029	230,000.00	2.050%	4,825.00	234,825.00	239,650.00
08/01/2029	-	-	2,467.50	2,467.50	-
02/01/2030	235,000.00	2.100%	2,467.50	237,467.50	239,935.00
Total	\$2,160,000.00	-	\$231,784.22	\$2,391,784.22	-

Date And Term Structure

Dated	10/24/2019
Delivery Date	10/24/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics

Bond Year Dollars	\$12,807.00
Average Life	5.929 Years
Average Coupon	1.8098245%
Net Interest Cost (NIC)	1.9784822%
True Interest Cost (TIC)	1.9860077%
All Inclusive Cost (AIC)	2.2367670%

Equipment Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/24/2019	-	-	-	-	-
08/01/2020	-	-	9,004.42	9,004.42	-
02/01/2021	70,000.00	1.450%	5,851.25	75,851.25	84,855.67
08/01/2021	-	-	5,343.75	5,343.75	-
02/01/2022	75,000.00	1.500%	5,343.75	80,343.75	85,687.50
08/01/2022	-	-	4,781.25	4,781.25	-
02/01/2023	75,000.00	1.500%	4,781.25	79,781.25	84,562.50
08/01/2023	-	-	4,218.75	4,218.75	-
02/01/2024	75,000.00	1.550%	4,218.75	79,218.75	83,437.50
08/01/2024	-	-	3,637.50	3,637.50	-
02/01/2025	80,000.00	1.550%	3,637.50	83,637.50	87,275.00
08/01/2025	-	-	3,017.50	3,017.50	-
02/01/2026	80,000.00	1.650%	3,017.50	83,017.50	86,035.00
08/01/2026	-	-	2,357.50	2,357.50	-
02/01/2027	80,000.00	1.750%	2,357.50	82,357.50	84,715.00
08/01/2027	-	-	1,657.50	1,657.50	-
02/01/2028	85,000.00	1.850%	1,657.50	86,657.50	88,315.00
08/01/2028	-	-	871.25	871.25	-
02/01/2029	85,000.00	2.050%	871.25	85,871.25	86,742.50
Total	\$705,000.00	-	\$66,625.67	\$771,625.67	-

Date And Term Structure

Dated	10/24/2019
Delivery Date	10/24/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics

Bond Year Dollars	\$3,819.96
Average Life	5.418 Years
Average Coupon	1.7441465%
Net Interest Cost (NIC)	1.9287035%
True Interest Cost (TIC)	1.9371573%
All Inclusive Cost (AIC)	2.2095023%

Sewer Revenue Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/24/2019	-	-	-	-	-
08/01/2020	-	-	6,357.53	6,357.53	-
02/01/2021	25,000.00	1.450%	4,131.25	29,131.25	35,488.78
08/01/2021	-	-	3,950.00	3,950.00	-
02/01/2022	25,000.00	1.500%	3,950.00	28,950.00	32,900.00
08/01/2022	-	-	3,762.50	3,762.50	-
02/01/2023	25,000.00	1.500%	3,762.50	28,762.50	32,525.00
08/01/2023	-	-	3,575.00	3,575.00	-
02/01/2024	25,000.00	1.550%	3,575.00	28,575.00	32,150.00
08/01/2024	-	-	3,381.25	3,381.25	-
02/01/2025	25,000.00	1.550%	3,381.25	28,381.25	31,762.50
08/01/2025	-	-	3,187.50	3,187.50	-
02/01/2026	25,000.00	1.650%	3,187.50	28,187.50	31,375.00
08/01/2026	-	-	2,981.25	2,981.25	-
02/01/2027	30,000.00	1.750%	2,981.25	32,981.25	35,962.50
08/01/2027	-	-	2,718.75	2,718.75	-
02/01/2028	30,000.00	1.850%	2,718.75	32,718.75	35,437.50
08/01/2028	-	-	2,441.25	2,441.25	-
02/01/2029	30,000.00	2.050%	2,441.25	32,441.25	34,882.50
08/01/2029	-	-	2,133.75	2,133.75	-
02/01/2030	30,000.00	2.100%	2,133.75	32,133.75	34,267.50
08/01/2030	-	-	1,818.75	1,818.75	-
02/01/2031	30,000.00	2.200%	1,818.75	31,818.75	33,637.50
08/01/2031	-	-	1,488.75	1,488.75	-
02/01/2032	30,000.00	2.250%	1,488.75	31,488.75	32,977.50
08/01/2032	-	-	1,151.25	1,151.25	-
02/01/2033	30,000.00	2.300%	1,151.25	31,151.25	32,302.50
08/01/2033	-	-	806.25	806.25	-
02/01/2034	30,000.00	2.400%	806.25	30,806.25	31,612.50
08/01/2034	-	-	446.25	446.25	-
02/01/2035	35,000.00	2.550%	446.25	35,446.25	35,892.50
Total	\$425,000.00	-	\$78,173.78	\$503,173.78	-

Date And Term Structure

Dated	10/24/2019
Delivery Date	10/24/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics

Bond Year Dollars	\$3,684.51
Average Life	8.669 Years
Average Coupon	2.1216850%
Net Interest Cost (NIC)	2.2370327%
True Interest Cost (TIC)	2.2390523%
All Inclusive Cost (AIC)	2.4182559%

Water Revenue Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/24/2019	-	-	-	-	-
08/01/2020	-	-	5,734.28	5,734.28	-
02/01/2021	20,000.00	1.450%	3,726.25	23,726.25	29,460.53
08/01/2021	-	-	3,581.25	3,581.25	-
02/01/2022	25,000.00	1.500%	3,581.25	28,581.25	32,162.50
08/01/2022	-	-	3,393.75	3,393.75	-
02/01/2023	25,000.00	1.500%	3,393.75	28,393.75	31,787.50
08/01/2023	-	-	3,206.25	3,206.25	-
02/01/2024	25,000.00	1.550%	3,206.25	28,206.25	31,412.50
08/01/2024	-	-	3,012.50	3,012.50	-
02/01/2025	25,000.00	1.550%	3,012.50	28,012.50	31,025.00
08/01/2025	-	-	2,818.75	2,818.75	-
02/01/2026	25,000.00	1.650%	2,818.75	27,818.75	30,637.50
08/01/2026	-	-	2,612.50	2,612.50	-
02/01/2027	25,000.00	1.750%	2,612.50	27,612.50	30,225.00
08/01/2027	-	-	2,393.75	2,393.75	-
02/01/2028	25,000.00	1.850%	2,393.75	27,393.75	29,787.50
08/01/2028	-	-	2,162.50	2,162.50	-
02/01/2029	25,000.00	2.050%	2,162.50	27,162.50	29,325.00
08/01/2029	-	-	1,906.25	1,906.25	-
02/01/2030	25,000.00	2.100%	1,906.25	26,906.25	28,812.50
08/01/2030	-	-	1,643.75	1,643.75	-
02/01/2031	25,000.00	2.200%	1,643.75	26,643.75	28,287.50
08/01/2031	-	-	1,368.75	1,368.75	-
02/01/2032	25,000.00	2.250%	1,368.75	26,368.75	27,737.50
08/01/2032	-	-	1,087.50	1,087.50	-
02/01/2033	30,000.00	2.300%	1,087.50	31,087.50	32,175.00
08/01/2033	-	-	742.50	742.50	-
02/01/2034	30,000.00	2.400%	742.50	30,742.50	31,485.00
08/01/2034	-	-	382.50	382.50	-
02/01/2035	30,000.00	2.550%	382.50	30,382.50	30,765.00
Total	\$385,000.00	-	\$70,085.53	\$455,085.53	-

Date And Term Structure

Dated	10/24/2019
Delivery Date	10/24/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics

Bond Year Dollars	\$3,308.74
Average Life	8.594 Years
Average Coupon	2.1181964%
Net Interest Cost (NIC)	2.2345551%
True Interest Cost (TIC)	2.2361748%
All Inclusive Cost (AIC)	2.4168556%

Stormwater Revenue Portion

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/24/2019	-	-	-	-	-
08/01/2020	-	-	5,734.28	5,734.28	-
02/01/2021	20,000.00	1.450%	3,726.25	23,726.25	29,460.53
08/01/2021	-	-	3,581.25	3,581.25	-
02/01/2022	25,000.00	1.500%	3,581.25	28,581.25	32,162.50
08/01/2022	-	-	3,393.75	3,393.75	-
02/01/2023	25,000.00	1.500%	3,393.75	28,393.75	31,787.50
08/01/2023	-	-	3,206.25	3,206.25	-
02/01/2024	25,000.00	1.550%	3,206.25	28,206.25	31,412.50
08/01/2024	-	-	3,012.50	3,012.50	-
02/01/2025	25,000.00	1.550%	3,012.50	28,012.50	31,025.00
08/01/2025	-	-	2,818.75	2,818.75	-
02/01/2026	25,000.00	1.650%	2,818.75	27,818.75	30,637.50
08/01/2026	-	-	2,612.50	2,612.50	-
02/01/2027	25,000.00	1.750%	2,612.50	27,612.50	30,225.00
08/01/2027	-	-	2,393.75	2,393.75	-
02/01/2028	25,000.00	1.850%	2,393.75	27,393.75	29,787.50
08/01/2028	-	-	2,162.50	2,162.50	-
02/01/2029	25,000.00	2.050%	2,162.50	27,162.50	29,325.00
08/01/2029	-	-	1,906.25	1,906.25	-
02/01/2030	25,000.00	2.100%	1,906.25	26,906.25	28,812.50
08/01/2030	-	-	1,643.75	1,643.75	-
02/01/2031	25,000.00	2.200%	1,643.75	26,643.75	28,287.50
08/01/2031	-	-	1,368.75	1,368.75	-
02/01/2032	25,000.00	2.250%	1,368.75	26,368.75	27,737.50
08/01/2032	-	-	1,087.50	1,087.50	-
02/01/2033	30,000.00	2.300%	1,087.50	31,087.50	32,175.00
08/01/2033	-	-	742.50	742.50	-
02/01/2034	30,000.00	2.400%	742.50	30,742.50	31,485.00
08/01/2034	-	-	382.50	382.50	-
02/01/2035	30,000.00	2.550%	382.50	30,382.50	30,765.00
Total	\$385,000.00	-	\$70,085.53	\$455,085.53	-

Date And Term Structure

Dated	10/24/2019
Delivery Date	10/24/2019
First available call date	2/01/2028
Call Price	100.000%

Yield Statistics

Bond Year Dollars	\$3,308.74
Average Life	8.594 Years
Average Coupon	2.1181964%
Net Interest Cost (NIC)	2.2345551%
True Interest Cost (TIC)	2.2361748%
All Inclusive Cost (AIC)	2.4168556%

Attachment 2 – Estimated Levy Schedules

Improvement Portion

Date	Total P+I	105% Levy	Less: Special Assessment	Net Levy	Levy Year	Collection Year
			Revenue*			
02/01/2020	-	-	-	-		
02/01/2021	236,791.72	248,631.31	58,749.90	189,881.41	2019	2020
02/01/2022	239,105.00	251,060.25	58,749.91	192,310.34	2020	2021
02/01/2023	241,030.00	253,081.50	58,749.90	194,331.60	2021	2022
02/01/2024	237,880.00	249,774.00	58,749.90	191,024.10	2022	2023
02/01/2025	239,625.00	251,606.25	58,749.90	192,856.35	2023	2024
02/01/2026	241,292.50	253,357.13	58,749.91	194,607.22	2024	2025
02/01/2027	237,662.50	249,545.63	58,749.91	190,795.72	2025	2026
02/01/2028	238,812.50	250,753.13	58,749.90	192,003.23	2026	2027
02/01/2029	239,650.00	251,632.50	58,749.91	192,882.59	2027	2028
02/01/2030	239,935.00	251,931.75	58,749.90	193,181.85	2028	2029
02/01/2031	-	-	58,749.90	-	2029	2030
02/01/2032	-	-	58,749.91	-	2030	2031
02/01/2033	-	-	58,749.90	-	2031	2032
02/01/2034	-	-	58,749.90	-	2032	2033
02/01/2035	-	-	58,749.90	-	2033	2034
Total	\$2,391,784.22	\$2,511,373.43	\$881,248.55	\$1,923,874.39		

*Special assessment revenue is based on assessments totaling \$698,752 assessed at a rate of 3.00% (1% over the average coupon), with equal annual payments over 15 years.

Equipment Portion

Date	Total P+I	105% Levy	Levy Year	Collection Year
02/01/2020	-	-		
02/01/2021	84,855.67	89,098.45	2019	2020
02/01/2022	85,687.50	89,971.88	2020	2021
02/01/2023	84,562.50	88,790.63	2021	2022
02/01/2024	83,437.50	87,609.38	2022	2023
02/01/2025	87,275.00	91,638.75	2023	2024
02/01/2026	86,035.00	90,336.75	2024	2025
02/01/2027	84,715.00	88,950.75	2025	2026
02/01/2028	88,315.00	92,730.75	2026	2027
02/01/2029	86,742.50	91,079.63	2027	2028
Total	\$771,625.67	\$810,206.95		

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

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, call notices, and issuance of "financial obligations" (such as PFA loans or bank placements) must be reported within ten business 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 "Aa1" 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

The following checklist of items denotes each milestone activity as well as the members of the finance team who will have the responsibility to complete it. *Please note this proposed timetable assumes regularly scheduled City Council meetings.*

July 2019						
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			

August 2019						
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

September 2019						
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					

October 2019						
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
August 20, 2019	City confirms project costs to be financed and source of payment.	Northland, City Staff
August 27, 2019	Set Sale Resolution Sent to City for Council Packets Finance Plan Sent to the City	Northland, Bond Counsel
September 3, 2019	Set Sale Resolution for Bonds Adopted – 7:00 p.m.	City Council Action, Northland, Bond Counsel
September 4, 2019	Preliminary Official Statement Sent to City for Sign Off and to Rating Agency (Moody's)	Northland, City
Week of September 9 or September 16, 2019	Rating Conference Call	Northland, City, Rating Agency
September 23, 2019	Rating Received	Rating Agency, City, Northland
October 1, 2019	Bond Sale – 10:30 a.m. Authorizing Resolution Adopted – 7:00 p.m.	City Council Action, Northland, Bond Counsel
October 24, 2019	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 projects 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 sewer 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.

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

HELD: September 3, 2019

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Lake Elmo, Washington County, Minnesota, was duly held at the City Hall in said City on the 3rd day of September, 2019, at 7:00 o'clock P.M. for the purpose in part of authorizing the competitive negotiated sale of the \$4,060,000 General Obligation Bonds, Series 2019A of said City.

The following members were present:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION 2019-066 PROVIDING FOR THE COMPETITIVE NEGOTIATED
SALE OF \$4,060,000
GENERAL OBLIGATION BONDS,
SERIES 2019A

WHEREAS, the City Council of the City of Lake Elmo, Minnesota, (the "City") has heretofore determined that it is necessary and expedient to issue its \$4,060,000 General Obligation Bonds, Series 2019A (the "Bonds") to finance the (i) street improvement projects within the City; (ii) acquisition of capital equipment; (iii) sewer, water and storm water system improvements; (iv) the costs of issuing the Bonds; and

WHEREAS, the City has retained Northland Securities, Inc., in Minneapolis, Minnesota ("Northland"), as its independent municipal advisor and is therefore authorized to sell these obligations by a competitive negotiated sale in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9); and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lake Elmo, Minnesota, as follows:

1. Authorization; Findings. The City Council hereby authorizes Northland to solicit bids for the competitive negotiated sale of the Bonds.
2. Meeting; Bid Opening. This City Council shall meet at the time and place specified in the "Notice of Sale" attached hereto as **Exhibit A** for the purpose of considering sealed bids for, and awarding the sale of, the Bonds. The Finance Director, or designee, shall open bids at the time and place specified in such Notice of Sale.

3. Notice of Sale. The terms and conditions of the Bonds and the negotiation thereof are fully set forth in the “Notice of Sale” attached hereto as **Exhibit A** and hereby approved and made a part hereof.

4. Official Statement. In connection with said competitive negotiated sale, the Finance Director and other officers or employees of the City are hereby authorized to cooperate with Northland and participate in the preparation of an official statement for the Bonds, and to execute and deliver it on behalf of the City upon its completion.

The motion for the adoption of the foregoing resolution was duly seconded by member _____ and, after full discussion thereof and upon a 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 WASHINGTON
CITY OF LAKE ELMO

I, the undersigned, being the duly qualified and acting City Clerk of the City of Lake Elmo, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the City's \$4,060,000 General Obligation Bonds, Series 2019A.

WITNESS my hand this _____ day of September, 2019.

City Clerk

EXHIBIT A

NOTICE OF SALE

\$4,060,000*
GENERAL OBLIGATION BONDS, SERIES 2019A

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, October 1, 2019, at 10:30 A.M., CT, at the offices of Northland Securities, Inc., 150 South 5th Street, Suite 3300, 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, October 1, 2019, 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, October 1, 2019. 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 October 24, 2019)

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 street improvement projects, an equipment purchase, a water project, a sewer project, a stormwater 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 sewer 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 February 1 and August 1, commencing August 1, 2020, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding such interest payment date.

MATURITIES

Principal is due annually on February 1, 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>
2021	\$325,000	2026	\$375,000	2031	\$80,000
2022	355,000	2027	380,000	2032	80,000
2023	360,000	2028	390,000	2033	90,000
2024	360,000	2029	395,000	2034	90,000
2025	370,000	2030	315,000	2035	95,000

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%. *The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

**ESTABLISHMENT OF ISSUE PRICE
(HOLD-THE-OFFERING-PRICE RULE MAY APPLY – BIDS NOT CANCELLABLE)**

The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City’s Municipal Advisor and any notice or report to be provided to the City may be provided to the City’s Municipal Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City shall promptly so advise the winning bidder. The City may then determine to treat the initial offering price to the public as of the award date of the Bonds as the issue price of each maturity by imposing on the winning bidder the Hold-the-Offering-Price Rule as described in the following paragraph (the “Hold-the-Offering-Price Rule”). Bids will **not** be subject to cancellation in the event that the City determines to apply the Hold-the-Offering-Price Rule to the Bonds. **Bidders should prepare their bids on the assumption that the Bonds will be subject to the Hold-the-Offering-Price Rule in order to establish the issue price of the Bonds.**

By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “Initial Offering Price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the Hold-the-Offering Price Rule shall apply to any person at a price that is higher than the Initial Offering Price to the public during the period starting on the award date for the Bonds and ending on the **earlier** of the following:

- (1) the close of the fifth (5th) business day after the award date; or
- (2) the date on which the underwriters have sold at least 10% of a maturity of the Bonds to the public at a price that is no higher than the Initial Offering Price to the public (the “10% Test”), at which time only that particular maturity will no longer be subject to the Hold-the-Offering-Price Rule.

The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement

to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the Hold-the-Offering-Price Rule if applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to comply with the Hold-the-Offering-Price Rule, if applicable if and for so long as directed by the winning bidder and as set forth in the related pricing wires, (B) to promptly notify the winning bidder of any sales of Bonds that to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public, and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or the underwriter and as set forth in the related pricing wires.

Notes: Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) "public" means any person other than an underwriter or a related party,*
- (2) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public).*
- (3) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation or another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership or another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and*
- (4) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.*

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 February 1, 2029 through 2035 are subject to redemption and prepayment at the option of the City on February 1, 2028 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 Kennedy & Graven, Chartered, 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 \$4,019,400 (99.00%) and accrued interest on the principal sum of \$4,060,000 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 \$81,200 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: September 3, 2019

BY ORDER OF THE LAKE ELMO CITY COUNCIL

/s/ Kristina Handt
City Administrator

Additional information may be obtained from:

Northland Securities, Inc.

150 South 5th Street, Suite 3300

Minneapolis, Minnesota 55402

Telephone No.: 612-851-5900

EXHIBIT A

(ISSUE PRICE CERTIFICATE – COMPETITIVE SALE SATISFIED)

The undersigned, for and on behalf of [NAME OF PURCHASER/REPRESENTATIVE] (the [“Purchaser”] [“Representative,” on behalf of itself and other underwriters listed below (collectively, the “Underwriting Group”)], with respect to the sale and issuance of the General Obligation Bonds, Series 2019A (the “Bonds”), issued by the City of Lake Elmo, Minnesota (the “Issuer”), in the original aggregate principal amount of \$4,060,000, certifies as follows:

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the [Purchaser] [Underwriting Group] are the prices listed in EXHIBIT A attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices of the Maturities of the Bonds used by the [Purchaser] [Underwriting Group] in formulating its bid to purchase the Bonds. Attached hereto as EXHIBIT B is a true and correct copy of the bid provided by the [Purchaser] [Underwriting Group] to purchase the Bonds.

(b) The [Purchaser] [Underwriting Group] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the [Purchaser] [Underwriting Group] constituted a firm offer to purchase the Bonds.

(d) Capitalized terms that are used herein that are otherwise not defined shall have the meanings assigned to such terms in Section 5 hereof.

2. Purchase Price. The [Purchaser] [Representative] acknowledges that it is purchasing the Bonds for an aggregate purchase price of \$ _____ (par amount of Bonds of \$4,060,000, plus original issue premium of \$ _____, less original issue discount of \$ _____, less [a Purchaser’s] [an underwriter’s] discount of \$ _____), plus accrued interest in the amount of \$ _____.

3. Receipt of Bonds. The undersigned hereby acknowledges receipt of \$4,060,000 in original aggregate principal amount of the Bonds from the Issuer, fully executed and authenticated. [The [Purchaser] [Representative] has paid to [NAME OF INSURER] the sum of \$ _____ as a premium for an insurance policy for the Bonds.]

4. Representations. The representations set forth in this Certificate of Purchaser (the “Certificate”) are limited to factual matters only. Nothing in this Certificate represents the interpretation by the [Purchaser] [Representative] of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The undersigned understands that the foregoing information will be relied upon by: (i) the Issuer with respect to certain of the representations set forth in a tax certificate of the Issuer executed on the date hereof with respect to compliance with the federal income tax rules affecting the Bonds; and (ii) Kennedy & Graven, Chartered, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Information Return for Tax-Exempt Governmental Obligations, Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

5. Defined Terms.

(a) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes hereof generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 1, 2019.

(d) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

IN WITNESS WHEREOF, the undersigned officer has executed this Certificate of Purchaser as of the date and year first written above.

[PURCHASER] [REPRESENTATIVE]

By _____

Name _____

Its _____

[Account Members:]

(ISSUE PRICE CERTIFICATE – HOLD-THE-OFFERING-PRICE RULE APPLIES)

The undersigned, for and on behalf of [NAME OF PURCHASER/REPRESENTATIVE] (the [“Purchaser”] [“Representative,” on behalf of itself and other underwriters listed below (collectively, the “Underwriting Group”)], with respect to the sale and issuance of the General Obligation Bonds, Series 2019A (the “Bonds”), issued by the City of Lake Elmo, Minnesota (the “Issuer”), in the original aggregate principal amount of \$4,060,000, certifies as follows:

1. Initial Offering Price for the Bonds.

(a) The [Purchaser] [Underwriting Group] offered each Maturity of the Bonds to the Public for purchase at the respective initial offering prices listed in EXHIBIT A attached hereto (the “Initial Offering Prices”). A copy of the pricing wire or equivalent communication for the Bonds is attached hereto as EXHIBIT A. Capitalized terms used herein that are otherwise not defined shall have the meanings assigned to such terms in Section 5 hereof.

(b) As set forth in the [Notice of Sale] [Terms of Proposal] and the bid award, the [Purchaser has] [members of the Underwriting Group have] agreed in writing that, (i) for each Maturity of the Bonds, [it] [they] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member

of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-the-Offering-Price Rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

2. Purchase Price. The [Purchaser] [Representative] acknowledges that it is purchasing the Bonds for an aggregate purchase price of \$_____ (par amount of Bonds of \$4,060,000, plus original issue premium of \$_____, less original issue discount of \$_____, less [a Purchaser's] [an underwriter's] discount of \$_____), plus accrued interest in the amount of \$_____.

3. Receipt of Bonds. The undersigned hereby acknowledges receipt of \$4,060,000 in original aggregate principal amount of the Bonds from the Issuer, fully executed and authenticated. [The [Purchaser] [Representative] has paid to [NAME OF INSURER] the sum of \$_____ as a premium for an insurance policy for the Bonds.]

4. Representations. The representations set forth in this Certificate of Purchaser (the "Certificate") are limited to factual matters only. Nothing in this Certificate represents the interpretation by the [Purchaser] [Representative] of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder. The undersigned understands that the foregoing information will be relied upon by: (i) the Issuer with respect to certain of the representations set forth in a tax certificate of the Issuer executed on the date hereof with respect to compliance with the federal income tax rules affecting the Bonds; and (ii) Kennedy & Graven, Chartered, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Information Return for Tax-Exempt Governmental Obligations, Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

5. Defined Terms.

(a) "Holding Period" means, with respect to each Maturity of the Bonds, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the [Purchaser has] [Underwriters have] sold at least ten percent (10%) of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means any person (including an individual trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 1, 2019.

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

IN WITNESS WHEREOF, the undersigned officer has executed this Certificate of Purchaser as of the date and year first written above.

[PURCHASER] [REPRESENTATIVE]

By _____

Name _____

Its _____

[Account Members:]

**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 2019A (the "Debt") serving in the role of municipal (financial) advisor, and

WHEREAS, NSI is a registered municipal advisor with both the Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB") (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 MSRB, and

WHEREAS, the MSRB provides a municipal advisory client brochure on its website (www.msrb.org) that describes the protections that may be provided by the MSRB rules, including professional competency, fair dealing, duty of loyalty, remedies for disputes and how to file a complaint with an appropriate regulatory authority, 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 \$25,100. 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 municipal advisory services it has rendered pursuant to this Agreement.

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/oms-edgar-links.

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 30th day of August, 2019.

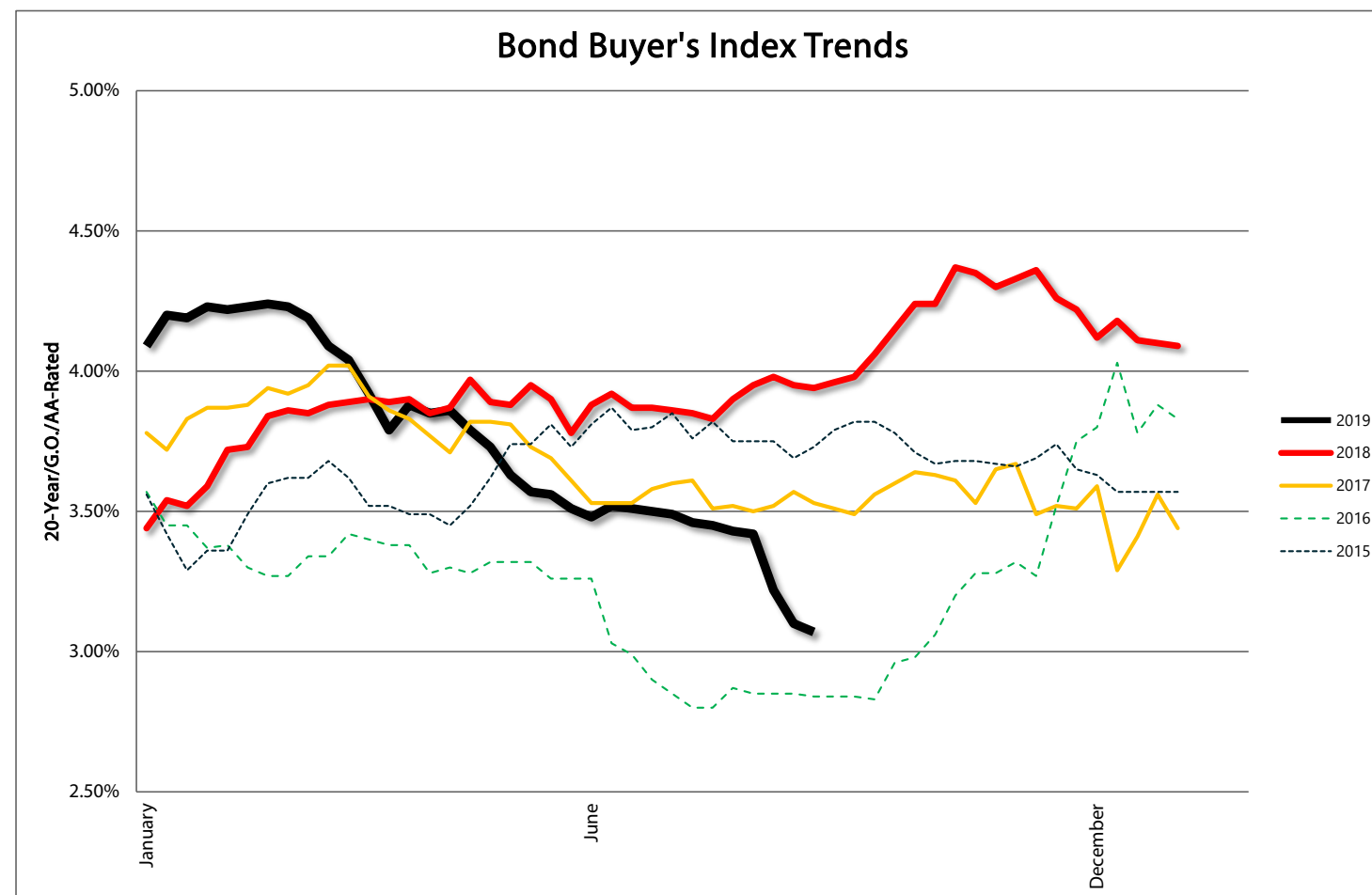
Northland Securities, Inc.

By: 
Michael Hart, Managing Director


City of Lake Elmo, Minnesota

By: _____

Its: _____



Source: Data compiled by Northland Securities from published Bond Buyer's Index



150 South 5th Street, Suite 3300, Minneapolis, MN 55402
Main 612-851-5900 / www.northlandsecurities.com
Member FINRA and SIPC, Registered with SEC and MSRB

*Chart for illustration only. This is not an offer to buy or sell securities.
Based on sources believed to be reliable, but not warranted or guaranteed by Northland Securities, Inc. (RC 19-14A/Muni 19_10A)*