EHLERS
LEADERS IN PUBLIC FINANCE

Pre-Sale Report for:

City of Sunfish Lake, Minnesota

$345,000 General Obligation Improvement Bonds, Series 2014A

Prepared by:

Steve Apfelbacher
Senior Financial Advisor

And

Brian Reilly
Senior Financial Advisor

Executive Summary of Proposed Debt

Proposed Issue:	$345,000 General Obligation Improvement Bonds, Series 2014A The City has retained Ehlers to assist in the issuance of this bond issue. The issuance of General Obligation debt will result in the lowest possible borrowing cost and interest expense for the City. (Revised numbers are included on the last two pages of the report in the event the project budget is $15,000 less resulting in a $330,000 issue.)
Purpose(s):	Finance street improvement projects for Windy Hill Road, Windy Hill Court and the western half of Angell Road. Debt service will be paid from a combination of special assessments ($185,500 at 4.5% over 10 years starting in 2015 with equal principal due annually) and tax levy .
Authority:	The Bonds are being issued pursuant to Minnesota Statutes, Chapters: 429 and 475. Because the City is assessing at least 20% of the project costs, the Bonds can be a general obligation without referendum approval and will not count against the City's debt limit. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.
Term/Call Feature:	The Bonds are being issued for an 11 year term. Principal on the Bonds will be due on February 1 in the years 2016 through 2025. Interest is payable every six months beginning August 1, 2015. The Bonds maturing on and after February 1, 2023 will be subject to prepayment at the discretion of the City on February 1, 2022 or any date thereafter at a price of par plus accrued interest.
Bank Qualification:	Because the City is issuing less than $10,000,000 in the calendar year, the City will be able to designate the Bonds as "bank qualified" obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.
Rating:	We recommend selling this issue non-rated as the cost of the rating would not be expected to be offset by the potential lower interest rates resulting from obtaining a rating.
Method of Sale/Placement:	In order to obtain the lowest interest cost to the City, we will solicit competitive bids for purchase of the Bonds from local banks in your area and regional underwriters. The Bonds have been sized with an allowance for underwriter's discount or purchaser's up-front fees from within the "rounding amount" after sizing the

	issue. It is anticipated the Bonds will be purchased by an investor purchasing for their own account, which investor will be compensated by interest income on the Bonds. In the event a purchaser requires up-front compensation, there is a budget for this compensation.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the City and find that refunding existing debt issues are not cost effective at this time.
Continuing Disclosure:	Because the amount of the Bonds to be issued is less than $1,000,000, this issue will be exempt from the Continuing Disclosure requirements of the Securities and Exchange Commission (SEC).
Arbitrage Monitoring:	Because the Bonds are tax-exempt securities/tax credit securities, the City must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Tax Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you. We also recommend that you establish written procedures regarding compliance with IRS rules.
Risk Factors:	**Special Assessments:** We have not assumed any pre-paid special assessments and we have assumed that assessments will be levied as projected. If the City receives a significant amount of pre-paid assessments or does not levy the assessments, it may need to increase the general tax levy portion of the debt service to make up for lower interest earnings than the expected assessment interest rate.

Proposed Debt Issuance Schedule

Pre-Sale Review by City Council:	May 6, 2014
Distribute Offering Memorandum:	Week of May 19, 2014
City Council Meeting to Award Sale of the Bonds:	June 3, 2014
Estimated Closing Date:	June 24, 2014

Attachments

Sources and Uses of Funds

Proposed Special Assessment Collection for City

Proposed Debt Service Schedule

Resolution Authorizing Ehlers to Proceed With Bond Sale

Revised Sources and Uses of Funds

Revised Proposed Debt Service Schedule

Ehlers Contacts

Financial Advisors:	Steve Apfelbacher	(651) 697-8510
	Brian Reilly	(651) 697-8541
Disclosure Coordinator:	Wendy Lundberg	(651) 697-8540
Financial Analyst:	Beth Mueller	(651) 697-8553

City of Sunfish Lake, Minnesota

$345,000 General Obligation Improvement Bonds, Series 2014A

Sources & Uses

Dated 07/01/2014 | Delivered 07/01/2014

Sources Of Funds

Par Amount of Bonds	$345,000.00
Total Sources	**$345,000.00**

Uses Of Funds

Costs of Issuance	9,500.00
Deposit to Project Construction Fund	331,700.00
Capitalized Interest	-
Underwriter's Discount Allowance	3,800.00
Total Uses	**$345,000.00**

City of Sunfish Lake, Minnesota

$185,500 General Obligation Improvement Bonds, Series 2014A
Assessments
Equal P&I - 1.5% Over TIC

Assessments

Date	Principal	Coupon	Interest	Total P+I
12/31/2015	18,550.00	4.500%	8,347.50	26,897.50
12/31/2016	18,550.00	4.500%	7,512.76	26,062.76
12/31/2017	18,550.00	4.500%	6,678.00	25,228.00
12/31/2018	18,550.00	4.500%	5,843.26	24,393.26
12/31/2019	18,550.00	4.500%	5,008.50	23,558.50
12/31/2020	18,550.00	4.500%	4,173.76	22,723.76
12/31/2021	18,550.00	4.500%	3,339.00	21,889.00
12/31/2022	18,550.00	4.500%	2,504.26	21,054.26
12/31/2023	18,550.00	4.500%	1,669.50	20,219.50
12/31/2024	18,550.00	4.500%	834.76	19,384.76
Total	**$185,500.00**	-	**$45,911.30**	**$231,411.30**

Significant Dates

Filing Date	1/01/2015
First Payment Date	12/31/2015

City of Sunfish Lake, Minnesota

$345,000 General Obligation Improvement Bonds, Series 2014A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Assessments	Levy/(Surplus)
02/01/2015	-	-	-	-	-	-	-
02/01/2016	30,000.00	3.000%	16,387.50	46,387.50	48,706.88	26,897.50	21,809.38
02/01/2017	35,000.00	3.000%	9,450.00	44,450.00	46,672.50	26,062.76	20,609.74
02/01/2018	35,000.00	3.000%	8,400.00	43,400.00	45,570.00	25,228.00	20,342.00
02/01/2019	35,000.00	3.000%	7,350.00	42,350.00	44,467.50	24,393.26	20,074.24
02/01/2020	35,000.00	3.000%	6,300.00	41,300.00	43,365.00	23,558.50	19,806.50
02/01/2021	35,000.00	3.000%	5,250.00	40,250.00	42,262.50	22,723.76	19,538.74
02/01/2022	35,000.00	3.000%	4,200.00	39,200.00	41,160.00	21,889.00	19,271.00
02/01/2023	35,000.00	3.000%	3,150.00	38,150.00	40,057.50	21,054.26	19,003.24
02/01/2024	35,000.00	3.000%	2,100.00	37,100.00	38,955.00	20,219.50	18,735.50
02/01/2025	35,000.00	3.000%	1,050.00	36,050.00	37,852.50	19,384.76	18,467.74
Total	**$345,000.00**	-	**$63,637.50**	**$408,637.50**	**$429,069.38**	**$231,411.30**	**$197,658.08**

Significant Dates

Dated	7/01/2014
First Coupon Date	8/01/2015

Yield Statistics

Bond Year Dollars	$2,121.25
Average Life	6.149 Years
Average Coupon	3.0000000%
Net Interest Cost (NIC)	3.0000000%
True Interest Cost (TIC)	2.9949779%
Bond Yield for Arbitrage Purposes	2.9949779%
All Inclusive Cost (AIC)	3.5062989%

Resolution No. ______________

Council Member ________________ introduced the following resolution and moved its adoption:

Resolution Providing for the Sale of

Up to $345,000 General Obligation Improvement Bonds, Series 2014A

A. WHEREAS, the City Council of the City of Sunfish Lake, Minnesota has heretofore determined that it is necessary and expedient to issue up to $345,000 General Obligation Improvement Bonds, Series 2014A (the "Bonds"), for the City to finance street improvements within the City; and

B. WHEREAS, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor for the Bonds and is therefore authorized to solicit proposals in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9);

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

1. Authorization; Findings. The City Council hereby authorizes Ehlers to solicit proposals for the sale of the Bonds.

2. Meeting; Proposal Opening. The City Council shall meet at 7:30 P.M. on June 3, 2014, for the purpose of considering sealed proposals for and awarding the sale of the Bonds.

3. Offering Memorandum. In connection with said sale, the officers or employees of the City are hereby authorized to cooperate with Ehlers and participate in the preparation of an offering memorandum or other primary disclosure document 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 City Council Member ______________________ and, after full discussion thereof and upon a vote being taken thereon, the following City Council Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this _____ day of ________________, ________.

____

City Clerk

City of Sunfish Lake, Minnesota

$330,000 General Obligation Improvement Bonds, Series 2014A

Sources & Uses

Dated 07/01/2014 | Delivered 07/01/2014

Sources Of Funds

Par Amount of Bonds	$330,000.00
Total Sources	**$330,000.00**

Uses Of Funds

Costs of Issuance	9,500.00
Deposit to Project Construction Fund	316,700.00
Capitalized Interest	-
Underwriter's Discount Allowance	3,800.00
Total Uses	**$330,000.00**

City of Sunfish Lake, Minnesota

$330,000 General Obligation Improvement Bonds, Series 2014A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Assessments	Levy/(Surplus)
02/01/2015	-	-	-	-	-	-	-
02/01/2016	25,000.00	3.000%	15,675.00	40,675.00	42,708.75	26,897.50	15,811.25
02/01/2017	30,000.00	3.000%	9,150.00	39,150.00	41,107.50	26,062.76	15,044.74
02/01/2018	30,000.00	3.000%	8,250.00	38,250.00	40,162.50	25,228.00	14,934.50
02/01/2019	35,000.00	3.000%	7,350.00	42,350.00	44,467.50	24,393.26	20,074.24
02/01/2020	35,000.00	3.000%	6,300.00	41,300.00	43,365.00	23,558.50	19,806.50
02/01/2021	35,000.00	3.000%	5,250.00	40,250.00	42,262.50	22,723.76	19,538.74
02/01/2022	35,000.00	3.000%	4,200.00	39,200.00	41,160.00	21,889.00	19,271.00
02/01/2023	35,000.00	3.000%	3,150.00	38,150.00	40,057.50	21,054.26	19,003.24
02/01/2024	35,000.00	3.000%	2,100.00	37,100.00	38,955.00	20,219.50	18,735.50
02/01/2025	35,000.00	3.000%	1,050.00	36,050.00	37,852.50	19,384.76	18,467.74
Total	$330,000.00	-	$62,475.00	$392,475.00	$412,098.75	$231,411.30	$180,687.45

Significant Dates

Dated	7/01/2014
First Coupon Date	8/01/2015

Yield Statistics

Bond Year Dollars	$2,082.50
Average Life	6.311 Years
Average Coupon	3.0000000%
Net Interest Cost (NIC)	3.0000000%
True Interest Cost (TIC)	2.9951004%
Bond Yield for Arbitrage Purposes	2.9951004%
All Inclusive Cost (AIC)	3.5169396%