

City of Blaine, Minnesota

Recommendations for Issuance of Bonds

General Obligation Improvement Bonds, Series 2012A

General Obligation Improvement Refunding Bonds, Series 2012B

The Council has under consideration the issuance of bonds to finance various improvement projects within the City and to refund an outstanding general obligation improvement bond issue to accomplish debt service savings. This document provides information relative to the proposed issuance. Complete bidder information will be provided in a separate document.

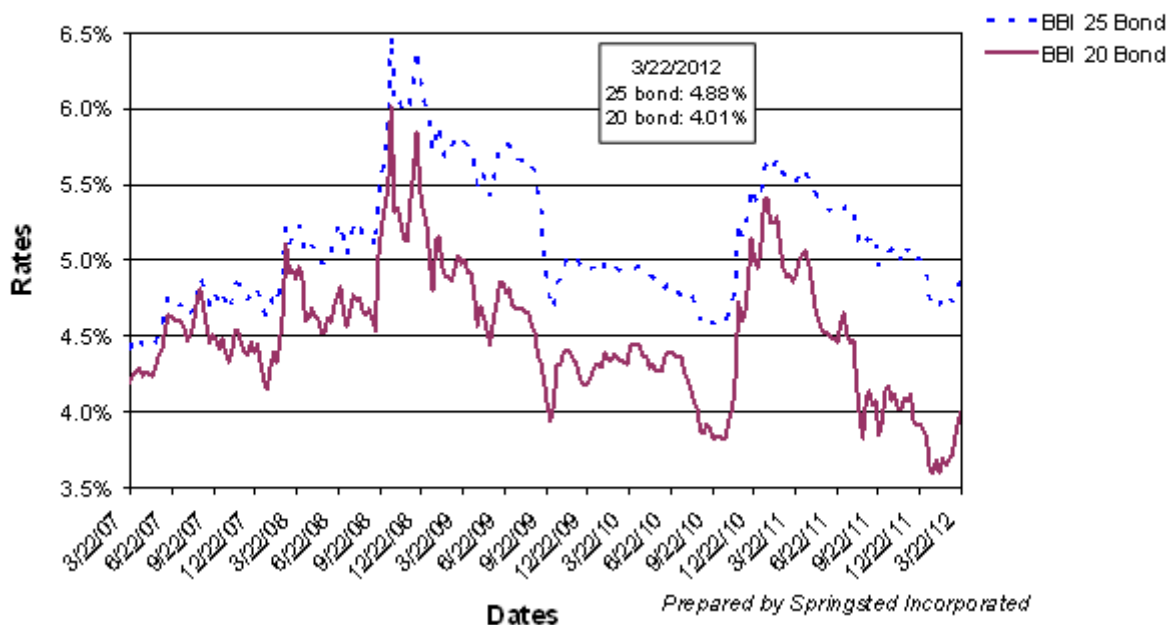
KEY EVENTS: The following summary schedule includes the timing of some of the key events that will occur relative to the bond issuance.

April 5, 2012	Council set sale date and terms
Week of April 23, 2012	Rating conference conducted
May 3, 2012, 10:00 a.m.	Competitive proposals are received
May 3, 2012, 7:30 p.m.	Council considers award of bonds
May 30, 2012	Proceeds are received

RATING: An application will be made to Moody's Investors Service for a rating on the obligations. The City's general obligation debt is currently rated "Aa1" by Moody's.

THE MARKET: Performance of the tax-exempt market is often measured by the Bond Buyer's Index ("BBI") which measures the yield of high grade municipal bonds in the 20th maturity year for general obligation bonds and the 25th maturity year for revenue bonds. The following chart illustrates these two indices over the past five years.

**BBI 25-bond (Revenue) and 20-bond (G.O.) Rates for 5 Years
Ending 3/22/2012**



POST ISSUANCE COMPLIANCE:

The issuance of the bonds will result in post-issuance compliance responsibilities. The responsibilities lie in two primary areas: i) compliance with federal arbitrage requirements and ii) compliance with secondary disclosure requirements.

Federal arbitrage requirements include a wide range of implications that have been taken into account as your issue has been structured. Post-issuance compliance responsibilities for your tax-exempt issue include both rebate and yield restriction provisions of the IRS Code. In very general terms the arbitrage requirements control the earnings on unexpended bond proceeds, including investment earnings, moneys held for debt service payments (which are considered to be proceeds under the IRS regulations), and/or reserves. There is an exemption from rebate for a municipality that issues \$5 million or less of tax-exempt obligations in a calendar year. Since the City does not expect to issue more than \$5 million of tax-exempt obligations in 2012, these issues will be exempt from rebate. If proceeds remain unspent for more than three years, yield restriction provisions will apply. Yield restriction provisions also apply to the debt service funds under certain conditions and the funds should be monitored throughout the life of each issue.

Secondary disclosure requirements result from an SEC requirement that underwriters provide ongoing disclosure information to investors. To meet this requirement, any prospective underwriter will require the City to commit to providing the information needed to comply under a continuing disclosure agreement.

Springsted currently provides arbitrage and continuing disclosure services to the City under separate contracts. Contract amendments adding these issues will be provided to City staff and assist in meeting the City's post-issuance compliance policy provisions.

SUPPLEMENTAL INFORMATION AND BOND RECORD:

Supplementary information will be available to staff including detailed terms and conditions of sale, comprehensive structuring schedules and information to assist in meeting post-issuance compliance responsibilities.

Upon completion of the financing, a bond record will be provided that contains pertinent documents and final debt service calculations for the transaction.

RISKS/SPECIAL CONSIDERATIONS:

The outcome of these financings will rely on the market conditions at the time of the sale. Any projections included herein are estimates based on current market conditions.

SALE TERMS AND MARKETING:

Variability of Issue Size: A specific provision in the sale terms permits modifications to the issue sizes and/or maturity structures to customize the issue once the price and interest rates are set on the day of sale.

Prepayment Provisions: The Series 2012A Bonds maturing on or after February 1, 2022 may be prepaid at a price of par plus accrued interest on or after February 1, 2021.

Based on the short duration of the Series 2012B Refunding Bonds, and to avoid possible negative pricing impacts, the Series 2012B Refunding Bonds will not be subject to redemption prior to their stated maturities.

Bank Qualification: The City does not expect to issue more than \$10 million in tax-exempt obligations that count against its \$10 million limit for this calendar year; therefore, the bonds will be designated as bank qualified.

\$1,970,000 General Obligation Improvement Bonds, Series 2012A

Description of Issue

PURPOSE:	The proceeds of the Series 2012A Bonds will be used to finance various street projects including 2011 and 2012 overlay and reconstruction projects including the Craig Addition partial reconstruction.
AUTHORITY:	The Series 2012A Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475.
SECURITY AND SOURCE OF PAYMENT:	The Series 2012A Bonds will be general obligations of the City, secured by its full faith and credit and taxing power. In addition the City will pledge special assessments filed against benefited properties. The City will have a tax levy requirement. The February 1, 2013 principal and interest payment will be made from special assessments collected in 2012. Thereafter, each year's first-half collection of assessments and taxes will be used to pay the August 1 interest payment in the year of collection. Second-half collections and any funds collected but not applied on August 1 will be used to pay the February 1 principal and interest payment in the following year.
STRUCTURING SUMMARY:	<p>The Series 2011A Bonds are structured around the projected future income stream from special assessments to achieve an even annual levy requirement by project.</p> <p>Special assessments totaling \$519,066 of principal were filed in 2011 for first collection in 2012. Additional assessments totaling \$374,113 are expected to be filed on or about November 1, 2012 for first collection in 2013. Assessments will be spread over a term of five years for the overlay projects and 10 years for the street reconstruction projects, with equal annual payments of principal. Interest on the unpaid balance of special assessments will be charged at an interest rate of 5.0%, as directed by the City.</p>
SCHEDULES ATTACHED:	Schedules attached for the Series 2012A Bonds include sources and uses of funds, estimated net levy requirements given the current interest rate environment, and details of the projected future assessment income stream.

\$2,995,000 General Obligation Improvement Refunding Bonds, Series 2012B

Description of Issue

PURPOSE:	<p>The proceeds of the Series 2012B Refunding Bonds will be used to refund the February 1, 2015 through 2020 maturities of the City's General Obligation Improvement Bonds, Series 2004B (the "Prior Bonds"), dated December 1, 2004. The maturities to be refunded are currently outstanding in the aggregate principal amount of \$2,885,000. The February 1, 2013 and 2014 maturities are not callable and will not be refunded. The purpose of the refunding is to achieve interest cost savings.</p> <p>Original proceeds of the Prior Bonds were used to finance the construction of a service road along Trunk Highway 65 within the City.</p>
AUTHORITY:	The Series 2012B Refunding Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475.

**SECURITY AND
SOURCE OF
PAYMENT:**

The Series 2012B Refunding Bonds will be general obligations of the City, secured by its full faith and credit and taxing power. In addition the City will pledge special assessments filed against benefited properties originally pledged to the Prior Bonds.

The issuance of the Series 2012B Refunding Bonds is being conducted as a "crossover" advance refunding in which the proceeds of the Series 2012B Refunding Bonds are placed in an escrow account with a major bank and invested in U.S. Treasury Securities. These investments and their earnings are structured to pay interest on the Series 2012B Refunding Bonds to and including February 1, 2014 (the call date of the Prior Bonds), at which time the escrow account will also prepay the February 1, 2015 through 2020 principal of the Prior Bonds. The City will continue to pay the originally scheduled debt service payments on the Prior Bonds through the February 1, 2014 call date. After the call date, the City will cross over and begin making debt service payments on the Series 2012B Refunding Bonds, taking advantage of the lower interest rates.

**STRUCTURING
SUMMARY:**

At the direction of the City, the principal amortization of the 2012B Refunding Bonds has been structured to result in approximately even annual savings with a term matching that of the Prior Bonds.

Based on current interest rate estimates, the refunding is projected to result in the City realizing an average cash flow savings of approximately \$19,000 per year. This results in future value savings of approximately \$118,500, with a net present value benefit to the City of approximately \$111,700. These estimates are net of all costs associated with the refunding.

**SCHEDULES
ATTACHED:**

Schedules attached for the Series 2012B Refunding Bonds include the preliminary feasibility summary, estimated debt service requirements and interest cost savings, given the current interest rate environment.

\$1,970,000
City of Blaine, Minnesota
 General Obligation Improvement Bonds, Series 2012A

Total Issue Sources And Uses

Dated 05/30/2012 | Delivered 05/30/2012

	2011 Overlay	2012 Overlay	Craig Addition	Issue Summary
Sources Of Funds				
Par Amount of Bonds.....	\$965,000.00	\$360,000.00	\$645,000.00	\$1,970,000.00
Total Sources.....	\$965,000.00	\$360,000.00	\$645,000.00	\$1,970,000.00
Uses Of Funds				
Deposit to Project Construction Fund.....	942,578.54	349,290.00	631,500.00	1,923,368.54
Costs of Issuance.....	12,919.73	4,819.80	8,635.47	26,375.00
Total Underwriter's Discount (0.900%).....	8,685.00	3,240.00	5,805.00	17,730.00
Rounding Amount.....	816.73	2,650.20	(940.47)	2,526.46
Total Uses.....	\$965,000.00	\$360,000.00	\$645,000.00	\$1,970,000.00

\$1,970,000
City of Blaine, Minnesota
 General Obligation Improvement Bonds, Series 2012A

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Assessment	Levy Required
02/01/2013	75,000.00	0.300%	12,866.72	87,866.72	92,260.06	129,766.60	(37,506.54)
02/01/2014	375,000.00	0.450%	18,995.00	393,995.00	413,694.75	194,448.60	219,246.15
02/01/2015	365,000.00	0.650%	17,307.50	382,307.50	401,422.88	183,737.86	217,685.02
02/01/2016	355,000.00	0.850%	14,935.00	369,935.00	388,431.75	176,144.72	212,287.03
02/01/2017	350,000.00	1.050%	11,917.50	361,917.50	380,013.38	168,551.58	211,461.80
02/01/2018	135,000.00	1.400%	8,242.50	143,242.50	150,404.63	57,145.18	93,259.45
02/01/2019	65,000.00	1.650%	6,352.50	71,352.50	74,920.13	33,466.50	41,453.63
02/01/2020	65,000.00	1.850%	5,280.00	70,280.00	73,794.00	32,127.84	41,666.16
02/01/2021	60,000.00	2.050%	4,077.50	64,077.50	67,281.38	30,789.18	36,492.20
02/01/2022	60,000.00	2.200%	2,847.50	62,847.50	65,989.88	29,450.52	36,539.36
02/01/2023	65,000.00	2.350%	1,527.50	66,527.50	69,853.88	28,111.86	41,742.02
Total	\$1,970,000.00	-	\$104,349.22	\$2,074,349.22	\$2,178,066.68	\$1,063,740.44	\$1,114,326.24

Dated..... 5/30/2012
 Delivery Date..... 5/30/2012
 First Coupon Date..... 2/01/2013

Yield Statistics

Bond Year Dollars..... \$8,078.81
 Average Life..... 4.101 Years
 Average Coupon..... 1.2916417%
 Net Interest Cost (NIC)..... 1.5111048%
 True Interest Cost (TIC)..... 1.5086774%
 Bond Yield for Arbitrage Purposes..... 1.2810161%
 All Inclusive Cost (AIC)..... 1.8530682%

IRS Form 8038

Net Interest Cost..... 1.2916417%
 Weighted Average Maturity..... 4.101 Years

City of Blaine, Minnesota
General Obligation Improvement Bonds, Series 2012A
Assessments

DATE	2011 Overlay	2012 Overlay	Craig Addition	TOTAL
12/31/2012	129,766.60	-	-	129,766.60
12/31/2013	124,575.94	27,481.76	42,390.90	194,448.60
12/31/2014	119,385.28	25,531.44	38,821.14	183,737.86
12/31/2015	114,194.60	24,467.64	37,482.48	176,144.72
12/31/2016	109,003.94	23,403.82	36,143.82	168,551.58
12/31/2017	-	22,340.02	34,805.16	57,145.18
12/31/2018	-	-	33,466.50	33,466.50
12/31/2019	-	-	32,127.84	32,127.84
12/31/2020	-	-	30,789.18	30,789.18
12/31/2021	-	-	29,450.52	29,450.52
12/31/2022	-	-	28,111.86	28,111.86
Total	\$596,926.36	\$123,224.68	\$343,589.40	\$1,063,740.44

Par Amounts Of Selected Issues

2012A GO Imp Bon-2011 Overlay.....	519,066.40
2012A GO Imp Bon-2012 Overlay.....	106,381.00
2012A GO Imp B-Craig Addition.....	267,732.00
TOTAL.....	893,179.40

\$2,995,000

City of Blaine, Minnesota
General Obligation Improvement Refunding Bonds, Series 2012B
Crossover Refunding of Series 2004B

Preliminary Feasibility Summary

Dated 05/30/2012 | Delivered 05/30/2012

Sources Of Funds

Par Amount of Bonds.....	\$2,995,000.00
Total Sources.....	\$2,995,000.00

Uses Of Funds

Deposit to Crossover Escrow Fund.....	2,928,889.12
Costs of Issuance.....	44,000.00
Total Underwriter's Discount (0.600%).....	17,970.00
Rounding Amount.....	4,140.88
Total Uses.....	\$2,995,000.00

ISSUES REFUNDED AND CALL INFORMATION

Prior Issue Call Price.....	100.000%
Prior Issue Call Date.....	2/01/2014

SAVINGS INFORMATION

Net Future Value Benefit.....	\$118,445.88
Net Present Value Benefit.....	\$111,691.45
Net PV Benefit / \$3,045,391.64 PV Refunded Debt Service.....	3.668%

BOND STATISTICS

Average Life.....	4.836 Years
Average Coupon.....	1.3173859%
Net Interest Cost (NIC).....	1.4414454%
True Interest Cost (TIC).....	1.4413449%

\$2,995,000
City of Blaine, Minnesota
 General Obligation Improvement Refunding Bonds, Series 2012B
 Crossover Refunding of Series 2004B

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Paid from Escrow	Net Debt Service	Assessment	Levy Requirement
02/01/2013	-	-	23,258.17	23,258.17	24,421.08	24,421.08	-	-	-
02/01/2014	-	-	34,742.50	34,742.50	36,479.63	36,479.63	-	-	-
02/01/2015	675,000.00	0.650%	34,742.50	709,742.50	745,229.63	-	745,229.63	129,428.00	615,801.63
02/01/2016	665,000.00	0.850%	30,355.00	695,355.00	730,122.75	-	730,122.75	122,494.00	607,628.75
02/01/2017	405,000.00	1.050%	24,702.50	429,702.50	451,187.63	-	451,187.63	-	451,187.63
02/01/2018	410,000.00	1.400%	20,450.00	430,450.00	451,972.50	-	451,972.50	-	451,972.50
02/01/2019	415,000.00	1.650%	14,710.00	429,710.00	451,195.50	-	451,195.50	-	451,195.50
02/01/2020	425,000.00	1.850%	7,862.50	432,862.50	454,505.63	-	454,505.63	-	454,505.63
Total	\$2,995,000.00	-	\$190,823.17	\$3,185,823.17	\$3,345,114.33	\$60,900.70	\$3,284,213.63	\$251,922.00	\$3,032,291.63

Yield Statistics

Bond Year Dollars.....	\$14,484.99
Average Life.....	4.836 Years
Average Coupon.....	1.3173859%
Net Interest Cost (NIC).....	1.4414454%
True Interest Cost (TIC).....	1.4413449%
Bond Yield for Arbitrage Purposes.....	1.3123825%
All Inclusive Cost (AIC).....	1.7612730%

IRS Form 8038

Net Interest Cost.....	1.3173859%
Weighted Average Maturity.....	4.836 Years

\$2,995,000

City of Blaine, Minnesota
General Obligation Improvement Refunding Bonds, Series 2012B
Crossover Refunding of Series 2004B

Debt Service Comparison

Date	Total P+I	Escrow	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2013	23,258.17	(23,258.17)	755,442.50	755,442.50	755,442.50	-
02/01/2014	34,742.50	(2,919,742.50)	3,624,267.50	739,267.50	739,267.50	-
02/01/2015	709,742.50	-	-	709,742.50	727,917.50	18,175.00
02/01/2016	695,355.00	-	-	695,355.00	716,217.50	20,862.50
02/01/2017	429,702.50	-	-	429,702.50	448,222.50	18,520.00
02/01/2018	430,450.00	-	-	430,450.00	448,785.00	18,335.00
02/01/2019	429,710.00	-	-	429,710.00	448,585.00	18,875.00
02/01/2020	432,862.50	-	-	432,862.50	452,400.00	19,537.50
Total	\$3,185,823.17	(2,943,000.67)	\$4,379,710.00	\$4,622,532.50	\$4,736,837.50	\$114,305.00

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings.....	114,305.00
Gross PV Debt Service Savings.....	107,550.57
Net PV Cashflow Savings @ 1.312%(Bond Yield).....	107,550.57
Contingency or Rounding Amount.....	4,140.88
Net Future Value Benefit.....	\$118,445.88
Net Present Value Benefit.....	\$111,691.45
Net PV Benefit / \$338,791.45 PV Refunded Interest.....	32.968%
Net PV Benefit / \$3,045,391.64 PV Refunded Debt Service.....	3.668%
Net PV Benefit / \$2,885,000 Refunded Principal.....	3.871%
Net PV Benefit / \$2,995,000 Refunding Principal.....	3.729%

Refunding Bond Information

Refunding Dated Date.....	5/30/2012
Refunding Delivery Date.....	5/30/2012