

City of Blaine, Minnesota

Recommendations for Issuance of Certificates

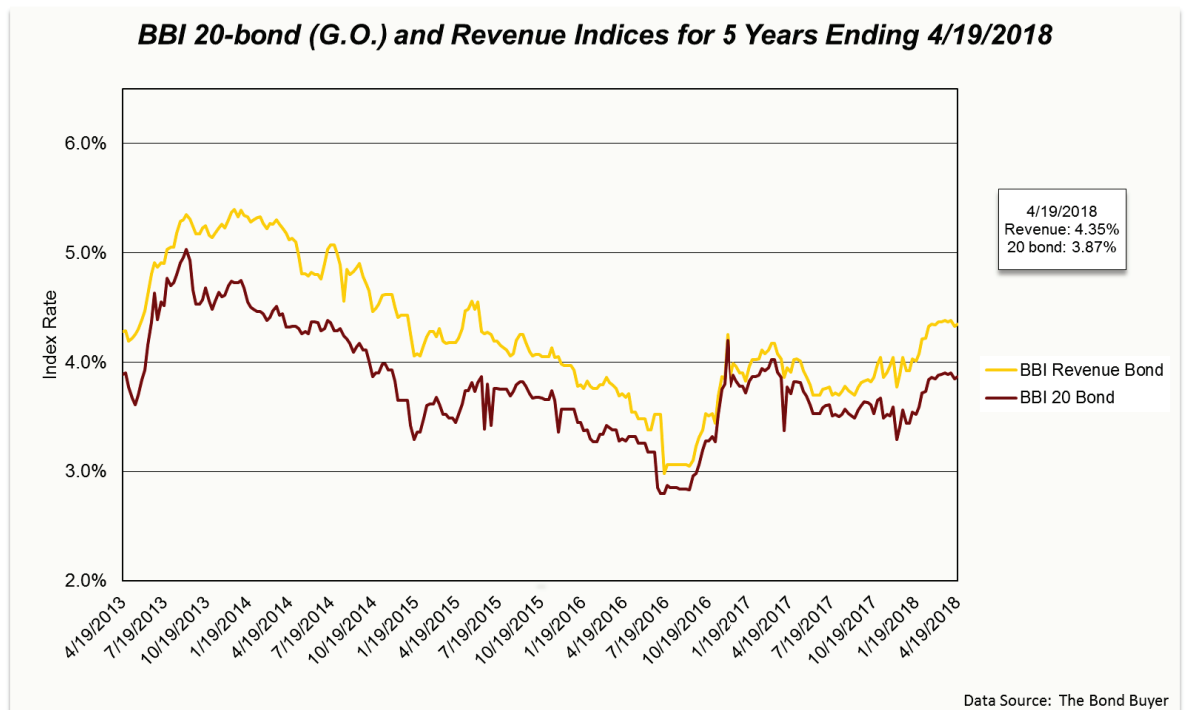
\$1,145,000 General Obligation Equipment Certificates of Indebtedness, Series 2018A

The Council has under consideration the issuance of Certificates to finance the acquisition of various equipment for municipal fire protection (the "Certificates"). This document provides information relative to the proposed issuance.

KEY EVENTS:	The following summary schedule includes the timing of some of the key events that will occur relative to the bond issuance.
April 23, 2018	Mounds View City Council considers resolution authorizing the City of Blaine to issue the Certificates
May 3, 2018	Council sets sale date and terms
May 7, 2018	Spring Lake Park City Council considers resolution authorizing the City of Blaine to issue the Certificates
Week of May 21, 2018	Rating conference is conducted
June 7, 2018, 10:00 a.m.	Competitive proposals are received
June 7, 2018, 7:30 p.m.	Council considers award of the Certificates
June 28, 2018 (est.)	Proceeds are received

RATING: An application will be made to S&P Global Ratings (S&P) for ratings on the Certificates. The City's general obligation debt is currently rated "AA+" by S&P.

THE MARKET: General performance of the tax-exempt market is often measured by the Bond Buyer's Index ("BBI") which measures the yield of high grade municipal Certificates in the 20th year for general obligation Certificates (the BBI 20 Bond Index) and the 30th year for revenue Certificates (the BBI Revenue Bond Index). The following chart illustrates these two indices over the past five years.



POST ISSUANCE COMPLIANCE:

The issuance of the Certificates will result in post-issuance compliance responsibilities. The responsibilities are 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 this issue has been structured. Post-issuance compliance responsibilities for this tax-exempt issue include both rebate and yield restriction provisions of the IRS Code. In 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. Under certain circumstances any “excess earnings” will need to be paid to the IRS to maintain the tax-exempt status of the Certificates. Any interest earnings on gross bond proceeds or debt service funds should not be spent until it has been determined based on actual facts that they are not “excess earnings” as defined by the IRS Code.

The arbitrage rules provide for spend-down exceptions for proceeds that are spent within either a 6-month, 18-month or 24-month period in accordance with certain spending criteria. Proceeds that qualify for an exception will be exempt from rebate. These exceptions are based on actual expenditures and not based on reasonable expectations; and expenditures, including any investment proceeds, will have to meet the spending criteria to qualify for the exclusion. The City expects to meet the 18-month spending exception.

Regardless of whether the issue qualifies for an exemption from the rebate provisions, yield restriction provisions will apply to the debt service fund and any project proceeds unspent after three years and the funds should be monitored on an ongoing basis.

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 both arbitrage and continuing disclosure services to the City. Springsted will work with City staff to include the Certificates under the existing respective Agreement for Municipal Advisor Services.

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.

PURPOSE:

Proceeds of the Certificates will be used to finance the acquisition of various equipment for the Spring Lake Park-Blaine-Mounds View Fire Department including components of a new fire engine.

AUTHORITY: Statutory Authority: The Certificates are being issued pursuant to Minnesota Statutes, Chapter 475 and Section 412.301.

Statutory Requirements: Pursuant to Minnesota Statutes, Section 412.301, the City may issue certificates of indebtedness without being subject to petition requirement calling for a referendum if the total amount of the issue does not exceed ¼ of 1% of the estimated market value of the taxable property in the City. Based on the City's 2017/2018 estimated market value of \$6,465,732,500, this represents a maximum issue size of \$16,164,331. The Certificates in the amount of \$1,145,000 are therefore within the limitation and not subject to taxpayer petition for a referendum.

Joint Powers Agreement: The Cities of Spring Lake Park, Blaine, and Mounds View (the "Cities") have entered into a Joint Powers Agreement for The Provision of Fire Protection Services dated December 11, 1990, as amended and supplemented (the "Agreement"). The Agreement was entered into by the Cities to cooperate in providing fire protection services to their residents through the acquisition, construction, furnishing and betterment of land, buildings and equipment for municipal fire protection and related purposes. It also provides for the contracting for and payment of such capital costs associated with municipal fire protection. Under the Agreement, each City is responsible for its respective share of the costs pursuant to the formula (the "Formula") detailed in the Agreement. The Agreement will be supplemented and adopted by each of the Cities to include the Certificates. Adoption of the Supplemental Agreement by Spring Lake Park and Mounds View will give authority to the City of Blaine to issue and award the Certificates.

Pursuant to the Agreement, and prior to closing on the Certificates, Spring Lake Park and Mounds View will each issue to Blaine a certificate of indebtedness to which they will pledge their full faith and credit and taxing powers to pay the applicable Formula percentage of debt service on the Certificates or a pro rata share of the annual debt service on the Certificates based on the Formula in effect at the time of issuance.

SECURITY AND SOURCE OF PAYMENT: The Certificates will be general obligations of the City of Blaine, secured by its full faith and credit and taxing power. Pursuant to the Agreement, the Cities will each levy taxes to provide for their proportionate share of the debt service on the Certificates. The City will use funds on hand to pay the February 1, 2019 interest payment. Thereafter, each year's first-half collection of 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: The Certificates have been structured with level debt service over a term of five years. Each of the Cities will make its first levy for the Certificates in 2018 for first collection in 2019.

SCHEDULES ATTACHED: Schedules attached for the Certificates include sources and uses of funds, estimated debt service, and estimated pro-rata debt service by City.

RISKS/SPECIAL CONSIDERATIONS: The outcome of this financing 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 size and/or maturity structure to customize the issue once the price and interest rates are set on the day of sale.

Prepayment Provisions: Based on the short duration of the Certificates, and to avoid possible negative pricing impacts, the Certificates will not be subject to redemption prior to their stated maturities.

Bank Qualification: The City expects to issue more than \$10 million in tax-exempt obligations in 2018; therefore, the Certificates are not designated as bank qualified.

\$1,145,000

City of Blaine, Minnesota

General Obligation Equipment Certificates of Indebtedness, Series 2018A

Sources & Uses

Dated 06/28/2018 | Delivered 06/28/2018

Sources Of Funds

Par Amount of Bonds..... \$1,145,000.00

Total Sources..... \$1,145,000.00

Uses Of Funds

Deposit to Project Construction Fund..... 1,096,479.00

Costs of Issuance..... 33,875.00

Total Underwriter's Discount (1.200%)..... 13,740.00

Rounding Amount..... 906.00

Total Uses..... \$1,145,000.00

\$1,145,000

City of Blaine, Minnesota

General Obligation Equipment Certificates of Indebtedness, Series 2018A

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	105% Levy
02/01/2019	-	-	15,140.75	15,140.75	15,897.79
02/01/2020	220,000.00	2.000%	25,590.00	245,590.00	257,869.50
02/01/2021	225,000.00	2.100%	21,190.00	246,190.00	258,499.50
02/01/2022	225,000.00	2.250%	16,465.00	241,465.00	253,538.25
02/01/2023	235,000.00	2.350%	11,402.50	246,402.50	258,722.63
02/01/2024	240,000.00	2.450%	5,880.00	245,880.00	258,174.00
Total	\$1,145,000.00	-	\$95,668.25	\$1,240,668.25	\$1,302,701.66

SIGNIFICANT DATES

Dated.....	6/28/2018
Delivery Date.....	6/28/2018
First Coupon Date.....	2/01/2019

Yield Statistics

Bond Year Dollars.....	\$4,162.46
Average Life.....	3.635 Years
Average Coupon.....	2.2983593%
Net Interest Cost (NIC).....	2.6284527%
True Interest Cost (TIC).....	2.6462730%
Bond Yield for Arbitrage Purposes.....	2.2958256%
All Inclusive Cost (AIC).....	3.5334479%

IRS Form 8038

Net Interest Cost.....	2.2983593%
Weighted Average Maturity.....	3.635 Years

Interest rates are estimates. Changes in rates may cause significant alterations to this schedule. The actual underwriter's discount bid may also vary.

\$1,145,000

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105% DEBT SERVICE BY CITY

Date	City of Blaine	City of Mounds View	City of Spring Lake Park	Total
	75.633%	16.373%	7.994%	
02/01/2019	12,023.97	2,602.94	1,270.87	15,897.79
02/01/2020	195,034.44	42,220.97	20,614.09	257,869.50
02/01/2021	195,510.93	42,324.12	20,664.45	258,499.50
02/01/2022	191,758.58	41,511.82	20,267.85	253,538.25
02/01/2023	195,679.68	42,360.66	20,682.29	258,722.63
02/01/2024	195,264.74	42,270.83	20,638.43	258,174.00
Total	\$985,272.35	\$213,291.34	\$104,137.97	\$1,302,701.66

SIGNIFICANT DATES

Dated.....	6/28/2018
Delivery Date.....	6/28/2018
First Coupon Date.....	2/01/2019