

City of Blaine, Minnesota

Recommendations for Issuance of Bonds

\$5,075,000 General Obligation Capital Improvement Refunding Bonds, Series 2013A

The Council has under consideration the issuance of bonds to refinance the Series 2005A Capital Improvement Bonds. This document provides information relative to the proposed issuance. Complete bidder information will be provided in a separate document.

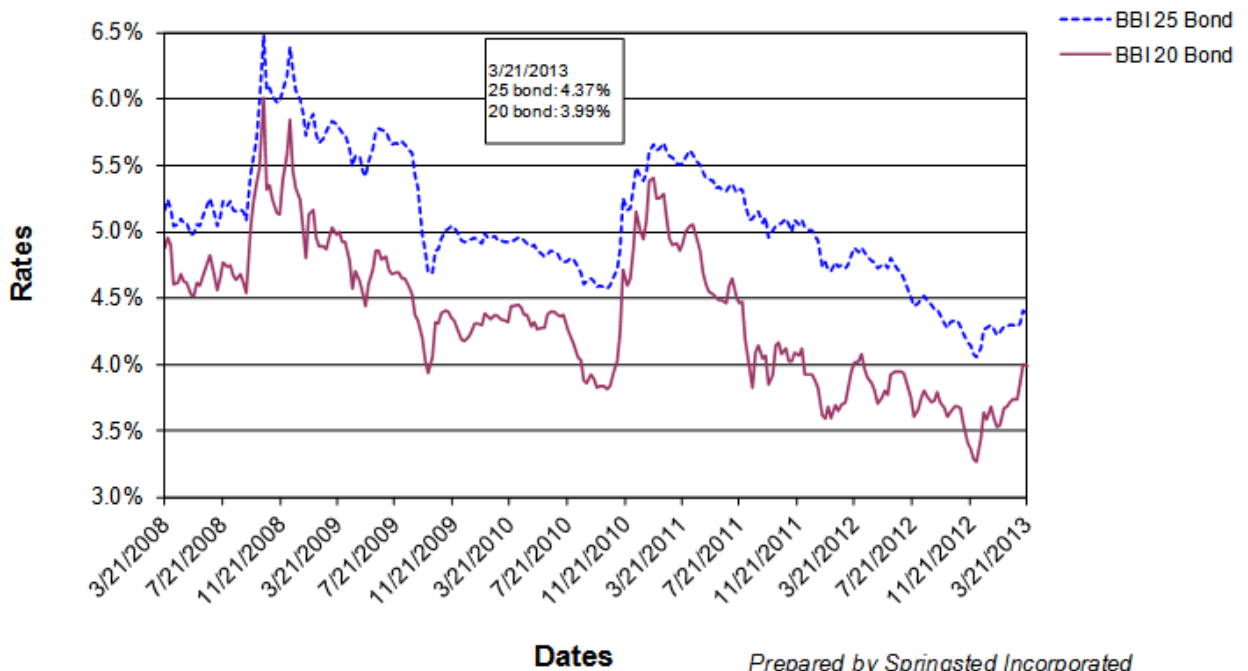
KEY EVENTS: The following summary schedule includes the timing of some of the key events that will occur relative to the bond issuance.

April 4, 2013	Council set sale date and terms
Week of April 22, 2013 (est.)	Rating conference and receipt of rating
May 2, 2013, 10:00 a.m.	Competitive proposals are received
May 2, 2013, 7:30 p.m.	Council considers award of bonds
May 30, 2013	Proceeds are received

RATING: An application will be made to Moody's Investors Service for a rating on the Bonds. 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 3/21/2013



Prepared by Springsted Incorporated

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. As the issuance of the bonds is being conducted as an advance refunding, the City will not meet an expenditure exception for rebate. The proceeds of the bonds will be invested in an escrow account until the call date of the refunded bonds. Federal regulations do not permit investment earnings on the escrow account to exceed the yield on the bonds; Therefore, no excess arbitrage will be earned. Yield restriction provisions also apply to the debt service fund under certain conditions and the fund should be monitored throughout the life of the 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 this issue 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.

PURPOSE:

The proceeds of the Bonds will be used to refund the February 1, 2017 through 2026 maturities of the City's General Obligation Capital Improvement Bonds, Series 2005A (the "Prior Bonds"), dated December 1, 2005. The maturities to be refunded are currently outstanding in the aggregate principal amount of \$4,805,000. The February 1, 2014 through 2016 maturities are not callable and will not be refunded. The purpose of the refunding is to achieve interest cost savings.

Proceeds of the Prior Bonds were used to finance the acquisition, construction and furnishing of buildings and equipment for municipal fire protection.

AUTHORITY:

Statutory Authority: The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475.

Joint Powers Agreement: The City of Blaine has entered into a Joint Powers Agreement (the "Agreement") with the cities of Spring Lake Park and Mounds View. 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. Spring Lake Park and Mounds View have passed resolutions indicating they are in favor of the issuance of bonds to refund the Prior Bonds.

Statutory Requirements: The Minnesota statutory minimum savings level for advance refunding transactions is 3% of the present value of refunded debt service. **The sale of the Bonds is expected to generate savings of approximately 5.82% of the present value of refunded debt service.**

**SECURITY AND
SOURCE OF
PAYMENT:**

The Bonds will be general obligations of the City, secured by its full faith and credit and taxing power and will be paid from general ad valorem tax levies.

Under the Agreement, each City is responsible for its respective share of the costs pursuant to the formula (the "Formula") detailed in the Agreement.

**STRUCTURING
SUMMARY:**

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

The issuance of the Bonds is being conducted as a "crossover" advance refunding in which the proceeds of the Bonds are placed in an escrow account with a major bank and invested in government securities. These investments and their earnings are structured to pay interest on the Prior Bonds to and including February 1, 2016 (the call date of the Prior Bonds), at which time the escrow account will also prepay the February 1, 2017 through 2026 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, 2016 call date. After the call date, the City will cross over and begin making debt service payments on the new refunding Bonds, taking advantage of the lower interest rates.

Based on current interest rate estimates, the refunding is projected to result in the City realizing an average cash flow savings of approximately \$33,900 per year. This results in future value savings of approximately \$342,100, with a net present value benefit to the City of approximately \$301,000. These estimates are net of all costs associated with the refunding.

**SCHEDULES
ATTACHED:**

Schedules attached include the preliminary feasibility summary, estimated debt service requirements and interest cost savings, given the current interest rate environment.

**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: The Bonds maturing on or after February 1, 2024 may be prepaid at a price of par plus accrued interest on or after February 1, 2023.

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 2013; therefore, the Bonds will be designated as bank qualified.

**FEDERAL
CONSIDERATIONS
AND/OR
REQUIREMENTS:**

The Bonds are an advance refunding under federal tax law and may not themselves be advance refunded using tax exempt bonds. If market conditions permit, a current refunding could be done at or after the call date. Tax exempt advance refunding transactions have more restrictive federal arbitrage limitations than current refunding issues as they pertain to the escrow account. Coincident with the sale of the Bonds, a verification agent will be retained by the City to confirm that the refunding escrow is in compliance with federal yield restrictions and will also verify the adequacy of the escrow to satisfy its cash flow requirements.

\$5,075,000

City of Blaine, Minnesota

General Obligation Capital Improvement Refunding Bonds, Series 2013A

Crossover Refunding of Series 2005A

Preliminary Feasibility Summary

Dated 05/30/2013 | Delivered 05/30/2013

Sources Of Funds

Par Amount of Bonds.....	\$5,075,000.00
Total Sources.....	\$5,075,000.00

Uses Of Funds

Deposit to Crossover Escrow Fund.....	4,970,662.15
Costs of Issuance.....	60,000.00
Total Underwriter's Discount (0.825%).....	41,868.75
Rounding Amount.....	2,469.10
Total Uses.....	\$5,075,000.00

ISSUES REFUNDED AND CALL INFORMATION

Prior Issue Call Price.....	100.000%
Prior Issue Call Date.....	2/01/2016

SAVINGS INFORMATION

Net Future Value Benefit.....	\$342,174.10
Net Present Value Benefit.....	\$301,071.13
Net PV Benefit / \$5,170,435.56 PV Refunded Debt Service.....	5.823%

BOND STATISTICS

Average Life.....	8.302 Years
Average Coupon.....	1.6993494%
Net Interest Cost (NIC).....	1.7987235%
True Interest Cost (TIC).....	1.7978917%

\$5,075,000

City of Blaine, Minnesota

General Obligation Capital Improvement Refunding Bonds, Series 2013A

Crossover Refunding of Series 2005A

Debt Service Comparison

Date	Total P+I	Escrow	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2014	52,342.19	(52,342.19)	587,302.50	587,302.50	587,302.50	-
02/01/2015	78,187.50	(78,187.50)	588,812.50	588,812.50	588,812.50	-
02/01/2016	78,187.50	(4,883,187.50)	5,394,752.50	589,752.50	589,752.50	-
02/01/2017	558,187.50	-	-	558,187.50	590,122.50	31,935.00
02/01/2018	554,587.50	-	-	554,587.50	589,922.50	35,335.00
02/01/2019	555,267.50	-	-	555,267.50	588,945.00	33,677.50
02/01/2020	559,932.50	-	-	559,932.50	592,175.00	32,242.50
02/01/2021	553,250.00	-	-	553,250.00	589,400.00	36,150.00
02/01/2022	555,825.00	-	-	555,825.00	590,800.00	34,975.00
02/01/2023	557,240.00	-	-	557,240.00	591,400.00	34,160.00
02/01/2024	562,970.00	-	-	562,970.00	596,200.00	33,230.00
02/01/2025	562,900.00	-	-	562,900.00	595,000.00	32,100.00
02/01/2026	562,100.00	-	-	562,100.00	598,000.00	35,900.00
Total	\$5,790,977.19	(5,013,717.19)	\$6,570,867.50	\$7,348,127.50	\$7,687,832.50	\$339,705.00

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings.....	339,705.00
Gross PV Debt Service Savings.....	298,602.03
Net PV Cashflow Savings @ 1.690%(Bond Yield).....	298,602.03
Contingency or Rounding Amount.....	2,469.10
Net Future Value Benefit.....	\$342,174.10
Net Present Value Benefit.....	\$301,071.13
Net PV Benefit / \$1,001,282.53 PV Refunded Interest.....	30.069%
Net PV Benefit / \$5,170,435.56 PV Refunded Debt Service.....	5.823%
Net PV Benefit / \$4,805,000 Refunded Principal.....	6.266%
Net PV Benefit / \$5,075,000 Refunding Principal.....	5.932%

Refunding Bond Information

Refunding Dated Date.....	5/30/2013
Refunding Delivery Date.....	5/30/2013

\$8,050,000
City of Blaine, Minnesota
General Obligation Capital Improvement Bonds, Series 2005A

Debt Service To Call And To Maturity

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/01/2013	-	95,061.25	95,061.25	-	-	95,061.25	95,061.25
02/01/2014	-	95,061.25	95,061.25	-	3.800%	95,061.25	95,061.25
08/01/2014	-	95,061.25	95,061.25	-	-	95,061.25	95,061.25
02/01/2015	-	95,061.25	95,061.25	-	3.800%	95,061.25	95,061.25
08/01/2015	-	95,061.25	95,061.25	-	-	95,061.25	95,061.25
02/01/2016	4,805,000.00	95,061.25	4,900,061.25	-	3.800%	95,061.25	95,061.25
08/01/2016	-	-	-	-	-	95,061.25	95,061.25
02/01/2017	-	-	-	400,000.00	3.800%	95,061.25	495,061.25
08/01/2017	-	-	-	-	-	87,461.25	87,461.25
02/01/2018	-	-	-	415,000.00	3.850%	87,461.25	502,461.25
08/01/2018	-	-	-	-	-	79,472.50	79,472.50
02/01/2019	-	-	-	430,000.00	3.900%	79,472.50	509,472.50
08/01/2019	-	-	-	-	-	71,087.50	71,087.50
02/01/2020	-	-	-	450,000.00	3.950%	71,087.50	521,087.50
08/01/2020	-	-	-	-	-	62,200.00	62,200.00
02/01/2021	-	-	-	465,000.00	4.000%	62,200.00	527,200.00
08/01/2021	-	-	-	-	-	52,900.00	52,900.00
02/01/2022	-	-	-	485,000.00	4.000%	52,900.00	537,900.00
08/01/2022	-	-	-	-	-	43,200.00	43,200.00
02/01/2023	-	-	-	505,000.00	4.000%	43,200.00	548,200.00
08/01/2023	-	-	-	-	-	33,100.00	33,100.00
02/01/2024	-	-	-	530,000.00	4.000%	33,100.00	563,100.00
08/01/2024	-	-	-	-	-	22,500.00	22,500.00
02/01/2025	-	-	-	550,000.00	4.000%	22,500.00	572,500.00
08/01/2025	-	-	-	-	-	11,500.00	11,500.00
02/01/2026	-	-	-	575,000.00	4.000%	11,500.00	586,500.00
Total	\$4,805,000.00	\$570,367.50	\$5,375,367.50	\$4,805,000.00	-	\$1,687,332.50	\$6,492,332.50

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation.....	5/30/2013
Average Life.....	8.503 Years
Average Coupon.....	3.9760608%
Weighted Average Maturity (Par Basis).....	8.503 Years

Refunding Bond Information

Refunding Dated Date.....	5/30/2013
Refunding Delivery Date.....	5/30/2013

\$5,075,000

City of Blaine, Minnesota
 General Obligation Capital Improvement Refunding Bonds, Series 2013A
 Crossover Refunding of Series 2005A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+	Paid from Escrow Account	Net P+	105% Overlevy	Blaine	Mounds View	Spring Lake Park
02/01/2014	-	-	52,342.19	52,342.19	52,342.19	-	-	-	-	-
02/01/2015	-	-	78,187.50	78,187.50	78,187.50	-	-	-	-	-
02/01/2016	-	-	78,187.50	78,187.50	78,187.50	-	-	-	-	-
02/01/2017	480,000.00	0.750%	78,187.50	558,187.50	-	558,187.50	586,096.88	445,023.36	88,471.32	52,602.19
02/01/2018	480,000.00	0.900%	74,587.50	554,587.50	-	554,587.50	582,316.88	442,153.20	87,900.73	52,262.94
02/01/2019	485,000.00	1.100%	70,267.50	555,267.50	-	555,267.50	583,030.88	442,695.34	88,008.51	52,327.02
02/01/2020	495,000.00	1.350%	64,932.50	559,932.50	-	559,932.50	587,929.13	446,414.58	88,747.90	52,766.64
02/01/2021	495,000.00	1.500%	58,250.00	553,250.00	-	553,250.00	580,912.50	441,086.86	87,688.74	52,136.90
02/01/2022	505,000.00	1.700%	50,825.00	555,825.00	-	555,825.00	583,616.25	443,139.82	88,096.87	52,379.56
02/01/2023	515,000.00	1.800%	42,240.00	557,240.00	-	557,240.00	585,102.00	444,267.95	88,321.15	52,512.90
02/01/2024	530,000.00	1.900%	32,970.00	562,970.00	-	562,970.00	591,118.50	448,836.28	89,229.34	53,052.89
02/01/2025	540,000.00	2.000%	22,900.00	562,900.00	-	562,900.00	591,045.00	448,780.47	89,218.24	53,046.29
02/01/2026	550,000.00	2.200%	12,100.00	562,100.00	-	562,100.00	590,205.00	448,142.66	89,091.44	52,970.90
Total	\$5,075,000.00	-	\$715,977.19	\$5,790,977.19	\$208,717.19	\$5,582,260.00	\$5,861,373.00	\$4,450,540.52	\$884,774.25	\$526,058.23

Yield Statistics

Bond Year Dollars.....	\$42,132.43
Average Life.....	8.302 Years
Average Coupon.....	1.6993494%
Net Interest Cost (NIC).....	1.7987235%
True Interest Cost (TIC).....	1.7978917%
Bond Yield for Arbitrage Purposes.....	1.6901452%
All Inclusive Cost (AIC).....	1.9542259%
IRS Form 8038	
Net Interest Cost.....	1.6993494%
Weighted Average Maturity.....	8.302 Years

Note: Percentages for each City represent taxes payable in 2013; the percentages are recalculated annually.