

City of Blaine, Minnesota

Recommendations for Issuance of Certificates

\$2,515,000 General Obligation Certificates of Indebtedness, Series 2014B

The Council has under consideration the issuance of Certificates to fund the acquisition of various equipment (the "Certificates"). This document provides information relative to the proposed issuance.

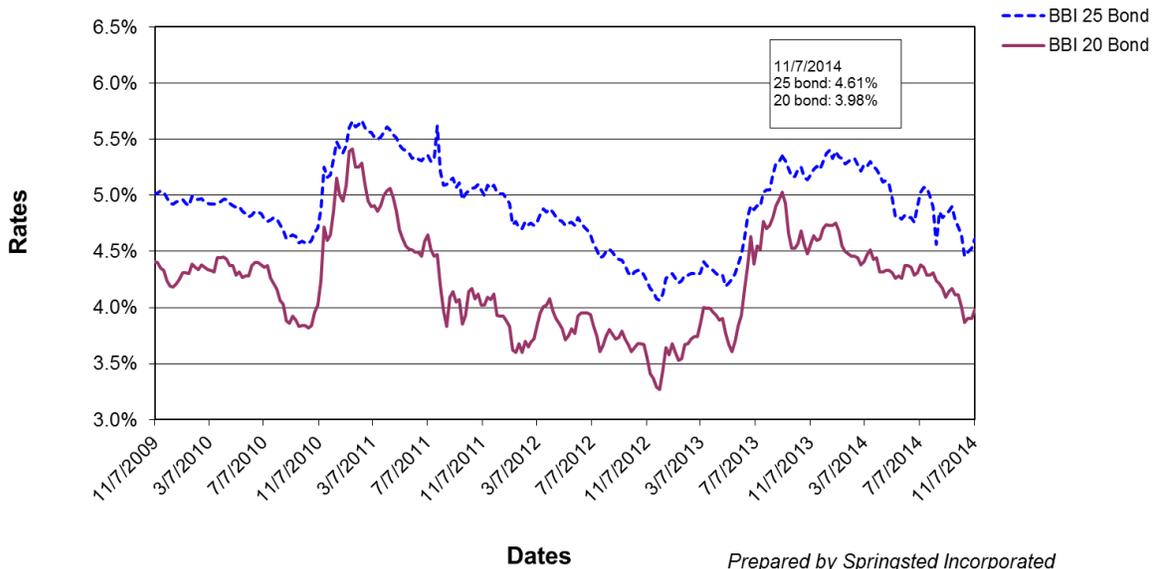
KEY EVENTS: The following summary schedule includes the timing of some of the key events that will occur relative to the issuance of the Certificates.

November 6, 2014	Council authorizes the issuance of Certificates
November 20, 2014	Council authorizes Parameter's Resolution
Week of November 24, 2014	Rating Conference Call
December 11, 2014, 10:00 a.m.	Competitive proposals are received
December 11, 2014, following the receipt of proposals	Pricing Committee considers award of Certificates
December 16, 2014 7:00 p.m.	Results reported to Council
December 30, 2014	Proceeds are received

RATING: An application will be made to Standard & Poor's Rating Services for a rating on the Certificates. The City's general obligation debt is currently rated "AA+" by S&P.

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 year for general obligation bonds (the BBI 20 Bond Index) and the 30th year for revenue bonds (the BBI 25 Bond Index). 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 11/7/2014



Prepared by Springsted Incorporated

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 the Certificates have 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. You should not spend interest earnings on gross bond proceeds or debt service funds until you are comfortable based on actual facts that they are not "excess earnings" as defined by the IRS Code. The arbitrage rules provide 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 are actual tests, not reasonable expectations, and expenditures, including any investment proceeds will have to meet the test to qualify for the exclusion. Regardless of whether the issue qualifies for exemption from the rebate provisions, yield restriction provisions will apply to the debt service fund under certain conditions and any project proceeds unspent after three years. These funds should be monitored throughout the life of the Certificates.

The City expects to meet the 18-month spending exception.

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:

Proceeds of the Certificates will be used to fund the acquisition of various capital equipment, including rolling stock and equipment for public safety, public works and parks and recreation, and various information technology and phone equipment.

AUTHORITY:

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

Statutory Requirements: Minnesota Statutes, Section 412.301, specifies that the City may issue certificates of indebtedness without being subject to a 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 City. Based on the City's 2013/2014 estimated market value of \$4,699,393,600 this represents a maximum issue size of \$11,748,484. This issuance of \$2,515,000 is within that limitation and is not subject to taxpayer petition for a referendum.

SECURITY AND SOURCE OF PAYMENT:

The Certificates are a general obligation of the City, secured by its full faith and credit and taxing power and will be repaid from general ad valorem tax levies.

The City made its first levy for the Certificates in 2014 for collection in 2015. Each year's first-half collection of taxes will be used to pay the interest payment due August 1 in the year of collection and second-half collections, plus surplus first half collections, will be used to pay the February 1 principal and interest payment due in the following year.

STRUCTURING SUMMARY:

At the direction of City staff the Certificates have been structured over 6 years with substantially level annual levy requirements.

The principal amount of the Certificates was determined by taking into account the expectation that the Certificates will be priced by the underwriter with a premium couponing structure consistent with prevailing market conditions. In the event actual pricing results in an original issue premium is less than projected, the principal amount of the Certificates may increase over what is presented here. The Parameters Resolution will provide for a total principal amount not to exceed \$2,600,000.

SCHEDULES ATTACHED:

Schedules attached include the sources and uses of funds, pricing summary based on projected interest rate coupons and yields and the estimated debt service requirements for the Certificates.

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 does not expect to issue more than \$10 million in tax-exempt obligations that count against the \$10 million limit for 2014; therefore, the Certificates are designated as bank qualified.

\$2,515,000

City of Blaine, Minnesota

General Obligation Equipment Certificates of Indebtedness, Series 2014B
6 year Term Competitive Sale

Sources & Uses

Dated 12/30/2014 | Delivered 12/30/2014

Sources Of Funds

Par Amount of Bonds.....	\$2,515,000.00
Reoffering Premium.....	64,802.30

Total Sources..... \$2,579,802.30

Uses Of Funds

Deposit to Project Construction Fund.....	2,533,615.00
Costs of Issuance.....	31,950.00
Total Underwriter's Discount (0.500%).....	12,575.00
Rounding Amount.....	1,662.30

Total Uses..... \$2,579,802.30

\$2,515,000

City of Blaine, Minnesota
General Obligation Equipment Certificates of Indebtedness, Series 2014B
6 year Term Competitive Sale

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2016	Serial Coupon	2.000%	0.500%	395,000.00	101.622%	401,406.90
02/01/2017	Serial Coupon	2.000%	0.700%	410,000.00	102.687%	421,016.70
02/01/2018	Serial Coupon	2.000%	0.900%	415,000.00	103.340%	428,861.00
02/01/2019	Serial Coupon	2.000%	1.150%	425,000.00	103.382%	439,373.50
02/01/2020	Serial Coupon	2.000%	1.450%	430,000.00	102.686%	441,549.80
02/01/2021	Serial Coupon	2.000%	1.700%	440,000.00	101.726%	447,594.40
Total	-	-	-	\$2,515,000.00	-	\$2,579,802.30

Bid Information

Par Amount of Bonds.....	\$2,515,000.00
Reoffering Premium or (Discount).....	64,802.30
Gross Production.....	\$2,579,802.30
Total Underwriter's Discount (0.500%).....	\$(12,575.00)
Bid (102.077%).....	2,567,227.30
Total Purchase Price.....	\$2,567,227.30
Bond Year Dollars.....	\$9,166.57
Average Life.....	3.645 Years
Average Coupon.....	2.000000%
Net Interest Cost (NIC).....	1.4302416%
True Interest Cost (TIC).....	1.4100481%

\$2,515,000

City of Blaine, Minnesota
General Obligation Equipment Certificates of Indebtedness, Series 2014B
6 year Term Competitive Sale

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	105% Levy	Fiscal Total
12/30/2014	-	-	-	-	-	-
08/01/2015	-	-	29,481.39	29,481.39	30,955.46	-
02/01/2016	395,000.00	2.000%	25,150.00	420,150.00	441,157.50	472,112.96
08/01/2016	-	-	21,200.00	21,200.00	22,260.00	-
02/01/2017	410,000.00	2.000%	21,200.00	431,200.00	452,760.00	475,020.00
08/01/2017	-	-	17,100.00	17,100.00	17,955.00	-
02/01/2018	415,000.00	2.000%	17,100.00	432,100.00	453,705.00	471,660.00
08/01/2018	-	-	12,950.00	12,950.00	13,597.50	-
02/01/2019	425,000.00	2.000%	12,950.00	437,950.00	459,847.50	473,445.00
08/01/2019	-	-	8,700.00	8,700.00	9,135.00	-
02/01/2020	430,000.00	2.000%	8,700.00	438,700.00	460,635.00	469,770.00
08/01/2020	-	-	4,400.00	4,400.00	4,620.00	-
02/01/2021	440,000.00	2.000%	4,400.00	444,400.00	466,620.00	471,240.00
Total	\$2,515,000.00	-	\$183,331.39	\$2,698,331.39	\$2,833,247.96	-

SIGNIFICANT DATES

Dated..... 12/30/2014
Delivery Date..... 12/30/2014
First Coupon Date..... 8/01/2015

Yield Statistics

Bond Year Dollars..... \$9,166.57
Average Life..... 3.645 Years
Average Coupon..... 2.00000000%
Net Interest Cost (NIC)..... 1.4302416%
True Interest Cost (TIC)..... 1.4100481%
Bond Yield for Arbitrage Purposes..... 1.2705410%
All Inclusive Cost (AIC)..... 1.7687837%

IRS Form 8038

Net Interest Cost..... 1.2605478%
Weighted Average Maturity..... 3.645 Years

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