

City of Blaine, Minnesota Pre-Sale Summary for Issuance of Bonds

\$10,715,000 General Obligation Improvement Bonds, Series 2020A

The City Council has under consideration the issuance of bonds (the “Bonds”) to finance various street improvement projects within the City. This document provides information relative to the proposed issuance.

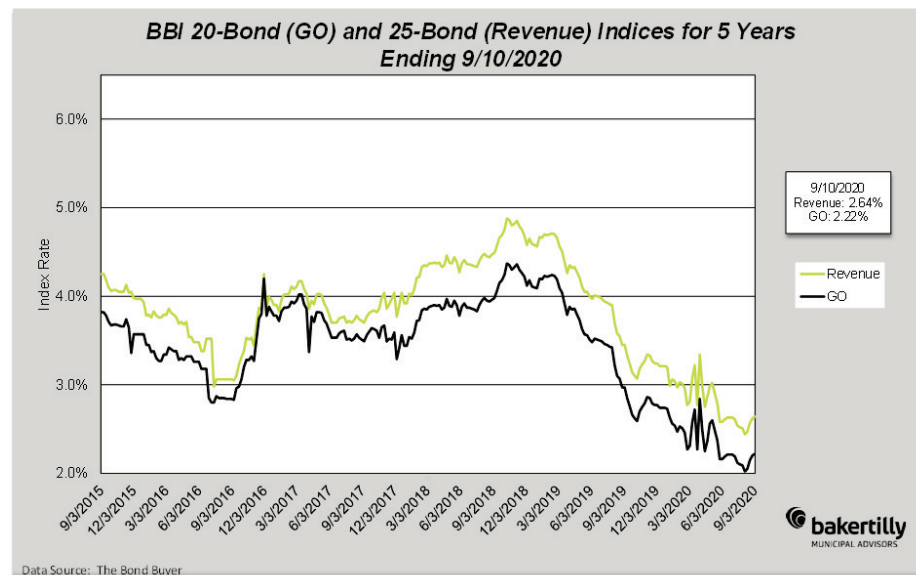
On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) to be a global pandemic. The municipal bond market experienced significant volatility in the weeks following this declaration. While market volatility has lessened since the onset of the pandemic, conditions could change in a way that impacts the City’s ability to issue the proposed Bonds on the timeline, at the interest rate estimates, or under the method of sale presented in this Pre-Sale Summary. This document and corresponding schedules are based on estimates made at the time this document was prepared. In the time leading up to the City’s sale, BTMA will continue to monitor the market on the City’s behalf and, if necessary, work with the City to address issues and/or identify alternative approaches to the City’s financing.

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

September 21, 2020	Council sets sale date and terms
Week of October 5, 2020	Rating conference is conducted
October 19, 2020, 11:00 a.m.	Competitive proposals are received
October 19, 2020, 7:30 p.m.	Council considers award of the Bonds
November 19, 2020	Proceeds are received

RATING: An application will be made to S&P Global Ratings (S&P) for a rating on the Bonds. The City’s general obligation debt is currently rated “AAA” 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 rated Aa2 by Moody’s or AA by S&P (the BBI 20-Bond GO Index) and the 30th year for revenue bonds rated A1 by Moody’s or A+ by S&P (the BBI 25-Bond Revenue Index). The following chart illustrates these two indices over the past five years:



PURPOSE:

Proceeds of the Bonds, along with \$2,000,000 of Minnesota State Aid and \$1,783,000 of available City funds as shown in greater detail in the “Sources and Uses” schedule, will be used to finance various street improvement projects within the City, including: Jefferson Area Side streets, Cloverleaf Parkway, and 2019 Reconstructions (Phase 2).

AUTHORITY:

Statutory Authority: The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429 and 475.

Statutory Requirements: Pursuant to Minnesota Statutes, Chapter 429, at least 20% of the City’s share of the estimated cost of the projects must be paid from special assessments. The street improvement projects being financed with the Bonds meet this requirement.

**SECURITY AND
SOURCE OF
PAYMENT:**

The Bonds are a general obligation of the City, secured by its full faith and credit and taxing power. In addition, the City will pledge special assessments against benefited properties for repayment of a portion of the debt service on the Bonds.

The City will make its first levy in 2020 for collection in 2021. Each year’s collection of taxes and assessments will be used to make the August 1 interest payment due in the collection year and the February 1 principal and interest payment due in the following year.

Special assessments in the principal amount of \$4,053,226 are expected to be filed in the fall of 2020 for first collection in 2021. The assessments will be collected over a term of fifteen years with equal payments of principal. Interest on the unpaid balance will be charged at a rate of 3.50% as provided by the City.

**STRUCTURING
SUMMARY:**

In consultation with City staff, the Bonds have been structured over a term of fifteen years incorporating the estimated assessment collections to result in an approximately level overall levy requirement.

**SCHEDULES
ATTACHED:**

Schedules for the Bonds include (i) sources and uses of funds, (ii) estimated pricing summary given the current interest rate environment, (iii) estimated debt service schedules, given the current interest rate environment, and (iv) an estimated assessment schedule.

**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.

The Bonds have been structured with a reasonable estimate of premium pricing, given current market conditions. There is no guaranty that the winning bidder will price this issue with a premium in the amount estimated. Actual bids received on the day of sale may result in a smaller or larger issue size than estimated here.

**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: Bonds maturing on or after February 1, 2029 may be prepaid at a price of par plus accrued interest on or after February 1, 2028.

Bank Qualification: The City is issuing more than \$10 million in tax-exempt obligations in 2020; therefore, the Bonds are not designated as bank qualified.

Premium Bidding: Any excess proceeds generated on the Bonds as original issue premium and/or unused discount will be used to reduce the principal amount of the borrowing.

**POST ISSUANCE
COMPLIANCE:**

The issuance of the Bonds 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 Bonds. 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, for certain construction issues, a 24-month period each 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 Bond proceeds (including interest earnings) unspent after three years and the debt service fund throughout the term of the Bonds. These moneys should be monitored until the Bonds are retired.

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.

Baker Tilly Municipal Advisors (Baker Tilly MA) currently provides both arbitrage and continuing disclosure services to the City. Baker Tilly MA will work with City staff to include the Bonds under the existing 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.

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\$10,715,000
City of Blaine, Minnesota
General Obligation Improvement Bonds, Series 2020A

Sources & Uses

Dated 11/19/2020 | Delivered 11/19/2020

Sources Of Funds

Par Amount of Bonds.....	\$10,715,000.00
Minnesota State Aid.....	2,000,000.00
Previously Bonded Funds (2019A Bonds).....	1,216,800.00
City Utility Funds.....	566,700.00
Reoffering Premium.....	278,322.55

Total Sources..... \$14,776,822.55

Uses Of Funds

Deposit to Project Construction Fund.....	14,603,082.00
Total Underwriter's Discount (1.000%).....	107,150.00
Costs of Issuance.....	62,565.00
Rounding Amount.....	4,025.55

Total Uses..... \$14,776,822.55

\$10,715,000
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Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2022	Serial Coupon	2.000%	0.450%	675,000.00	101.852%	687,501.00
02/01/2023	Serial Coupon	2.000%	0.500%	700,000.00	103.277%	722,939.00
02/01/2024	Serial Coupon	2.000%	0.550%	705,000.00	104.592%	737,373.60
02/01/2025	Serial Coupon	2.000%	0.600%	710,000.00	105.797%	751,158.70
02/01/2026	Serial Coupon	2.000%	0.650%	715,000.00	106.891%	764,270.65
02/01/2027	Serial Coupon	2.000%	0.700%	720,000.00	107.873%	776,685.60
02/01/2028	Serial Coupon	2.000%	0.750%	725,000.00	108.744%	788,394.00
02/01/2029	Serial Coupon	0.800%	0.800%	730,000.00	100.000%	730,000.00
02/01/2030	Serial Coupon	0.850%	0.850%	725,000.00	100.000%	725,000.00
02/01/2031	Serial Coupon	0.900%	0.900%	725,000.00	100.000%	725,000.00
02/01/2032	Serial Coupon	0.950%	0.950%	720,000.00	100.000%	720,000.00
02/01/2033	Serial Coupon	1.100%	1.100%	720,000.00	100.000%	720,000.00
02/01/2034	Serial Coupon	1.150%	1.150%	715,000.00	100.000%	715,000.00
02/01/2035	Serial Coupon	1.200%	1.200%	715,000.00	100.000%	715,000.00
02/01/2036	Serial Coupon	1.250%	1.250%	715,000.00	100.000%	715,000.00
Total	-	-	-	\$10,715,000.00	-	\$10,993,322.55

Bid Information

Par Amount of Bonds.....	\$10,715,000.00
Reoffering Premium or (Discount).....	278,322.55
Gross Production.....	\$10,993,322.55
Total Underwriter's Discount (1.000%).....	\$(107,150.00)
Bid (101.598%).....	10,886,172.55
Total Purchase Price.....	\$10,886,172.55
Bond Year Dollars.....	\$88,348.00
Average Life.....	8.245 Years
Average Coupon.....	1.2794777%
Net Interest Cost (NIC).....	1.0857297%
True Interest Cost (TIC).....	1.0789241%

\$10,715,000

City of Blaine, Minnesota
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NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	Net New D/S	105% of Total	Assessment	Levy Required
02/01/2021	-	-	-	-	-	-	-	-
02/01/2022	675,000.00	2.000%	189,633.00	864,633.00	864,633.00	907,864.65	428,628.68	479,235.97
02/01/2023	700,000.00	2.000%	144,527.50	844,527.50	844,527.50	886,753.88	402,620.46	484,133.42
02/01/2024	705,000.00	2.000%	130,527.50	835,527.50	835,527.50	877,303.88	393,162.94	484,140.94
02/01/2025	710,000.00	2.000%	116,427.50	826,427.50	826,427.50	867,748.88	383,705.42	484,043.46
02/01/2026	715,000.00	2.000%	102,227.50	817,227.50	817,227.50	858,088.88	374,247.88	483,841.00
02/01/2027	720,000.00	2.000%	87,927.50	807,927.50	807,927.50	848,323.88	364,790.36	483,533.52
02/01/2028	725,000.00	2.000%	73,527.50	798,527.50	798,527.50	838,453.88	355,332.84	483,121.04
02/01/2029	730,000.00	0.800%	59,027.50	789,027.50	789,027.50	828,478.88	345,875.30	482,603.58
02/01/2030	725,000.00	0.850%	53,187.50	778,187.50	778,187.50	817,096.88	336,417.78	480,679.10
02/01/2031	725,000.00	0.900%	47,025.00	772,025.00	772,025.00	810,626.25	326,960.24	483,666.01
02/01/2032	720,000.00	0.950%	40,500.00	760,500.00	760,500.00	798,525.00	317,502.72	481,022.28
02/01/2033	720,000.00	1.100%	33,660.00	753,660.00	753,660.00	791,343.00	308,045.20	483,297.80
02/01/2034	715,000.00	1.150%	25,740.00	740,740.00	740,740.00	777,777.00	298,587.66	479,189.34
02/01/2035	715,000.00	1.200%	17,517.50	732,517.50	732,517.50	769,143.38	289,130.14	480,013.24
02/01/2036	715,000.00	1.250%	8,937.50	723,937.50	723,937.50	760,134.38	279,672.60	480,461.78
Total	\$10,715,000.00	-	\$1,130,393.00	\$11,845,393.00	\$11,845,393.00	\$12,437,662.65	\$5,204,680.22	\$7,232,982.43

Dated..... 11/19/2020
Delivery Date..... 11/19/2020
First Coupon Date..... 8/01/2021

Yield Statistics

Bond Year Dollars..... \$88,348.00
Average Life..... 8.245 Years
Average Coupon..... 1.2794777%

Net Interest Cost (NIC)..... 1.0857297%
True Interest Cost (TIC)..... 1.0789241%
Bond Yield for Arbitrage Purposes..... 0.9520462%
All Inclusive Cost (AIC)..... 1.1538056%

IRS Form 8038

Net Interest Cost..... 0.9493396%
Weighted Average Maturity..... 8.164 Years

\$4,053,226

City of Blaine, Minnesota
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Assessments

ASSESSMENT INCOME

Date	Principal	Coupon	Interest	Total P+I
12/31/2020	-	-	-	-
12/31/2021	270,215.09	3.500%	158,413.59	428,628.68
12/31/2022	270,215.08	3.500%	132,405.38	402,620.46
12/31/2023	270,215.08	3.500%	122,947.86	393,162.94
12/31/2024	270,215.08	3.500%	113,490.34	383,705.42
12/31/2025	270,215.08	3.500%	104,032.80	374,247.88
12/31/2026	270,215.08	3.500%	94,575.28	364,790.36
12/31/2027	270,215.08	3.500%	85,117.76	355,332.84
12/31/2028	270,215.08	3.500%	75,660.22	345,875.30
12/31/2029	270,215.08	3.500%	66,202.70	336,417.78
12/31/2030	270,215.08	3.500%	56,745.16	326,960.24
12/31/2031	270,215.08	3.500%	47,287.64	317,502.72
12/31/2032	270,215.08	3.500%	37,830.12	308,045.20
12/31/2033	270,215.08	3.500%	28,372.58	298,587.66
12/31/2034	270,215.08	3.500%	18,915.06	289,130.14
12/31/2035	270,215.08	3.500%	9,457.52	279,672.60
Total	\$4,053,226.21	-	\$1,151,454.01	\$5,204,680.22

SIGNIFICANT DATES

Filing Date..... 11/19/2020
First Payment Date..... 12/31/2021