EHLERS
LEADERS IN PUBLIC FINANCE

April 7, 2017

Pre-Sale Report for

City of Sunfish Lake, Minnesota

$450,000 General Obligation Improvement Bonds Series 2017A

Prepared by:

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Senior Municipal Advisor

And

Jessica Cook,
Financial Specialist

Executive Summary of Proposed Debt

Proposed Issue:	$450,000 General Obligation Improvement Bonds Series 2017A
Purposes:	The proposed issue includes financing for the following purpose: • 2017-01 Street Improvement Project (Roanoke Overlay and Salem Church Road Reconstruction) Debt service will be paid from special assessments and property tax levy.
Authority:	The Bonds are being issued pursuant to Minnesota Statutes, Chapter(s): • 429 • 475 Because the City is assessing at least 20% of the project costs, the Bonds can be a general obligation without a referendum and will not count against the City's debt limit. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.
Term/Call Feature:	The Bonds are being issued for a 10-year term. Interest is payable every six months beginning February 1, 2018. The Bonds maturing on and after February 1, 2025 will be subject to prepayment at the discretion of the City on February 1, 2024 or any date thereafter.
Bank Qualification:	Because the City is expecting to issue no more than $10,000,000 in tax exempt debt during the calendar year, the City will be able to designate the Bonds as "bank qualified" obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.
Rating:	We recommend selling this issue non-rated as the cost of the rating would not be expected to be offset by the potential lower interest rates resulting from obtaining a rating. For a larger bond issue, or a longer-term bond issue, a rating might broaden the market for the Bonds and result in an overall reduction in interest costs.
Basis for Recommendation:	Based on our knowledge of your situation, your objectives communicated to us, our advisor relationship as well as characteristics of various municipal financing options, we are recommending the issuance of general obligation improvement bonds as a suitable refinancing option for the following reasons: • This is the lowest cost and best viable option available to finance street projects for which at least 20% of the project will be assessed.

	• This is the most overall cost-effective option among the other options available to refinance these types of projects.
Method of Sale/Placement:	Because the proposed bond issue is small and not rated, we are recommending against a full competitive sale and proposing to negotiate the sale of the bonds to United Bankers Bank in Bloomington, MN. Prior efforts to solicit competitive bids in 2009 and 2014 resulted in a single bidder – United Bankers Bank (“UBB”). UBB is aware that it was the only bidder on the last two sales of Sunfish Lake’s bonds and may conclude that they therefore do not need to offer the lowest possible rates on their bid for the proposed bonds, were the City to sell them by competitive bids. A negotiated sale will allow Ehlers, as MA, to ensure that the rates UBB proposes are competitive in the market on the day of sale and that the overall financing is competitive. In addition, it will reduce some of the costs of issuance association with a full competitive sale. Approval of this presale report will provide direction to Ehlers to negotiate placement of the Bonds with United Banker’s Bank. **Premium Bids:** Under current market conditions, most investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid more than face value is considered “reoffering premium.” The amount of the premium varies, but it is not uncommon to see premiums for new issues in the range of 2.00% to 10.00% of the face amount of the issue. This means that an issuer with a $450,000 offering may receive bids that result in proceeds of $459,000 to $495,000. For this issue of Bonds we have been directed to use the premium to reduce the size of the issue. The adjustments may slightly change the true interest cost of the original bid, either up or down. You have the choice to limit the amount of premium in the sale negotiation.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the City and find that there are no refunding opportunities at this time. We will continue to monitor the market and the call dates for the City’s outstanding debt and will alert you to any future refunding opportunities.
Continuing Disclosure:	Because the amount of the Bonds to be issued is less than $1,000,000, this issue will be exempt from the Continuing Disclosure requirements of the Securities and Exchange Commission (SEC) if UBB concurs or the issue is done as a private placement.

Arbitrage Monitoring:	Because the Bonds are tax-exempt obligations/tax credit obligations, the City must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Tax Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you.
Risk Factors:	**Special Assessments:** We have not assumed any pre-paid special assessments and we have assumed that assessments are levied as projected. If the City receives a significant amount of pre-paid assessments or does not levy the assessments, it may need to increase the levy portion of the debt service to make up for lower interest earnings than the expected assessment interest rate.
Other Service Providers:	This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, so their final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us. **Bond Attorney:** Kennedy & Graven, Chartered **Paying Agent:** Bond Trust Services Corporation **Rating Agency:** This issue will not be rated.

This presale report summarizes our understanding of the City's objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the City's objectives.

Proposed Debt Issuance Schedule

Pre-Sale Review by City Council:	April 7, 2017
Distribute Offering Memorandum:	Week of April 17, 2017
City Council Meeting to Award Sale of the Bonds:	May 2, 2017
Estimated Closing Date:	May 25, 2017

Attachments

Sources and Uses of Funds

Proposed Debt Service Schedule

Bond Buyer Index

Resolution Authorizing Ehlers to Proceed with Bond Sale

Ehlers Contacts

Municipal Advisors:	Steve Apfelbacher	(651) 697-8510
	Jessica Cook	(651) 697-8546
Disclosure Coordinator:	Dan Huff	(651) 697-8576
Financial Analyst:		

The Official Statement for this financing will be mailed to the City Council at their home address or e-mailed for review prior to the sale date.

City of Sunfish Lake, Minnesota

$450,000 General Obligation Improvement Bonds, Series 2017
Assumes Current Market BQ Non-Rated Rates plus 25bps

Sources & Uses

Dated 05/01/2017 | Delivered 05/01/2017

Sources Of Funds

Par Amount of Bonds	$450,000.00
Total Sources	**$450,000.00**

Uses Of Funds

Total Underwriter's Discount (1.500%)	6,750.00
Costs of Issuance	16,500.00
Deposit to Capitalized Interest (CIF) Fund	8,184.38
Deposit to Project Construction Fund	413,980.00
Rounding Amount	4,585.62
Total Uses	**$450,000.00**

City of Sunfish Lake, Minnesota

$450,000 General Obligation Improvement Bonds, Series 2017
Assumes Current Market BQ Non-Rated Rates plus 25bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
05/01/2017	-	-	-	-	-	-	-
02/01/2018	-	-	8,184.38	8,184.38	(8,184.38)	-	-
08/01/2018	-	-	5,456.25	5,456.25	-	5,456.25	-
02/01/2019	45,000.00	1.750%	5,456.25	50,456.25	-	50,456.25	55,912.50
08/01/2019	-	-	5,062.50	5,062.50	-	5,062.50	-
02/01/2020	45,000.00	1.900%	5,062.50	50,062.50	-	50,062.50	55,125.00
08/01/2020	-	-	4,635.00	4,635.00	-	4,635.00	-
02/01/2021	45,000.00	2.000%	4,635.00	49,635.00	-	49,635.00	54,270.00
08/01/2021	-	-	4,185.00	4,185.00	-	4,185.00	-
02/01/2022	45,000.00	2.200%	4,185.00	49,185.00	-	49,185.00	53,370.00
08/01/2022	-	-	3,690.00	3,690.00	-	3,690.00	-
02/01/2023	45,000.00	2.400%	3,690.00	48,690.00	-	48,690.00	52,380.00
08/01/2023	-	-	3,150.00	3,150.00	-	3,150.00	-
02/01/2024	45,000.00	2.550%	3,150.00	48,150.00	-	48,150.00	51,300.00
08/01/2024	-	-	2,576.25	2,576.25	-	2,576.25	-
02/01/2025	45,000.00	2.650%	2,576.25	47,576.25	-	47,576.25	50,152.50
08/01/2025	-	-	1,980.00	1,980.00	-	1,980.00	-
02/01/2026	45,000.00	2.800%	1,980.00	46,980.00	-	46,980.00	48,960.00
08/01/2026	-	-	1,350.00	1,350.00	-	1,350.00	-
02/01/2027	45,000.00	2.950%	1,350.00	46,350.00	-	46,350.00	47,700.00
08/01/2027	-	-	686.25	686.25	-	686.25	-
02/01/2028	45,000.00	3.050%	686.25	45,686.25	-	45,686.25	46,372.50
Total	**$450,000.00**	-	**$73,726.88**	**$523,726.88**	**(8,184.38)**	**$515,542.50**	-

Significant Dates

Dated	5/01/2017
First Coupon Date	2/01/2018

Yield Statistics

Bond Year Dollars	$2,812.50
Average Life	6.250 Years
Average Coupon	2.6214002%
Net Interest Cost (NIC)	2.8614002%
True Interest Cost (TIC)	2.8755916%
Bond Yield for Arbitrage Purposes	2.6083446%
All Inclusive Cost (AIC)	3.5526139%

IRS Form 8038

Net Interest Cost	2.6214002%
Weighted Average Maturity	6.250 Years

City of Sunfish Lake, Minnesota

$450,000 General Obligation Improvement Bonds, Series 2017

Assumes Current Market BQ Non-Rated Rates plus 25bps

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% of Total	Assessments	Levy/(Surplus)
02/01/2018	-	-	8,184.38	8,184.38	(8,184.38)	-	-	-	-
02/01/2019	45,000.00	1.750%	10,912.50	55,912.50	-	55,912.50	58,708.13	17,712.00	40,996.13
02/01/2020	45,000.00	1.900%	10,125.00	55,125.00	-	55,125.00	57,881.25	17,170.80	40,710.45
02/01/2021	45,000.00	2.000%	9,270.00	54,270.00	-	54,270.00	56,983.50	16,629.60	40,353.90
02/01/2022	45,000.00	2.200%	8,370.00	53,370.00	-	53,370.00	56,038.50	16,088.40	39,950.10
02/01/2023	45,000.00	2.400%	7,380.00	52,380.00	-	52,380.00	54,999.00	15,547.20	39,451.80
02/01/2024	45,000.00	2.550%	6,300.00	51,300.00	-	51,300.00	53,865.00	15,006.00	38,859.00
02/01/2025	45,000.00	2.650%	5,152.50	50,152.50	-	50,152.50	52,660.13	14,464.80	38,195.33
02/01/2026	45,000.00	2.800%	3,960.00	48,960.00	-	48,960.00	51,408.00	13,923.60	37,484.40
02/01/2027	45,000.00	2.950%	2,700.00	47,700.00	-	47,700.00	50,085.00	13,382.40	36,702.60
02/01/2028	45,000.00	3.050%	1,372.50	46,372.50	-	46,372.50	48,691.13	12,841.20	35,849.93
Total	**$450,000.00**	**-**	**$73,726.88**	**$523,726.88**	**(8,184.38)**	**$515,542.50**	**$541,319.63**	**$152,766.00**	**$388,553.63**

Significant Dates

Dated	5/01/2017
First Coupon Date	2/01/2018

Yield Statistics

Bond Year Dollars	$2,812.50
Average Life	6.250 Years
Average Coupon	2.6214002%
Net Interest Cost (NIC)	2.8614002%
True Interest Cost (TIC)	2.8755916%
Bond Yield for Arbitrage Purposes	2.6083446%
All Inclusive Cost (AIC)	3.5526139%

City of Sunfish Lake, Minnesota

$123,000 General Obligation Improvement Bonds, Series 2017

Assessments

1.50% over TIC - Equal Principal

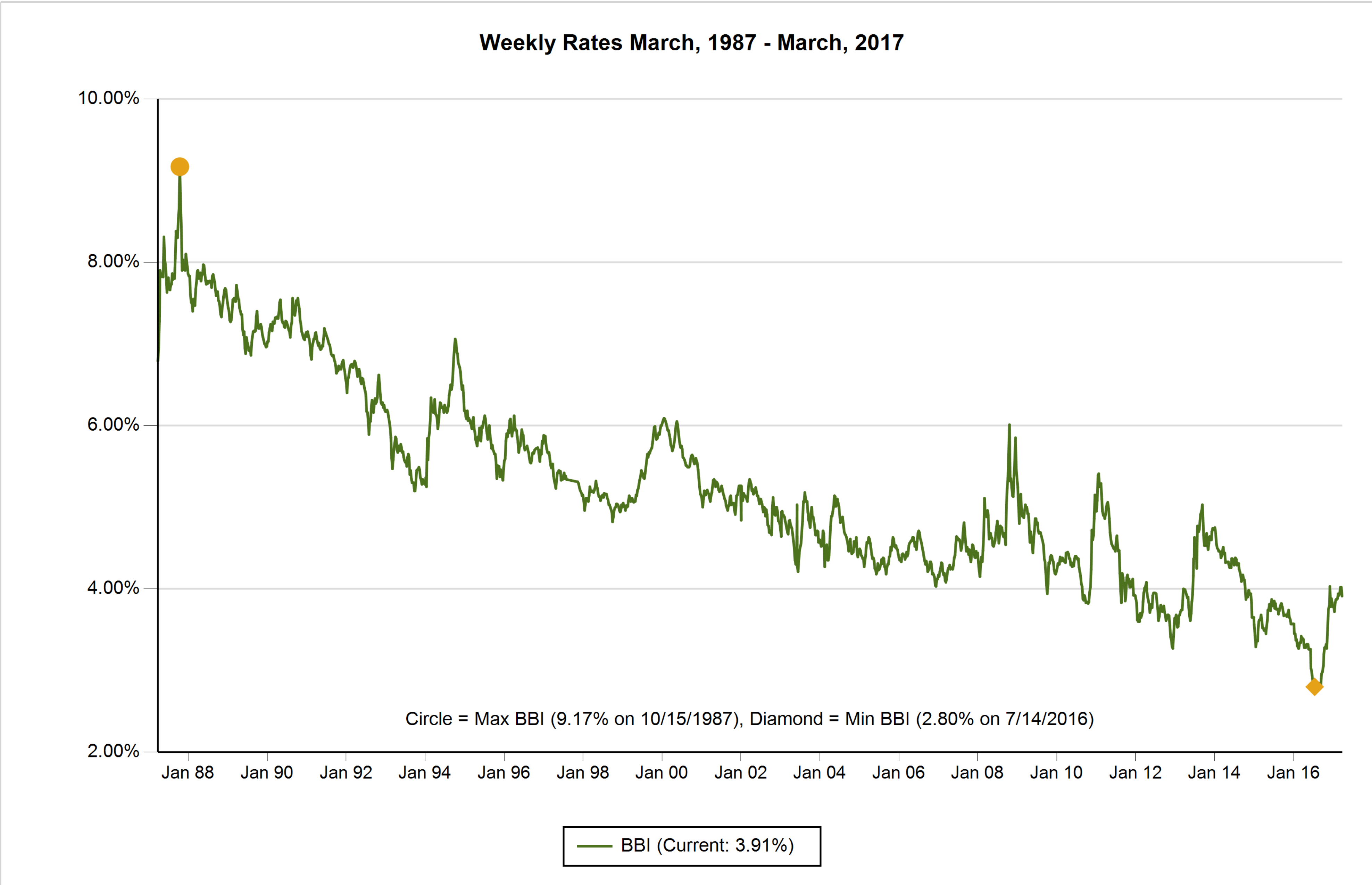
Assessments

Date	Principal	Coupon	Interest	Total P+I
12/31/2018	12,300.00	4.400%	5,412.00	17,712.00
12/31/2019	12,300.00	4.400%	4,870.80	17,170.80
12/31/2020	12,300.00	4.400%	4,329.60	16,629.60
12/31/2021	12,300.00	4.400%	3,788.40	16,088.40
12/31/2022	12,300.00	4.400%	3,247.20	15,547.20
12/31/2023	12,300.00	4.400%	2,706.00	15,006.00
12/31/2024	12,300.00	4.400%	2,164.80	14,464.80
12/31/2025	12,300.00	4.400%	1,623.60	13,923.60
12/31/2026	12,300.00	4.400%	1,082.40	13,382.40
12/31/2027	12,300.00	4.400%	541.20	12,841.20
Total	**$123,000.00**	**-**	**$29,766.00**	**$152,766.00**

Significant Dates

Filing Date	1/01/2018
First Payment Date	12/31/2018

30 YEAR TREND IN MUNICIPAL BOND INDICES



The Bond Buyer "20 Bond Index" (BBI) shows average yields on a group of municipal bonds that mature in 20 years and have an average rating equivalent to Moody's Aa2 and S&P's AA.

Source: The Bond Buyer

EHLERS
LEADERS IN PUBLIC FINANCE

Resolution No. ________________

Council Member __________________ introduced the following resolution and moved its adoption:

Resolution Providing for the Sale of
$450,000 General Obligation Improvement Bonds Series 2017A

A. WHEREAS, the City Council of the City of Sunfish Lake, Minnesota has heretofore determined that it is necessary and expedient to issue the City's $450,000 General Obligation Improvement Bonds Series 2017A (the "Bonds"), to finance the 2017-01 Street Improvement Project (Roanoke Overlay and Salem Church Road Reconstruction) in the City; and

B. WHEREAS, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent municipal advisor for the Bonds in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9);

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sunfish Lake, Minnesota, as follows:

1. Authorization; Findings. The City Council hereby authorizes Ehlers to assist the City for the sale of the Bonds and directs Ehlers to negotiate the sale of the Bonds with United Bankers Bank.

2. Meeting; Proposal Opening. The City Council shall meet at 7:00 p.m. on May 2, 2017, for the purpose of considering a proposal for and awarding the sale of the Bonds.

3. Offering Document. In connection with said sale, the officers or employees of the City are hereby authorized to cooperate with Ehlers and participate in the preparation of an offering document for the Bonds and to execute and deliver it on behalf of the City upon its completion.

The motion for the adoption of the foregoing resolution was duly seconded by City Council Member ________________________ and, after full discussion thereof and upon a vote being taken thereon, the following City Council Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this _____ day of _________________, ____.

____
Mayor