EHLERS
LEADERS IN PUBLIC FINANCE

March 5, 2019

Pre-Sale Report for

City of Sunfish Lake, Minnesota

$995,000 General Obligation Bonds, Series 2019A

Sunfish Lake

Prepared by:

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Senior Municipal Advisor

And

Jessica Cook,
Financial Studies Group Supervisor

Executive Summary of Proposed Debt

<table>
<tr><td>Proposed Issue:</td><td>$995,000 General Obligation Bonds, Series 2019A</td></tr>
<tr><td>Purposes:</td><td>The proposed issue includes financing for the following purposes:

Improvements to Charlton Road, Sunfish Lake Outlet, and related stormwater improvements.

• Charlton Road Improvements: Debt service will be paid from special assessments & property taxes.
• Sunfish Lake Outlet Improvements: Debt service will be paid from special assessments.
• Wetland Stormwater Improvements: Debt service will be paid from property taxes.</td></tr>
<tr><td>Authority:</td><td>The Bonds are being issued pursuant to Minnesota Statutes, Chapters:

• 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.</td></tr>
<tr><td>Term/Call Feature:</td><td>The Bonds are being issued for a term of 10 years, 9 months. Principal on the Bonds will be due on February 1 in the years 2021 through 2030. Interest is payable every six months beginning February 1, 2020.

The Bonds are expected to be subject to prepayment at the discretion of the City on February 1, 2025 or any date thereafter. Ehlers will explore an earlier call date with the purchaser of the bonds to determine if it can be achieved without negatively impacting the interest rate on the bonds.</td></tr>
<tr><td>Bank Qualification:</td><td>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.</td></tr>
<tr><td>Rating:</td><td>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.</td></tr>
</table>

Continuing Disclosure:	If the amount of the Bonds to be issued is less than $1,000,000, this issue could be exempt from the Continuing Disclosure requirements of the Securities and Exchange Commission (SEC); however, some underwriters require limited disclosure as one of the parameters for bidding. United Bankers Bank has indicated they will purchase the bonds exempt from Continuing Disclosure requirements. To keep the par amount of the bonds less than $1,000,000, the City will need to advance $85,000 to pay for Charlton Road and the Sunfish Lake Outlet. It is expected that this advance will be repaid with prepaid special assessments. The City Treasurer has indicated that cash is available for this purpose and that the City will likely receive this amount of prepayments.
Basis for Recommendation:	The City will likely receive prepaid special assessments. It is to the financial benefit of the City to be able to redeem bonds early with the prepaid assessments, rather than invest the prepaid special assessments at a rate lower than the interest rate on the bonds. We have evaluated the cost of obtaining a credit rating on this issue and, given its size, have concluded that it is not cost effective. The City is not subject to continuing disclosure requirements by issuing less than $1 million in debt. This issue would be exempt from continuing disclosure provided the purchaser agreed with this determination, as United Bankers Bank has agreed to.
Method of Sale/Placement:	In order to obtain a favorable call date and maintain exemption from continuing disclosure, we are recommending that we negotiate this debt issue with United Bankers Bank of Bloomington, MN. They provided financing for the last debt issue of the City.
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.
Arbitrage Monitoring:	Because the Bonds are tax-exempt 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.

Investment of and Accounting for Proceeds:	In order to more efficiently segregate funds for this project and maximize interest earnings, we recommend using an investment advisor, to assist with the investment of bond proceeds until they are needed to pay project costs. Ehlers Investment Partners, a subsidiary of Ehlers and registered investment advisor, can discuss an appropriate investment strategy with the City.
Risk Factors:	**Special Assessments:** We have not assumed any pre-paid special assessments. In addition, we have assumed that 40% of the Charlton Road improvements will be assessed, and that 100% of the Sunfish Lake Outlet improvements will be assessed. If the City receives a significant amount of pre-paid assessments or levies less assessments than assumed, it will need to increase the levy portion of the debt service. The City must assess a minimum of 20% of the total project costs, including the wetland stormwater improvements.
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. For services you have not previously required, we have identified a service provider. 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, but the 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 Counsel:** Kennedy & Graven, Chartered **Paying Agent:** Bond Trust Services Corporation **Rating Agency:** This issue will not be rated.
Summary:	The decisions to be made by the City Council are as follows: • Accept or modify the finance assumptions described in this report • Adopt the resolution attached to this report.

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:	March 5, 2019
Distribute Offering Document:	Week of March 18, 2019
City Council Meeting to Award Sale of the Bonds:	April 2, 2019
Estimated Closing Date:	April 25, 2019

Attachments

Estimated Sources and Uses of Funds

Estimated Proposed Debt Service Schedule

Resolution Authorizing Ehlers to Proceed with Bond Sale

Ehlers Contacts

Municipal Advisors:	Steve Apfelbacher	(651) 697-8510
	Jessica Cook	(651) 697-8546
Disclosure Coordinator:	Rose Xiong	(651) 697-8589
Financial Analyst:	Alicia Gage	(651) 697-8551

The Preliminary Official Statement for this financing will be sent to the City Council at their home or email address for review prior to the sale date.

City of Sunfish Lake, Minnesota

$995,000 General Obligation Bonds, Series 2019A

Issue Summary

Assumes Current Market BQ "Non-Rated" Rates plus 25bps

Total Issue Sources And Uses

Dated 04/25/2019 | Delivered 04/25/2019

	Charlton Road	Sunfish Lake Outlet	Wetland Stormwater Imp	Issue Summary
Sources Of Funds				
Par Amount of Bonds	$880,000.00	$80,000.00	$35,000.00	$995,000.00
Planned Issuer Equity contribution	-	5,000.00	-	5,000.00
Other contributions	80,000.00	-	-	80,000.00
Total Sources	**$960,000.00**	**$85,000.00**	**$35,000.00**	**$1,080,000.00**
Uses Of Funds				
Costs of Issuance	37,220.92	3,383.71	1,480.37	42,085.00
Deposit to Capitalized Interest (CIF) Fund	20,201.67	1,786.33	839.50	22,827.50
Deposit to Project Construction Fund	898,561.11	81,754.71	34,179.84	1,014,495.66
Rounding Amount	4,016.30	(1,924.75)	(1,499.71)	591.84
Total Uses	**$960,000.00**	**$85,000.00**	**$35,000.00**	**$1,080,000.00**

City of Sunfish Lake, Minnesota

$995,000 General Obligation Bonds, Series 2019A

Issue Summary

Assumes Current Market BQ "Non-Rated" Rates plus 25bps

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	Fiscal Total
04/25/2019	-	-	-	-	-	-	-
02/01/2020	-	-	22,827.50	22,827.50	(22,827.50)	-	-
08/01/2020	-	-	14,887.50	14,887.50	-	14,887.50	-
02/01/2021	95,000.00	2.550%	14,887.50	109,887.50	-	109,887.50	124,775.00
08/01/2021	-	-	13,676.25	13,676.25	-	13,676.25	-
02/01/2022	95,000.00	2.650%	13,676.25	108,676.25	-	108,676.25	122,352.50
08/01/2022	-	-	12,417.50	12,417.50	-	12,417.50	-
02/01/2023	95,000.00	2.750%	12,417.50	107,417.50	-	107,417.50	119,835.00
08/01/2023	-	-	11,111.25	11,111.25	-	11,111.25	-
02/01/2024	100,000.00	2.850%	11,111.25	111,111.25	-	111,111.25	122,222.50
08/01/2024	-	-	9,686.25	9,686.25	-	9,686.25	-
02/01/2025	100,000.00	2.950%	9,686.25	109,686.25	-	109,686.25	119,372.50
08/01/2025	-	-	8,211.25	8,211.25	-	8,211.25	-
02/01/2026	105,000.00	3.000%	8,211.25	113,211.25	-	113,211.25	121,422.50
08/01/2026	-	-	6,636.25	6,636.25	-	6,636.25	-
02/01/2027	100,000.00	3.100%	6,636.25	106,636.25	-	106,636.25	113,272.50
08/01/2027	-	-	5,086.25	5,086.25	-	5,086.25	-
02/01/2028	100,000.00	3.200%	5,086.25	105,086.25	-	105,086.25	110,172.50
08/01/2028	-	-	3,486.25	3,486.25	-	3,486.25	-
02/01/2029	100,000.00	3.350%	3,486.25	103,486.25	-	103,486.25	106,972.50
08/01/2029	-	-	1,811.25	1,811.25	-	1,811.25	-
02/01/2030	105,000.00	3.450%	1,811.25	106,811.25	-	106,811.25	108,622.50
Total	**$995,000.00**	**-**	**$196,847.50**	**$1,191,847.50**	**(22,827.50)**	**$1,169,020.00**	**-**

City of Sunfish Lake, Minnesota

$995,000 General Obligation Bonds, Series 2019A
Issue Summary
Assumes Current Market BQ "Non-Rated" Rates plus 25bps

Detail Costs Of Issuance

Dated 04/25/2019 | Delivered 04/25/2019

COSTS OF ISSUANCE DETAIL

Financial Advisor	$14,725.00
Bond Counsel (Kennedy & Graven)	$5,000.00
Dakota County Auditor	$360.00
City Project Administration	$22,000.00
TOTAL	**$42,085.00**

City of Sunfish Lake, Minnesota

$995,000 General Obligation Bonds, Series 2019A

Issue Summary

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)
02/01/2020	-	-	22,827.50	22,827.50	(22,827.50)	-	-	-	-
02/01/2021	95,000.00	2.550%	29,775.00	124,775.00	-	124,775.00	131,013.75	68,431.50	62,582.25
02/01/2022	95,000.00	2.650%	27,352.50	122,352.50	-	122,352.50	128,470.13	66,278.36	62,191.77
02/01/2023	95,000.00	2.750%	24,835.00	119,835.00	-	119,835.00	125,826.75	64,125.20	61,701.55
02/01/2024	100,000.00	2.850%	22,222.50	122,222.50	-	122,222.50	128,333.63	61,972.06	66,361.57
02/01/2025	100,000.00	2.950%	19,372.50	119,372.50	-	119,372.50	125,341.13	59,818.90	65,522.23
02/01/2026	105,000.00	3.000%	16,422.50	121,422.50	-	121,422.50	127,493.63	57,665.76	69,827.87
02/01/2027	100,000.00	3.100%	13,272.50	113,272.50	-	113,272.50	118,936.13	55,512.60	63,423.53
02/01/2028	100,000.00	3.200%	10,172.50	110,172.50	-	110,172.50	115,681.13	53,359.46	62,321.67
02/01/2029	100,000.00	3.350%	6,972.50	106,972.50	-	106,972.50	112,321.13	51,206.30	61,114.82
02/01/2030	105,000.00	3.450%	3,622.50	108,622.50	-	108,622.50	114,053.63	49,053.16	65,000.47
Total	**$995,000.00**	-	**$196,847.50**	**$1,191,847.50**	**(22,827.50)**	**$1,169,020.00**	**$1,227,471.00**	**$587,423.30**	**$640,047.70**

Significant Dates

Dated	4/25/2019
First Coupon Date	2/01/2020

Yield Statistics

Bond Year Dollars	$6,312.83
Average Life	6.345 Years
Average Coupon	3.1182116%

Net Interest Cost (NIC)	3.1182116%
True Interest Cost (TIC)	3.1070013%
Bond Yield for Arbitrage Purposes	3.1070013%
All Inclusive Cost (AIC)	3.8798001%

City of Sunfish Lake, Minnesota

$384,000 General Obligation Bonds, Series 2019A
Assessments - Charlton Road
1.50% over TIC - Equal Principal

Assessments

Date	Principal	Coupon	Interest	Total P+I
12/31/2020	38,400.00	4.600%	17,664.00	56,064.00
12/31/2021	38,400.00	4.600%	15,897.60	54,297.60
12/31/2022	38,400.00	4.600%	14,131.20	52,531.20
12/31/2023	38,400.00	4.600%	12,364.80	50,764.80
12/31/2024	38,400.00	4.600%	10,598.40	48,998.40
12/31/2025	38,400.00	4.600%	8,832.00	47,232.00
12/31/2026	38,400.00	4.600%	7,065.60	45,465.60
12/31/2027	38,400.00	4.600%	5,299.20	43,699.20
12/31/2028	38,400.00	4.600%	3,532.80	41,932.80
12/31/2029	38,400.00	4.600%	1,766.40	40,166.40
Total	**$384,000.00**	**-**	**$97,152.00**	**$481,152.00**

Significant Dates

Filing Date	1/01/2020
First Payment Date	12/31/2020

City of Sunfish Lake, Minnesota

$85,000 General Obligation Bonds, Series 2019A

Assessments - Sunfish Lake Outlet

1.50% over TIC - Equal Principal

Assessments

Date	Principal	Coupon	Interest	Total P+I
12/31/2020	8,500.00	4.550%	3,867.50	12,367.50
12/31/2021	8,500.00	4.550%	3,480.76	11,980.76
12/31/2022	8,500.00	4.550%	3,094.00	11,594.00
12/31/2023	8,500.00	4.550%	2,707.26	11,207.26
12/31/2024	8,500.00	4.550%	2,320.50	10,820.50
12/31/2025	8,500.00	4.550%	1,933.76	10,433.76
12/31/2026	8,500.00	4.550%	1,547.00	10,047.00
12/31/2027	8,500.00	4.550%	1,160.26	9,660.26
12/31/2028	8,500.00	4.550%	773.50	9,273.50
12/31/2029	8,500.00	4.550%	386.76	8,886.76
Total	**$85,000.00**	**-**	**$21,271.30**	**$106,271.30**

Significant Dates

Filing Date	1/01/2020
First Payment Date	12/31/2020

Resolution No. _______________

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

Resolution Providing for the Sale of
$995,000 General Obligation Bonds, Series 2019A

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 $995,000 General Obligation Bonds, Series 2019A (the "Bonds"), to finance the Charlton Road, Sunfish Lake Outlet and related stormwater improvements 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.

2. Meeting; Award of Sale. The City Council shall meet at 7:00 p.m. on April 2, 2019, for the purpose of awarding the sale of the Bonds.

3. Official Statement. 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 official statement 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