

FINANCE PLAN SUMMARY

FOR

CITY OF RAMSEY, MINNESOTA

\$3,115,000

**GENERAL OBLIGATION CROSSOVER REFUNDING
IMPROVEMENT BONDS, SERIES 2011B**

NORTHLAND  SECURITIES

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City of Ramsey, Minnesota
\$3,115,000
General Obligation Crossover Refunding Improvement Bonds,
Series 2011B

FINANCING PLAN OVERVIEW

This finance plan provides for the public issuance of general obligation bonds through a negotiated process to advance refund certain maturities of the City's G.O. Improvement Bonds, Series 2005B (the "Series 2005B Bonds") to lower the City's debt service costs. Based on current market information, the estimated net savings is \$172,580.

The primary objective of this finance plan is to allow for the City to maximize debt service cost savings. Municipal interest rates are at historically low levels once again. Locking in low fixed rates in advance of the respective call date on the Series 2005B Bonds will reduce the City's future interest costs and help manage future debt service levies.

AUTHORITY & PURPOSE

The Bonds will be issued pursuant to Minnesota Statutes 475 and 429. The proceeds will be used to crossover refund the December 15, 2015 through December 15, 2025 maturities of the City's Series 2005B Bonds and to pay the costs of issuing the Bonds. The estimated source and uses of funds are as follows:

Refunding Summary

Dated 12/15/2011 | Delivered 12/15/2011

Sources Of Funds

Par Amount of Bonds	\$3,115,000.00
Total Sources	\$3,115,000.00

Uses Of Funds

Deposit to Crossover Escrow Fund	3,043,351.94
Total Underwriter's Discount (1.600%)	49,840.00
Costs of Issuance	21,800.00
Rounding Amount	8.06
Total Uses	\$3,115,000.00

METHOD OF REFUNDING

We recommend utilizing a "crossover advance" refunding technique to achieve the refunding objective. A crossover advance refunding is required when one wishes to lock in current interest rates at least 90 days in advance of the call date on the old bonds. An advance refunding requires the proceeds of the new refunding bonds to be invested in government securities and held in escrow until the call date. The funds in the escrow are used to pay interest on the new refunding bonds until the call date and then prepay the principal of the old bonds. Savings occurs after the call date of the bonds being refunded. A complete and detailed refunding analysis illustrating the preliminary structure of the refunding transaction has been provided and reviewed with City staff.

SAVINGS ANALYSIS

The 2015 – 2025 maturities of the Series 2005B Bonds totaling \$2,895,000 are currently outstanding at an average coupon of 4.41%. Given current market conditions, we estimate these maturities could be refunded with a new bond issue at an average interest rate of 2.12%. This interest rate spread, together with interest earnings on the new bond proceeds until the call date, would result in a total debt service cost savings of approximately \$172,580. The savings is net of all costs and would be realized through the original term of the 2005B Bonds. The debt service comparison showing the scheduled debt service versus the new estimated debt service is illustrated below. The estimated debt service for the new Series 2011C Bonds is shown as Exhibit A.

Debt Service Comparison

Date	Total P+I	PCF	Existing D/S	Net New D/S	Old Net D/S	Savings
12/15/2011	-	-	-	(8.06)	-	8.06
12/15/2012	59,487.50	(59,487.50)	340,812.50	340,812.50	340,812.50	-
12/15/2013	59,487.50	(59,487.50)	339,162.50	339,162.50	339,162.50	-
12/15/2014	59,487.50	(2,954,487.50)	3,236,362.50	341,362.50	341,362.50	-
12/15/2015	324,487.50	-	-	324,487.50	338,162.50	13,675.00
12/15/2016	322,367.50	-	-	322,367.50	339,237.50	16,870.00
12/15/2017	324,585.00	-	-	324,585.00	339,337.50	14,752.50
12/15/2018	321,075.00	-	-	321,075.00	338,987.50	17,912.50
12/15/2019	321,890.00	-	-	321,890.00	338,187.50	16,297.50
12/15/2020	322,077.50	-	-	322,077.50	336,937.50	14,860.00
12/15/2021	321,617.50	-	-	321,617.50	335,237.50	13,620.00
12/15/2022	320,490.00	-	-	320,490.00	338,087.50	17,597.50
12/15/2023	318,820.00	-	-	318,820.00	335,262.50	16,442.50
12/15/2024	321,592.50	-	-	321,592.50	336,987.50	15,395.00
12/15/2025	323,662.50	-	-	323,662.50	338,812.50	15,150.00
Total	\$3,721,127.50	(3,073,462.50)	\$3,916,337.50	\$4,563,994.44	\$4,736,575.00	\$172,580.56

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	144,958.01
Net PV Cashflow Savings @ 2.105%(Bond Yield).....	144,958.01
Contingency or Rounding Amount.....	8.06
Net Present Value Benefit	\$144,966.07
Net PV Benefit / \$3,087,889.90 PV Refunded Debt Service	4.695%

RELATED CONSIDERATIONS

- *Method of Bond Sale* - The City has the option of issuing the refunding bonds via a competitive public sale or a negotiated public sale. There are advantages and disadvantages to either method. We recommend the negotiated method of sale for an advance refunding specifically because of the flexibility it allows in terms of market timing of the sale and the ability to make changes to the structure of the refunding should they be necessary in order to enhance the net debt service savings.

In a negotiated public sale we believe the advantages are as follows:

- Flexibility - The ability to adjust the structure of the refunding bonds and the escrow to respond to changing market conditions is paramount with an advance refunding because the opportunity to realize savings is determined by the interest rate on the new refunding bonds and the escrow account. Market flexibility will allow the City to maximize both sides of the market.
 - Pre-Sale of the Bonds - A greater incentive exists for Northland as underwriter to engage in pre-sale marketing activities to assess investor interest in an issue, as well as demand for certain structures or maturities. Pre-selling of the bonds creates competition among the investors, which enhances the City's position resulting in aggressive or low interest rates.
 - Net Savings Threshold – The negotiated process allows for the establishment of minimum savings threshold for the refunding which will provide guidance for staff and Northland when effecting the transaction.
- *Bank Qualified* - because total tax-exempt debt issued by the City in calendar year 2011 is expected to be less than \$10.0M, the bonds will be designated as "bank qualified" obligations pursuant to Federal Tax Law. The impact of this designation may result in slightly lower interest rates since banking institutions will be interested in purchasing the bonds. We have adjusted the estimated interest rates accordingly.
 - *Arbitrage Compliance* –
 - Project / Refunding Fund – All tax exempt issues are subject to federal rebate requirements which require all arbitrage earned to be rebated to the U.S. Treasury. Because the proceeds of the refunding bonds will be deposited into a yield restricted escrow fund, arbitrage will not be generated.
 - Debt Service Fund – The City must maintain a bona fide debt service fund for the bonds or be subject to yield restriction in the debt service fund. A bona fide debt service fund involves an equal matching of revenues to debt service expense with a balance forward permitted equal to the greater of the investment earnings in the fund during that year or 1/12 of the debt service of that year.

The City should become familiar with the various Arbitrage Compliance requirements for this bond issue. The Bond Resolution explains the requirements in greater detail. We are also available to assist the City in meeting these requirements.

- *Continuing Disclosure* - Because this issue is greater than \$1,000,000, and the City's outstanding debt exceeds \$10.0M, it is subject to the Securities and Exchange Commission's continuing disclosure requirements. Northland Securities is prepared to assist the City in this capacity.

SUMMARY OF RECOMMENDED TERMS

1. Type of Bond Sale Negotiated Sale with Northland Securities
2. Bond Pricing Date/Contract Signed Monday, October 31, 2011
3. Council Consideration Tuesday, November 1, 2011
4. Repayment Term The Bonds will mature annually each December 15, 2015 – 2025. Interest on the Bonds will be payable on June 15, 2012 and semiannually thereafter on each December 15 and June 15.
5. Security General Obligation of the City. In addition, special assessments previously pledged to the Series 2005B Bonds will be pledged to the Bonds
6. Prepayment Option The Bonds maturing on or after December 15, 2021 will be subject to prepayment on December 15, 2020 at a price of par plus accrued interest.
7. Tax Status Tax exempt opinion provided by Briggs & Morgan
8. Credit Enhancement We believe a credit rating will be cost beneficial. The City's general obligation debt is currently rated AA+ by Standard and Poor's Corporation.

EXHIBIT A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/15/2011	-	-	-	-	-
06/15/2012	-	-	29,743.75	29,743.75	-
12/15/2012	-	-	29,743.75	29,743.75	59,487.50
06/15/2013	-	-	29,743.75	29,743.75	-
12/15/2013	-	-	29,743.75	29,743.75	59,487.50
06/15/2014	-	-	29,743.75	29,743.75	-
12/15/2014	-	-	29,743.75	29,743.75	59,487.50
06/15/2015	-	-	29,743.75	29,743.75	-
12/15/2015	265,000.00	0.800%	29,743.75	294,743.75	324,487.50
06/15/2016	-	-	28,683.75	28,683.75	-
12/15/2016	265,000.00	1.050%	28,683.75	293,683.75	322,367.50
06/15/2017	-	-	27,292.50	27,292.50	-
12/15/2017	270,000.00	1.300%	27,292.50	297,292.50	324,585.00
06/15/2018	-	-	25,537.50	25,537.50	-
12/15/2018	270,000.00	1.550%	25,537.50	295,537.50	321,075.00
06/15/2019	-	-	23,445.00	23,445.00	-
12/15/2019	275,000.00	1.750%	23,445.00	298,445.00	321,890.00
06/15/2020	-	-	21,038.75	21,038.75	-
12/15/2020	280,000.00	1.950%	21,038.75	301,038.75	322,077.50
06/15/2021	-	-	18,308.75	18,308.75	-
12/15/2021	285,000.00	2.150%	18,308.75	303,308.75	321,617.50
06/15/2022	-	-	15,245.00	15,245.00	-
12/15/2022	290,000.00	2.300%	15,245.00	305,245.00	320,490.00
06/15/2023	-	-	11,910.00	11,910.00	-
12/15/2023	295,000.00	2.450%	11,910.00	306,910.00	318,820.00
06/15/2024	-	-	8,296.25	8,296.25	-
12/15/2024	305,000.00	2.600%	8,296.25	313,296.25	321,592.50
06/15/2025	-	-	4,331.25	4,331.25	-
12/15/2025	315,000.00	2.750%	4,331.25	319,331.25	323,662.50
Total	\$3,115,000.00	-	\$606,127.50	\$3,721,127.50	-
Average Coupon					2.1215523%
Net Interest Cost (NIC)					2.2960011%
True Interest Cost (TIC)					2.3004296%