

# FINANCE PLAN SUMMARY

FOR

**CITY OF RAMSEY, MINNESOTA**

**\$17,735,000**

**GENERAL OBLIGATION CAPITAL IMPROVEMENT  
PLAN BONDS, SERIES 2012A**

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NORTHLAND  SECURITIES

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Minneapolis, MN 55402  
612-851-5900 800-851-2920

**March 13, 2012**

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**City of Ramsey, Minnesota**  
**\$17,735,000**  
**General Obligation Capital Improvement Plan Bonds,**  
**Series 2012A**

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**FINANCING PLAN OVERVIEW**

This finance plan provides for the public issuance of general obligation bonds through a negotiated sale process with Northland Securities to acquire the Municipal Center. The acquisition will require an advance refunding of the outstanding maturities of the Economic Development Authority's Public Project Lease Revenue Bonds, Series 2005A (the "Series 2005A Bonds") through the issuance of General Obligation Capital Improvement Plan Bonds. The acquisition will lower the City's debt service costs and provide budget relief by extending the final repayment term. The primary objectives of this finance plan include:

- Debt service cost savings and budget relief - municipal interest rates are at historically low levels. Replacing the existing lease revenue debt service with general obligation 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. The proceeds will be used to acquire the Municipal Center from the City's Economic Development Authority through a full net advance refunding by prepaying the December 15, 2012 through December 15, 2027 maturities of the EDA's Public Project Lease Revenue Bonds, Series 2005A on April 26, 2012. The estimated source and uses of funds are as follows:

**Refunding Summary**

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**Dated 04/01/2012 | Delivered 04/26/2012**

**Sources Of Funds**

|  |                        |
|--|------------------------|
| Par Amount of Bonds                            | \$17,735,000.00        |
| Transfers from Prior Issue DSR Funds           | 1,531,940.00           |
| Accrued Interest from 04/01/2012 to 04/26/2012 | 25,110.42              |
| <b>Total Sources</b>                           | <b>\$19,292,050.42</b> |

**Uses Of Funds**

|                                       |                        |
|---------------------------------------|------------------------|
| Deposit to Net Cash Escrow Fund       | 18,989,635.29          |
| Total Underwriter's Discount (1.290%) | 228,781.50             |
| Costs of Issuance                     | 45,000.00              |
| Deposit to Debt Service Fund          | 25,110.42              |
| Rounding Amount                       | 3,523.21               |
| <b>Total Uses</b>                     | <b>\$19,292,050.42</b> |

## DEBT SERVICE COMPARISON

The 2012 – 2027 maturities of the Series 2005A Bonds totaling \$17,040,000 are currently outstanding at an average coupon of 4.48%. Given current market conditions, we estimate these maturities could be replaced with a new general obligation bond issue with a stated final maturity of 2031 at an average interest rate of 2.55%.

The debt service comparison showing the scheduled debt service versus the new estimated combined debt service is illustrated below. The estimated combined debt service for the new Series 2012A Bonds is shown as Exhibit A.

## Debt Service Comparison

| Date         | Total P+I              | Net New D/S            | Old Net D/S            | Savings             |
|--------------|------------------------|------------------------|------------------------|---------------------|
| 12/15/2012   | 1,025,121.83           | 996,488.20             | 1,488,876.44           | 492,388.24          |
| 12/15/2013   | 1,019,665.00           | 1,019,665.00           | 1,473,516.50           | 453,851.50          |
| 12/15/2014   | 1,037,355.00           | 1,037,355.00           | 1,476,841.50           | 439,486.50          |
| 12/15/2015   | 1,058,955.00           | 1,058,955.00           | 1,470,504.00           | 411,549.00          |
| 12/15/2016   | 1,079,372.50           | 1,079,372.50           | 1,472,891.50           | 393,519.00          |
| 12/15/2017   | 1,098,532.50           | 1,098,532.50           | 1,468,579.00           | 370,046.50          |
| 12/15/2018   | 1,115,982.50           | 1,115,982.50           | 1,442,779.00           | 326,796.50          |
| 12/15/2019   | 1,136,232.50           | 1,136,232.50           | 1,436,341.50           | 300,109.00          |
| 12/15/2020   | 1,159,082.50           | 1,159,082.50           | 1,455,941.50           | 296,859.00          |
| 12/15/2021   | 1,179,717.50           | 1,179,717.50           | 1,411,001.50           | 231,284.00          |
| 12/15/2022   | 1,182,557.50           | 1,182,557.50           | 1,361,061.50           | 178,504.00          |
| 12/15/2023   | 1,183,207.50           | 1,183,207.50           | 1,436,331.50           | 253,124.00          |
| 12/15/2024   | 1,186,587.50           | 1,186,587.50           | 1,444,784.00           | 258,196.50          |
| 12/15/2025   | 1,182,962.50           | 1,182,962.50           | 1,455,626.50           | 272,664.00          |
| 12/15/2026   | 1,182,872.50           | 1,182,872.50           | 1,493,641.50           | 310,769.00          |
| 12/15/2027   | 1,186,142.50           | 1,186,142.50           | (25,118.50)            | (1,211,261.00)      |
| 12/15/2028   | 1,182,072.50           | 1,182,072.50           | -                      | (1,182,072.50)      |
| 12/15/2029   | 1,186,245.00           | 1,186,245.00           | -                      | (1,186,245.00)      |
| 12/15/2030   | 1,183,305.00           | 1,183,305.00           | -                      | (1,183,305.00)      |
| 12/15/2031   | 1,182,785.00           | 1,182,785.00           | -                      | (1,182,785.00)      |
| <b>Total</b> | <b>\$22,748,754.33</b> | <b>\$22,720,120.70</b> | <b>\$21,763,598.94</b> | <b>(956,521.76)</b> |

### PV Analysis Summary (Net to Net)

|   |                |
|---|----------------|
| Gross PV Debt Service Savings.....                        | 1,928,023.96   |
| Effects of changes in DSR investments.....                | (1,531,115.79) |
| Net PV Cashflow Savings @ 2.504%(Bond Yield).....         | 396,908.17     |
| Accrued Interest Credit to Debt Service Fund.....         | 25,110.42      |
| Contingency or Rounding Amount.....                       | 3,523.21       |
| Net Present Value Benefit                                 | \$425,541.80   |
| Net PV Benefit / \$19,688,134.38 PV Refunded Debt Service | 2.161%         |

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## RELATED CONSIDERATIONS

- *Not Bank Qualified* – because total tax-exempt debt issued by the City in calendar year 2012 is expected to be more than \$10.0M, the bonds will not be designated as “bank qualified” obligations pursuant to Federal Tax Law.
- *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.



## EXHIBIT A

### Debt Service Schedule

| Date         | Principal              | Coupon   | Interest              | Total P+I              | Fiscal Total |
|--------------|------------------------|----------|-----------------------|------------------------|--------------|
| 04/26/2012   | -                      | -        | -                     | -                      | -            |
| 12/15/2012   | 770,000.00             | 0.250%   | 255,121.83            | 1,025,121.83           | 1,025,121.83 |
| 06/15/2013   | -                      | -        | 179,832.50            | 179,832.50             | -            |
| 12/15/2013   | 660,000.00             | 0.350%   | 179,832.50            | 839,832.50             | 1,019,665.00 |
| 06/15/2014   | -                      | -        | 178,677.50            | 178,677.50             | -            |
| 12/15/2014   | 680,000.00             | 0.500%   | 178,677.50            | 858,677.50             | 1,037,355.00 |
| 06/15/2015   | -                      | -        | 176,977.50            | 176,977.50             | -            |
| 12/15/2015   | 705,000.00             | 0.650%   | 176,977.50            | 881,977.50             | 1,058,955.00 |
| 06/15/2016   | -                      | -        | 174,686.25            | 174,686.25             | -            |
| 12/15/2016   | 730,000.00             | 0.800%   | 174,686.25            | 904,686.25             | 1,079,372.50 |
| 06/15/2017   | -                      | -        | 171,766.25            | 171,766.25             | -            |
| 12/15/2017   | 755,000.00             | 1.000%   | 171,766.25            | 926,766.25             | 1,098,532.50 |
| 06/15/2018   | -                      | -        | 167,991.25            | 167,991.25             | -            |
| 12/15/2018   | 780,000.00             | 1.250%   | 167,991.25            | 947,991.25             | 1,115,982.50 |
| 06/15/2019   | -                      | -        | 163,116.25            | 163,116.25             | -            |
| 12/15/2019   | 810,000.00             | 1.500%   | 163,116.25            | 973,116.25             | 1,136,232.50 |
| 06/15/2020   | -                      | -        | 157,041.25            | 157,041.25             | -            |
| 12/15/2020   | 845,000.00             | 1.700%   | 157,041.25            | 1,002,041.25           | 1,159,082.50 |
| 06/15/2021   | -                      | -        | 149,858.75            | 149,858.75             | -            |
| 12/15/2021   | 880,000.00             | 1.950%   | 149,858.75            | 1,029,858.75           | 1,179,717.50 |
| 06/15/2022   | -                      | -        | 141,278.75            | 141,278.75             | -            |
| 12/15/2022   | 900,000.00             | 2.150%   | 141,278.75            | 1,041,278.75           | 1,182,557.50 |
| 06/15/2023   | -                      | -        | 131,603.75            | 131,603.75             | -            |
| 12/15/2023   | 920,000.00             | 2.350%   | 131,603.75            | 1,051,603.75           | 1,183,207.50 |
| 06/15/2024   | -                      | -        | 120,793.75            | 120,793.75             | -            |
| 12/15/2024   | 945,000.00             | 2.500%   | 120,793.75            | 1,065,793.75           | 1,186,587.50 |
| 06/15/2025   | -                      | -        | 108,981.25            | 108,981.25             | -            |
| 12/15/2025   | 965,000.00             | 2.600%   | 108,981.25            | 1,073,981.25           | 1,182,962.50 |
| 06/15/2026   | -                      | -        | 96,436.25             | 96,436.25              | -            |
| 12/15/2026   | 990,000.00             | 2.700%   | 96,436.25             | 1,086,436.25           | 1,182,872.50 |
| 06/15/2027   | -                      | -        | 83,071.25             | 83,071.25              | -            |
| 12/15/2027   | 1,020,000.00           | 2.850%   | 83,071.25             | 1,103,071.25           | 1,186,142.50 |
| 06/15/2028   | -                      | -        | 68,536.25             | 68,536.25              | -            |
| 12/15/2028   | 1,045,000.00           | 2.950%   | 68,536.25             | 1,113,536.25           | 1,182,072.50 |
| 06/15/2029   | -                      | -        | 53,122.50             | 53,122.50              | -            |
| 12/15/2029   | 1,080,000.00           | 3.050%   | 53,122.50             | 1,133,122.50           | 1,186,245.00 |
| 06/15/2030   | -                      | -        | 36,652.50             | 36,652.50              | -            |
| 12/15/2030   | 1,110,000.00           | 3.200%   | 36,652.50             | 1,146,652.50           | 1,183,305.00 |
| 06/15/2031   | -                      | -        | 18,892.50             | 18,892.50              | -            |
| 12/15/2031   | 1,145,000.00           | 3.300%   | 18,892.50             | 1,163,892.50           | 1,182,785.00 |
| <b>Total</b> | <b>\$17,735,000.00</b> | <b>-</b> | <b>\$5,013,754.33</b> | <b>\$22,748,754.33</b> | <b>-</b>     |

|                          |            |
|--------------------------|------------|
| Dated                    | 4/01/2012  |
| Delivery Date            | 4/26/2012  |
| First Coupon Date        | 12/15/2012 |
| Average Coupon           | 2.5564541% |
| Net Interest Cost (NIC)  | 2.6731071% |
| True Interest Cost (TIC) | 2.6421487% |