



**CITY OF NEWPORT  
SPECIAL COUNCIL MEETING  
NEWPORT CITY HALL  
AUGUST 22, 2013 – 5:30 P.M.**

MAYOR: Tim Geraghty  
COUNCIL: Tom Ingemann  
Bill Sumner  
Tracy Rahm  
Steven Gallagher

City Administrator: Deb Hill  
Supt. of Public Works: Bruce Hanson  
Chief of Police: Curt Montgomery  
Fire Chief: Mark Mailand  
Executive Analyst: Renee Helm

**AGENDA**

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. ROLL CALL
4. **RESOLUTION NO. 2013-39** – PROVIDING FOR THE SALE OF \$1,480,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2013A
5. ADJOURNMENT



August 22, 2013

## Pre-Sale Report for

City of Newport, Minnesota

\$1,480,000 General Obligation Improvement Bonds,  
Series 2013A



**Prepared by:**

Stacie Kvilvang  
Senior Financial Advisor

And

Todd Hagen  
Senior Financial Advisor



## Executive Summary of Proposed Debt

Proposed Issue:	\$1,480,000 General Obligation Improvement Bonds, Series 2013A
Authority:	<p>The Bonds are being issued pursuant to Minnesota Statutes, Chapters:</p> <ul style="list-style-type: none"> <li>• 429</li> <li>• 475</li> </ul> <p>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.</p> <p>The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.</p>
Purposes/Funding Sources:	<p>The proposed issue includes financing for the following purpose:</p> <p>2013 Road Reconstruction Projects</p> <p>Debt service will be paid from a combination of special assessments and property taxes. However, the City intends to use utility funds to reduce a portion of the property tax levy each year.</p> <p>It is the intent of the City to levy special assessments in the amount of approximately \$452,175 to benefiting property owners in 2013 for collection in years 2014 through 2023 at a rate of 1.5% over the True Interest Cost of the Bonds. Annual assessments are paid on an equal principal and interest basis.</p>
Term/Call Feature:	<p>The Bonds are being issued for a 10 year term. Principal on the Bonds will be due on February 1 in the years 2015 through 2024. Interest is payable every six months beginning August 1, 2014.</p> <p>The Bonds maturing February 1, 2021 and thereafter will be subject to prepayment at the discretion of the City on February 1, 2020 or any date after the call date.</p>
Bank Qualification:	<p>Because the City is issuing less than \$10,000,000 in 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.</p>
Rating:	<p>The City's most recent bond issue was rated A1 by Moody's Investors Service. The City will request a new rating for the Bonds.</p> <p>If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the City's bond rating in the event that the bond rating of the insurer is higher than that of the City.</p>
Method of Sale/Placement:	<p>In order to obtain the lowest interest cost to the City, we will solicit competitive bids for purchase of the Bonds from local banks in your area and</p>

	<p>regional underwriters.</p> <p>We have included an allowance for discount bidding equal to 1.2% of the principal amount of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.</p> <p>If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to lower your borrowing amount.</p>
<p>Possible Premium Bid:</p>	<p>Because yields are very low at this time, a purchaser may choose to submit a bid for your competitive sale with higher interest rates than the yield on the bonds. Higher interest is valuable for institutional and retail investors who may either trade bonds in the future or may want a higher yield if you as the issuer choose not to call the bonds at the call date.</p> <p>For example, the interest rate may be 3% but the yield may only be 1.5%. To achieve the lower yield of 1.5%, the purchaser will pay you, the issuer, a “premium” at the time of closing.</p> <p>In other words, they will pay more than \$5,000 for a \$5,000 block of bonds in exchange for more tax-exempt interest at a later date. The amount of the premium varies, but can be as high as 10% of the bond issue. This means for a \$2,000,000 issue, you may end up with a bid that offers \$2,200,000 in proceeds.</p> <p>The amount of the bond will be reduced if a premium bid is received. The adjustment may slightly change the true interest cost of the original bid, either up or down.</p>
<p>Review of Existing Debt:</p>	<p>We have reviewed all outstanding indebtedness for the City and find that there are no refunding opportunities at this time.</p> <p>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.</p>
<p>Continuing Disclosure:</p>	<p>Because the City has less than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the City will be agreeing to provide its Audited Financial Statements annually as well as providing notices of the occurrence of certain “material events” to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The City is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.</p>
<p>Arbitrage Monitoring:</p>	<p>Because the Bonds are tax-exempt securities/tax credit securities, 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 Nonarbitrage Certificate prepared by your Bond Attorney and provided at closing. We recommend that you</p>

	regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you.
Risk Factors:	<b>Special Assessments:</b> We have not assumed any pre-paid special assessments and we have assumed that assessments will be 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.

## Proposed Debt Issuance Schedule

Pre-Sale Review by City Council	August 22, 2013
Distribute Official Statement:	Week of September 2, 2013
Conference with Rating Agency:	Week of September 9, 2013
City Council Meeting to Award Sale of the Bonds:	September 19, 2013
Estimated Closing Date:	October 15, 2013

### Attachments

Sources and Uses of Funds

Proposed Debt Service Schedule

Resolution Authorizing Ehlers to Proceed With Bond Sale

### Ehlers Contacts

Financial Advisors:	Stacie Kvilvang	(651) 697-8506
	Todd Hagen	(651) 697-8508
Disclosure Coordinator:	Kara Meverden	(651) 697-8545
Bond Sale Coordinator:	Alicia Baldwin	(651) 697-8523
Financial Analyst:	Alicia Gage	(651) 697-8551

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 Newport, Minnesota

\$1,480,000 General Obligation Improvement Bonds, Series 2013A  
Assumes Current Market BQ A1 Rates Plus 25bps

## Sources & Uses

Dated 10/15/2013 | Delivered 10/15/2013

### Sources Of Funds

Par Amount of Bonds	\$1,480,000.00
<b>Total Sources</b>	<b>\$1,480,000.00</b>

### Uses Of Funds

Total Underwriter's Discount (1.200%)	17,760.00
Costs of Issuance	35,000.00
Deposit to Project Construction Fund	1,422,911.00
Rounding Amount	4,329.00
<b>Total Uses</b>	<b>\$1,480,000.00</b>

# City of Newport, Minnesota

\$1,480,000 General Obligation Improvement Bonds, Series 2013A

Assumes Current Market BQ A1 Rates Plus 25bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Assessments	Utility Revenue	Levy/(Surplus)
02/01/2014	-	-	-	-	-	-	-	-
02/01/2015	130,000.00	0.900%	39,972.44	169,972.44	178,471.06	56,166.15	22,380.30	99,924.61
02/01/2016	140,000.00	1.100%	29,710.00	169,710.00	178,195.50	56,166.16	22,380.30	99,649.04
02/01/2017	140,000.00	1.350%	28,170.00	168,170.00	176,578.50	56,166.15	22,380.30	98,032.05
02/01/2018	145,000.00	1.650%	26,280.00	171,280.00	179,844.00	56,166.15	22,380.30	101,297.55
02/01/2019	145,000.00	1.950%	23,887.50	168,887.50	177,331.88	56,166.15	22,380.30	98,785.43
02/01/2020	150,000.00	2.250%	21,060.00	171,060.00	179,613.00	56,166.15	22,380.30	101,066.55
02/01/2021	150,000.00	2.500%	17,685.00	167,685.00	176,069.25	56,166.15	22,380.30	97,522.80
02/01/2022	155,000.00	2.750%	13,935.00	168,935.00	177,381.75	56,166.16	22,380.30	98,835.29
02/01/2023	160,000.00	2.900%	9,672.50	169,672.50	178,156.13	56,166.15	22,380.30	99,609.68
02/01/2024	165,000.00	3.050%	5,032.50	170,032.50	178,534.13	56,166.15	22,380.30	99,987.68
<b>Total</b>	<b>\$1,480,000.00</b>	<b>-</b>	<b>\$215,404.94</b>	<b>\$1,695,404.94</b>	<b>\$1,780,175.19</b>	<b>\$561,661.52</b>	<b>\$223,803.00</b>	<b>\$994,710.67</b>

## Significant Dates

Dated	10/15/2013
First Coupon Date	8/01/2014

## Yield Statistics

Bond Year Dollars	\$8,850.78
Average Life	5.980 Years
Average Coupon	2.4337402%
Net Interest Cost (NIC)	2.6344006%
True Interest Cost (TIC)	2.6355806%
Bond Yield for Arbitrage Purposes	2.4153210%
All Inclusive Cost (AIC)	3.0805111%

# City of Newport, Minnesota

\$452,175 General Obligation Improvement Bonds, Series 2013A

Assessments

1.5% Over TIC - Equal P&I

## Assessments

Date	Principal	Coupon	Interest	Total P+I
12/31/2014	37,400.89	4.150%	18,765.26	56,166.15
12/31/2015	38,953.03	4.150%	17,213.13	56,166.16
12/31/2016	40,569.58	4.150%	15,596.57	56,166.15
12/31/2017	42,253.21	4.150%	13,912.94	56,166.15
12/31/2018	44,006.72	4.150%	12,159.43	56,166.15
12/31/2019	45,833.00	4.150%	10,333.15	56,166.15
12/31/2020	47,735.07	4.150%	8,431.08	56,166.15
12/31/2021	49,716.08	4.150%	6,450.08	56,166.16
12/31/2022	51,779.29	4.150%	4,386.86	56,166.15
12/31/2023	53,928.13	4.150%	2,238.02	56,166.15
<b>Total</b>	<b>\$452,175.00</b>	<b>-</b>	<b>\$109,486.52</b>	<b>\$561,661.52</b>

## Significant Dates

Filing Date	1/01/2014
First Payment Date	12/31/2014

# City of Newport, Minnesota

\$1,480,000 General Obligation Improvement Bonds, Series 2013A

Assumes Current Market BQ A1 Rates Plus 25bps

## Revenue Summary

DATE	Assessments	Sanitary Sewer	Watermain	Storm Sewer	TOTAL
02/01/2014	-	-	-	-	-
02/01/2015	56,166.15	16,730.70	2,747.40	2,902.20	78,546.45
02/01/2016	56,166.16	16,730.70	2,747.40	2,902.20	78,546.46
02/01/2017	56,166.15	16,730.70	2,747.40	2,902.20	78,546.45
02/01/2018	56,166.15	16,730.70	2,747.40	2,902.20	78,546.45
02/01/2019	56,166.15	16,730.70	2,747.40	2,902.20	78,546.45
02/01/2020	56,166.15	16,730.70	2,747.40	2,902.20	78,546.45
02/01/2021	56,166.15	16,730.70	2,747.40	2,902.20	78,546.45
02/01/2022	56,166.16	16,730.70	2,747.40	2,902.20	78,546.46
02/01/2023	56,166.15	16,730.70	2,747.40	2,902.20	78,546.45
02/01/2024	56,166.15	16,730.70	2,747.40	2,902.20	78,546.45
<b>Total</b>	<b>\$561,661.52</b>	<b>\$167,307.00</b>	<b>\$27,474.00</b>	<b>\$29,022.00</b>	<b>\$785,464.52</b>

**RESOLUTION NO. 2013-39**

**A RESOLUTION PROVIDING FOR THE SALE OF \$1,480,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2013A**

**WHEREAS**, the City Council of the City of Newport, Minnesota has heretofore determined that it is necessary and expedient to issue the City's \$1,480,000 General Obligation Improvement Bonds, Series 2013A (the "Bonds"), to finance the 2013 Road Reconstruction Projects in the City; and

**WHEREAS**, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor for the Bonds and is therefore authorized to solicit proposals in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9);

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Newport, Minnesota, as follows:

1. Authorization; Findings. The City Council hereby authorizes Ehlers to solicit proposals for the sale of the Bonds.
2. Meeting; Proposal Opening. The City Council shall meet at 5:30 P.M. on September 19, 2013, for the purpose of considering proposals for and 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.

Adopted this 22nd day of August, 2013 by the Newport City Council.

Motion by: \_\_\_\_\_, Seconded by: \_\_\_\_\_

VOTE:	Geraghty	_____
	Ingemann	_____
	Sumner	_____
	Gallagher	_____
	Rahm	_____

Signed: \_\_\_\_\_  
Tim Geraghty, Mayor

ATTEST: \_\_\_\_\_  
Deb Hill, City Administrator