



**CITY OF NEWPORT
COUNCIL WORKSHOP MEETING
NEWPORT CITY HALL
APRIL 17, 2014
IMMEDIATELY FOLLOWING THE REGULAR CITY COUNCIL MEETING**

MAYOR: Tim Geraghty
COUNCIL: Tom Ingemann
Bill Sumner
Tracy Rahm
Steve 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. Roll call
2. Discussion Regarding Bonding for the Street Improvement Projects
3. Adjournment



Memo

To: Deb Hill – City Administrator
From: Stacie Kvilvang & Jason Aarsvold
Date: April 17, 2014
Subject: Proposed 2014 Bonds

On January 16, 2014, we reviewed two bonding options with the City Council based upon estimates provided by the City Engineer. The difference between the options was if the Council wanted to proceed with a larger project in 2014 or defer a portion of the project to 2015 (Oakridge Drive, 3rd Avenue South, and 14th and 15th Streets). The difference in the project cost was as follows:

	Option 1 (Larger Project)	Option 2 (Smaller Project)	Difference
Deposit to Construction	\$ 3,315,321	\$ 2,158,453	\$ (1,156,868)
Total Bond Size	\$ 3,400,000	\$ 2,225,000	\$ (1,175,000)

Based upon the discussion, the City Council decided to not postpone any of the proposed 2014 projects and to proceed with the larger project:

Since that time, we were made aware that not all the costs associated with the 2014 project were included in the estimates from the City Engineer. First, their engineering fees and contingency were not included which total approximately \$800,000 (15% engineering fees and 10% contingency). In addition, the portion of the 2013 project that was bonded for in 2013 but not completed, also increased in cost by approximately \$233,000, for a total of approximately \$1 million in increased costs.

We worked with staff to determine if any projects could be delayed by one (1) year or paid out of existing utility funds and if prepaid assessments would be available to reduce to overall bond size to try to keep the amount near the \$3.4 million the Council was willing to move forward with. We have been able to do this by removing approximately \$300,000 in projects (Cedar Avenue Lift Station and SCADA) which will be paid for out of utility funds, reducing Engineering and contingency costs by approximately \$180,000, assuming approximately \$118,000 in prepaid assessments and utilizing approximately \$400,000 in remaining bond proceeds from 2013.

Due to these changes, overall the net annual levy has increased since the January 16, 2014 estimates by approximately \$30,000 annually to \$189,000/year. This is due to utilizing prepaid assessments to reduce the bond size, which in return, reduces the annual assessment revenue. We have structured the 2014 bonds so that it takes into account the 2010A bonds that will be paid off in 2016. By using existing cash for the first interest payment in 2015, reducing the principal and interest payment in 2016, and increasing the principal payment in 2017, we have kept the annual impact to the average home owner over the next several years as follows:

	2015	2016	2017	2018	2019
City Taxes after MVHC or Exclusion	\$859	\$879	\$903	\$914	\$948
Changes in Taxes paid	\$23	\$20	\$24	\$11	\$34
% tax increase on average home	2.74%	2.36%	2.71%	1.24%	3.72%

We wanted to make the Council aware of all these changes so you could provide any comments or further direction to us and staff. We believe we have made changes to the scope and structuring of the bonds to stay within the parameters the Council set at their January 16, 2014 meeting.

Please contact Jason or I at 651-697-8500 with any questions.

cc: John Stewart MSA
File

City of Newport, Minnesota

\$3,410,000 General Obligation Bonds, Series 2014

Assumes BQ "AA" rates plus 50bps

Issue Summary

Total Issue Sources And Uses

Dated 06/25/2014 | Delivered 06/25/2014

	Streets	Sewer Fund	Water Fund	Storm Sewer Fund	Issue Summary
Sources Of Funds					
Par Amount of Bonds	\$2,710,000.00	\$340,000.00	\$215,000.00	\$145,000.00	\$3,410,000.00
Prepaid Special Assessments	101,985.00	16,840.50	-	-	118,825.50
Existing City Cash (2013 Bond Proceeds)	449,850.00	74,975.00	44,985.00	29,990.00	599,800.00
Total Sources	\$3,261,835.00	\$431,815.50	\$259,985.00	\$174,990.00	\$4,128,625.50
Uses Of Funds					
Total Underwriter's Discount (1.000%)	27,100.00	3,400.00	2,150.00	1,450.00	34,100.00
Costs of Issuance	34,967.73	4,387.11	2,774.19	1,870.97	44,000.00
Deposit to Project Construction Fund	3,197,030.89	425,557.16	255,334.29	170,222.86	4,048,145.20
Rounding Amount	2,736.38	(1,528.77)	(273.48)	1,446.17	2,380.30
Total Uses	\$3,261,835.00	\$431,815.50	\$259,985.00	\$174,990.00	\$4,128,625.50



City of Newport, Minnesota

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Issue Summary

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
06/25/2014	-	-	-	-	-
02/01/2015	-	-	52,540.50	52,540.50	52,540.50
08/01/2015	-	-	43,783.75	43,783.75	-
02/01/2016	85,000.00	0.900%	43,783.75	128,783.75	172,567.50
08/01/2016	-	-	43,401.25	43,401.25	-
02/01/2017	345,000.00	1.250%	43,401.25	388,401.25	431,802.50
08/01/2017	-	-	41,245.00	41,245.00	-
02/01/2018	240,000.00	1.500%	41,245.00	281,245.00	322,490.00
08/01/2018	-	-	39,445.00	39,445.00	-
02/01/2019	240,000.00	1.750%	39,445.00	279,445.00	318,890.00
08/01/2019	-	-	37,345.00	37,345.00	-
02/01/2020	240,000.00	2.000%	37,345.00	277,345.00	314,690.00
08/01/2020	-	-	34,945.00	34,945.00	-
02/01/2021	240,000.00	2.400%	34,945.00	274,945.00	309,890.00
08/01/2021	-	-	32,065.00	32,065.00	-
02/01/2022	245,000.00	2.600%	32,065.00	277,065.00	309,130.00
08/01/2022	-	-	28,880.00	28,880.00	-
02/01/2023	245,000.00	2.750%	28,880.00	273,880.00	302,760.00
08/01/2023	-	-	25,511.25	25,511.25	-
02/01/2024	250,000.00	2.900%	25,511.25	275,511.25	301,022.50
08/01/2024	-	-	21,886.25	21,886.25	-
02/01/2025	255,000.00	3.050%	21,886.25	276,886.25	298,772.50
08/01/2025	-	-	17,997.50	17,997.50	-
02/01/2026	190,000.00	3.200%	17,997.50	207,997.50	225,995.00
08/01/2026	-	-	14,957.50	14,957.50	-
02/01/2027	195,000.00	3.350%	14,957.50	209,957.50	224,915.00
08/01/2027	-	-	11,691.25	11,691.25	-
02/01/2028	205,000.00	3.500%	11,691.25	216,691.25	228,382.50
08/01/2028	-	-	8,103.75	8,103.75	-
02/01/2029	215,000.00	3.650%	8,103.75	223,103.75	231,207.50
08/01/2029	-	-	4,180.00	4,180.00	-
02/01/2030	220,000.00	3.800%	4,180.00	224,180.00	228,360.00
Total	\$3,410,000.00	-	\$863,415.50	\$4,273,415.50	-

Yield Statistics

Bond Year Dollars	\$29,021.00
Average Life	8.511 Years
Average Coupon	2.9751404%
Net Interest Cost (NIC)	3.0926415%
True Interest Cost (TIC)	3.0750478%
Bond Yield for Arbitrage Purposes	2.9384607%
All Inclusive Cost (AIC)	3.2541280%

IRS Form 8038

Net Interest Cost	2.9751404%
Weighted Average Maturity	8.511 Years

City of Newport, Minnesota

\$3,410,000 General Obligation Bonds, Series 2014

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Issue Summary

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% of Total	Assessments	Sewer Revenue	Water Revenue	Storm Sewer	Levy/(Surplus)
02/01/2015	-	-	52,540.50	52,540.50	55,167.53	-	5,321.93	3,579.98	2,403.45	43,862.18
02/01/2016	85,000.00	0.900%	87,567.50	172,567.50	181,195.88	98,308.31	21,187.16	16,466.63	9,255.75	35,978.04
02/01/2017	345,000.00	1.250%	86,802.50	431,802.50	453,392.63	95,210.91	21,389.90	16,372.13	14,458.50	305,961.20
02/01/2018	240,000.00	1.500%	82,490.00	322,490.00	338,614.50	92,113.53	21,500.74	21,490.88	14,327.25	189,182.11
02/01/2019	240,000.00	1.750%	78,890.00	318,890.00	334,834.50	89,016.14	21,545.97	21,254.63	14,169.75	188,848.02
02/01/2020	240,000.00	2.000%	74,690.00	314,690.00	330,424.50	85,918.75	21,525.58	20,979.00	13,986.00	188,015.18
02/01/2021	240,000.00	2.400%	69,890.00	309,890.00	325,384.50	82,821.38	21,439.55	20,664.00	13,776.00	186,683.58
02/01/2022	245,000.00	2.600%	64,130.00	309,130.00	324,586.50	79,723.99	21,248.53	20,286.00	13,524.00	189,803.99
02/01/2023	245,000.00	2.750%	57,760.00	302,760.00	317,898.00	76,626.61	21,005.00	19,876.50	13,251.00	187,138.90
02/01/2024	250,000.00	2.900%	51,022.50	301,022.50	316,073.63	73,529.22	20,722.10	19,443.38	12,962.25	189,416.68
02/01/2025	255,000.00	3.050%	43,772.50	298,772.50	313,711.13	70,431.84	20,399.82	18,986.63	12,657.75	191,235.09
02/01/2026	190,000.00	3.200%	35,995.00	225,995.00	237,294.75	-	19,081.13	18,506.25	12,337.50	187,369.88
02/01/2027	195,000.00	3.350%	29,915.00	224,915.00	236,160.75	-	18,577.13	18,002.25	12,001.50	187,579.88
02/01/2028	205,000.00	3.500%	23,382.50	228,382.50	239,801.63	-	23,299.50	17,474.63	11,649.75	187,377.75
02/01/2029	215,000.00	3.650%	16,207.50	231,207.50	242,767.88	-	22,564.50	16,923.38	11,282.25	191,997.75
02/01/2030	220,000.00	3.800%	8,360.00	228,360.00	239,778.00	-	21,798.00	16,348.50	10,899.00	190,732.50
Total	\$3,410,000.00	-	\$863,415.50	\$4,273,415.50	\$4,487,086.28	\$843,700.68	\$322,606.50	\$286,654.73	\$192,941.70	\$2,841,182.68

Significant Dates

Dated	6/25/2014
First Coupon Date	2/01/2015

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Average Life	8.511 Years
Average Coupon	2.9751404%
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