

**TO: HONORABLE MAYOR AND CITY COUNCIL**

**FROM: Aaron S. Reeves, City Administrator**

**SUBJECT: Debt Service Review**

**DATE: July 16, 2013**

**BACKGROUND**

Staff has requested a proposal from Northland Securities to do a debt service review for the City. With our last TIF Districts expiring at the end of this year, some old bonds being closed early next year, and our recent bond issues for the West Side I and East Side I projects staff feels that a full review of our debt service is needed to ensure we are meeting our debt service requirements. The \$2,500 fee will be split among the various City funds with debt and is budgeted for.

**STAFF RECOMMENDATION**

Staff recommends approving the debt service review agreement as presented.

**REQUESTED COUNCIL ACTION**

I respectfully request a motion approving the debt service review agreement as presented.



# **FINANCIAL PLANNING AGREEMENT**

**BY AND BETWEEN  
THE CITY OF CANNON FALLS, MINNESOTA  
AND  
NORTHLAND SECURITIES, INC.**

## **FINANCIAL PLANNING SERVICES**

This Agreement made and entered into by and between the City of Cannon Falls, Minnesota (hereinafter "City") and Northland Securities, Inc., of Minneapolis, Minnesota (hereinafter "NSI").

### **WITNESSETH**

WHEREAS, the City desires to use the services of NSI for financial planning for the City's debt service funds (hereinafter "Project").

WHEREAS, the Project is intended solely for financial planning and NSI is not providing advice on the timing, terms, structure or similar matters related to a specific bond issue.

WHEREAS, NSI desires to furnish services to the City as hereinafter described,

NOW, THEREFORE, it is agreed by and between the parties as follows:

### **SERVICES TO BE PROVIDED BY NSI**

The scope of work to be performed by NSI is based on the following factors:

1. Debt service funds of the City need to be reviewed to ensure adequate cash balances and reserves are maintained and future projected revenues are sufficient to meet debt service requirements.
2. The analysis of the debt service funds must consider prior year transactions, deferral of revenue, and future projections of revenue.

NSI will undertake the following tasks:

1. Conduct kick off meeting with City Staff to review project objectives, set meeting schedule, and collect background data.
2. Review background information about the debt service funds. The City has the responsibility for collecting and providing NSI with information needed to conduct the analysis. Information sought by NSI includes:

- a. Annual financial statements for debt service funds for years 2007-2012.
  - b. Assessment data, including but not limited to the amounts certified, pre-payments, and deferred assessments.
  - c. General ledger reports.
3. Complete and update financial models for debt service fund. NSI will rely on its spreadsheets that model the revenues, expenditures, principal and interest schedule of payments, and other important financial data that may be unique to the debt service fund. The model will be used to analyze and explain possible financial challenges and recommend management strategies.
  4. Review results. NSI will meet with the City to review results of the analysis.
  5. Update financial models. Based on discussion and review with the City the financial models will be updated.
  6. Report initial findings and recommendations. NSI will prepare a memorandum and report that explains the results of the analysis in Tasks 3-4 and presents a recommended course of action.

This scope of work includes up to two (2) meetings with the City.

#### **COMPENSATION**

For the services specified, NSI will be paid an amount not to exceed \$2,500. The amount is based on the estimated number of hours required to complete these tasks at an hourly billing rate of \$160/hour plus reimbursable expenses for travel, printing and mailing. NSI will bill on a monthly basis for actual services performed and reimbursable expenses.

The Client may at its discretion authorize NSI to undertake additional tasks, including meeting attendance, beyond the tasks listed above. Additional planning services will be billed monthly at a rate of \$160 per hour.

Invoices will detail the work performed, requested compensation for the period and show amounts previously billed.

#### **ASSIGNED NORTHLAND EMPLOYEE**

The NSI employee responsible for providing services pursuant to this Agreement and for the services performed is Tammy Omdal.

#### **SUCCESSORS OR ASSIGNS**

The terms and provisions of this Agreement are binding upon and inure to the benefit of the City and NSI and their successors or assigns.

#### **DISCLAIMER**

In performing service under this agreement, NSI is relying on the accuracy of information provided by the City and the services provided by Northland are based on current State Law. NSI will perform its work using the best available information. The City recognizes and accepts

that future property values, special assessments collected, tax levies and tax rates may vary from the assumptions used by NSI and such changes may affect the work product produced and provided by NSI.

**TERM OF THIS AGREEMENT**

This Agreement may be terminated by thirty (30) days written notice by either the City or NSI. In the event of early termination by the City, NSI shall provide the City with an itemized hourly statement of services already provided. All billable hours by NSI shall be billed at the stated hourly rates should early termination occur.

Dated this 10th day of July, 2013.

**Northland Securities, Inc.**

By: J. Russell Huber, Jr.

Director Public Finance

**City of Cannon Falls, Minnesota**

By: \_\_\_\_\_

Title: \_\_\_\_\_