

**TO: MAYOR AND CITY COUNCIL**  
**FROM: LANELL ENDRES, ASSISTANT CITY ADMINISTRATOR**  
**SUBJECT: WESTSIDE II PROJECT**  
**DATE: APRIL 19, 2016**

**BACKGROUND**

George Eilertson from Northland Securities will be at the meeting to discuss funding of the Westside II project. He will present the project Finance Plan, Municipal Advisory Agreement and Bond Sale Resolution for approval.

**STAFF RECOMMENDATION**

Staff recommends approving the attached Finance Plan, Municipal Advisory Agreement and Bond Sale Resolution as presented.

**REQUESTED COUNCIL ACTION**

I respectfully request a motion to approve the attached Finance Plan, Municipal Advisory Agreement and Bond Sale Resolution as presented.

Attachments:

Finance Plan Report  
Municipal Advisory Agreement  
Bond Sale Resolution

# FINANCE PLAN SUMMARY

FOR

**CANNON FALLS, MINNESOTA**

**\$2,630,000**

**GENERAL OBLIGATION BONDS, SERIES 2016A**

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45 South 7<sup>th</sup> Street  
Suite 2000  
Minneapolis, MN 55402  
612-851-5900 800-851-2920

**April 19, 2016**

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## Cannon Falls, Minnesota

### \$2,630,000 General Obligation Bonds, Series 2016A

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#### **Financing Overview:**

The City anticipates issuing bonds for the following purposes: according to Minnesota Statutes, Chapters 429, 444 and 475, the City will issue \$2,630,000 General Obligation Bonds, Series 2016A to finance street improvements and storm sewer, sanitary sewer and water main improvements within the City.

#### **Summary of Recommended Terms:**

1. Type of Sale                      Public Offering
2. Proposals Received            Tuesday, June 7, 2016 @ 10:30 A.M.
3. Council Consideration        Tuesday, June 7, 2016 @ 6:30 P.M.
4. Repayment Term                The Bonds will mature annually each February 1, 2018-2037. Interest will be payable February 1, 2017 and semiannually thereafter on August 1 and February 1.
5. Security                            General Obligation pledge of the City. In addition, the City will pledge special assessment revenues received from benefitted properties and net revenues of the City's water, storm and sewer utility systems to pay a portion of the debt service due on the Bonds.
6. Prepayment Option            Bonds maturing on February 1, 2025 and any day thereafter are subject to prepayment on February 1, 2024 and any date thereafter at a price of par plus accrued interest.
7. Tax Status                        Briggs and Morgan, Minneapolis, Minnesota, will provide a tax-exempt legal opinion on the Bonds.
8. Credit Rating                    We believe an underlying credit rating will be cost beneficial. The City's general obligation debt is currently rated "AA-" by Standard & Poor's.
9. Paying Agent                    Northland Trust Services, Inc.

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### **Related Considerations:**

- *Bank Qualified* - Because total tax-exempt debt issued by the City in calendar year 2016 is not expected to be more than \$10 million, the Bonds will be designated as “bank qualified” obligations pursuant to Federal Tax Law.
  
- *Arbitrage Compliance* –
  - Construction Fund – All tax-exempt issues are subject to federal rebate requirements which require all arbitrage earned to be rebated to the U.S. Treasury. A rebate exemption the City expects to qualify for is the “small issuer exemption.”
  
  - 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.
  
- *Continuing Disclosure* - The Series 2016A Bonds are subject to the Securities and Exchange Commission’s full continuing disclosure requirements related to annual reporting and material events notification.

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## EXHIBIT A - Estimated Sources and Uses of Funds

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	Improvement Portion	Utility Revenue Portion	Issue Summary
<b>Sources Of Funds</b>			
Par Amount of Bonds	\$1,260,000.00	\$1,370,000.00	\$2,630,000.00
Accrued Interest from 07/01/2016 to 07/06/2016	295.83	381.81	677.64
<b>Total Sources</b>	<b>\$1,260,295.83</b>	<b>\$1,370,381.81</b>	<b>\$2,630,677.64</b>
<b>Uses Of Funds</b>			
Total Underwriter's Discount (1.500%)	18,900.00	20,550.00	39,450.00
Costs of Issuance	17,965.78	19,534.22	37,500.00
Deposit to Debt Service Fund	295.83	381.81	677.64
Deposit to Capitalized Interest (CIF) Fund	12,129.17	-	12,129.17
Deposit to Project Construction Fund	1,207,516.00	1,332,484.00	2,540,000.00
Rounding Amount	3,489.05	(2,568.22)	920.83
<b>Total Uses</b>	<b>\$1,260,295.83</b>	<b>\$1,370,381.81</b>	<b>\$2,630,677.64</b>

## EXHIBIT B – Preliminary Consolidated Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/06/2016	-	-	-	-	-
02/01/2017	-	-	28,460.83	28,460.83	28,460.83
08/01/2017	-	-	24,395.00	24,395.00	-
02/01/2018	135,000.00	0.800%	24,395.00	159,395.00	183,790.00
08/01/2018	-	-	23,855.00	23,855.00	-
02/01/2019	135,000.00	0.900%	23,855.00	158,855.00	182,710.00
08/01/2019	-	-	23,247.50	23,247.50	-
02/01/2020	140,000.00	1.000%	23,247.50	163,247.50	186,495.00
08/01/2020	-	-	22,547.50	22,547.50	-
02/01/2021	140,000.00	1.100%	22,547.50	162,547.50	185,095.00
08/01/2021	-	-	21,777.50	21,777.50	-
02/01/2022	140,000.00	1.250%	21,777.50	161,777.50	183,555.00
08/01/2022	-	-	20,902.50	20,902.50	-
02/01/2023	140,000.00	1.400%	20,902.50	160,902.50	181,805.00
08/01/2023	-	-	19,922.50	19,922.50	-
02/01/2024	145,000.00	1.550%	19,922.50	164,922.50	184,845.00
08/01/2024	-	-	18,798.75	18,798.75	-
02/01/2025	150,000.00	1.700%	18,798.75	168,798.75	187,597.50
08/01/2025	-	-	17,523.75	17,523.75	-
02/01/2026	150,000.00	1.850%	17,523.75	167,523.75	185,047.50
08/01/2026	-	-	16,136.25	16,136.25	-
02/01/2027	150,000.00	1.950%	16,136.25	166,136.25	182,272.50
08/01/2027	-	-	14,673.75	14,673.75	-
02/01/2028	155,000.00	2.050%	14,673.75	169,673.75	184,347.50
08/01/2028	-	-	13,085.00	13,085.00	-
02/01/2029	160,000.00	2.150%	13,085.00	173,085.00	186,170.00
08/01/2029	-	-	11,365.00	11,365.00	-
02/01/2030	160,000.00	2.250%	11,365.00	171,365.00	182,730.00
08/01/2030	-	-	9,565.00	9,565.00	-
02/01/2031	165,000.00	2.350%	9,565.00	174,565.00	184,130.00
08/01/2031	-	-	7,626.25	7,626.25	-
02/01/2032	170,000.00	2.500%	7,626.25	177,626.25	185,252.50
08/01/2032	-	-	5,501.25	5,501.25	-
02/01/2033	75,000.00	2.600%	5,501.25	80,501.25	86,002.50
08/01/2033	-	-	4,526.25	4,526.25	-
02/01/2034	75,000.00	2.700%	4,526.25	79,526.25	84,052.50
08/01/2034	-	-	3,513.75	3,513.75	-
02/01/2035	80,000.00	2.800%	3,513.75	83,513.75	87,027.50
08/01/2035	-	-	2,393.75	2,393.75	-
02/01/2036	80,000.00	2.850%	2,393.75	82,393.75	84,787.50
08/01/2036	-	-	1,253.75	1,253.75	-
02/01/2037	85,000.00	2.950%	1,253.75	86,253.75	87,507.50
<b>Total</b>	<b>\$2,630,000.00</b>	<b>-</b>	<b>\$593,680.83</b>	<b>\$3,223,680.83</b>	<b>-</b>

### Date And Term Structure

Dated	7/01/2016
Delivery Date	7/06/2016
First Coupon Date	2/01/2017
First available call date	2/01/2024
Bond Year Dollars	\$27,187.64
Average Coupon	2.1836425%
Net Interest Cost (NIC)	2.3287452%
True Interest Cost (TIC)	2.3216374%

## EXHIBIT C - Preliminary Debt Service Schedule (Improvement Portion)

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/06/2016	-	-	-	-	-
02/01/2017	-	-	12,425.00	12,425.00	12,425.00
08/01/2017	-	-	10,650.00	10,650.00	-
02/01/2018	75,000.00	0.800%	10,650.00	85,650.00	96,300.00
08/01/2018	-	-	10,350.00	10,350.00	-
02/01/2019	75,000.00	0.900%	10,350.00	85,350.00	95,700.00
08/01/2019	-	-	10,012.50	10,012.50	-
02/01/2020	80,000.00	1.000%	10,012.50	90,012.50	100,025.00
08/01/2020	-	-	9,612.50	9,612.50	-
02/01/2021	80,000.00	1.100%	9,612.50	89,612.50	99,225.00
08/01/2021	-	-	9,172.50	9,172.50	-
02/01/2022	80,000.00	1.250%	9,172.50	89,172.50	98,345.00
08/01/2022	-	-	8,672.50	8,672.50	-
02/01/2023	80,000.00	1.400%	8,672.50	88,672.50	97,345.00
08/01/2023	-	-	8,112.50	8,112.50	-
02/01/2024	80,000.00	1.550%	8,112.50	88,112.50	96,225.00
08/01/2024	-	-	7,492.50	7,492.50	-
02/01/2025	85,000.00	1.700%	7,492.50	92,492.50	99,985.00
08/01/2025	-	-	6,770.00	6,770.00	-
02/01/2026	85,000.00	1.850%	6,770.00	91,770.00	98,540.00
08/01/2026	-	-	5,983.75	5,983.75	-
02/01/2027	85,000.00	1.950%	5,983.75	90,983.75	96,967.50
08/01/2027	-	-	5,155.00	5,155.00	-
02/01/2028	85,000.00	2.050%	5,155.00	90,155.00	95,310.00
08/01/2028	-	-	4,283.75	4,283.75	-
02/01/2029	90,000.00	2.150%	4,283.75	94,283.75	98,567.50
08/01/2029	-	-	3,316.25	3,316.25	-
02/01/2030	90,000.00	2.250%	3,316.25	93,316.25	96,632.50
08/01/2030	-	-	2,303.75	2,303.75	-
02/01/2031	95,000.00	2.350%	2,303.75	97,303.75	99,607.50
08/01/2031	-	-	1,187.50	1,187.50	-
02/01/2032	95,000.00	2.500%	1,187.50	96,187.50	97,375.00
<b>Total</b>	<b>\$1,260,000.00</b>	<b>-</b>	<b>\$218,575.00</b>	<b>\$1,478,575.00</b>	<b>-</b>

## EXHIBIT D – Preliminary Debt Schedule (Utility Revenue Portion)

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/06/2016	-	-	-	-	-
02/01/2017	-	-	16,035.83	16,035.83	16,035.83
08/01/2017	-	-	13,745.00	13,745.00	-
02/01/2018	60,000.00	0.800%	13,745.00	73,745.00	87,490.00
08/01/2018	-	-	13,505.00	13,505.00	-
02/01/2019	60,000.00	0.900%	13,505.00	73,505.00	87,010.00
08/01/2019	-	-	13,235.00	13,235.00	-
02/01/2020	60,000.00	1.000%	13,235.00	73,235.00	86,470.00
08/01/2020	-	-	12,935.00	12,935.00	-
02/01/2021	60,000.00	1.100%	12,935.00	72,935.00	85,870.00
08/01/2021	-	-	12,605.00	12,605.00	-
02/01/2022	60,000.00	1.250%	12,605.00	72,605.00	85,210.00
08/01/2022	-	-	12,230.00	12,230.00	-
02/01/2023	60,000.00	1.400%	12,230.00	72,230.00	84,460.00
08/01/2023	-	-	11,810.00	11,810.00	-
02/01/2024	65,000.00	1.550%	11,810.00	76,810.00	88,620.00
08/01/2024	-	-	11,306.25	11,306.25	-
02/01/2025	65,000.00	1.700%	11,306.25	76,306.25	87,612.50
08/01/2025	-	-	10,753.75	10,753.75	-
02/01/2026	65,000.00	1.850%	10,753.75	75,753.75	86,507.50
08/01/2026	-	-	10,152.50	10,152.50	-
02/01/2027	65,000.00	1.950%	10,152.50	75,152.50	85,305.00
08/01/2027	-	-	9,518.75	9,518.75	-
02/01/2028	70,000.00	2.050%	9,518.75	79,518.75	89,037.50
08/01/2028	-	-	8,801.25	8,801.25	-
02/01/2029	70,000.00	2.150%	8,801.25	78,801.25	87,602.50
08/01/2029	-	-	8,048.75	8,048.75	-
02/01/2030	70,000.00	2.250%	8,048.75	78,048.75	86,097.50
08/01/2030	-	-	7,261.25	7,261.25	-
02/01/2031	70,000.00	2.350%	7,261.25	77,261.25	84,522.50
08/01/2031	-	-	6,438.75	6,438.75	-
02/01/2032	75,000.00	2.500%	6,438.75	81,438.75	87,877.50
08/01/2032	-	-	5,501.25	5,501.25	-
02/01/2033	75,000.00	2.600%	5,501.25	80,501.25	86,002.50
08/01/2033	-	-	4,526.25	4,526.25	-
02/01/2034	75,000.00	2.700%	4,526.25	79,526.25	84,052.50
08/01/2034	-	-	3,513.75	3,513.75	-
02/01/2035	80,000.00	2.800%	3,513.75	83,513.75	87,027.50
08/01/2035	-	-	2,393.75	2,393.75	-
02/01/2036	80,000.00	2.850%	2,393.75	82,393.75	84,787.50
08/01/2036	-	-	1,253.75	1,253.75	-
02/01/2037	85,000.00	2.950%	1,253.75	86,253.75	87,507.50
<b>Total</b>	<b>\$1,370,000.00</b>	<b>-</b>	<b>\$375,105.83</b>	<b>\$1,745,105.83</b>	<b>-</b>



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## EXHIBIT E - Revenue vs Debt Service

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See attached image.

**City of Cannon Falls, Minnesota**  
**\$2,630,000 General Obligation Bonds, Series 2016A**

(a)	(b)	(c)	(d)	(e)	(f)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
Improvement Portion Date	Scheduled P+I	Utility Portion Scheduled P+I	Total Scheduled P+I	105% Debt Service	Less: Special Assessment Revenue (Improvement Portion)	Less: Special Assessment Revenue (Utility Portion)	Less: Capitalized Interest and Accrued Interest	Less: Sewer Utility Revenue	Less: Water Utility Revenue	Less: Storm Sewer Utility Revenue	Net City Share (Tax Levy)	Annual Surplus / Deficit	Cumulative Cash Balance	Tax Levy Cycle	
														Year Certified/ Collected	Tax Levy
02/01/2017	12,425.00	16,035.83	28,460.83	28,460.83	-	-	12,806.81	7,513.93	6,261.61	1,878.48	0.00	-	-	2015 / 2016	-
02/01/2018	96,300.00	87,490.00	183,790.00	192,979.50	21,468.16	23,690.53	-	32,723.50	27,269.59	8,180.88	79,646.84	353.16	353.16	2016 / 2017	80,000.00
02/01/2019	95,700.00	87,010.00	182,710.00	191,845.50	21,468.16	23,690.53	-	32,481.59	27,067.99	8,120.40	79,016.84	(16.84)	336.32	2017 / 2018	79,000.00
02/02/2020	100,025.00	86,470.00	186,495.00	195,819.75	21,468.15	23,690.53	-	32,209.43	26,841.19	8,052.36	83,558.10	441.90	778.22	2018 / 2019	84,000.00
02/01/2021	99,225.00	85,870.00	185,095.00	194,349.75	21,468.15	23,690.53	-	31,907.02	26,589.19	7,976.76	82,718.10	(718.10)	60.12	2019 / 2020	82,000.00
02/01/2022	98,345.00	85,210.00	183,555.00	192,732.75	21,468.16	23,690.53	-	31,574.39	26,311.99	7,893.60	81,794.09	205.91	266.03	2020 / 2021	82,000.00
02/01/2023	97,345.00	84,460.00	181,805.00	190,895.25	21,468.16	23,690.53	-	31,196.39	25,996.99	7,799.10	80,744.09	255.91	521.94	2021 / 2022	81,000.00
02/02/2024	96,225.00	88,620.00	184,845.00	194,087.25	21,468.15	23,690.54	-	33,293.02	27,744.19	8,323.26	79,568.10	431.90	953.84	2022 / 2023	80,000.00
02/01/2025	99,985.00	87,612.50	187,597.50	196,977.38	21,468.15	23,690.53	-	32,785.25	27,321.04	8,196.31	83,516.10	(516.10)	437.74	2023 / 2024	83,000.00
02/01/2026	98,540.00	86,507.50	185,047.50	194,299.88	21,468.16	23,690.53	-	32,228.32	26,856.94	8,057.08	81,998.84	1.16	438.90	2024 / 2025	82,000.00
02/01/2027	96,967.50	85,305.00	182,272.50	191,386.13	21,468.16	23,690.53	-	31,622.27	26,351.89	7,905.57	80,347.72	(347.72)	91.18	2025 / 2026	80,000.00
02/02/2028	95,310.00	89,037.50	184,347.50	193,564.88	21,468.16	23,690.53	-	33,503.44	27,919.54	8,375.86	78,607.34	392.66	483.84	2026 / 2027	79,000.00
02/01/2029	98,567.50	87,602.50	186,170.00	195,478.50	21,468.16	23,690.53	-	32,780.21	27,316.84	8,195.05	82,027.72	(27.72)	456.12	2027 / 2028	82,000.00
02/01/2030	96,632.50	86,097.50	182,730.00	191,866.50	21,468.16	23,690.53	-	32,021.68	26,684.74	8,005.42	79,995.97	4.03	460.15	2028 / 2029	80,000.00
02/01/2031	99,607.50	84,522.50	184,130.00	193,336.50	21,468.16	23,690.53	-	31,227.88	26,023.24	7,806.97	83,119.72	(119.72)	340.43	2029 / 2030	83,000.00
02/02/2032	97,375.00	87,877.50	185,252.50	194,515.13	21,468.16	23,690.53	-	32,918.80	27,432.34	8,229.70	80,775.59	224.41	564.84	2030 / 2031	81,000.00
02/01/2033	-	86,002.50	86,002.50	90,302.63	-	-	-	43,345.26	36,121.05	10,836.32	-	-	564.84	2031 / 2032	-
02/01/2034	-	84,052.50	84,052.50	88,255.13	-	-	-	42,362.46	35,302.05	10,590.62	-	-	564.84	2032 / 2033	-
02/01/2035	-	87,027.50	87,027.50	91,378.88	-	-	-	43,861.86	36,551.55	10,965.47	-	-	564.84	2033 / 2034	-
02/02/2036	-	84,787.50	84,787.50	89,026.88	-	-	-	42,732.90	35,610.75	10,683.23	-	-	564.84	2034 / 2035	-
02/01/2037	-	87,507.50	87,507.50	91,882.88	-	-	-	44,103.78	36,753.15	11,025.95	-	-	564.84	2035 / 2036	-
<b>Total</b>	<b>\$1,478,575.00</b>	<b>\$1,745,105.83</b>	<b>\$3,223,680.83</b>	<b>\$3,383,441.83</b>	<b>\$322,022.34</b>	<b>\$355,357.97</b>		<b>\$700,879.45</b>	<b>\$584,066.21</b>	<b>\$175,219.86</b>	<b>\$1,217,435.16</b>	<b>-</b>	<b>564.84</b>		<b>\$1,218,000.00</b>

**Revenue Footnotes:**

- ( f ) The special assessment revenue is based on assessments of 20%, totaling \$241,500 for the Improvement Portion and \$266,500 for the Utility Portion, filed in 2016 for first collection in 2017, assessed at 3.81% (1.50% over the All Inclusive Cost Rate), with equal annual payments. The special assessment revenue will be applied to the first 15 years of the bond schedule; the Utility portion, however, will be amortized over 20 years, with the final 5 years payable solely from utility net revenues.
- ( h ) Sewer revenues will pay 48% of the debt service of the Utility Improvement Portion after assessment revenue has been applied.
- ( i ) Water revenues will pay 40% of the debt service of the Utility Improvement Portion after assessment revenue has been applied.
- ( j ) Storm sewer revenues will pay 12% of the debt service of the Utility Improvement Portion after assessment revenue has been applied.

**MUNICIPAL ADVISORY SERVICE AGREEMENT  
BY AND BETWEEN  
THE CITY OF CANNON FALLS, MINNESOTA  
AND  
NORTHLAND SECURITIES, INC.**

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 have NSI provide it with advice on the structure, terms, timing and other matters related to the issuance of the General Obligation Bonds, Series 2016A (the "Debt") serving in the role of municipal (financial) advisor, and

WHEREAS, NSI is a registered municipal advisor (registration # 866-00082-00), and

WHEREAS, the City and NSI are entering into this Agreement to define the municipal advisory relationship at the earliest opportunity related to the Debt, and

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**

NSI shall provide the City with services necessary to analyze, structure, offer for sale and close the Debt as follows:

**Planning and Development**

1. Meet with City officials and others as directed to define the scope and the objectives for the Debt.
2. Investigate and consider reasonably feasible financing alternatives.
3. Prepare materials needed to evaluate the material risks, potential benefits, structure and other characteristics of the recommended plan for the Debt, including issue structure, estimated debt service payments, projected revenues, method of issuance, bond rating, sale timing, and call provisions.
4. Prepare a schedule of events related to the issuance process.
5. Coordinate with bond counsel any actions needed to authorize the issuance of the Debt.
6. Attend meetings of the City Council and other project and bond issue related meetings as needed and as requested.

**Bond Sale**

1. Collect data and prepare preliminary official statement (POS).
2. Provide POS for review and approval by City.
3. Distribute the POS and bid form to prospective bidders.

4. Cause to be published the Official Notice of Sale if required by law.
5. Prepare and submit application for bond rating(s) and assist City with furnishing the rating agency(s) with any additional information required to conduct the rating review. Assist City with preparing and conducting rating call or other presentation.
6. Distribute offering materials to underwriters most likely to serve as syndicate managers to assure that bidding interest is established.
7. Assist the City in receiving the bids, compute the accuracy of the bids received, and recommend to the City the most favorable bid for award.
8. Coordinate with bond counsel the preparation of required contracts and resolutions.

**Post Sale Support**

1. Prepare final official statement and provide to underwriter for posting on EMMA.
2. Coordinate the bond issue closing including making all arrangements for bond printing, registration, and delivery.
3. Furnish to the City a complete transcript of the transaction, if not provided by bond counsel.
4. Assist, as requested by the City, with the investment of bond issue proceeds.

**COMPENSATION**

For providing these services with respect to the Debt, NSI shall be paid a lump sum of \$18,000. The fee due to NSI shall be payable by the City upon the closing of the Bonds.

NSI agrees to pay the following expenses from its fee:

- Out-of-pocket expenses such as travel, long distance phone, and copy costs.
- Production and distribution of material to rating agencies and/or bond insurance companies.
- Preparation of the bond transcript.

The City agrees to pay for all other expenses related to the processing of the bond issue(s) including, but not limited to, the following:

- Engineering and/or architectural fees.
- Publication of legal notices.
- Bond counsel and local attorney fees.
- Fees for various debt certificates.
- The cost of printing Official Statements, if any.
- City staff expenses.
- Airfare and lodging expenses of one NSI official and City officials when and if traveling for rating agency presentations.
- Rating agency fees, if any.
- Bond insurance fees, if any.
- Accounting and other related fees.

It is expressly understood that there is no obligation on the part of the City under the terms of this Agreement to issue the Debt. If the Debt is not issued, NSI agrees to pay its own expenses and receive no fee for any services it has rendered.

**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.

**TERM OF THIS AGREEMENT**

This Agreement may be terminated by thirty (30) days written notice by either the City or NSI and it shall terminate sixty (60) days following the closing date related to the issuance of the Debt.

Dated this 19th day of April, 2016.

**Northland Securities, Inc.**

By: John R. Fifield, Jr.  
John R. Fifield, Jr. - Senior Vice President

**City of Cannon Falls, Minnesota**

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

**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.

**TERM OF THIS AGREEMENT**

This Agreement may be terminated by thirty (30) days written notice by either the City or NSI and it shall terminate sixty (60) days following the closing date related to the issuance of the Debt.

Dated this 19th day of April, 2016.

**Northland Securities, Inc.**

By: \_\_\_\_\_  
John R. Fifield, Jr. - Senior Vice President

**City of Cannon Falls, Minnesota**

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

EXTRACT OF MINUTES OF A MEETING  
OF THE CITY COUNCIL  
CITY OF CANNON FALLS, MINNESOTA

HELD: April 19, 2016

Pursuant to due call thereof, a regular or special meeting of the City Council of the City of Cannon Falls, Goodhue County, Minnesota, was duly held at the City Hall on April 19, 2016, at 6:30 P.M. for the purpose in part of authorizing the competitive negotiated sale of \$2,630,000 General Obligation Bonds, Series 2016A.

The following members were present:

and the following were absent:

Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

RESOLUTION NUMBER 2197

RESOLUTION PROVIDING FOR THE COMPETITIVE NEGOTIATED SALE OF  
\$2,630,000 GENERAL OBLIGATION BONDS, SERIES 2016A

A. WHEREAS, the City Council of the City of Cannon Falls, Minnesota (the "City"), hereby determines that it is necessary and expedient to issue \$2,630,000 General Obligation Bonds, Series 2016A (the "Bonds"), pursuant to Minnesota Statutes, Chapters 429, 444 and 475. The proceeds of which will be used to: (i) finance street improvements and storm sewer, sanitary sewer and water main improvement projects within the City; and (ii) pay the costs of issuing the Bonds; and

B. WHEREAS, the City has retained Northland Securities, Inc., in Minneapolis, Minnesota ("Northland"), as its independent financial advisor and is therefore authorized to sell the Bonds by competitive negotiated sale in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9); and

C. WHEREAS, the City has retained Briggs and Morgan, P.A. in St. Paul, Minnesota as its bond counsel for purposes of this financing.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Cannon Falls, Minnesota, as follows:

1. Authorization. The City Council hereby authorizes Northland to solicit proposals for the competitive negotiated sale of the Bonds.

2. Meeting; Proposal Opening. This City Council shall meet at the time and place specified in the Notice of Sale attached hereto as Exhibit A for the purpose of considering sealed proposals and awarding the sale of the Bonds.

3. Notice of Sale. The terms and conditions of the Bonds and the negotiation thereof are fully set forth in the Notice of Sale attached hereto as Exhibit A and hereby approved and made a part hereof.

4. Official Statement. In connection with the competitive negotiated sale, the City Administrator and other officers or employees of the City are hereby authorized to cooperate with Northland 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.

The motion for the adoption of the foregoing resolution was duly seconded by member \_\_\_\_\_ and, after full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted.



STATE OF MINNESOTA  
COUNTY OF GOODHUE  
CITY OF CANNON FALLS

I, the undersigned, being the duly qualified and acting City Administrator of the City of Cannon Falls, Minnesota, do hereby certify that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council, duly called and held on the date therein indicated, insofar as such minutes relate to the \$2,630,000 General Obligation Bonds, Series 2016A.

WITNESS my hand on April \_\_\_\_, 2016.

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City Administrator

**EXHIBIT A NOTICE OF SALE**

\$2,630,000\*  
GENERAL OBLIGATION BONDS, SERIES 2016A

CITY OF CANNON FALLS, MINNESOTA  
(Book-Entry Only)

NOTICE IS HEREBY GIVEN that these Bonds will be offered for sale according to the following terms:

**TIME AND PLACE:**

Proposals will be opened by the City's Administrator, or designee, on Tuesday, June 7, 2016, at 10:30 A.M., CT, at the offices of Northland Securities, Inc., 45 South 7th Street, Suite 2000, Minneapolis, Minnesota 55402. Consideration of the Proposals for award of the sale will be by the City Council at its meeting at the City Offices beginning Tuesday, June 7, 2016 at 6:30 P.M., CT.

**SUBMISSION OF PROPOSALS**

Proposals may be:

- a) submitted to the office of Northland Securities, Inc.,
- b) faxed to Northland Securities, Inc. at 612-851-5918,
- c) for proposals submitted prior to the sale, the final price and coupon rates may be submitted to Northland Securities, Inc. by telephone at 612-851-5900 or 612-851-4945, or
- d) submitted electronically.

Notice is hereby given that electronic proposals will be received via PARITY™, or its successor, in the manner described below, until 10:30 A.M., CT, on Tuesday, June 7, 2016. Proposals may be submitted electronically via PARITY™ or its successor, pursuant to this Notice until 10:30 A.M., CT, but no Proposal will be received after the time for receiving Proposals specified above. To the extent any instructions or directions set forth in PARITY™, or its successor, conflict with this Notice, the terms of this Notice shall control. For further information about PARITY™, or its successor, potential bidders may contact Northland Securities, Inc. or i-Deal® at 1359 Broadway, 2<sup>nd</sup> floor, New York, NY 10018, telephone 212-849-5021.

Neither the City nor Northland Securities, Inc. assumes any liability if there is a malfunction of PARITY™ or its successor. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner in which the Proposal is submitted.

**BOOK-ENTRY SYSTEM**

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds.

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\* The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread.

Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City through Northland Trust Services, Inc. Minneapolis, Minnesota (the “Paying Agent/Registrar”), to DTC, or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC. The City will pay reasonable and customary charges for the services of the Paying Agent/Registrar.

**DATE OF ORIGINAL ISSUE OF BONDS**

July 1, 2016

**AUTHORITY/PURPOSE/SECURITY**

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 429, 444 and 475. Proceeds will be used to finance street improvements and storm sewer, sanitary sewer and water main improvement projects within the City and to pay the costs associated with the issuance of the Bonds. The Bonds are payable from special assessments against benefited property, net revenues of the City’s water, storm and sewer utility systems and additionally secured by ad valorem taxes on all taxable property within the City. The full faith and credit of the City is pledged to their payment and the City has validly obligated itself to levy ad valorem taxes in the event of any deficiency in the debt service account established for this issue.

**INTEREST PAYMENTS**

Interest is due semiannually on each February 1 and August 1, commencing February 1, 2017, to registered owners of the Bonds appearing of record in the Bond Register as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding such interest payment date.

**MATURITIES**

Principal is due annually on February 1, inclusive, in each of the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2018	\$135,000	2023	\$140,000	2028	\$155,000	2033	\$75,000
2019	135,000	2024	145,000	2029	160,000	2034	75,000
2020	140,000	2025	150,000	2030	160,000	2035	80,000
2021	140,000	2026	150,000	2031	165,000	2036	80,000
2022	140,000	2027	150,000	2032	170,000	2037	85,000

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

**INTEREST RATES**

All rates must be in integral multiples of 1/20th or 1/8th of 1%. There are no restrictions on ascending rates; *however, if at any point rates descend, rates may not be more than 1% lower than the rates for any preceding maturity.* All Bonds of the same maturity must bear a single uniform rate from date of issue to maturity.

## **ADJUSTMENTS TO PRINCIPAL AMOUNT AFTER PROPOSALS**

The City reserves the right to increase or decrease the principal amount of the Bonds. Any such increase or decrease will be made in multiples of \$5,000 and may be made in any maturity. If any maturity is adjusted, the purchase price will also be adjusted to maintain the same gross spread. Such adjustments shall be made promptly after the sale and prior to the award of Proposals by the City and shall be at the sole discretion of the City. The successful bidder may not withdraw or modify its Proposal once submitted to the City for any reason, including post-sale adjustment. Any adjustment shall be conclusive and shall be binding upon the successful bidder.

## **OPTIONAL REDEMPTION**

Bonds maturing on February 1, 2025 through 2037 are subject to redemption and prepayment at the option of the City on February 1, 2024 and any date thereafter, at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and principal amounts within each maturity to be redeemed shall be determined by the City and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar.

## **CUSIP NUMBERS**

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the Bonds in accordance with terms of the purchase contract. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the successful bidder.

## **DELIVERY**

Delivery of the Bonds will be within forty days after award, subject to an approving legal opinion by Briggs and Morgan, Professional Association, Bond Counsel. The legal opinion will be paid by the City and delivery will be anywhere in the continental United States without cost to the successful bidder at DTC.

## **TYPE OF PROPOSAL**

Proposals of not less than \$2,590,550 (98.50%) and accrued interest on the principal sum of \$2,630,000 must be filed with the undersigned prior to the time of sale. Proposals must be unconditional except as to legality. Proposals for the Bonds should be delivered to Northland Securities, Inc. and addressed to:

Ron Johnson, City Administrator  
Cannon Falls City Hall  
918 River Road  
Cannon Falls, Minnesota 55009

A good faith deposit (the “Deposit”) in the amount of \$52,600 in the form of a federal wire transfer (payable to the order of the City) is only required from the apparent winning bidder, and must be received within two hours after the time stated for the receipt of Proposals. The apparent winning bidder will receive notification of the wire instructions from the Municipal Advisor promptly after the sale. If the Deposit is not received from the apparent winning bidder in the time allotted, the City may choose to reject their Proposal and then proceed to offer the Bonds to the next lowest bidder based on the terms of their original proposal, so long as said bidder wires funds for the Deposit amount within two hours of said offer.

The City will retain the Deposit of the successful bidder, the amount of which will be deducted at settlement and no interest will accrue to the successful bidder. In the event the successful bidder fails to comply with the accepted Proposal, said amount will be retained by the City. No Proposal can be withdrawn after the time set for receiving Proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

### **AWARD**

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The City’s computation of the interest rate of each Proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City will reserve the right to: (i) waive non-substantive informalities of any Proposal or of matters relating to the receipt of Proposals and award of the Bonds, (ii) reject all Proposals without cause, and (iii) reject any Proposal which the City determines to have failed to comply with the terms herein.

### **INFORMATION FROM SUCCESSFUL BIDDER**

The successful bidder will be required to provide, in a timely manner, certain information relating to the initial offering price of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

### **OFFICIAL STATEMENT**

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide to the senior managing underwriter of the syndicate to which the Bonds are awarded, the Final Official Statement in an electronic format as prescribed by the Municipal Securities Rulemaking Board (MSRB).

### **FULL CONTINUING DISCLOSURE UNDERTAKING**

The City will covenant in the resolution awarding the sale of the Bonds and in a Continuing Disclosure Undertaking to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as required by SEC Rule 15c2-12.

### **BANK QUALIFICATION**

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## BOND INSURANCE AT UNDERWRITER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the successful bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder of the Bonds. Any increase in the costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

The City reserves the right to reject any and all Proposals, to waive informalities and to adjourn the sale.

Dated: April 19, 2016

BY ORDER OF THE CANNON FALLS CITY COUNCIL

/s/ Ron Johnson  
City Administrator

Additional information may be obtained from:  
Northland Securities, Inc.  
45 South 7<sup>th</sup> Street, Suite 2000  
Minneapolis, Minnesota 55402  
Telephone No.: 612-851-5900