

# City of East Bethel City Council Agenda

Work Session Meeting – 6:00 PM

Date: August 1, 2012

City Hall



	Item	
6:00 PM	1.0	Call to Order
6:01 PM	2.0	Adopt Agenda
6:02 PM	3.0	RFP for Financial Services
7:20 PM	4.0	Adjourn



# City of East Bethel City Council Agenda Information

\*\*\*\*\*

**Date:**

August 1, 2012

\*\*\*\*\*

**Agenda Item Number:**

Item 3.0

\*\*\*\*\*

**Agenda Item:**

Financial Services Selection Interviews

\*\*\*\*\*

**Requested Action:**

Review the RFP's for Financial Services Advisor Services and Interview the firms submitting proposals.

\*\*\*\*\*

**Background Information:**

Council has directed staff to solicit RFP's for the position of Financial Services Advisor and four firms have responded to the request that was placed on the League of Minnesota Cities website.

The four firms submitting proposals are:

- 1.) Springsted, Incorporated;
- 2.) Ehlers, Incorporated;
- 3.) The PFM Group; and
- 4.) Northland Securities

\*\*\*\*\*

**Fiscal Impact:**

To be determined

\*\*\*\*\*

**Recommendation(s):**

\*\*\*\*\*

**City Council Action**

Motion by:\_\_\_\_\_

Second by:\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

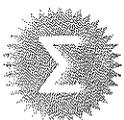
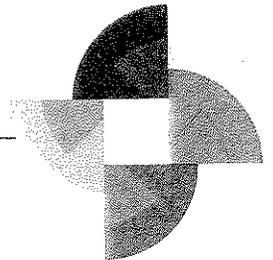
Vote Yes:\_\_\_\_\_

Vote No:\_\_\_\_\_

No Action Required:\_\_\_\_\_

July 26, 2012

Proposal to Provide  
Financial Advisory Services to the  
City of East Bethel, Minnesota

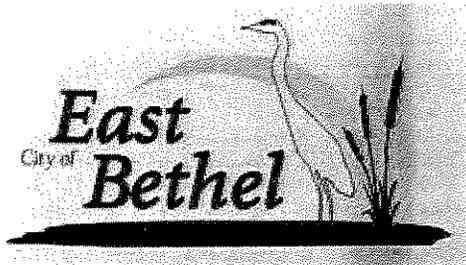


**EHLERS**

LEADERS IN PUBLIC FINANCE

July 26, 2012

# Proposal to Provide Financial Advisory Services to the City of East Bethel, Minnesota



## **Main Contacts:**

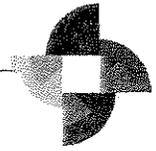
Todd Hagen, Senior Financial  
Advisor, Vice President

Stacie Kvilvang, Financial Advisor,  
Executive Vice President

Mark Ruff, Executive Vice President  
and Senior Financial Advisor

# Table of Contents

	Page
Transmittal Letter	1
Section 1. Ehlers' Bond Issues Experience	3
Section 2. Ehlers' Comparable Jurisdictions	4
Section 3. Ehlers' Primary Contact and Team	5
Section 4. Ehlers' Experience with Bond Rating Agencies	5
Section 5. Ehlers' Debt Issue Development and Oversight	7
Section 6. Ehlers' Continuing Disclosure and Arbitrage Experience	10
Section 7. Ehlers' Financial Planning and Debt Management	12
Section 8. Ehlers' Economic Development Planning Services	13
Section 9. Ehlers' Support Services Capabilities	15
Section 10. Ehlers' Advance Refunding Experience	17
Section 11. Ehlers' Working Knowledge Plan for East Bethel	18
Section 12. Ehlers' References	19
Appendix A: Ehlers' East Bethel Team Resumes	
Appendix B: Ehlers' Fee Schedule	



July 26, 2012

Finance Director  
City of East Bethel  
2241 221<sup>st</sup> Avenue NE  
East Bethel, MN 55011

## Re: Proposal to Provide Financial Advisory Services to East Bethel, MN

On behalf of Ehlers, we are pleased to present this proposal to provide independent financial advisory services to the City of East Bethel. We are confident that our proposal will demonstrate our team's collective qualifications to deliver the City's full scope of services as requested – and to surpass your expectations for quality and value.

### Capital Markets Expertise

In 2011, Ehlers ranked No. 1 in Minnesota and No. 3 in the United States in the number of bond sales advised. Our active market presence means we are in daily contact with the national underwriting community, bond attorneys, rating agencies, and other market participants, and have developed innovative ways to address past and present market uncertainty.

### In-House Expertise

- Ehlers' City of East Bethel's team draws on the public finance expertise of our premier advisors and analysts who will bring expertise, a sense of teamwork, and enthusiasm to every specific City project, emerging opportunity, and/or ongoing challenge. Whether it is arbitrage, financial planning or bond rating analysis, we are poised to bring you the best services in the business. This attitude applies whether it is a \$500,000 project or a \$500,000,000 development.
- We focus on Minnesota. Our financial advisors know the law, understand the challenges, and know how to make projects a reality. Credit ratings have never been more important than today. With the downgrades of the United States and the State of Minnesota, it will be a challenge for local governments with AAA ratings to maintain that status. While we believe competitive bond sales usually provide the best results for general obligation bonds, we successfully use negotiated and private placement transactions when it is in our clients' best interests. We know that challenging markets require creativity and flexibility to achieve the best possible outcome for each debt transaction. For example, it has been and will be continue to be a challenge for smaller bond issues (less than \$5,000,000) to attract large numbers of bidders. It is our goal to thoroughly explain all options to our clients before any decisions are made.
- We are a one-stop shop providing arbitrage monitoring services, continuing disclosure reporting and material events notices; expert investment advisory services through Ehlers Investment Partners; a streamlined process for bidding and closing capital leases, and paying agent services through our wholly-owned subsidiary, Bond Trust Services Corporation.

### Our Promise

One of any city's biggest challenges today is to maintain or grow net revenues in a sustainable way, in an

Our Promise

One of any city's biggest challenges today is to maintain or grow net revenues in a sustainable way, in an environment of flat or declining tax values and state aids. No advisor can responsibly promise to find "silver bullet" solutions to this or other global questions. You should expect, however, that your consultant will help to define challenges and opportunities, evaluate the full range of options, and implement the most effective course of action at the lowest reasonable cost. *At its core, this is what we propose to provide to the City of East Bethel: ongoing dialogue and idea-sharing, independent analysis, presentation of customized options for each project's circumstances, and a competitive, value-oriented fee structure.*

We appreciate your consideration of our financial advisory services proposal and look forward to discussing how Ehlers can best serve the City of East Bethel.

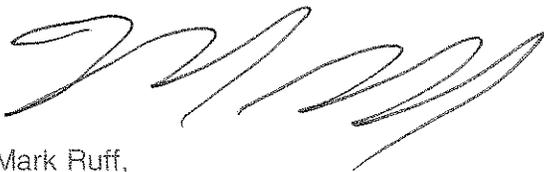
Respectfully submitted,



Todd Hagen,  
Vice President/Senior Financial Advisor



Stacie Kvilvang,  
Executive Vice President/Financial Advisor



Mark Ruff,  
Executive Vice President/Senior Financial Advisor

## SECTION 1: Bond Issues Experience in the State of Minnesota

---

### *Midwest Expertise, National Prominence*

Over 55 years of bond advisory work in the Midwest has established Ehlers' reputation for high-quality service. Our qualifications can also be seen in results. Ehlers serves as financial advisor for more competitive bond issues than any other firm in the Midwest and is *ranked third nationally and first in Minnesota* in the number of bond issues advised, as determined by Thomson Financial. Our debt issuance experience includes all forms of municipal debt.

Many of our clients are similar to the City of East Bethel in debt issuance size and frequency. Ehlers' transaction and bond volume numbers, therefore, reflect a track record of performance that is relevant to the City and its service expectations, and is not inflated by a handful of very large transactions for state agencies and higher education consortiums.

### Ehlers Ranks Number One in Number of Sales in Minnesota

<b>Financial Advisors</b>	<b>Rank</b>	<b>Number of Issues</b>	<b>Market Share Percentage</b>	<b>Principal (in millions)</b>
<b>Ehlers</b>	<b>1</b>	<b>130</b>	<b>35.8%</b>	<b>\$710.9</b>
Springsted Incorporated	2	108	29.8	968.2
Public Financial Management, Inc.	3	41	11.3	1,074.1
Northland Securities	4	37	10.2	290.4
David Drown Associates	5	32	8.8	42.7
CSG Advisory Inc.	6	6	1.7	247.8
PMA Securities, Inc.	7	4	1.1	9.6
Public Resources Advisory Group	8	3	.8	769.0
Morgan Keegan & Co. Inc.	9	1	.3	285.0
Jefferies & Company Inc.	10	1	.3	52.0

Source: Thomson Financial 1-888-989-8373. January 1, 2011 through December 31, 2011.

Our corporate headquarters are in Minnesota and we have deep roots here. At Ehlers, all employees have ownership through an employee stock ownership trust. As an employee owned firm, we are all incented to serve our Clients. Because we exclusively represent municipal issuers of debt, and not investors, we are aligned with the interests of public officials and the citizens they serve. Philosophically, we believe in experience, adaptability and independence.

Ehlers has a broad scope of experience in public finance. Most of our financial advisors have served as public officials/employees in Minnesota. The average tenure of our employees is 15 years, and altogether we have more than 350 years of experience in public finance.

Each client works directly with a team of Financial Advisors, supported by specialists who know your community and are guided by a thorough quality control review process. With all of this collective knowledge, the whole is greater than the sum of the parts. Our deep experience combined with specialized talent has led to ongoing relationships that have lasted decades. Like our clients in public service, we are motivated to serve.

### *Independent Advisors since 1955*

Ehlers is a trusted advisor for more than 10,000 public officials who work every day to make prudent decisions regarding public resources and public debt. Our experienced advisors work in our four basic service areas of *Debt Issuance, Economic Development and Redevelopment, Financial Planning, and Strategic Communications*. Many community leaders see Ehlers professionals as integral extensions of their internal staffs.

Robert Ehlers founded the company to serve local communities without the moral hazards that arise when underwriters represent both investors and bond issuers. We exclusively represent the interests of municipalities that issue debt. This approach has helped Ehlers grow to be ranked as a top three advisor nationally for bond sales.

We are a charter member of the National Association of Independent Public Finance Advisors (NAIPFA). This professional association is dedicated to high ethical standards and a commitment to providing independent advice that serves the public good.

Our mission is to design customized financial solutions that help build outstanding communities. As an employee owned firm, we understand community.

## SECTION 2: Experience with Comparable Jurisdictions

---

Following is a listing of some of Ehlers' clients with characteristics comparable to the City of East Bethel. In all instances we provide a variety of debt issuance, post-issuance compliance, financial planning, and economic development services similar to the City's desired scope. In addition, each of these cities is represented by one or more members of Ehlers' East Bethel team.

- City of Andover
- City of Anoka
- City of Cambridge
- City of Circle Pines
- City of Coon Rapids
- City of Elk River
- City of Lexington

## SECTION 3: Ehlers' Primary Contact and Team

---

Ehlers offers the following individuals with an exceptional combination of expertise and experience to act as the financial advisory team for the City of East Bethel. Beyond the staff identified below, the City will have access to the entire staff at Ehlers including highly specialized financial specialists who all play key roles in successfully delivering services to the City.

Todd Hagen as Lead Financial Advisor, and contact for the City with responsibility for overseeing and coordinating all efforts in meeting the needs of the City. He has special expertise in understanding the state and federal laws that govern public finance necessary to deliver all financing options available to communities throughout Minnesota. He will work closely with City staff in planning and structuring the debt issue, in preparation of the materials to be presented to the Council, and will attend all necessary meetings. Todd has worked in public finance for over 25 years and as a consultant for Minnesota towns, cities, counties and school districts, specializing in capital planning and financial planning needs, utility rate studies, analyzing project feasibility housing finance, redevelopment project management, and tax increment financing districts since 2001.

Stacie Kvilvang has been an Ehlers Financial Advisor since 2002. Stacie has worked on the review and analysis for locating and financing new liquor stores for the cities of St. Anthony (two new stores), Columbia Heights (two stores), as well as the financing for the construction of new stores in Big Lake and Perham. Stacie has nearly 20 years of local governmental experience in financial planning, economic development, tax increment, and housing, and extensive experience in developer negotiations, *pro forma* analysis, project management, communications strategies and program development.

Mark Ruff has over 20 years of public finance consulting experience, 99% of which has been in Minnesota. He will serve as the primary contact and lead advisor on all matters related to bond issues and financial planning and will oversee all a client's broad range of needs. Mark will be involved throughout the debt management and issuance oversight attending meetings with both staff and the governing board. He is a financial advisor to the State of Minnesota, two dozen larger suburban and exurban communities in Minnesota, Minneapolis, St. Paul, Carver County, and to Anoka and Sherburne Counties on the Northstar Commuter Rail project from start to finish over almost a decade.

*Complete resumes for each Financial Advisor can be found in Appendix A*

## SECTION 4: Ehlers' Approach to Preparing and Presenting Bond Rating Information

---

One of Ehlers' distinguishing strengths is its relationship with the rating agencies. Ehlers enjoys a very active and strong working relationship with both Moody's Investors Service and Standard and Poor's. Both firms send representatives to speak at our annual Minnesota public finance seminar. We regularly invite them to make visits to clients, we discuss pending legislation, and we are on the phone with them on weekly and sometimes daily basis for rating calls. We recently held mini-seminars for each rating agency on the impact of the change to the market value homestead credit and the impact on cities across the state. This relationship is built on trust and credibility. We have an intimate working knowledge of the rating criteria

used by these organizations and we work very hard to provide our clients and the rating agencies with our best assessment of how these are applied to each client and bond issue for which ratings may be sought. This approach results in a clear understanding of the client's financial position and "no surprises" to either client or rating analysts.

The past several years have been a tumultuous time for rating agencies and bond insurance companies. Rating agencies are much more heavily regulated and regimented than they used to be. The market has tightened its credit standards, and bond insurance is rare. Therefore, underlying ratings are more important than ever. To maintain and increase the City's rating, Ehlers recommends the following:

- Careful maintenance and clear communication to the rating agencies of the past and expected levels of the City's general fund balance, which is likely the single most important credit factor entirely within the City's control;
- Regular visits from rating agency staff to the City, at least once every two years;
- Conference calls with rating analysts after major legislative changes that may affect the City, during major changes to the capital improvement plan, or if there are key staff changes;
- Adoption and maintenance of robust debt; investment and fund balance policies;
- Adoption of a multi-year financial management plan;
- Quarterly review by City Council of various financial reports;
- Quality management staff including a succession plan;
- Redevelopment of aging areas of the community; and
- Address key trigger points for the rating agencies.

Rating "trigger points" are best anticipated rather than reacted to. One way to find the trigger points is to study available data from each rating agency. We subscribe to Moody's database and are able to compare Minnesota communities with state and national medians for over 30 key financial ratios. We have analyzed East Bethel as compared to the 40 other Aa3 rated communities in the State and have the following findings:

1. East Bethel is solidly aligned with or even a bit better than the medians in the areas of economy/wealth and finance.
2. Amortization of debt within 10 years is one category shown as a weakness compared to other communities. The City's last rating report highlights pressure of the City's enterprise funds, including the utilities and the ice arena.
3. To offset pressure on these funds, the City may want to increase its general fund balance.

We also encourage and facilitate educating the rating agencies – especially newer analysts – on the City's financial management capabilities. While the City has been successful in demonstrating its solid and resilient fiscal management experience with Moody's analysts in past discussions, this is an area that will play an even more important role in future rating methodologies. The rating agencies are now much more active in the area of "surveillance" or rating reviews outside of issuance of debt. We recommend that cities be proactive rather than reactive in the communication with the rating agencies. We have also assisted clients with a switch in rating agencies when it is clear the community is not being heard by its current rating agency.

Both major rating agencies have recognized the Ehlers Financial Management Plan as helpful in the rating process. In describing the Financial Management Plan, Moody's states that: "Ehlers' five-year financial plans are very helpful for communities during the bond rating process because they provide a fiscal barometer showing directional trends and not simply a financial snapshot." Further, S&P has commented

that: "Ehlers' financial strategies can assist an issuer in developing its long range financial objectives - a key factor in our assessment of credit quality."

## SECTION 5: Plan of Service: Debt Issue Development and Oversight

---

### *Leaders in Public Finance*

Ehlers ranks as a top three advisor nationally for competitive bond sales and number two for bank qualified issues. We have long held to the fiduciary standard of a financial advisor. Community leaders appreciate the fact that we represent the best interests of their municipality. If we can find a way to help clients avoid the issuance of debt, we will not hesitate to recommend that course of action.

Debt issuance, if necessary, requires a complex stream of tasks. It is important to understand external forces such as legislative changes and financial market trends. It is also important to look ahead and envision future capital investment, revenue demands, and refinancing plans. Finally, there are all the complexities of bringing a bond issue to market.

Our experience shows that competitive bond sales for highly rated issues give municipalities the best chance of receiving low interest rates for general obligation bonds. A competitive sale is an open process allows you to compare costs. But it is not enough just to schedule a sale. Careful planning is essential.

Ehlers' financial advisors are experts at every step of the process. We help clients make sound decisions. We help structure debt issues, navigate rating agencies, produce official statements, conduct the sale, deliver sale resolutions to bond attorneys, and coordinate all closing details. Most of all, our job is to work with you the client, add value, to explain the options available and to offer advice so that solid informed decisions are made that benefit your community.

### *Areas where we deliver unique value for our clients:*



### The Life of a Municipal Debt Issue

#### Planning & Structuring

- Select type of obligation
- Structure and repayment options
- Determine best method of sale
- Facilitate credit rating enhancement process

#### Debt Issuance Process

- Select other public finance professionals
- Prepare & distribute official statement
- Market the issue
- Conduct bond sale
- Coordinate closing

#### Debt Maintenance

- Assemble permanent bond record book
- Monitor refunding opportunities
- Debt management

#### Post Issuance

- Paying agent services
- Continuing disclosure reporting
- Arbitrage rebate monitoring
- Investment services
- Debt maturity/service benchmarking
- Calls & defeasances

## Scope of Services Offered throughout the Debt Issuance Process

**Planning Bond Issues.** The issuance of bonds cannot be treated as a single event, but rather as one step in the on-going process of financial management. Several characteristics distinguish Ehlers' approach to debt planning. While the process is designed around needs of each jurisdiction, we try to review each of the following categories in the context of a long-term financial plan before we start work on a bond issue:

- Review of financial trends.
- Identification of capital improvement needs and funding options.
- Projections of growth and valuation.
- Forecasts for operating budgets.
- Analysis of future property taxes.
- Analysis of General Fund reserves.
- Review of existing debt.
- Analysis of future debt.

**Structuring Bond Issues.** A poorly planned bond issue is not saved by low interest rates. We spend the vast majority of our time mapping a strategy for an effective bond issue helping you find the best solution to your needs. This includes consideration of legal options, alternatives including combined issues, delayed or accelerated principal payments, information sessions with the Council through a "pre-sale" report, pre-meetings with underwriters about likely responses to various structures (call date, size, term, bank qualification, etc.), timing of the sale, and tax impacts under various scenarios. The market changes on a weekly basis. We do not simply have a "standard" approach. To do so would hinder, rather than help, a client achieve their goals.

Ehlers expertise in providing options is an important dimension to our work. Bond counsels are ultimately the final word on the legality of a financing. Our objective is to work with the bond counsel to say "yes" rather than to put a client in the position of only hearing "no". This goal is achieved by close working relationships, knowledge of Minnesota Statutes, and knowledge of positions of other law firms in the State.

When an issue is well planned, the implementation of the sale is almost a non-event. Our measure of success is when a Council can approve a bond sale with little discussion and little public concern.

**Preparing the Official Statement.** The quality of an official statement is also a key factor. We employ six people in our office who work primarily on the preparation of official statements as well as secondary disclosure. You can be assured the document will be accurate, you will have time to review it in draft form, and underwriters will receive it with plenty of time to bid on your transaction. We currently publish each official statement on our website.

**Facilitating the Rating Review Process.** Credit ratings were important before September 2008, but have assumed more significance in the continuing wake of the credit crisis. One of Ehlers' distinguishing strengths is its relationship with the two major rating agencies; relationships built on trust and credibility. We know the key decision makers at each of the major rating agencies and know the mechanics and nuances of each firm's methodology, helping clients position themselves and their transactions for the best possible rating. Timing is also important for ratings, as S&P has set a minimum 10 day review period for all documents prior to releasing a rating.

**Marketing the Bonds.** A well-designed bond issue takes into consideration not only the issuer's goals and needs but also the requirements of the potential municipal market investors. We involve our clients with the ultimate design of each financing program. Consideration is given to:

- Evaluation of the type of sale (competitive vs. negotiated).
- Appropriate security, term and call features.
- Compliance with existing covenants – parity tests and reserve requirements.
- Type of bidding allowed – discounts vs. maximum premiums, descending or ascending coupons, Parity bidding on every issue we do, and true interest costs with gross spreads maintained as a basis for determining the best bid.
- Assurance of adequate, appropriate and accurate offering documents and legal instruments.
- Dissemination of the Official Statement and other essential information about your issue to the underwriting community.
- Applicable method of receiving bids/proposals.

**Conducting the Bond Sale.** Our three full-time bond sale coordinators conduct a hands-on, comprehensive approach for every sale. For competitive issues, we:

- Arrange for the method, time and place for the receipt of bids/proposals.
- Analyze each bid for compliance with the terms and conditions.
- Compile a bid tabulation and make a formal recommendation regarding the award or rejection of such bid proposals.
- Once an award is made, we coordinate with bond counsel and the underwriter for the time, method and place for closing and delivery.

The three people in our bond sale department are in daily contact with the market and take bids over the internet, phone or fax. Given the volume of bond issues which run through our Roseville office on an annual basis (approximately 350 – 400 per average year), we have developed a seamless process of conducting and executing a sale. This reputation within the market is important for attracting the optimum number of bids and lower interest costs. Relationships with underwriters matter.

**Coordinating the Closing Process.** Ehlers’ goal is to make the closing as “invisible” as possible for our clients. We coordinate the closing with all players - bond counsel, Depository Trust Company, purchaser, and seek to minimize the effort required of City staff. If needed, Ehlers assists with preparation of draw schedules and the creation of investment options.

**Bond Records.** The foundation of debt management is to know the specific requirements of each issue. Ehlers provides a complete bound transcript of documents for each issue. A “Post Sale Report” begins each transcript. The report puts all of the key facts about each issue in one place for convenient reference:

- Payment dates, amounts and CUSIP numbers
- Arbitrage compliance concerns
- Continuing disclosure reporting requirements
- Call date
- Special cash flow considerations

## Ehlers' Post Issuance Services

### Debt Management

Ehlers treats the planning, issuance and management of debt as an on-going process. For many cities, debt forms a constant stream of tasks—evaluating options for upcoming projects, looking to the future for balance in capital investment and revenue demands, responding to opportunities and constraints created by legislative change, understanding how market changes affect the issuer, planning for refinancing, and bringing issues to market.

- Review of debt service fund balances for arbitrage compliance.
- Identification of upcoming current and advance refunding opportunities.
- Analysis of tax levy and other revenue source adjustments for future years.
- Evaluation of the implications of the current capital improvements program.

Ehlers can assist you in an analysis of debt service funds, including special assessments, to make sure future assessment revenues, tax levies and cash balances are sufficient to meet debt service requirements.

We will also assist in early prepayment of bonds and monitor refunding opportunities on an ongoing basis. Issuers can save money by paying off debt early rather than issuing refunding bonds. When a bond sale is planned, we push the call date to the earliest practical date to enable an issuer to retire debt which may have prepaid revenues as quickly as possible.

We complete Debt Studies for many of our clients to provide a comprehensive analysis of all outstanding debt to ascertain opportunities to pay off debt early or opportunities to refinance debt. In addition, we regularly review refunding opportunities for our clients to see if there are opportunities to refinance or pay off outstanding debt at a better rate.

## SECTION 6: Providing Continuing Disclosure and Arbitrage

---

### Continuing Disclosure

State and federal rules and regulations are always changing. We keep abreast of all these changes and make sure you are in compliance on a routine basis. We will work with you, your bond counsel, auditors, and other personnel to insure that adequate disclosure documents are prepared and filed in a timely manner and that significant events are reported to the required data information repositories. We will always be available to discuss and/or meet with interested parties regarding appropriate requests for disclosure information and the reporting of material events.

*Following is a summary of the continuing disclosure reporting services offered by Ehlers:*

- Review Continuing Disclosure Certificate and create timetable for preparation of the Annual Disclosure Report.
- Collect Annual Continuing Disclosure Report information listed in the Continuing Disclosure Certificate and prepare necessary reporting documents.
- Submit Annual Continuing Disclosure Report as required in the Continuing Disclosure Certificate.
- Provide the City with a copy of the Report and the filing and submission confirmation.
- Provide recommendations for future reporting.
- Assist the City in drafting and reporting Material Event Notices according to SEC requirements.

### Paying Agent Services

Given problems in the industry with bank mergers and reliability of paying agent services, Ehlers created a subsidiary corporation called Bond Trust Services Corporation. We were granted the first limited purpose

trust in the State for the purpose of establishing our own paying agent service. We are fully integrated with DTC and serve as paying agent for the majority of our bond sales.

### Arbitrage Monitoring and Rebate Management

Ehlers offers an array of arbitrage services including assistance with drafting a post-issuance compliance policy and procedures, arbitrage reporting and assistance with IRS compliance questionnaires and examinations. Ehlers has three staff focusing solely on arbitrage rebate services. Gail Robertson, who leads our arbitrage group, is highly regarded in the industry with her ability to explain regulations using her law degree, analyze financial data from her years at major accounting firms and respond to IRS examination letter and audits. We routinely interact with IRS personnel and strive to have every IRS inquiry answered on-time and without question as to its accuracy. With the tax-exempt bond branch of the IRS having doubled in size, IRS agents are conducting surveys and examinations like never before. To prepare for such inquiries, Ehlers recommends that issuers adopt a post-issuance compliance policy and implement post-issuance compliance procedures which include the preparation of arbitrage reports for all tax-exempt debt, Build America Bonds and Recovery Zone Economic Development Bonds. Issuers that engage Ehlers to prepare arbitrage reports receive the following level of service:

1. Review the following documents:
  - a. Information Return for Tax-Exempt Governmental Obligations (Form 8038-G)
  - b. Arbitrage Certificate
  - c. Official Statement
  - d. Closing Memorandum, if any
  - e. Trust Indenture, if any
  - f. Verification Report, if any
  - g. Credit Enhancement Agreement, if any
  - h. Prior Arbitrage Calculation, if any
  
2. Calculate the arbitrage liability associated with each issue in accordance with Section 148(f) of the Internal Revenue Code of 1986, as amended and applicable Treasury regulations, including:
  - a. Obtain nonpurpose investment transaction data for all funds related to the issues
  - b. Review and analyze nonpurpose investment transaction data for each issue
  - c. Compute/verify the amount of spend-down penalties payable to the IRS for issues applying such provisions
  - d. Confirm arbitrage yields set forth in Forms 8038-G
  - e. Compute/verify the amount of excess earnings, if any, on nonpurpose investments and the value of those earnings as of the applicable computation date
  - f. Determine the rebate amount and rebate payment due to the IRS, if any
  - g. Compute/verify the yield reduction payment due on yield restricted nonpurpose investments, if any
  - h. Assist with the purchase of State and Local Government Series of U.S. Treasuries for yield restriction of the investments, if necessary
  - i. Prepare arbitrage reports, including list of funds, computational methods and assumptions used in the analysis and conclusions supporting the calculation
  - j. Prepare IRS Tax Form 8038-T, if required
  - k. Obtain a legal opinion for the arbitrage reports and IRS Form 8038-T, if required
  - l. Deliver arbitrage reports, along with legal opinion and IRS Form 8038-T, if applicable
  
3. Maintain a system for computing and tracking the arbitrage liability and future arbitrage computation dates, as necessary.

4. Assist the City in budgeting for arbitrage liabilities.
5. Evaluate and make recommendations on record keeping practices for those funds and accounts subject to arbitrage compliance.
6. Apprise the City of any changes in the arbitrage regulations that may occur during the term of an engagement.

## SECTION 7:

# Financial Planning and Debt Management Services

---

### *More Than an Annual Plan*

Ehlers sees financial planning as the central part of maintaining and building community. We work with clients to create dynamic Financial Management Plans that look ahead to envision capital improvement plans, operating needs, and revenue base changes.

The Financial Management Plan gives leaders a roadmap to determine options, make ongoing adjustments and make farsighted decisions. The planning process considers the annual budget, audit report, property values, utility rates, user fees, debt to cash ratios, and capital improvement plans. It also shows how changing employment, capital purchases and borrowing needs will affect future tax rates. Bond rating agencies use Financial Management Plans as key factors in evaluating credit quality, which can influence the interest rates for bond issues. Financial planning is literally time well invested.

Robert Ehlers was famous for saying, "We don't do deals. We build communities." In this spirit the employee owners of Ehlers work with community leaders to envision financial plans that lead to concrete, positive realities. *Planning pays off when you can see how tangible additions improve the quality of the day and strengthen the fabric of community.*

Budgeting should not be an annual event. A Financial Management Plan ("FMP") is a comprehensive fiscal plan that budgets for 10 years at a time through integrating your capital improvement plan, future operating needs, and revenue base changes to determine your future potential to support project costs.

The process reviews all of the governmental revenues and expenditures in a manner that allows elected officials to determine their options. It incorporates elements from all of your stand-alone documents – the annual budget, the audit report, and the capital improvement plan – and shows how changing employment, capital purchases, and bonding affect the tax levy on your residents and businesses.

Finally, an FMP will review all financial practices to assure that the governmental entity has appropriate control mechanisms in place. This includes budgeting and capital improvement planning so that the Council understands the policies that guide their staff in preparing the information presented to them.

The Council can then set policy to guide financial operations for both the short term and the long term. This process is an interactive one involving both the staff and elected officials agreeing on long-range targets. An FMP will clearly illustrate for your council members what is affordable both now and in the future based on criteria they establish. With an FMP, you can explain how their decisions will affect the budget for years into the future.

Since 2005, Ehlers has helped dozens of communities complete and update long range financial plans. The City of Champlin's FMP is a great example of the integration of financial plans, financial policies, and the

City's ability to adjust to changing economics and priorities over the past decade. The City has used the FMP to create a storm water utility, to pay down infrastructure debt, to minimize the issuance of equipment certificates, and to take advantage of expiring TIF districts to pay for key city facilities.

**Utility Rate Studies.** Ehlers has completed several dozen utility rate studies for communities throughout the Midwest. We have found that water and sewer enterprise funds are a much more important facet of a city's operation than they were 20 years ago. In some cities, water and sewer rates are the same as the City's portion of a homeowner's taxes. Many communities transfer from enterprise funds to the general fund for a variety of purposes. Street reconstruction programs are often heavily dependent upon enterprise funds. As growth has slowed, a rate study is an important means of measuring how much new infrastructure can be paid from existing users and how much will need to be a function of new growth. To enhance our studies, we maintain a utility rate database (sewer, water, and storm sewer rates) for every community in the State over 1,000 in population. We would be glad to share recent utility rate studies from cities such as Edina and Brooklyn Park

**Fiscal Impact Study/Analysis.** Ehlers has assisted many local governments with fiscal impact analysis. Whether the client needs to decide between different types of potential economic development, to evaluate the fiscal feasibility of proposed utility infrastructure projects, or to analyze a potential merger of cities and/or townships, our research can assist your council and boards make sense of the revenues and expenditures associated with change.

**Strategic Planning and Goal Setting.** Setting goals for a local government and the means to achieving goals requires experience with group facilitation and a strong background in local government. Ehlers' staff has comprehensive experience in focusing elected officials upon the realistic and achievable goals for their future.

## SECTION 8: Economic Development Planning Services

---

### *Committed to Community*

Ehlers has always believed in the virtue of community life. Towards this end, we provide seasoned advice to public officials who want to develop or redevelop. We work with community leaders on projects that include attracting qualified developers, utilizing tax increment financing and other development tools, and analyzing developers' pro forma statements to assist in negotiations.

Development and redevelopment projects are the most tangible and enduring legacies in any community. Leaders who make wise development decisions become community heroes. Conversely, leaders who neglect due diligence can become entangled in animosity and lawsuits.

Through our broad and deep experience working on all aspects of development in all sizes of communities and across all units of government, Ehlers is ideally suited to transfer knowledge and best practices.

### *Development frames a community*

Following is the listing of the services we offer related to economic development, including tax increment and tax abatement, and redevelopment.

## Tax Increment Financing (TIF) Resources

- TIF District Creation and Amendment
- TIF District Extension
- Establishment of Special Districts
- TIF Cashflows/Feasibility Analysis
- TIF Annual Reporting/TIF Administration

## Development and Redevelopment Projects and Tools

- Developer Selection/*Pro forma* Analysis & Negotiation
- Financing Government Owned Housing
- Fiscal Impact of Development Analysis
- Sales Tax Cashflows/Feasibility Analysis

## Project Management and Policies

- Project Management Services
- Project Management Website Services
- Economic Development Assistance Policies

TIF District Establishment and Modification. Tax increment financing (TIF) serves as the primary development finance tool for many cities. No one knows TIF better than Ehlers. Ehlers has more experience in the use of tax increment financing than any other financial advisory firm. Ehlers assists with the TIF district documents for several dozen communities per year. We provide the "soup to nuts" approach to TIF with complete documentation including TIF plans, notifications, resolutions, cash flow analysis, and filing with appropriate agencies.

TIF Cash Flows and Feasibility Analysis. Property tax and TIF laws change on a frequent basis. Ehlers can assist you in updating an existing project's performance or evaluating changes in a TIF district and/or project area to ensure that you are using all of your available resources.

TIF Reporting. The Minnesota Office of the State Auditor requires an increasing complex set of reporting forms that are due to the State annually. Ehlers provides TIF Reporting for over 380 Districts and 75 authorities each year. We can assist you in this complex TIF administration step.

Pay As You Go Financing (TIF Revenue Bonds) Calculate Developer Payments. Non-general obligation financing for TIF projects still requires significant disclosure and careful structuring to minimize risk to all parties involved. Ehlers has extensive experience in using this type of financing to assist communities in reaching their redevelopment goals.

Developer Selection. Redevelopment and economic development is successful only when there is a good partnership between the private and public sector. Ehlers can help you select an appropriate partner who will help you meet your development goals.

*Pro forma* Analysis/But-For Test/Negotiation. One of the biggest challenges communities face is working with developers to determine the appropriate level of assistance. Ehlers is familiar with

industry standards and typical construction costs for differing real estate products. This knowledge helps take the mystery out of analyzing true need. Our financial advisors regularly conduct *pro forma* analysis for cities seeking development to help them determine the appropriate level of need and developer assistance.

Ehlers has extensive experience in developer negotiations and have negotiated development agreements with an aggregate value of over \$1 billion for clients on public-private development projects that include a wide range of commercial, residential and mixed used developments. Just as critical as experience in this area, is the need for a financial advisor that is independent. Ehlers works only for public sector clients and will not work for developers, ensuring that you can avoid even a perception of any conflict of interest.

**Project Management Services.** Local governments often find that they are short-staffed for major or specialized projects such as large-scale redevelopment or economic development projects such as a new business park. Ehlers can step into the role of a staff person for a local government, write reports to council, and coordinate developers' applications and review of various types of projects.

Ehlers provides the most extensive set of Redevelopment and Development Management Services available to cities embarking on redevelopment projects. We have assisted communities at a wide range of points in the redevelopment/economic development process on projects ranging from \$500,000 to \$170 million with an aggregate value of \$1.7 billion. These services have included working with community-based task forces, development and coordination of RFP's, developer selection, grant writing and project management from project inception through implementation.

## SECTION 9: Ehlers' Support Services Capability

---

### Services Provided

**Industry Expertise.** Our financial advisors understand State and federal regulations and laws. We have a strong working relationship with every bond attorney firm in the state. We have issued almost every type of municipal security issued in the Midwest. We understand the details of state legislative, legal, and Internal Revenue Service issues which affect how local governments may budget, borrow, and plan. Rating agency and bond insurance practices have changed radically in the past year, and our constant interaction with the public finance marketplace helps keeps us current with the best way to structure and market bonds.

**Innovation and Creativity.** Ehlers is at the forefront in these areas:

- Became the first firm to be granted a Minnesota limited purpose trust charter, called Bond Trust Services Corporation, which allows Ehlers to serve as paying agent for client bond issues. We have since expanded this authority to serve clients in Wisconsin and Illinois.
- Created Quick TIF, the first tax increment reporting software in Minnesota, a program that is used by municipalities statewide.
- Charter member of the National Association of Independent Public Finance Advisors.

Creation of New Financing Tools. Ehlers is truly a leader in creating new financing tools to assist our clients in meeting their development and redevelopment goals. We have been instrumental in assisting cities structure new legislation for needed tools, as well as providing fiscal impacts analysis and testifying before committees. One such example is the Housing Improvement Area legislation.

Office of the State Auditor Relationship. We have a strong working relationship with the Office of the State Auditor (OSA), which regularly asks us to participate in seminars and for our opinion on TIF issues. They are pleased with the standard Ehlers has set in pro forma analysis and “look back” provisions for meeting the required “but-for” findings of tax increment financing.

Annual Public Finance Seminar. Ehlers hosts an annual public finance seminar covering topics of interest to our clients: tax increment, public finance, financial planning, and development/redevelopment. The goal is to:

- Keep our clients informed on the basics of public finance
- Provide education on changes in various public financing tools/methods
- Learn about various aspects of development/ redevelopment
- Give communities an opportunity to share what is happening in their communities
- Provide an opportunity for attendees to network with their counterparts from other communities.

Our annual seminar is attended by over 200 persons made up of local government staff, and elected officials; TIF and Bond Attorneys; and developers.

Legislative Preparation. Many of the financing tools available to cities are dictated by state statutes. In this regard, local governments routinely have to go to their state legislature to request authority to change existing tools or create new ones. Ehlers has worked with many clients and associations in creating successful legislative strategies to advance a variety of objectives or change legislation.

Ehlers meets annually with economic or community development staff and their attorneys to discuss and brainstorm legislative opportunities for the community and assist in preparation of needed documentation to that end.

### Support Service Capabilities

Technology. Making effective use of information technology is essential, and Ehlers is committed to identifying and implementing those innovations that hold clear potential for improving the quality, timeliness, and cost-effectiveness of our client service. A few recent examples of our customer-focused use of technology include:

- Development and maintenance of a customized comprehensive database holding detailed information about thousands of governmental entities, their debt issues, and tax increment districts.
- Leading the way onto the Internet with the first public finance website for local governments in Minnesota and Wisconsin. Our website provides you information on Ehlers staff and recent projects, future and recent bond sales, newsletters, market rates, and best practices in local government finance. Only Ehlers clients are granted access to other areas of the Resource Library on our website for additional information.

- Creating individual web sites for clients for public participation in significant projects or for calculating the property tax impact of such projects.
- Offering internet bidding for bond issues via Parity at no charge.
- Developing a customized refunding analysis system that monitors and produces quarterly updates to clients regarding potential refunding opportunities.
- Equipping all Financial Advisors with mobile communications devices so that clients can reach them out of the office by phone, email or text message.
- Emailing clients bi-weekly bond market updates and competitive sale summaries, along with periodic "blast" updates on time-sensitive developments.

Research. Research on financial issues seems to become easier, cheaper and more democratic on a near-daily basis. Key internet sites and subscription services provide the vast majority of the information that we find helpful in providing our clients with current informed advice. One example of a now essential resource is the Electronic Municipal Market Access (EMMA) that is maintained by the Municipal Securities Rulemaking Board (MSRB). EMMA offers bond trade and pricing data, official statements, and yield curves at <http://emma.msrb.org/>.

Ehlers subscribes to both Bloomberg and TM3 for current market data. Market pricing information is available to us through these electronic services as well as our relationships with desks in all major firms in the country. With the quiet market in 2011 and early 2012, using a multiplicity of resources for pricing is critical because there are not multiple AAA sales in one week or multiple health care financings in a month.

As noted above, Ehlers has developed and maintains a customized comprehensive database holding detailed information about thousands of entities, their debt issues, and tax increment districts. Using this data, Ehlers has designed custom programs to produce a variety of documents and functions including calculating debt schedules, producing official statements, bid tabulations, tax increment plans, and other reports. We also subscribe to Moody's Financial Ratio Analysis which accesses Moody's database of standardized financial and operating credit statistics on 15,000 municipal issuers.

## SECTION 10: Experience in Advance Refundings

---

As we discuss above, Ehlers has a well-established system for tracking our clients' outstanding debt obligations and identifying potential current and advance refunding opportunities, typically long before they become immediately viable candidates. This way, we can work with clients to determine whether they might combine one refunding with another and/or with a "new money" purpose.

Increasing the bond size by combining purposes makes the issue more noticeable and attractive to potential and bidders in a competitive sale process, saves the client on costs of issuance by eliminating multiple financial advisory and bond counsel fees, and increases the net benefit of the refunding to the issuer.

Ehlers also carefully reviews crossover, net cash, and partial net cash advance refunding options for each refinancing opportunity, and then we discuss our findings with the client to ensure that we are proceeding with the method that (1) best meets the clients' needs, and (2) delivers the highest possible net benefit in terms of reduced debt service expense.

We have long and trusted relationships with multiple escrow verification agents and corporate trust departments in Minnesota, which allows for a smooth, highly coordinated conclusion to the advance

refunding sale process. And recently, with our investment advisory subsidiary, Ehlers Investment Partners, Ehlers has developed and implemented an open market securities bidding process to provide an alternative to purchasing SLGS to fund refunding escrows. We believe this new option is crucial due to the unreliable availability of the U.S. Treasury's SLGS "window" and because open market securities often deliver higher investment yields, thereby increasing net savings for our clients.

We have reviewed the City of East Bethel's outstanding debt and have identified issues that are eligible to be refunded. However, a refunding should only be undertaken after thorough discussion of potential pre-payments of the debt, options for internally financing, or the potential for combining a refunding and a new money issue to save on costs of issuance.

## SECTION 11: Acquiring Working Knowledge of the City of East Bethel

---

When a city is considering hiring a financial advisory firm that is not the incumbent, we understand there can be concern about how exactly to transition all of the ongoing responsibilities to the new advisory team. To address that issue, Ehlers has an established and has utilized a written client transition plan, in which we and the client staff work together an established and detailed list of topics, including the City's:

- outstanding debt obligations, and refunding / redemption opportunities;
- arbitrage / rebate and continuing disclosure practices and requirements;
- TIF management plans and reporting forms;
- financial policies and procedures; and
- other information relevant to our scope of service.

Ehlers then prepares a comprehensive client transition report, spelling out tasks, assignments, timelines for completion, and ongoing monitoring responsibilities. This program has worked well with many new clients and we look forward to similar success in East Bethel. The City of New Brighton is an excellent reference for the transition plan.

We also have tried to understand the issues facing East Bethel in preparation for this RFP. Specifically, we are aware of the following financial issues under consideration:

1. We are aware of the issues surrounding the Series 2010A, 2010B, and 2010C bonds from our firm's work in early 2011 on the options the City was considering for defeasing the debt.
2. We are also aware of the potential refunding that the City considered this spring. We have assisted our clients with all options for debt including paying off the debt to avoid fees, refinancing, and waiting. Each of these options has its own advantage and disadvantages. We work closely with clients to help them be satisfied that all questions have been answered before moving forward.

SECTION 12:  
References

---

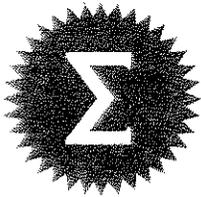
<b>City Name</b>	<b>Contact Information</b>
<b>City of Andover</b>	<b>Jim Dickinson, City Administrator</b> 1685 Crosstown Blvd, Andover, MN 55304 763-755-5100
<b>City of Anoka</b>	<b>Lori Yager, Finance Director</b> 2015 1 <sup>st</sup> Ave Anoka, MN 55303 763-576-2700
<b>City of Elk River</b>	<b>Cal Portner, City Administrator</b> 13065 Orono Pkwy NW, Elk River, MN 55330 763-635-1000

---

Appendix A:  
Ehlers' East Bethel Team Resumes

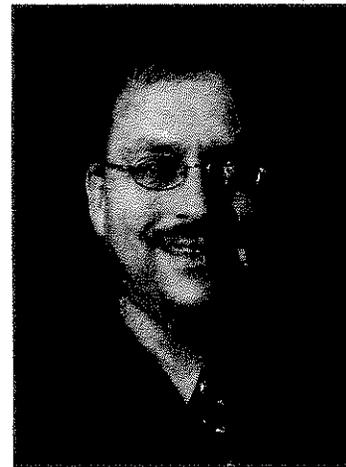
---

*Complete resumes for each Financial Advisor can be found in Appendix A*



# EHLERS

LEADERS IN PUBLIC FINANCE



## Todd Hagen, CIPFA Senior Financial Advisor/Vice President

*Todd has been a Financial Advisor in the Ehlers' Roseville office since 2001 assisting Minnesota cities, townships, counties, public utilities, and special districts design and implement financial solutions. Prior to joining Ehlers Todd had fifteen years of public finance experience at a Twin Cities bond attorney firm. One of Todd's greatest contributions to Ehlers and our clients is his public finance legal background and ability to build relationships between residents, businesses, and intergovernmental organizations.*

Todd Hagen  
Direct: (651) 697-8508  
[thagen@ehlers-inc.com](mailto:thagen@ehlers-inc.com)

### AREAS OF EXPERTISE

#### Debt Planning and Issuance

- Analysis & Presentation of Alternative Financing Options, Plans and Tools
- USDA Rural Development Loans
- MN Public Facilities (PFA) Loans
- Lease Purchase Financing
- Non-Profit & Industrial Revenue Bonds
- Refundings/Cash Defeasances
- Debt Service Fund/Cash Flow Analysis
- Arbitrage Rebate Services
- Representation to Bond Market & Credit Rating Agencies
- General Obligation and Revenue Bonds
- Special Assessment Proceedings
- Special Election Proceedings

#### Special Financial Studies

- Utility Rate Study/Analysis
- Fiscal Impact Study/Analysis
- Budget Preparation Assistance

#### Economic, Housing Development & Redevelopment

- Tax Increment District Creation & Amendment
- Tax Abatement Options, Financing, & Policies
- TIF and Abatement Analysis
- Developer *Pro forma* Analysis/But For Test
- TIF Revenue Bonds/Calc. of Developer Payments
- Business Subsidy Options & Negotiations

#### Public Participation

- Public Participation Process
- Referendum Strategies

#### Strategic and Financial Planning

- Debt Management
- Financial Management Planning
- Capital Improvements Planning

#### Other

- Special Legislation and Legislative Amendments

### CERTIFICATIONS

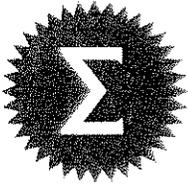
- Certified Independent Public Finance Advisor

### PROFESSIONAL MEMBERSHIPS

- *National Association of Independent Public Finance Advisors*
- *Economic Development Association of Minnesota*
- *Minnesota Government Finance Officers Association (MGFOA)*
- *Minnesota Municipal Clerks and Finance Officers Association (MCFOA)*
- *Minnesota Institute of Public Finance*

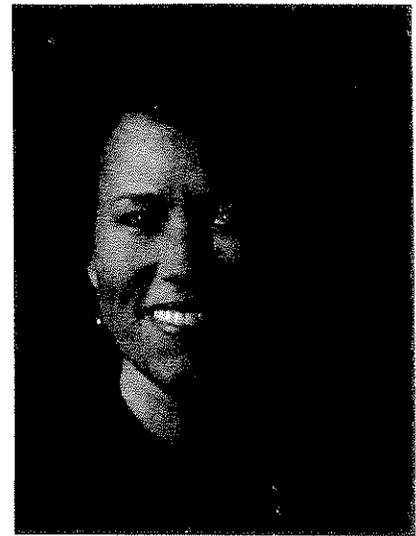
### EDUCATION

- *Associate in Arts (General Studies)*  
*Bemidji State University, Bemidji, MN*
- *Bachelor of Arts (Public Sector Economics/Law)*  
*Bemidji State University, Bemidji, MN*
- *Bachelor of Science (Quantitative Economics)*  
*Bemidji State University, Bemidji, MN*
- *Paralegal Certificate (Corporate/Securities Law)*  
*Roosevelt University, Chicago, IL*
- *Certificate to Arbitrate (Alternative Dispute Resolution)*  
*Council of Better Business Bureaus, Inc.*



# EHLERS

LEADERS IN PUBLIC FINANCE



## Stacie Kvilvang

### Financial Advisor/Executive Vice President

*Stacie has been a Financial Advisor in the Ehlers' Roseville office since 2002 assisting Minnesota cities design and implement financial solutions. Prior to joining Ehlers she had 10 years of local government experience working for a major metropolitan community in the Twin Cities. One of Stacie's greatest contributions to Ehlers and our clients is her extensive background in all aspects of the public approval process for development and redevelopment projects and her understanding of development financing and costs from the private side of transactions. Notable projects Stacie has worked on for clients include the Medtronic CRM campus in Mounds View, redevelopment of Apache Plaza in St. Anthony and numerous redevelopment projects in St. Louis Park.*

Stacie Kvilvang  
Direct: (651) 697-8506  
[skvilvang@ehlers-inc.com](mailto:skvilvang@ehlers-inc.com)

### AREAS OF EXPERTISE

#### Debt Planning and Issuance

- Analysis & Presentation of Alternative Financing Options, Plans And Tools
- TIF Revenue Bonds
- Housing Revenue Bonds
- Lease Revenue Financing
- Non-Profit & Industrial Revenue Bonds
- Refundings/Cash Defeasances
- Debt Service Fund/Cash Flow Analysis
- Representation to Bond Market & Credit Rating Agencies

#### Special Financial Studies

- Fiscal Impact Study/Analysis

#### Strategic and Financial Planning

- Debt Management
- Financial Management Planning
- Capital Improvements Planning
- Strategic Planning

#### Economic, Housing Development & Redevelopment

- Tax Increment District Creation & Amendment
- Tax Abatement Options, Financing, & Policies
- TIF and Abatement Analysis
- Downtown Redevelopment and Revitalization
- Developer Proforma Analysis/But For Test
- Developer Attraction & Selection
- Developer Negotiations
- Project Management Services
- Land Acquisition & Relocation
- Grant Writing

#### Public Participation

- Public Participation Process
- Communications/Newsletters
- Referendum Strategies

#### Other

- Special Legislation Strategies

### CERTIFICATIONS

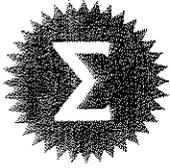
- Certified Independent Public Finance Advisor

### PROFESSIONAL MEMBERSHIPS

- Economic Development Association of Minnesota
- Sensible Land Use Coalition – Past Board Member
- National Association of Independent Public Finance Advisors
- MN Chapter of the National Association of Housing & Redevelopment Officials
- Minnesota Government Finance Officers Association

### EDUCATION

- Bachelor of Science (Housing)  
University of Minnesota



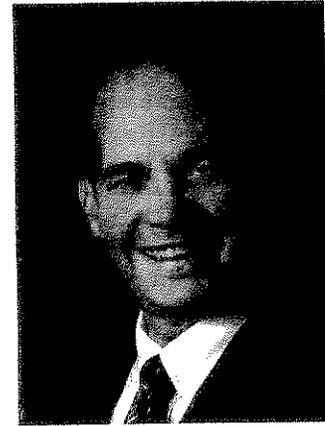
# EHLERS

LEADERS IN PUBLIC FINANCE

## Mark Ruff, CIPFA

### Sr. Financial Advisor/Executive Vice President

Mark has been a Financial Advisor since 1989 assisting Minnesota cities, counties, state and regional governments, and special districts design and implement financial solutions. One of Mark's greatest contributions to Ehlers and our clients is his development of a financial health checklist that addresses key factors in financial management for government entities. Mark has served as the financial advisor to the State of Minnesota's 911 Revenue Bonds, the Northstar Corridor Development Authority's \$32 million of Limited Tax Bonds, and to the City of St. Louis Park on numerous redevelopment projects. Additionally Mark is the Team Leader of the Ehlers' Minnesota Local Government Team.



Mark Ruff  
Direct: (651) 697-8505  
[mruff@ehlers-inc.com](mailto:mruff@ehlers-inc.com)

### AREAS OF EXPERTISE

#### Debt Planning and Issuance

- Analysis & Presentation of Alternative Financing Options, Plans And Tools
- Lease Revenue Financing
- Non-Profit & Industrial Revenue Bonds
- Refundings/Cash Defeasances
- Debt Service Fund/Cash Flow Analysis
- Arbitrage Rebate Services
- Representation to Bond Market & Credit Rating Agencies
- Housing Revenue Bonds
- Electric Revenue Bonds

#### Strategic Planning Public Participation

- Public Participation Process
- Community Survey/Communications/Newsletters
- Referendum Strategies

#### Special Financial Studies

- Utility Rate Study/Analysis
- Fiscal Impact Study/Analysis
- Merger/Consolidation/Annexation Impact Analysis

#### Economic, Housing Development & Redevelopment

- Tax Increment District Creation & Amendment
- Tax Abatement Options, Financing, & Policies
- TIF and Abatement Analysis
- Downtown Redevelopment and Revitalization
- Developer Proforma Analysis/But For Test
- Developer Attraction & Selection
- Developer Negotiations
- TIF Rev. Bonds/Calculation of Developer Payments
- Business Subsidy Options & Negotiations
- TIF Revenue Projection Update

#### Strategic and Financial Planning

- Debt Management
- Financial Management Planning
- Capital Improvements Planning

### CERTIFICATIONS

- Certified Independent Public Finance Advisor

### PROFESSIONAL MEMBERSHIPS

- MN Institute of Public Finance (Board Member and past President)
- Minnesota Government Finance Officers Association
- National Association of Independent Public Finance Advisors
- National Association of Housing & Redevelopment Organizations
- Economic Development Association of Minnesota
- Sensible Land Use Coalition

### EDUCATION

- Bachelor of Arts (Political Science)  
Concordia College, Moorhead, MN -Summa Cum Laude
- Master of Arts (Public Affairs)  
Humphrey Institute, University of Minnesota

## Appendix B: Fees

---

Our general philosophy on billing is if a client is not happy with the service, we ask them not to pay the bill. Pursuant to new rules set forth by the Municipal Securities Rulemaking Board, we will be required, as a Municipal Advisor, to enter into a written agreement with our clients for each engagement for which we are hired describing our scope of services and the fee or fee basis for charging for the service. Ehlers is willing to negotiate a final fee schedule as part of each agreement.

### Debt Issuance Fees

The following fees cover all Ehlers' services described in the "Scope of Services Offered throughout the Debt Issuance Process" section of this proposal.

In connection with a general obligation bond financing, the fee, due and payable only upon the award of the sale of the issue will be calculated, based on the final par amount of the issue, as follows:

Issue Size	Fee	Issue Size	Fee
Less Than \$500,000	\$7,400	\$3,000,001 to \$3,500,000	\$16,400
\$500,001 to \$1,000,000	\$9,400	\$3,500,001 to \$4,000,000	\$17,400
\$1,000,001 to \$1,500,000	\$11,400	\$4,000,001 to \$4,500,000	\$18,400
\$1,500,001 to \$2,000,000	\$12,900	\$4,500,001 to \$5,000,000	\$19,400
\$2,000,001 to \$2,500,000	\$14,400	\$5,001,000 to \$5,500,000	\$19,900
\$2,500,001 to \$3,000,000	\$15,400	Over \$5,500,000 add \$1.15/\$1,000	

- Multi-purpose issues or second issues are charged at 75% of fee schedule per purpose.
- Advance refunding issues require an additional \$2,000 for added technical support per issue.

Unlike many financial advisory firms, Ehlers does not charge for official statement printing or website posting, postage, mileage, or other travel expenses. Ehlers also does not charge for continuing disclosure if a bond issue occurs in the same tax year.

The Client is responsible for the following expenses: rating fees, legal services, publication of notices (if any), paying agent fees (if any), escrow agent fees (if any) verification agent (if any) and any fees charged for information required for official statement.

### Charges for Services Not Identified in the Scope of Services Offered through the Debt Issuance Process

Any additional services requested by Client that are not identified in this "Scope of Services" will be charged on an hourly basis according to the following rates:

Financial Advisor	\$195/hour
Financial Analyst	\$175/hour
Clerical Support	\$ 70/hour

Hourly rates typically increase no more than \$5 per year. We do not charge for mileage or regular business expenses except for messenger and overnight services. The City and consultant may also agree to flat fee projects as needed.

## Arbitrage Monitoring Services Fees

Ehlers will charge a base fee of \$1,500 per year per debt issues to determine spending exceptions, bona fide debt service fund exemptions, penalty calculations, rebate amounts and yield reduction payments for all funds related to the City's tax exempt debt issues on an annual basis.

Depending on the structure of the transaction, certain complexities may require computational work that extends beyond the scope of a standard arbitrage calculation. Conversely, the amount of computational work required to prepare future arbitrage calculations may decrease due to aggressive expenditures of gross proceeds.

## Annual Continuing Disclosure Fees

Ehlers' charges to prepare and disseminate Annual Continuing Disclosure Reports for all outstanding issues of the City for which they are required to provide continuing disclosure reporting, including all future issues to be sold for which Ehlers provides financial advisory services, are proposed as follows:

<p><b>\$1,300 Base Fee</b> Plus misc. office expense for the first revenue source.</p> <p><b>Plus \$100 for each additional issue</b> Paid from the same revenue source up to a maximum of \$2,000.</p>	<p>If Ehlers has not prepared an Official Statement on behalf of the City for the sale of municipal obligations payable from the same revenue source in the same valuation year as the most recent issue sold.</p>
<p><b>Plus \$500 per filing for the first Issue</b> Paid from a unique revenue source.</p> <p><b>Plus \$100 for each additional issue</b> Paid from same revenue source.</p>	<p>If Ehlers has not prepared an Official Statement on behalf of the City for the sale of municipal obligations payable from a unique revenue source (for which special updated financial or operating data is required to be reported).</p>
<p><b>No Charge</b></p>	<p>If Ehlers has prepared an Official Statement on behalf of the City in the same revenue year as the most recent issue for the sale of municipal obligations payable from the same revenue source.</p>

## Fees for Preparing and Reporting Occurrences of Material Events

For "material events" notices that require a filing without extraordinary consultation with the City, Ehlers will charge a fee of \$100 per notice.

If a material event that is listed in the Continuing Disclosure Certificate or any other event that is deemed a "material event" occurs and requires extraordinary consultation with the City, Ehlers will assist the City in drafting and reporting the Material Event Notice according to S.E.C. requirements and will charge the City at the current Ehlers hourly rate.

## Hourly Fee Basis for Contracting for Continuing Disclosure Reporting Services

A client may contract with Ehlers, on an hourly basis of \$195/hour (or applicable hourly rate in future years) plus out-of-pocket expenses, to assist with certain services requested by the client related to the preparation of the Annual Continuing Disclosure Reports.

We're committed to community.

When people work together for the common good, life flourishes.

At Ehlers we truly enjoy being a part of this process. Our mission is to design customized financial solutions that help build outstanding communities. We believe this is a worthy pursuit.

[www.ehlers-inc.com](http://www.ehlers-inc.com)

**Illinois**

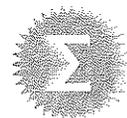
phone 630-271-3330  
fax 630-271-3369  
toll-free 800-417-1119

**Minnesota**

phone 651-697-8500  
fax 651-697-8555  
toll-free 800-552-1171

**Wisconsin**

phone 262-785-1520  
fax 262-785-1810  
toll-free 800-717-9742



**EHLERS**

LEADERS IN PUBLIC FINANCE



## **PROPOSAL**

### **Public Finance Services**

**Presented to**

**City of East Bethel**

**July 27, 2012**



**45 South 7th Street , Suite 2000**

**Minneapolis, Minnesota 55402**

**Toll Free 1-800-851-2920 Main 612-851-5900**

**[www.northlandsecurities.com](http://www.northlandsecurities.com)**

**Member FINRA and SIPC**

# NORTHLAND SECURITIES

July 27, 2012

Honorable Richard Lawrence, Mayor,  
and Members of the City Council  
Mr. Jack Davis, Administrator  
Ms. Rita Pierce, Director of Fiscal and Support Services  
City of East Bethel  
2241 221st Ave. NE  
East Bethel, MN 55011-9790

Re: Request for Proposals for Financial Advisor Services

Dear Mayor Lawrence, Council Members, Mr. Davis and Ms. Pierce:

Thank you very much for the opportunity to present our firm and proposal for consideration to become the City of East Bethel's financial consultant.

I was pleased to have served as the financial advisor to the City of East Bethel's from 1998 to 2004. In November of 2004, Northland Securities assisted the City prepare for the successful bond referendum on the issuance of up to \$1.9 million for a new fire station and weather warning sirens. In 2005, then Administrator Doug Sell switched the public finance consultant work to Springsted who assisted the City issue the bonds. I look forward to working with you again!

Northland Securities, Inc. was founded in 2002 by a core of public finance professionals. The veterans of that early organization represent over 400 years of experience and come from both national and regional financial advisory and investment banking firms, all with one common focus – Midwest communities.

The Company currently has over 150 employees, 34 of whom are shareholders. Northland, located in Minneapolis, Minnesota with branch offices in Milwaukee, Wisconsin, St. Joseph Missouri, and Camp Hill, Pennsylvania, is a full service financial services firm. Our Public Finance Department provides financial consulting services to cities, counties, townships, schools and governmental agencies throughout the Upper Midwest. Our finance professionals have extensive knowledge and decades of experience working with governmental entities, giving us a deep insight into the unique challenges local communities face. We have a clear understanding of funding sources, statutory issuance requirements and budget constraints, especially when infrastructure needs are pressing.

Our clients range from rural communities to large metropolitan areas, and all of them require unique solutions to their financing needs. We tailor those solutions with an eye to a client's overall long-term capital needs, as well as the particular goals for their immediate financing. Whether they're looking for help with issuing debt, passing a referendum, analyzing the revenue structure to support future projects, or a myriad of other financial concerns, our governmental clients look to Northland to "provide direction and produce results."

Minnesota cities are fortunate to have the nations highest concentration of municipal finance consulting firms located right here in Minnesota. Each of the companies and their professionals are capable of effecting a successful financing and providing all the services required by the City of East Bethel. However, we believe Northland sets itself apart from the competition through (a) the unique approach, insight and experience we bring to a financing and (b) our proposed finance teams' credentials and persistent commitment to service.

Northland is uniquely suited to help the City of East Bethel determine and execute the most effective and efficient financing solution. We are the only firm you will receive a proposal from that can directly conduct all types of financings for our clients, whether competitive or negotiated, private placement or auction. The method of finance that worked last time may not be the most effective approach this time. Northland possesses all the tools needed by the City to determine the lowest cost financing approach.

In addition to serving as financial advisor to units of government, Northland is one of the largest buyers of Minnesota municipal bonds. These capabilities provide a distinct advantage to our City clients. Not only can staff draw upon our experience to develop a finance plan, but also our expertise as underwriters to provide an in-depth and up-to-the-minute look at market information. Having this information firsthand is extremely useful to the structuring of upcoming financings and determining the most appropriate method of sale in order to minimize interest costs.

If you think about it, the City of East Bethel only needs two things from its consultants:

~ someone they can trust and

~ someone they can count on

We believe Northlands' proposed finance team led by Mr. George Eilertson possesses these top qualities. George is a senior vice president and part owner of Northland Securities. Cities and counties in Minnesota have trusted and counted on George for years to deliver effective and efficient financing solutions and look to George for assistance and applaud the "top-to-bottom" quality of his passion and vigor with which he pursues the best possible results. These qualities and high level of experience will allow George to be more adept than the competition at providing the City with the insightful advice and leadership needed to accomplish the City's financing objectives

Our firm has built its reputation on being attentive to client needs and responding with proactive, creative and prudent ideas. It is that philosophy, combined with our experienced personnel and our sincere interest in working diligently to achieve your objectives that will help you accomplish your goals.

Thank you for your consideration, if you have any questions, please call me directly at 612-851-5906.

Respectfully submitted on behalf of,  
Northland Securities, Inc.



George D. Eilertson  
Senior Vice President



**Northland Experience ..... 1**

**Staff Serving East Bethel..... 4**

**Experience - Bond Ratings ..... 7**

**Experience - Debt Issue Development/Oversight..... 8**

**Experience - Continuing Disclosure/Arbitrage Rebate..... 11**

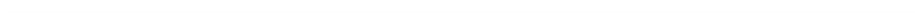
**Experience - Financial Planning/Debt Management..... 12**

**Experience - Economic Development Planning ..... 14**

**Investment Program..... 16**

**References ..... 17**

**Compensation Schedule ..... 18**



---

## Firm Overview

Northland Securities, Inc. was founded in the fall of 2002 by a group of public finance professionals. The veterans of that early organization represent over 400 years of experience and come from both national and regional financial advisory and investment banking firms.

The firm currently has 183 employees. Five Northland Securities professionals, all of whom are senior members of the firm, will be dedicated to the fulfillment of our engagement with East Bethel. All services for the City will be provided through our main office located in Minneapolis, Minnesota. Northland also operates offices in Wisconsin, Iowa, and Pennsylvania.

Northland Securities provides a wide range of services to local governments in Minnesota, including:

- Traditional financial advisory services for the structuring and issuance of debt through Northland Public Finance.
- Economic development and other special financial planning projects through Northland Strategies.
- Paying agent services through Northland Trust.
- Continuing disclosure.
- Investment services consistent with Minnesota statutes.
- Investment banking with the ability to directly underwrite bonds or fund commercial loans and notes for public and private development in East Bethel.

## Minnesota Experience

Northland Securities' service to East Bethel is grounded in *significant* experience helping cities and other local governments in Minnesota structure, issue and manage debt. In the past two years alone (2009 and 2010), Northland Securities has completed **510** Minnesota debt transactions serving as financial advisor, underwriter or placement agent.

Northland Securities is the leading underwriter of Minnesota municipal bonds. According to market data (Thomson Reuters) for 2010:

- Northland ranked first in the number of new long term municipal issues, serving as the managing underwriter on 171 Minnesota issues. Northland was managing underwriter on more than **35%** of all new Minnesota long term municipal issues in 2010.
- Northland is the leading underwriter for the types of debt likely to be issued by East Bethel - general obligation, bank qualified and \$10 million or less.
- Northland was the managing underwriter on more Minnesota refunding issues than any other firm.

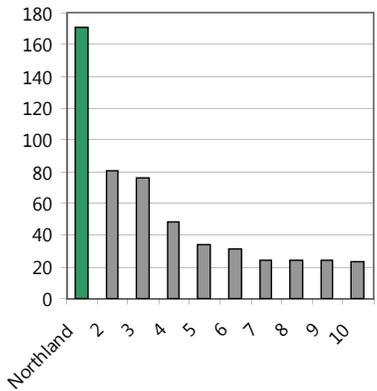


Why is this experience relevant to the selection of a financial advisor? **This experience demonstrates an unmatched capacity and skill in properly structuring debt to meet the City's needs and maximizing acceptance in the marketplace.** Our knowledge of the municipal market is invaluable in serving East Bethel because the world of public finance has changed dramatically since 2008.

- There are fewer purchasers for tax-exempt bonds - the recession reduced or eliminated many traditional purchasers including banks, bond funds and insurance companies.
- Bond insurance has all but disappeared - insurance used to open doors to a vast array of bond buyers by effectively turning bonds into a commodity. It also masked credit issues for many issuers. Today, the real creditworthiness of the issuer receives greater scrutiny. The "name" of the issuer and its underlying credit rating is more important than ever.
- All bond ratings have been recalibrated - bringing municipal and corporate ratings into alignment. Recalibration has led to an overall compaction of ratings, causing investors to conduct additional analysis of the credit. The downgrading of the United States rating by Standard & Poor's will have new and, as yet, unknown implications for local government borrowers.
- We are currently in a period of historic low interest rates. While these rates benefit issuers, the returns are not attractive to investors. Knowing how to structure the City's debt to appeal to investors (making them more marketable) has never been more important.
- New options and tools create opportunities and challenges. As part of its economic recovery plans, Congress created new forms of municipal bonds. The result was a dramatic increase in the use of taxable bonds in 2010. The future likely holds more forms of direct reimbursement and tax credit bonds.

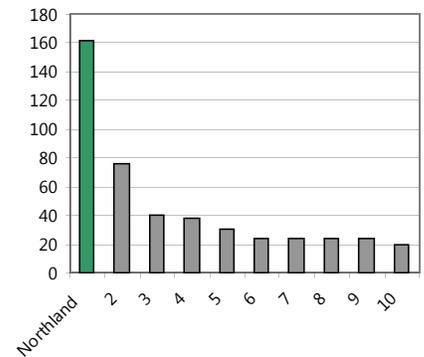
This new and changing environment requires an intimate understanding of the investor side of the marketplace. Today's successful financing needs to be designed around the objectives of the City and thoughtfully tailored to attract the greatest investor interest possible. Northland Securities uniquely brings this expertise to East Bethel.

**New Long Term Issues  
Minnesota 2010  
Managing Underwriter**



Source: Thomson Reuters

**New Long Term  
\$10 Million or Less  
Minnesota 2010  
Managing Underwriter**



Source: Thomson Reuters



---

## Experience With Minnesota Cities

Northland has built its reputation on developing fundamentally sound financings for our clients. East Bethel has a State estimated 2009 population of 11,626. Community, in addition to the City's future demands on capital projects and funding and related challenges with respect to future fund balances and property tax levy levels, are similar to a number of Minnesota cities we serve. A small sampling of these cities is listed below.

Albertville	Bethel
Byron	Cold Spring
Fergus Falls	Gaylord
Glencoe	Isanti
Janesville	Kenyon
LeSueur	Lonsdale
Luverne	Melrose
Otsego	Park Rapids
Paynesville	Pine City
Prior Lake	Princeton
Proctor	Ramsey
St. Francis	St. Joseph
Stewartville	Victoria
Waite Park	Wanamingo
Watertown	Waterville



---

Northland Securities will serve East Bethel with a five-person team of talented and experienced professionals. These individuals are the essential link between the qualifications of the firm and our ability to serve the City. East Bethel only benefits from the experience of the “firm” through the experience and skills of the staff that serves you.

Providing exemplary service to East Bethel is the top priority for Northland Securities. Accordingly, we propose to have **George Eilertson** lead the finance team and serve as your account manager. George will manage the day-to-day activities related to all consulting activities. **Tammy Omdal** will lead development consulting, financial planning and other special projects. Tammy will also work on tax increment financing and other economic development projects. The personnel in this proposal will be responsible for serving East Bethel. The resumes of each person appears on the following pages.

As you compare proposals, we believe you will find the following factors distinguish the Northland team from all others:

- Our Relationship Based Approach – We recognize our business is built on relationships and we believe successful client relationships are those vetted over time by providing service that is attentive, pro-active, creative and prudent. Most of our client relationships pre-date the inception of Northland in 2002. We believe this is a testament to the quality and delivery of our services because the clients followed the consultants rather than the company.
- “Complete” Consultants – To be a complete public finance consultant, one must have first hand experience working on both sides of a financing. This includes the municipality, developers, investors, underwriters and bankers. The Northland team is the only proposal the City will receive that lends all the perspectives necessary to craft a truly thoughtful finance plan.



---

## Resume

### George Eilertson



### Experience

George Eilertson is a Senior Vice President within the Public Finance Department of Northland Securities. Paul has been providing public finance services to municipalities throughout the Midwest since 1990.

George has developed a complete knowledge of the Minnesota bond market. He specializes in all facets of municipal finance including comprehensive debt management, long range capital planning, refunding analysis, general infrastructure debt and lease financing, economic development finance, health care finance and investment management.

His clients include growing cities challenged with infrastructure issues coupled with economic development needs to mature cities that are now addressing redevelopment issues to small rural communities focused on replacing aging infrastructure.

### Education

Bachelor's in Public Administration, Mankato State University.

Master's in Public Administration, Mankato State University.

### Other

FINRA Series 7 and Series 63 registered.

Member –Government Finance Officers Association

Member - Minnesota Institute of Public Finance

**Tammy Omdal**



**Experience**

Tammy Omdal is a Senior Vice President and Manager of Northland Strategies for Northland Securities. Tammy has worked in public and private financial management for more than 20 years. She provides Northland clients with extensive real world experience in economic development finance, debt management and financial planning.

Tammy most recently served as the Deputy City Manager/Chief Financial Officer for the City of Burnsville, MN. Her position and experience at Burnsville allowed her to effectively bring together the various aspects needed for successful development and redevelopment projects. This includes thoughtful land use planning, creative use of economic development finance tools, and strategic capital financing.

Tammy has experience in securing special tax increment financing legislation for complex redevelopment projects. She understands how to communicate performance and complex financial situations to rating agencies to secure favorable ratings.

An important part of Tammy's past work experience allows her to assist clients with creating long term financial plans to better inform decision making. As Budget Director for the City of Minneapolis, MN, she created successful financial work-out plans for financially strained internal service funds/operations resulting in greater financial stability.

Serving as the Accounting Manager for Dakota County, MN, she created plans that allowed for better connection of operating performance results to financial performance.

Tammy's prior work experiences provide her with a unique and real world perspective of the importance of financial agility and accountability for performance leading to the success of an organization.

**Education**

Bachelor of Science - Business (Finance Emphasis), University of Minnesota, Carlson School of Management.

**Other**

Government Finance Officers Association (1993 to Present)

Society for Advancement of Management, Member (1989 to 1993) and Treasurer for Minnesota Chapter (1990 to 1991)

Burnsville Rotary (2004 to 2008)

Burnsville Community Foundation, Ex-Officio Board Member (2004 to 2011)



---

Northland Securities will provide the City with access to extensive rating agency and credit analysis experience. Our scope of the services encompasses an understanding of the City's credit position, including strategic objectives and challenges, preparations of ratio analyses, and comparison to published medians, as well as comparison to comparable cities. Northland's Public Finance Department has assisted numerous clients in the development of information packages that provide relevant credit data and summaries of pertinent financial information in a format familiar to credit analysts, with an emphasis on the institution's particular credit strengths. We will assist the City in choosing a rating agency and in formulating a presentation strategy that highlights those strengths and identifies ways to address any credit challenges. We will also prepare City management and other City representatives for presentations to rating agencies, including assistance in anticipating questions.



---

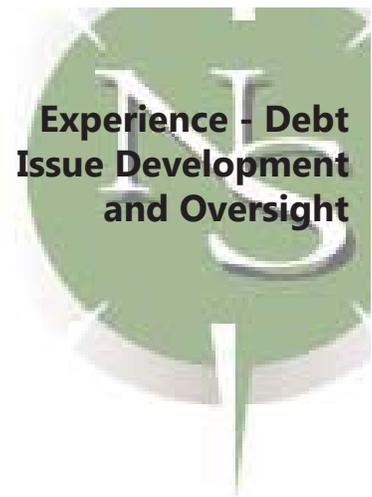
The issuance and management of debt is an essential task for the financial advisor. As with all aspects of our services, we use a proactive approach. Ongoing connections between City Staff and Northland allows us to know your upcoming capital needs.

Every firm has experience in financing capital improvements, housing and development projects. How do you find the best experience for East Bethel? We believe that the best measure is the direct experience and skills of the staff that delivers our services. Creative and effective solutions grow out of the knowledge of experience. Experience enables the advisor to ask and answer the right questions. What does the City seek to accomplish? What resources are available to finance the project and support the debt? How does the flow of funds affect the finance plan? What do the authorizing statutes really require? How should the finance plan be crafted to meet the City's objectives and achieve the lowest borrowing costs?

The profile of Northland Securities earlier in this proposal described the firm's experience in assisting Minnesota cities with the issuance and management of debt. It is important to understand the differences between Northland and the other firms that will submit proposals. We are the only firm in the Twin Cities that provides both financial advisory and investment banking services. All other firms solely provide advisory services. The differences between firms are important factors in evaluating options for East Bethel:

- Northland has the capacity to provide East Bethel with all of the debt issue development and oversight services sought by the City.
- Northland provides East Bethel with more direct debt issuing options than an advisory firm. Northland can provide for issuance through competitive sale, direct negotiated purchase, negotiated sale with another underwriter, negotiated sale with local banks, and private placement.
- As employees of a broker-dealer, Northland staff are required to obtain and maintain security licenses. Staff of independent financial advisory firms do not currently have any licensing requirements.
- Northland advisors have direct, immediate and meaningful access to bond traders and sales staff. We don't simply look at the results of bond sales. We dig beneath the surface to understand what investors want and may avoid in a bond issue. These factors change constantly.

It is also important to highlight the characteristics that distinguish Northland's service approach in ways that help the City most effectively issue and manage debt:



---

## Proactive

We take the initiative to stay in touch and informed. The best way to avoid missed opportunities is an active and ongoing involvement with your planning for capital improvements and community development. We use newsletters, informational summaries and other news sources to keep you informed about the changing world of public finance.

## Hands On

Our public finance professionals perform the analysis and structuring of every transaction. This approach ensures that your needs are accurately accounted for in each project. It avoids the “lost in translation” problem that occurs when client service representatives hand off work to other analysts.

## Market Savvy

Even if East Bethel always issues bonds through competitive sale, there is a benefit of using a financial advisor that is part of a broker-dealer. Of the firms proposing to East Bethel, only Northland provides the ability to effectively test bond issue parameters with traders and sales people prior to your sale. This direct access to input from the purchaser side of the sale process helps our financial advisor make the City’s issue attractive to investors without compromising your financing objectives.

It is essential for issuers to recognize that there has been a fundamental change in the bond market since the Recession. Just four years ago, there were investors willing to buy any debt offered by Minnesota cities. The variable was not IF the issue could be sold, but at what cost. Those conditions no longer exist. Every bond issue must seek to carefully balance issuer objectives with investor interests. Northland is uniquely capable of helping East Bethel achieve this objective.

Consider the differences between the experience of firms. An independent financial advisor conducts hundreds of bond sales each year, but can only speculate at the basis for the results. What factors led to the low bid? Why were there only two bids instead of six? An independent financial advisor never formulates a bid or sells bonds directly to investors.

Northland, on the other hand, underwrites more issues of Minnesota municipal bonds than any other firm. We buy and sell bonds daily. Our financial advisors draw on this real world, real time experience to advise clients on the issuance and management of debt. In today’s complex and changing bond market, this market understanding is essential.



---

## Disclosure Focused

In past years, disclosure services were rarely a factor in selecting a financial advisor. The realities of 2011 make disclosure a critical aspect of financial advisory services.

Northland's focus on disclosure is driven by two important factors: (1) Investors are demanding broader information in the official statement, and (2) Disclosure is a critical issue for the SEC, as demonstrated by recent legal actions.

Northland Public Finance understands the purchaser's perspective on disclosure documents. Northland's public finance professionals routinely get feedback from trading and sales staff about the contents of the official statement. We use the feedback to make our documents more useful to bidders and investors.

Northland carefully follows SEC initiatives on evolving disclosure guidelines.

- In response to a recent court case and elevated discussions of market participants, Northland takes a more proactive approach to disclosure. We routinely use Internet searches for issuer news that could affect disclosure.
- Northland helps its clients create effective policies and procedures for review and approval of the official statement. We are working to create practical approaches to facilitate elected official review and approval of the official statement, a clear intent of the SEC.

Disclosure is no longer a generic piece of the process. It is a changing and important aspect of debt issuance with both legal and practical implications.

---

## Arbitrage Rebate

Northland's approach to arbitrage rebate compliance is to proactively provide advice and guidance to our clients so that arbitrage considerations are taken into account as part of an issuer's overall financing strategy. We strongly believe that effective arbitrage rebate compliance occurs in planning and issuing bonds, not five years later when a rebate payment is required. To this end, all possibilities for maximizing retainable earnings on the investment of bond proceeds are explored prior to the closing of a bond issue.

These possibilities include, but are not limited to, structuring the investments of bond proceeds to best ensure compliance with one of the various spending exceptions to the rebate requirement, properly matching liabilities and assets, and taking advantage of various elective options available under applicable tax law. Too often an issuer's focus is on "not owing a rebate payment" when, in fact, the focus should be on maximizing earnings on bond proceeds within permitted investment restrictions and the investment policies of the issuer.

We propose to work with the City of East Bethel to find the approach that best fits your needs. While Northland staff have the expertise and analytical skills to perform arbitrage rebate calculations, our recommended approach is to encourage clients to use the services of rebate experts. We propose to provide these services through subconsultants or assist clients with soliciting proposals from qualified service providers. This approach is based on the belief that effective services are more than reporting function. Effective arbitrage rebate management assists the issuer with maximizing retained earnings within the requirements of the regulations. Our experience clearly shows that firms specializing in this service achieve the best results. The difference is analogous to preparing your taxes with TurboTax or using an accountant. We will provide these services through subconsultants or assist clients with soliciting proposals from qualified service providers.

## Continuing Disclosure

Northland assists clients with all aspects of compliance with the Security and Exchange Commission's Rule 15c2-12 on continuing disclosure. Northland employs a full-time continuing disclosure specialist to collect information and to submit annual disclosure documents on behalf of our clients. We monitor changing regulations and industry practices to ensure that our services stay up to date. In both 2009 and 2010, we revised our procedures to comply with new changes in the Rule.



---

## Financial Planning

Northland believes that successful financial planning is crucial to achieving financial strength and agility for a city. Northland staff has designed and led a wide range of strategic financial planning projects, as both city staff and consultants. We understand the importance of developing well-conceived financial plans to help guide decision-making. We believe that East Bethel understands the importance of financial planning evident by the City's fifteen-year Capital Improvement Plan intended to ensure long-term infrastructure needs are met. Northland staff will offer a broad range of experience and technical skills to complement what the City is already doing. We have the ability to analyze complex financial planning issues and the communication skills required to convert these complex matters into useful decision-making material for City officials.

Northland staff has designed and led a wide range of strategic financial planning projects, as both city staff and consultants. We provide the technical skills needed to analyze challenges and opportunities combined with the communication skills required to convert often complex financial matters into useful decision making material for City officials. Past financial planning projects undertaken by Northland staff include:

- Financial management plans
- Strategic plans
- Goal setting workshops
- Rate and fee studies
- Service studies
- Capital improvement plans
- Development plan implementation

## Debt Management

Our initial task will be to understand the objectives and principles that guide the City's debt management plans. We place great importance on understanding your needs, the available resources, timing considerations, and other factors that influence debt management. Northland brings fresh eyes and new perspectives to a debt review.

## Refunding

Northland works with you to manage existing debt and capture opportunities to lower debt service expense by refinancing. Northland Public Finance includes a full-time refunding specialist with over 25 years of refunding experience. His sole job is to monitor outstanding debt and to analyze refunding opportunities.



---

A good debt management plan should not be reactionary, jumping to do a refunding because of a drop in rates. While current rates have fallen to near historic lows, recent trends show a consistent cycle of windows of opportunity. For example, rates typically fall at the end and start of each year as investors seek replacements for maturing principal.

Northland will work with East Bethel to create a proactive debt management and refunding plan. We help you set savings targets and then monitor market conditions for opportunities to achieve the desired savings.

As part of this plan, the City should evaluate the use of a trigger resolution. The typical competitive sale approach to refunding attempts to anticipate lower rates and conduct a bond sale before the window of opportunity closes. Interest rates often do not remain low for the 4-6 week period needed to prepare and conduct a competitive sale. An alternative approach is the use of a trigger resolution. This resolution sets the savings threshold and authorizes the City to accept a bond purchase proposal when this threshold can be achieved. The objective of the approach is savings and not the date of sale.



---

Northland has broad experience in the types of economic development planning services.

## **TIF and Abatement**

Through Northland Securities and previous employers, our professionals have worked on hundreds of projects involving the use of tax increment financing and/or tax abatement in more than 100 communities. Our experience covers all aspects of using these important economic development tools:

- Establishing TIF districts and modifying existing TIF plans.
- Creating tax abatement programs for cities, counties and school districts.
- Evaluating existing TIF districts and creating comprehensive TIF management plans.
- Preparing annual State reports.
- Evaluating development plans and proposals.
- Assisting with the creation of development agreements.
- Calculating pay-as-you-go note payments.
- Creating strategies for using TIF and abatement to implement community plans.

This experience translates into the comprehensive understanding of tax increment financing and tax abatement required to serve the City.

## **Service to Development Companies**

Northland Securities will be the only proposing firm that actively provides economic development consulting services to real estate and development companies. We find that working on the private side of development projects provides invaluable perspectives on issues facing developers. This experience enhances our ability to service municipal clients. These relationships are also valuable informational resources.

## **Special Service Districts**

Special service districts provide a useful tool to finance the construction and maintenance of commercial districts and business parks. Service districts are special taxing districts for various types of commercial districts. They can be used to finance any form of improvements from basic infrastructure to alternative energy systems. Northland's staff has significant experience with the planning, establishment and use of special service districts. One example of use is the City of St. Louis Park. Rusty Fifield has helped the City to design and establish six special service districts. Each district is used to finance the maintenance of enhanced infrastructure.



---

## Housing Improvement Areas

Housing improvement areas are a tool for making improvements to areas of owned housing. To date, the primary use of housing improvement areas has been to assist underfunded homeowner's associations resolve deferred capital improvement issues. The potential use of this tool will increase with an aging housing stock and economic pressures from the Recession. Rusty Fifield helped to create the original statutory authority and worked with the City of Hopkins to establish the first housing improvement areas.

## Housing Bonds

Northland has helped municipalities, non-profit organizations and other development entities to issues bonds for housing programs. Housing bonds are a good example of the difference between a financial advisory firm and a financial advisor within a broker-dealer. Like all forms of development finance in the post-Recession market, housing bonds face greater limitations and narrower investor interest. It is not enough to have technical knowledge and previous experience. Successful housing bond programs require a careful melding of the unique needs of each project with the evolving requirements of the investor. Northland, the financial advisor within the broker-dealer, is uniquely suited to this task.



---

Northland is proud of its ability to assist its clients with proper and prudent administration of its investment resources. As a broker-dealer, Northland can eliminate the “middle man” and purchase investments direct for a customer’s account. In addition to eliminating some potential investment expenses, Northland can offer proprietary offerings not offered on market as a whole. Typically, for municipal accounts, this means direct access to taxable general obligation bonds with suitable bond ratings.

In addition to following the City’s investment policy, it is our goal to maximize investment earnings without compromising security and cash flow. For bond proceeds, we work with the City Engineer and Clerk to develop a construction draw schedule and combine that with any other expenditure the City may be realizing during construction. Based on that schedule, we advise the City on the term, investment type and interest rate that would be most appropriate. All investments are made at the direction of the City and followed by confirmation statements and monthly account statements. Similarly, we can develop a program to maximize other idle funds the City may wish to invest. Following the City’s investment policy, Northland can offer a wide variety of institutional investments including but not limited to treasury securities, high-grade commercial paper, taxable general obligation bonds and federal agency securities.

As a licensed broker-dealer, we have direct and instant access to an array of investment vehicles legally permitted for municipalities. We are regulated by the Securities and Exchange Commission (SEC) and the FINRA.

Northland has years of experience in assisting municipalities with a conservative draw schedule that will match an investment portfolio to properly cash flow the draw schedule while maximizing yield in the portfolio. The Northland Public Finance Group has assisted Minnesota municipalities with the purchase of well over \$1,000,000,000 in allowable securities. There is no other financial advisor in Minnesota with this level of experience or qualifications.



---

We believe that references are an essential part of the evaluation process. References frequently provide a valuable tool for differentiating consulting firms. The actual experience of clients is a useful measure of a firm's ability to deliver the services described in a proposal. The references listed below will provide you with insights on Northland and the staff that will serve East Bethel. Many of these references also have direct experience with other financial advisory firms.



Mr. Matthew Hylen, Administrator  
City of St. Francis, MN  
(763) 235-2301  
*George has served as the Financial Consultant to the City of St. Francis since 2008.*

Mr. Kyle Morell, Administrator-Clerk  
City of Hinckley, MN  
(312) 384-7491  
*Staff from Northland Securities have served the public finance needs of the City of Hinckley since the 1980's .*

Ms. Ellen Pausleth, Finance Director  
City of Forest Lake, MN  
(651) 209-9725  
*George has served as the Financial Consultant to the City of Forest Lake since 2005.*

Mr. Don Lorsung, Administrator  
City of Isanti, MN  
(763) 444-5512  
*Staff from Northland Securities have served the public finance needs of the City of Isanti since the mid 1990's.*



This section contains the itemized statement of fees for financial advisory fees provided by Northland. Additionally, we would welcome the opportunity to explore pricing options with the City. In comparing proposals and checking references, you will find that we strive for equity and value in our fees. Several factors illustrate these objectives:

- When multiple bond issues are issued at the same time, the fee is based on the aggregate amount of debt. Some firms attach a separate fee to each issue.
- There are no incidental or hidden fees for debt issuance.
- Our hourly rates are very competitive.
- The experience of our staff allows us to work efficiently and with lower total project budgets.
- When we agree to a “not to exceed” budget, we will not bill for a greater amount unless you request services outside of the work scope.
- We typically do not propose flat fee special projects. You should only pay for the services we deliver.

The remainder of this section describes the basic compensation structure proposed for East Bethel.

## Bond Services

### Issuance Costs

<u>Par Amount of Bonds</u>	<u>Proposed Fee</u>
\$1,000,000 or less.....	\$9,900
\$1,000,001 to \$6,000,000 .....	\$9,900 + \$2.65/\$1,000
\$6,000,001 and over.....	\$23,150 + \$1.00/\$1,000

Our fee schedule applies to the aggregate amount of debt issued that day – not on an individual series basis.

Revenue Bonds and Advance Refunding Bonds are billed at 1.25 times the above fee schedule.

### Out-of-Pocket Expenses

Northland will not bill the City for any out of pocket expenses for debt issuance such as transcript, travel, copying, mail/shipping, and official statement printing.

### Continuing Disclosure Fees

Fees for Continuing Disclosure services are proposed at \$1,000 set up plus \$250 per issue. A 50% discount is applied if debt of a like security was issued in the calendar year.



---

## Advisory Services

We are committed to establishing fair and manageable arrangements for consulting projects billed on an hourly basis. For every project, we provide you with a description of work to be performed and a cost of services. We will not bill for costs in excess of the stated amount unless the City agrees to a revised scope of work and budget. We do not surprise you with unexpected billing. We do not seek compensation for services not under contract. We encourage you to call and not worry about “starting the meter”.

These projects are typically 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 and amount remaining under the approved budget. This information allows you to monitor the budget on each project.



# City of East Bethel, Minnesota

## G.O. Refunding Bonds of 2012

Advance refunding of the \$1,900,000 General Obligation Public Safety Bonds, series 2005A (2/1/14 call date)

### Refunding Summary

Dated 10/01/2012 | Delivered 10/01/2012

#### Sources Of Funds

Par Amount of Bonds	\$1,415,000.00
<b>Total Sources</b>	<b>\$1,415,000.00</b>

#### Uses Of Funds

Deposit to Crossover Escrow Fund	1,370,928.20
Total Underwriter's Discount (1.775%)	25,116.25
Costs of Issuance	18,950.00
Rounding Amount	5.55
<b>Total Uses</b>	<b>\$1,415,000.00</b>

#### Flow of Funds Detail

State and Local Government Series (SLGS) rates for Date of OMP Candidates	7/16/2012
Crossover Escrow Fund Solution Method	Net Funded
Total Cost of Investments	\$1,370,928.20
Interest Earnings @ 0.180%	3,275.13
Total Draws	\$1,374,203.33

#### Issues Refunded And Call Dates

05old	2/01/2014
-------	-----------

#### PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 1.771%(Bond Yield)	128,818.62
Contingency or Rounding Amount	5.55
Net Present Value Benefit	\$128,824.17
Net PV Benefit / \$1,345,000 Refunded Principal	9.578%
Net PV Benefit / \$1,415,000 Refunding Principal	9.104%

#### Bond Statistics

Average Life	8.058 Years
Average Coupon	1.7832553%
Net Interest Cost (NIC)	2.0035411%
Bond Yield for Arbitrage Purposes	1.7706624%
True Interest Cost (TIC)	2.0120316%
All Inclusive Cost (AIC)	2.1979027%

# City of East Bethel, Minnesota

G.O. Refunding Bonds of 2012

2005A

## Debt Service Comparison

Date	Total P+I	PCF	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2013	-	-	110,156.25	110,150.70	110,156.25	5.55
02/01/2014	29,203.33	(1,374,203.33)	1,487,512.50	142,512.50	142,512.50	-
02/01/2015	126,902.50	-	-	126,902.50	139,452.50	12,550.00
02/01/2016	131,325.00	-	-	131,325.00	141,307.50	9,982.50
02/01/2017	130,555.00	-	-	130,555.00	142,887.50	12,332.50
02/01/2018	134,565.00	-	-	134,565.00	144,230.00	9,665.00
02/01/2019	133,242.50	-	-	133,242.50	145,330.00	12,087.50
02/01/2020	126,690.00	-	-	126,690.00	141,182.50	14,492.50
02/01/2021	134,985.00	-	-	134,985.00	146,982.50	11,997.50
02/01/2022	132,945.00	-	-	132,945.00	147,325.00	14,380.00
02/01/2023	135,785.00	-	-	135,785.00	147,405.00	11,620.00
02/01/2024	133,347.50	-	-	133,347.50	147,217.50	13,870.00
02/01/2025	135,785.00	-	-	135,785.00	146,757.50	10,972.50
02/01/2026	132,990.00	-	-	132,990.00	146,020.00	13,030.00
<b>Total</b>	<b>\$1,618,320.83</b>	<b>(1,374,203.33)</b>	<b>\$1,597,668.75</b>	<b>\$1,841,780.70</b>	<b>\$1,988,766.25</b>	<b>\$146,985.55</b>

### PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	128,818.62
Net PV Cashflow Savings @ 1.771%(Bond Yield).....	128,818.62
Contingency or Rounding Amount.....	5.55
Net Present Value Benefit	<b>\$128,824.17</b>
Net PV Benefit / \$1,515,135.87 PV Refunded Debt Service	<b>8.502%</b>
Net PV Benefit / \$1,345,000 Refunded Principal...	9.578%
Net PV Benefit / \$1,415,000 Refunding Principal..	9.104%

### Refunding Bond Information

Refunding Dated Date	10/01/2012
Refunding Delivery Date	10/01/2012

# City of East Bethel, Minnesota

G.O. Refunding Bonds of 2012

2005A

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/01/2012	-	-	-	-	-
08/01/2013	-	-	18,252.08	18,252.08	-
02/01/2014	-	-	10,951.25	10,951.25	29,203.33
08/01/2014	-	-	10,951.25	10,951.25	-
02/01/2015	105,000.00	0.550%	10,951.25	115,951.25	126,902.50
08/01/2015	-	-	10,662.50	10,662.50	-
02/01/2016	110,000.00	0.700%	10,662.50	120,662.50	131,325.00
08/01/2016	-	-	10,277.50	10,277.50	-
02/01/2017	110,000.00	0.900%	10,277.50	120,277.50	130,555.00
08/01/2017	-	-	9,782.50	9,782.50	-
02/01/2018	115,000.00	1.150%	9,782.50	124,782.50	134,565.00
08/01/2018	-	-	9,121.25	9,121.25	-
02/01/2019	115,000.00	1.350%	9,121.25	124,121.25	133,242.50
08/01/2019	-	-	8,345.00	8,345.00	-
02/01/2020	110,000.00	1.550%	8,345.00	118,345.00	126,690.00
08/01/2020	-	-	7,492.50	7,492.50	-
02/01/2021	120,000.00	1.700%	7,492.50	127,492.50	134,985.00
08/01/2021	-	-	6,472.50	6,472.50	-
02/01/2022	120,000.00	1.800%	6,472.50	126,472.50	132,945.00
08/01/2022	-	-	5,392.50	5,392.50	-
02/01/2023	125,000.00	1.950%	5,392.50	130,392.50	135,785.00
08/01/2023	-	-	4,173.75	4,173.75	-
02/01/2024	125,000.00	2.050%	4,173.75	129,173.75	133,347.50
08/01/2024	-	-	2,892.50	2,892.50	-
02/01/2025	130,000.00	2.150%	2,892.50	132,892.50	135,785.00
08/01/2025	-	-	1,495.00	1,495.00	-
02/01/2026	130,000.00	2.300%	1,495.00	131,495.00	132,990.00
<b>Total</b>	<b>\$1,415,000.00</b>	<b>-</b>	<b>\$203,320.83</b>	<b>\$1,618,320.83</b>	<b>-</b>

Dated	10/01/2012
Delivery Date	10/01/2012
First Coupon Date	8/01/2013

First available call date	
Call Price	-

Bond Year Dollars	\$11,401.67
Average Life	8.058 Years

Average Coupon	1.7832553%
Net Interest Cost (NIC)	2.0035411%
True Interest Cost (TIC)	2.0120316%
All Inclusive Cost (AIC)	2.1979027%

Bond Yield for Arbitrage Purposes	1.7706624%
Net Interest Cost	1.7832553%
Weighted Average Maturity	8.058 Years

# City of East Bethel, Minnesota

G.O. Bonds of 2005A

## Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Coupon	Interest	Refunded D/S	Fiscal Total
02/01/2013	-	27,226.25	27,226.25	-	3.500%	27,226.25	27,226.25	27,226.25
08/01/2013	-	27,226.25	27,226.25	-	-	27,226.25	27,226.25	-
02/01/2014	1,345,000.00	27,226.25	1,372,226.25	-	3.600%	27,226.25	27,226.25	54,452.50
08/01/2014	-	-	-	-	-	27,226.25	27,226.25	-
02/01/2015	-	-	-	85,000.00	3.700%	27,226.25	112,226.25	139,452.50
08/01/2015	-	-	-	-	-	25,653.75	25,653.75	-
02/01/2016	-	-	-	90,000.00	3.800%	25,653.75	115,653.75	141,307.50
08/01/2016	-	-	-	-	-	23,943.75	23,943.75	-
02/01/2017	-	-	-	95,000.00	3.850%	23,943.75	118,943.75	142,887.50
08/01/2017	-	-	-	-	-	22,115.00	22,115.00	-
02/01/2018	-	-	-	100,000.00	3.900%	22,115.00	122,115.00	144,230.00
08/01/2018	-	-	-	-	-	20,165.00	20,165.00	-
02/01/2019	-	-	-	105,000.00	3.950%	20,165.00	125,165.00	145,330.00
08/01/2019	-	-	-	-	-	18,091.25	18,091.25	-
02/01/2020	-	-	-	105,000.00	4.000%	18,091.25	123,091.25	141,182.50
08/01/2020	-	-	-	-	-	15,991.25	15,991.25	-
02/01/2021	-	-	-	115,000.00	4.050%	15,991.25	130,991.25	146,982.50
08/01/2021	-	-	-	-	-	13,662.50	13,662.50	-
02/01/2022	-	-	-	120,000.00	4.100%	13,662.50	133,662.50	147,325.00
08/01/2022	-	-	-	-	-	11,202.50	11,202.50	-
02/01/2023	-	-	-	125,000.00	4.150%	11,202.50	136,202.50	147,405.00
08/01/2023	-	-	-	-	-	8,608.75	8,608.75	-
02/01/2024	-	-	-	130,000.00	4.200%	8,608.75	138,608.75	147,217.50
08/01/2024	-	-	-	-	-	5,878.75	5,878.75	-
02/01/2025	-	-	-	135,000.00	4.250%	5,878.75	140,878.75	146,757.50
08/01/2025	-	-	-	-	-	3,010.00	3,010.00	-
02/01/2026	-	-	-	140,000.00	4.300%	3,010.00	143,010.00	146,020.00
<b>Total</b>	<b>\$1,345,000.00</b>	<b>\$81,678.75</b>	<b>\$1,426,678.75</b>	<b>\$1,345,000.00</b>	<b>-</b>	<b>\$472,776.25</b>	<b>\$1,817,776.25</b>	<b>-</b>

### Yield Statistics

Average Life	8.367 Years
Weighted Average Maturity (Par Basis)	8.367 Years
Average Coupon	4.1205643%

### Refunding Bond Information

Refunding Dated Date	10/01/2012
Refunding Delivery Date	10/01/2012

# City of East Bethel, Minnesota

G.O. Refunding Bonds of 2012

2005A

## Crossover Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
10/01/2012	-	-	-	0.20	-	0.20
08/01/2013	16,197.00	0.160%	2,055.88	18,252.88	18,252.08	1.00
02/01/2014	1,354,731.00	0.180%	1,219.25	1,355,950.25	1,355,951.25	-
<b>Total</b>	<b>\$1,370,928.00</b>	<b>-</b>	<b>\$3,275.13</b>	<b>\$1,374,203.33</b>	<b>\$1,374,203.33</b>	<b>-</b>

### Investment Parameters

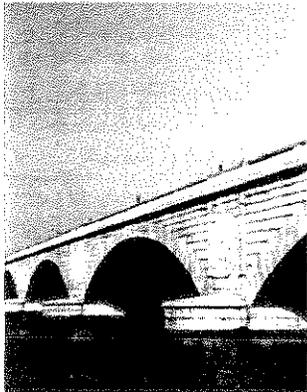
Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield

Cash Deposit	0.20
Cost of Investments Purchased with Bond Proceeds	1,370,928.00
Total Cost of Investments	\$1,370,928.20

Target Cost of Investments at bond yield	\$1,342,437.26
Actual positive or (negative) arbitrage	(28,490.94)

Yield to Receipt	0.1799375%
Yield for Arbitrage Purposes	1.7706624%

State and Local Government Series (SLGS) rates for	7/16/2012
--	-----------



## Proposal

City of East Bethel, Minnesota

Proposal to Provide Financial Advisory Services

July 26, 2012

# COPY

Springsted

## Table of Contents

### LETTER OF TRANSMITTAL

<b>A. QUALIFICATIONS</b>	<b>1</b>
1. Bond Issuance and Other Relative Experience	1
2. Jurisdictions of Comparable Characteristics	6
3. Primary Contact, Team Members and Availability	8
4. Bond Rating	12
5. Debt Issue Development and Oversight Services	13
6. Post Issuance Compliance (Disclosure/Arbitrage Rebate Management Services)	17
7. Financial Planning and Debt Management Services	18
8. Economic Development Planning	20
9. Support Services Capabilities	25
10. Advance Refunding for Local Governments	26
11. Process and Methodology to Gain Working Knowledge of East Bethel	28
12. References	29
<b>B. FEES</b>	<b>30</b>
<b>REFUNDING FEASIBILITY 2005A</b>	<b>APPENDIX I</b>
<b>ECONOMIC DEVELOPMENT PROJECTS</b>	<b>APPENDIX II</b>

### ***Mission Statement***

Springsted provides high quality, independent financial and management advisory services to public and non-profit organizations, and works with them in the long-term process of building their communities on a fiscally sound and well-managed basis.

Springsted Incorporated  
380 Jackson Street, Suite 300  
Saint Paul, MN 55101-2887

Tel: 651-223-3000  
Fax: 651-223-3002  
www.springsted.com



## LETTER OF TRANSMITTAL

July 26, 2012

Ms. Rita Pierce, Director of Fiscal and Support Services  
City of East Bethel  
2241 221<sup>st</sup> Avenue NE  
East Bethel, Minnesota 55011

Re: **Request for Proposal to Provide Financial Advisory Services**

Dear Ms. Pierce:

Thank you for the opportunity to submit this proposal for financial advisory services. We are in a unique position among financial advisors, having represented the City of East Bethel for many years. We remain dedicated to carrying out the direction of the City Council and recognize the specific challenges that lie ahead related to the water/sewer project.

Given our institutional knowledge of your projects, our team is well-positioned to assist you in making that project successful for the City, starting with helping you put a financing plan together for a business opportunity in the water/sewer area. You will find specific reference to our economic development services within the body of this proposal.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul T. Steinman", written over a horizontal line.

Paul T. Steinman, CIPFA, Vice President  
*Client Representative*

kmd

## A. Qualifications

### 1. Bond Issuance and Other Relative Experience

#### Experience of the firm with bond issues in the State of Minnesota

##### History and Leadership

Minnesota has been Springsted's home since our inception. The growth and success of the City of East Bethel and other Minnesota communities forms the foundation of our achievements. From Osmon Springsted's first one-person Saint Paul office in the early 1950s, to our standing today as the state's foremost advisory firm, serving Minnesota's public and non-profit entities has been our key to success. The growth in our partnerships with Minnesota communities has led to our prominence as a financial advisor, as well as to the expansion of our services to cover all financial, economic development and organizational areas. Our future is based on our commitment to serve all Minnesota communities.

##### Ranking in Minnesota

Year in and year out for decades Springsted is ranked by national industry publications as Minnesota's top financial advisory firm by a considerable margin; other than in those years where the State of Minnesota issues bonds using a national financial advisor. Below we have listed the Bond Buyer's recent rankings for 2010 and the first half of 2011. During these two years our Minnesota activity is approximately 50% greater than the next Minnesota-based firm.

This long standing financial advisory prominence demonstrates our continued commitment to Minnesota jurisdictions and their long-term acknowledgement of Springsted's ability to help them be successful.

#### 2010 Ranking in the *Bond Buyer*

#### MINNESOTA: Top Five Rankings

##### Financial Advisers

	Firm	Volume (\$ mils.)
1	Public Resources Adv	1,772.8
2	Springsted	1,459.9
3	Ehlers & Associates	951.0
4	Public Financial Mgmt	846.3
5	Northland Securities	253.2

Bond rankings are based on issues maturing in 15 months or more. Private placements, remarketings, and issues not meeting Thomson Reuters' "I-5" priority rule are excluded. In issues with multiple book-numbers, each firm is credited with its actual allocation. In issues with multiple co-advisors or co-counsel, the per cent of the issue is divided equally among the firms. Source: Thomson Reuters (1/15/11)

Mid-2011 Ranking in the *Bond Buyer*

<b>MINNESOTA: Top Five Rankings</b>	
<b>Financial Advisors</b>	
<b>Firm</b>	<b>Volume (\$ mils.)</b>
1 Springsted	383.4
2 Morgan Keegan	285.0
3 Ehlers & Associates	268.7
4 Northland Securities	156.6
5 CSG Advisors	140.1

Bond rankings are based on issues maturing in 18 months or more. Private placements, remarketings, and issues not meeting Thomson Reuters' "1-5" policy rule are excluded. In issues with multiple book-runners, each firm is credited with its actual allocation. In issues with multiple co-advisors or co-lead, the per amount of the issue is divided equally among the firms. Source: Thomson Reuters (7/20/11)

**Bond Market Experience: Overall**

Springsted's Bond Market experience can best be summarized as being comprehensive, from concept to compliance and as being tailored from straightforward to complex. For relatively straightforward financings,

<b>2010 Total Sales</b>		
<b>298 Issues worth \$3.943 Billion</b>		
<b>Category:</b>	<b>Volume In Millions</b>	<b>Number Of Issues</b>
Total Sales	\$3,943	298
Competitive	3,027	241
Negotiated	916	57
Tax Exempt	2,809	203
Taxable	1,134	95
General Obligation	1,766	204
Revenue	2,176	94
Refunding	894	104
Education	686	46
Higher Education & Student Loan	316	18
Utility (Water; Sewer; Electric)	342	28
Housing & Economic Development	171	24
Transportation	118	12

our expertise yields efficient and cost-effective bond structures and sales. For highly complex transactions, revenue based, multi-modal interest rate options or derivative products, our expertise is reflected in the depth and sophistication of our analyses and market knowledge.

Our results are best illustrated by our clients' ongoing trust in us, with an annual average of approximately 300 bond issues covering the full range of municipal bond and leasing tools. With an average of more than one bond sale per business day over more than two decades, our experience covers all segments of the national and many regional markets we serve. To successfully perform at this level on an ongoing basis requires a range and depth of expertise. The accompanying table of Springsted's 2010 Bond Market

participation, shown by issue type and industry group, demonstrates the variety and magnitude of assisting our clients in meeting their financial objectives.

Our experience extends to assisting our clients with regulatory compliance at the federal and state levels. We have dedicated staff in both arbitrage/rebate compliance and in continuing disclosure. Annually, we perform approximately 750 arbitrage/rebate calculations. We provide approximately 175 clients with continuing disclosure services.

**Specialty Service Experience: Our Five Practice Groups**

<b>Financial</b>	
Fiscal Analysis Related Projects.....	34
Other Studies .....	2
Investment Services.....	40
<b>Housing &amp; Economic Development</b>	
Tax Increment Financing /Abatement ...	54
Special Development Studies .....	16
Development Review & Analysis .....	20
<b>Organizational Management &amp; Human Resources</b>	
Human Resources Related Projects.....	71
Special Management Studies .....	40
Organizational Management Projects...	22

Springsted is unique among advisors in the range and quality of its total service offerings. With a foundation in public finance, Springsted services have grown to include all related financial and management areas. We have developed our five Practice Groups because our clients' goals and issues often require multiple approaches and areas of expertise. In addition to Public Finance, our five Practice Groups Include: Operational Finance/Fiscal Planning, Housing and Economic Development, Investment Services, and Organizational Management/ Human Resources.

In 2010, three of our Practice Groups not affiliated with public finance performed nearly 300 separate studies in these three major areas. The adjacent table shows the range and depth of activities in 2010.

**Our Record of Innovation**

**Overall:**

Springsted brings East Bethel a record of innovation at all levels, covering the full range of financial and economic development services that are the central focus of the City. Innovation happens at all levels, whether it is finding a way to upgrade streets in a smaller rural community to building the redevelopment plan for the Minneapolis-Saint Paul Central Corridor Light-rail project. In each case we meet a specific new client objective with, where appropriate, a new approach. In these current highly evolving financial and socio-economic times, our innovation record has kept pace with our client needs. Our record of assisting clients in these areas is exceptional in the blending of both traditional and "first-ever" financial solutions. These solutions often require not only implementing new financing techniques, but also our participation in legislative efforts to expand options for our clients. The best evidence of our record of innovation is the singular national recognition received by our clients from numerous and diverse professional organizations. A sampling of this recognition follows:

- **Award for Innovation in Government from the Ford Foundation and the John F. Kennedy School of Government, Harvard University**  
Recognized one of our client's work to correct contaminated soils

throughout its downtown area through the concept of “tax decrement financing.”

- **Awards for Excellence in Debt Management and Financial Management from the Government Finance Officers Association (GFOA)**

Numerous singular national awards given in recognition of several of our clients’ work in developing community infrastructure investment funds, municipal economic development “Growth Funds” and for initiating new financial management systems. These awards include the prestigious “Louisville Award for Exceptional Innovation” for our client’s multi-jurisdiction capital planning and debt management system.

- **Award for Excellence in Community Revitalization from the National Association of Housing and Redevelopment Officials (NAHRO)**

Recognized one our client’s work in the overall redevelopment of their city, crowning the achievement with a retail/residential complex that was built on the riverfront.

- **MAGNA Award from the National School Boards Association**

Recognized another of our client’s efforts to bring together three large school districts in order to construct a single, unified elementary school.

- **U.S. Conference of Mayors – The First Financial Leadership Award**

Recognized our client’s work in developing variable-rate bond issuance guidelines in their formal debt management policy.

- **U.S. Conference of Mayors – Public/Private Partnership Award**

Recognized our client’s work in revitalizing the core downtown of a major U.S. city, in partnership with an organization comprised of corporate CEOs.

- **First competitively marketed Build America Bonds in the nation for the City of De Pere, Wisconsin.**

#### **Economic Development:**

Beyond client awards our innovation in economic development is extensive.

- First-ever tax increment financing projects in five states.
- First-ever tax decrement financing project in the nation.
- First use of new funding techniques in one state of state sales tax increment financing (STAR) bonds, transportation development district improvement bonds and community improvement district bonds.
- In Minnesota the first special improvement district for the City of Minneapolis.

We are very proud of our role in assisting our clients in finding new, innovative methods of achieving their objectives.

**Relative Experience**

---

**Appendix II** contains a short sampling of projects to better frame the picture of the range and depth of our work for cities similar to East Bethel and particularly in our economic development expertise.

## 2. Jurisdictions of Comparable Characteristics

### Experience of the firm with jurisdictions of comparable characteristics to the City of East Bethel.

Below is a sampling of Minnesota Cities and suburban communities in other states where Springsted Incorporated serves as the financial advisor.

#### Second/third tier suburbs include:

- Blaine
- Chaska
- Eagan
- Excelsior
- Lakeville
- Lino Lakes
- Minnetonka
- New Prague
- Rosemount
- Savage
- Shakopee
- Shoreview
- Vadnais Heights
- White Bear Township

#### Additional regional centers throughout the state include:

- Albert Lea
- Austin
- Brainerd
- Detroit Lakes
- East Grand Forks
- Grand Rapids
- Hastings
- Mankato
- Marshall
- Winona
- Moorhead
- North Branch
- Red Wing
- Rochester
- St. Cloud
- Stillwater
- Virginia
- Waseca
- Willmar

#### Counties include:

- Ramsey
- Anoka
- Carver
- Washington
- Dakota
- Scott

#### Comparable Experience in other regions

An advantage to East Bethel is our experience in working with comparable suburban cities in other states. These cities also have objectives, challenges and issues which are both similar to East Bethel but can exist in differing economic and governance environment. Our solutions for these suburban cities are often outside the experience of Minnesota. We often transfer these new approaches into Minnesota, and vice versa, to present new tools in finance, economic development and budgeting.

## Our Clients

- Cities, Towns, Townships and Villages
- Counties
- Special Service Districts
- Non-Profit Organizations
- Hospitals
- Economic Development, Redevelopment and Port Authorities
- Electric and Water Utilities
- Higher Education Authorities
- School Districts
- Housing Authorities

*The states in gold reflect where Springsted's clients are located.*



### **Kansas:**

- Shawnee
- Lenexa
- Olathe
- Gardner
- Bel Aire
- Edgerton

### **Missouri:**

- Lee's Summit
- Blue Springs
- Gladstone
- Grand Valley
- Raymore
- St. Joseph

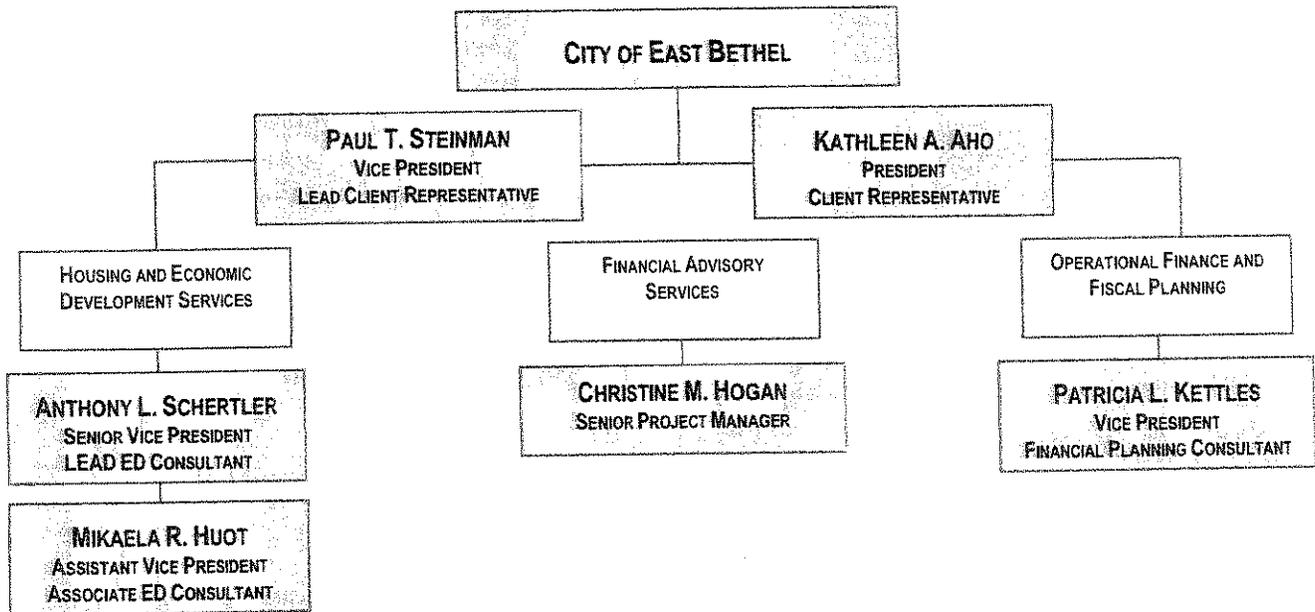
### **Milwaukee:**

- Greenfield
- Racine
- Brookfield
- Middleton
- De Pere
- Kewaunee
- Marathon

### 3. Primary Contact, Team Members and Availability

Identify the primary contact that will be assigned to work with the City. List the qualifications and experience of the individuals. If more than one person is assigned identify the senior level contact. Include resumes for all financial advisor staff listed as contacts for the City.

We selected our East Bethel Service Team to meet our goal of exceeding the City's expectations from its advisory team. Our Team weaves talents providing continuity of service, precise expertise in achieving the City's Goal Program and senior staff with significant knowledge of finance and development for suburban and major cities. The Team includes experts in each of the City's defined service areas, as well as complementary professional resources. All of the primary team members have at some point worked with the City during the recent past. They often work together and therefore deliver thorough, effective and efficient service.



**Financial Advisory Services****Responsibility: Primary Contact and Lead Representative**

---

**Paul T. Steinman, CIPFA***Vice President and Client Representative*

Mr. Paul Steinman has more than 25 years of experience working in and for the public sector. He has extensive working knowledge of development and redevelopment tools, long-term operational financial planning, capital improvement planning and public finance/bond transactions. He has a solid understanding of public policy issues related to redevelopment and debt issuance and has maintained successful client relationships by providing strategic, value-added solutions based upon his experiences working through everyday challenges faced by local government officials.

**Kathleen A. Aho, CIPFA***President and Client Representative*

Ms. Kathy Aho has been a principal of the firm since 1993. She has a reputation for developing creative solutions for managing today's most challenging financial issues, such as housing, economic development, advance refunding, sales and/or special tax-backed financings and enterprise management. In over 25 years of experience as an advisor to the public sector, she has served as manager on hundreds of financing assignments that involved both taxable and tax-exempt obligation transactions. Ms. Aho is the immediate past president of the National Association of Independent Public Finance Advisors.

**Responsibility: Primary Project Manager**

---

**Christine M. "Chris" Hogan, CIPFA***Senior Project Manager*

Ms. Chris Hogan structures debt, reviews financing options, writes recommendations that explain financing plans, reviews financing documents and personally assists clients for the Minnesota and Wisconsin Teams. After graduating from the University of St. Thomas, Ms. Hogan joined Springsted in March 2000, as a Financial Services Analyst managing our arbitrage rebate division. In that role, she ensured that our clients were on time and in compliance with federal arbitrage regulations.

### **Responsibility: Financial Planning**

**Patricia L. "Patty" Kettles, CIPFA**

*Vice President and Director of Quantitative Services*



Ms. Patty Kettles will be the financial planning consultant for the City of East Bethel. Patty has over 14 years of experience working with Springsted clients on various projects, including performing utility rate analyses and financial feasibilities, financing options, capital improvement programming and debt management. Patty holds a master's in

business administration and a bachelor's degree in finance.

### **Housing and Economic Development**

### **Responsibility: Housing and Economic Development Lead Consultant**

**Tony L. Schertler**

*Senior Vice President and Consultant*



Mr. Tony Schertler will be the Lead Consultant for the City with housing and economic development issues. Tony is head of Springsted's Housing and Economic Development Group. He has over 15 years' experience in local government, with 10 years focused on downtown development and redevelopment. He is responsible for creating

incentive programs in the areas of business retention and attraction. He is a licensed attorney, with an extensive background in land use and real estate development. Tony received a Bachelor of Arts in History from St. John's University (MN) and Juris Doctor from William Mitchell College of Law.

### **Responsibility: Associate Housing and Economic Development Consultant**

**Mikaela R. Huot, CIPFA**

*Assistant Vice President and Consultant*



Ms. Mikaela Huot will be Associate Consultant for the City with housing and economic development issues. Mikaela has been with Springsted's Housing and Economic Development Group for over ten years. She is a specialist in the comprehensive analysis and use of a variety of economic development, redevelopment and

housing programs in the Midwest and Mid-Atlantic regions, including property tax and sales tax increment financing, tax abatement, state grant and loan programs, enterprise zones, community development authorities and special service/business improvement districts. Mikaela received a Bachelor of Science in Applied Economics and Business and Industry Education from the University of Minnesota and is certified through the National Development Council as an Economic Development Finance Professional.

**Availability of Service Team**

---

We understand that not only must we provide the City with the best financial and development professionals, they must be available to the City. Our availability must go beyond specific service engagements to foster a relationship conducive to 'bouncing ideas around' and informal conversations of East Bethel's 'bigger picture ideas.' Beyond these needs we offer to go the extra step of often providing training for staff and elected officials at city offices for all related finance, development and management areas.

#### 4. Bond Rating

Experience dealing with bond rating agencies. Summarize the firm's approach to preparing and presenting bond rating information.

##### **Client Rating and Enhancement Services**

Springsted typically obtains more than 250 ratings per year on behalf of our clients. Our activity level leads us to be in daily contact with each of the three major rating agencies.

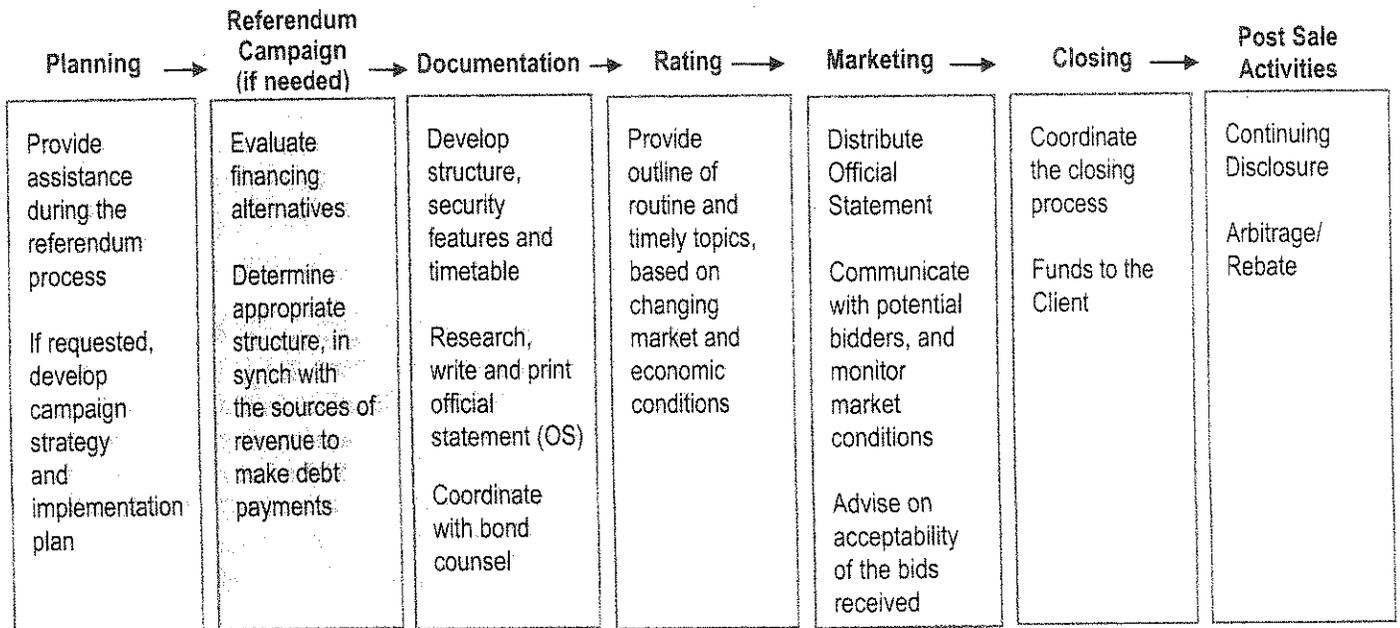
Springsted is uniquely qualified to assist the City in its credit rating strategy because of our extensive experience with other metropolitan area local governments. No other advisor has a concentration of working relationships with cities and counties in the Twin Cities area comparable to Springsted's. Our frequent conversations with credit rating agencies provide first-hand knowledge of events and conditions of local economies and debt programs within communities of the Twin Cities metropolitan area.

The municipal bond credit enhancement industries – specifically the insurance industry – has gone through significant and permanent changes over the last few years, and for practical purposes no longer provides benefit to new issues that have an investment grade rating and a general obligation backing of the issuer. At present the bond insurance company choices are very limited and applications which may warrant insurance are very specific (as in rated revenue transactions). Springsted continues to monitor the market and evaluate the appropriate use bond insurance.

### 5. Debt Issue Development and Oversight Services

Outline the firm's experience in providing debt issue development and oversight services as outlined in the Scope of Services section.

## Comprehensive Process for a Well Executed Bond Sale



#### A. Planning and Development

Springsted's focus is toward debt management and how individual issues, whether new or outstanding, fit within the client's debt framework. Debt management is a major factor in proper capital improvement programming and in complying with overall financial policies and objectives. Our long-standing success results from our clients having a long-term positive financial experience. This result can only occur from solid planning in determining objectives, adopting and executing a program. Our approach uses both debt and pay-as-you-go financing tools.

At the beginning of any financing Springsted consults closely with the City's Director of Fiscal and Support Services to review the projects to be financed, the debt structuring objectives and the time frame in which the City requires the proceeds to pay for, or reimburse itself for, the capital outlay. Springsted takes a leadership role in consulting with the City's Bond Counsel to obtain agreement on (i) the tax status of the bonds and (ii) confirmation that structure is in conformance with state and federal requirements. This step is essential as the bonds cannot be legally marketed and sold without an opinion from Bond Counsel that the bonds are legal and binding obligations of the City, and that the interest on the bonds is exempt under applicable state and federal law.

Concurrent with gathering the necessary information to begin developing a financing strategy, Springsted prepares the Schedule of Events and a distribution list of all the financing participants.

#### **Financial Planning Phase**

- Identify client financing objectives
- Establish financial framework
- Determine type of financing
- Identify funding alternatives, including tax rate impact
- Identify preliminary sale date
- Develop financing plan
- Complete special planning studies

#### **Issue Structuring/Documentation Phase**

- Prepare schedule of events and contact/distribution list
- Prepare and present sale recommendations
- Assist with underwriter selection (negotiated sales only)
- Coordinate timetable and activities of other participants
- Prepare the Official Statement/review financing documents
- Coordinate selection of registrar/trustee
- Oversee authorization process
- Other services, as necessary

Prior to the City Council authorization to proceed with the sale of a bond issues, Springsted provides written recommendations outlining the sources of repayment, the special terms and conditions that strengthen the marketability of the bonds, and objectives behind the proposed principal repayment structure. As part of Springsted's ongoing efforts to continually provide better services to our clients, we updated and improved the presentation of our written recommendations in 2011.

#### **Credit Structuring/Enhancement Phase**

- Analyze and recommend use of credit enhancement and ratings
- Prepare and attend rating agency presentation(s)
- Select credit enhancement provider (very seldom in current market)

## **B. Marketing**

Pre-Sale marketing is a vital component to ensure a successful bond sale. The marketing of municipal bonds is essentially aligning the needs and constraints of the City with the current economic environment and the needs of bond investors. Our unmatched experience with various types of bond sales, detailed in Section 1, provides us with the knowledge to effectively market the City's bonds, regardless of the type of issue or market conditions.

We have briefly outlined the primary tasks of marketing municipal bonds below:

**Monitoring Market Conditions**

In recent years the volatility of the municipal bond market has increased due to U.S. economic concerns and events. With our high level of market participation we have access to the full range of market technology and information sources. The primary market is driven by both ongoing current market events and secondary market activity. From our internal Resource Center we receive Bloomberg, Federal Reserve and other economic release information as it occurs. In the secondary market we have access to three real time pricing platforms.

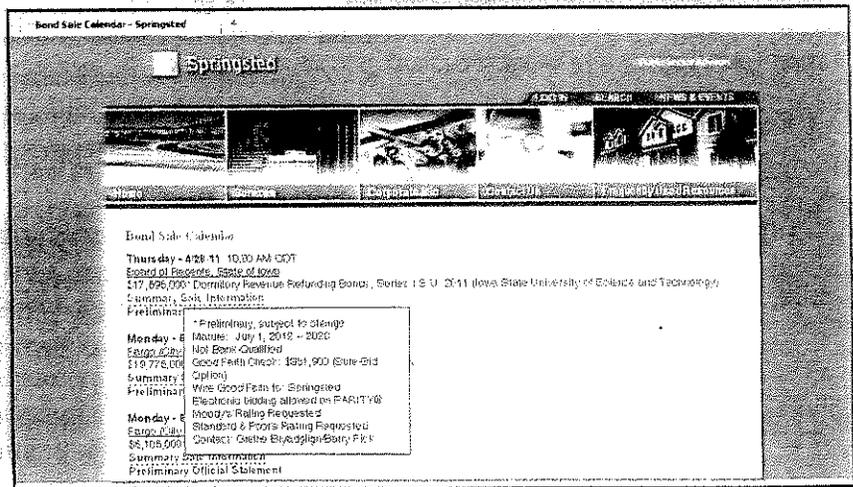
With this market information, we provide direction on special terms and conditions that will strengthen the marketability of the bonds, including such items as the call feature, term bonds, and bidding constraints on the interest rates and underwriter discount.

**Dissemination of Official Statement**

Once Springsted has prepared the Official Statement, electronic notifications of the availability of the Official Statement on the Springsted website are provided to a comprehensive national list of underwriters. Making the Official Statement available electronically has reduced our client's costs associated with the printing of the Official Statement.

**Generate Pre-Sale Interest**

Springsted publishes a weekly calendar of upcoming client bond sales and disseminates the calendar to the underwriting community (pictured below), Bloomberg, PARITY® and The Bond Buyer. Additionally, our long-standing participation in the market puts us in daily contact with underwriters, which allows us to personally market the bonds on an as-needed basis.



### Conduct the Bond Sale

All competitive bids are received by Springsted on behalf of the City and checked for accuracy. Most competitive bids for municipal bonds are submitted by underwriters under an electronic bidding platform of PARITY®. To maximize the number of bidders, Springsted continues to accept phone or fax bids on behalf of the City.

### Bond Closing

Springsted provides the post sale debt schedules and all required information to Bond Counsel for preparation of legal/closing documents. To ensure the closing process proceeds smoothly and uninterrupted, Springsted's Bond Services analysts coordinate the closing process by not only reviewing all legal documents to ensure their accuracy, but ensuring all legal documents are fully executed prior to pre-established closing time of the bonds.

Springsted Investment Advisors, a wholly-owned subsidiary of Springsted Incorporated offers a full range of investment services, including obtaining multiple bids for the investment of bond proceeds, when appropriate.

### Work Product

The work documents required in the RFP have been described throughout the proposal. As the City has received in the past, following the completion of each bond sale, Springsted provides a complete Bond Record that compiles all essential work products produced during the bond issuance process. In addition, we are continuously striving to improve our work products to better serve our clients. The pre-sale analysis ("Recommendations") is just the latest example of our effort to continually improve our products and services

## 6. Post Issuance Compliance (Disclosure/Arbitrage Rebate Management Services)

Outline the firm's experience providing continuing disclosure/arbitrage rebate management services as outline in the Scope of Services.

### Continuing Disclosure

Under SEC disclosure regulations, effective July 3, 1995, underwriters may not purchase or sell bonds in new offerings of more than \$1 million unless the issuer or obligor will sign a written agreement to provide annual financial and operating information, and notice of material events to the public. In addition, brokers or dealers must have procedures in place to review information before recommending sales of securities.

Annual financial information includes audited financial statements and budgets. Notice of material events includes such things as delinquencies, defaults, unscheduled draws on debt service, credit enhancement draws, adverse tax opinions, bond calls and rating changes.

Beginning July 1, 2009, the Securities and Exchange Commission (SEC) designated the Municipal Securities Rulemaking Board (MSRB) as the official repository for municipal securities continuing disclosure filings under SEC Rule 15c2-12. The MSRB created the web portal, Electronic Municipal Market Access (EMMA) system, to serve as the centralized repository.

Springsted serves as the City of East Bethel's dissemination agent, whereby Springsted prepares all required documents and disseminate them to EMMA to ensure the City is in full compliance with the Rule 15c2-12 reporting requirements.

### Arbitrage/Rebate

Since the passage of the Tax Reform Act of 1986 Springsted has provided a comprehensive arbitrage/rebate service package. Our staff and work levels have increased consistently over time to the extent that we currently perform 300 calculations per year.

Springsted's rebate services are performed within the Investment Services group of the firm. Personnel dedicated to the performance of rebate analysis are responsible for maintaining the integrity of the service. Our dealings with municipal issuers have taught us that assistance is needed beyond the calculations; therefore, we have developed a service offering that assists clients in meeting the information needs of rebate, reporting on a timely basis and recalling the type of rebate responsibility and reporting dates. Our rebate clients are entered into our data system which records and tracks the client's specific issues, the rebate status of each issue and the timing of all rebate requirements. This enables us to assist the issuer (or bond trustee) in anticipating reporting requirements and assembling the necessary data in a timely fashion.

## 7. Financial Planning and Debt Management Services

Outline the firm's experience in providing financial planning and debt management services as outline in the Scope of Services.

### Financial Planning

Springsted has completed more than 40 long-term financial plans for cities in six states. Most recently, we were retained by the City of Highland Park, Illinois and Virginia, Minnesota to assist in developing a long-range financial plan. The objective of these plans was to enable local governments to evaluate the impact of alternative revenue and expenditures decisions for both operations and capital. An indicator of the quality and adaptability of our long-range financial planning skills and products is our winning a competition held by the Minnesota League of Cities. The League asked all state providers, advisory and accounting firms, to compete for a 'small cities model' which they could sponsor for their members. Our model was chosen by an overwhelming margin by the League. This is just one indication of the broad acceptance of our long-range planning approaches and services.

### Policies and Procedures

Springsted has assisted clients with developing, maintaining and expanding financial policies and procedures based on sound practices. These include such areas as fund balances and cash reserves, investments, capital improvement planning, debt management, credit rating, spending growth, shortfall and debt management. We have built these policies into our long-range financial plans and models to enable clients to understand how financial decisions they make today will impact their fiscal policies in the future. Sound financial policies are frequently cited as contributing factors in rating agency upgrades.

Our strong knowledge about these practices and policies is best exemplified through one of our client's receipt of the United States Conference of Mayors Financial Leadership Award. The client was commended for its variable rate bond issuance policy.

### Identifying Objectives and Analyze Financing Alternatives

To efficiently consider and effectively communicate financing alternatives – both operating and capital – requires a tool that is both sophisticated and flexible. Springsted's long-range financial planning models, built in Microsoft Excel, incorporate the major internal and external factors that impact the organization's operation and financial resources. It enables the management team to take a proactive approach in planning for the future of their organization and in managing the anticipated impacts of factors, both within and outside their control, that affect their organization's financial performance and overall objectives.

### Review Revenue Requirements of Various Enterprise Funds

Springsted has completed over fifty utility rate studies in six different states during the past five years. Our clients have ranged from very large utilities to relatively small utilities and have included utilities experiencing rapid growth as well as utilities experiencing a decline in their customer base. Each of these studies involved determining revenue requirements to cover anticipated operating and maintenance expenses, debt service including principal and interest, utility extensions and improvements, plant replacement, provide adequate cash flow to pay for current expenditures, and an adequate level of cash reserves.

### **Managing Debt Programs**

Springsted maintains a database of the City's debt obligations within our MUNEX™ bond software. The table and graphs below provide a small sample of our debt management capabilities. As we partner with the City, all debt management software is available to the City and may be accessed at any time at your convenience. This is just another example where Springsted strives to be not a "consultant," but an extension of the City's staff.

### **Debt Monitoring/Refundings**

Springsted has committed significant resources to analyzing and realizing debt management opportunities for our clients. We maintain a comprehensive database of all the City's outstanding issues. We verify that the Bloomberg electronic database accurately reflects the post sale schedules prepared by Springsted Incorporated. We have a dedicated full-time professional staff whose sole purpose is monitoring and analyzing these potential refunding opportunities. We review the City's financial statements for debt service fund balance positions that may lead to prepaying or defeasing outstanding issues or anticipating federal arbitrage exposures.

## 8. Economic Development Planning

Outline the firm's experience in providing economic development planning services as outlined in the Scope of Services.

Our primary objective with economic development planning is to assist the City in developing and maintaining an economically viable community. Our services improve a community's quality of life through expanded employment opportunities, a full range of housing options and an expanded economic base. Our leadership in housing and economic development is reflected by our clients' success in the first-ever use of tax increment financing in three states, recognition from Harvard University and the Ford Foundation for the creation of tax increment financing for soil corrections and the receipt of the U.S. Conference of Mayors Award for public/private partnerships in downtown revitalization. We have also helped pioneer new concepts in affordable housing, "smart growth" mixed-use developments and environmentally efficient "green" development.

Springsted offers a comprehensive array of development process services, including policy development, project feasibility studies, analysis and negotiation of the need and type of public sector participation as well as coordination of financing mechanisms. In short, we help our clients turn concepts and goals into projects and achievements.

Members of the Springsted Housing and Economic Development team participate regularly in providing continuing education seminars for various professional associations, such as GFOA, Continuing Legal Education, Real Estate Continuing Education and American Institute of Certified Planners Continuing Education.

### Policy Development

We help our clients clarify and formalize their development objectives, subsidy criteria and required safeguards to improve public development policies. Such policies establish a consistent framework for negotiating subsidies while preserving the flexibility to create innovative development solutions.

### Incentive Portfolio Development

We assist clients in choosing from a wide variety of tools to facilitate housing and economic development projects. Typical options include tax increment financing, tax abatement and low-interest loans. We also develop incentive programs to match each community's unique set of resources and priorities.

### **Public Development Planning and Strategic Implementation**

Many jurisdictions are looking for opportunities to promote private development through direct public investment in targeted areas. Springsted helps these clients prioritize and manage their development objectives and determine how best to implement those goals through public development and redevelopment activities.

### **Private Development Review and Analysis (But For)**

We analyze private development proposals, project budgets, operating pro formas and other information to verify the need and appropriate level of public financial participation. Using this analysis, we also help clients choose the best incentive tools for the project.

### **Developer Review and Negotiations**

We assist clients in learning more about prospective developers by performing in-depth business credit analyses, evaluating market conditions, assessing proposed business plans and checking credentials and references. We also assist clients in negotiating public assistance agreements with developers.

### **Development Process Management**

Springsted helps clients manage the implementation of complex and/or multi-phase housing and economic development projects, providing advice on how to avoid cash flow problems and reduce risk.

### **Special Development Studies**

Clients sometimes face issues that are unique to a specific housing or economic development project. In such cases, we are available to evaluate the situation, establish work plans and make recommendations to assist our clients.

### **Preliminary Project Feasibility Analysis**

We assist clients in understanding the preliminary economic feasibility of distinct development alternatives and identifying the merits of pursuing further the costs of professional due diligence. Many of our clients are faced with developers returning for increased financial assistance or relief from contractual obligations. Springsted provides project audit services that can verify if the requested relief is needed. Our clients also use this service to verify public purpose performance.

### Cost Benefit Analysis

Springsted helps our clients calculate the costs and benefits to each taxing entity of various development proposals. Our models calculate those revenues and costs (including incentives) in order to help our clients better understand the pay-back period and annualized rate of return on each investment.

### Housing

Springsted provides its clients with a range of housing services tailored to their individual needs and priorities. For communities seeking to encourage private housing development, Springsted performs comprehensive pro forma analyses and evaluates developer requests for financial assistance. For HRAs and other public/nonprofit entities that build and own housing units, Springsted helps to guide projects through the development process, from the first feasibility analysis to the issuance of any governmental bonds.

The steps to providing housing development assistance to the City of East Bethel can be all encompassing or tailored to compliment the expertise of City staff. To ensure City participation will result in a successful housing project, all of the following services are provided by Springsted:

- Determine the basic parameters of the project, and then draft and revise the many critical details of development budgets, construction draw schedules and project lease-up schedules
- Prepare operating pro formas/cash flow scenarios and other financial projections
- Identify and coordinate favorable funding sources, including essential function bonds, tax increment financing, state grants, and special benefit tax levies, to meet project requirements
- Review the developer performance based on previously completed projects
- Review the developer's application and verify the development assumptions

We have significant experience in structuring creative housing solutions, like the Shakopee/Scott County HRA downtown mixed-use redevelopment project (Minnesota) and the numerous multi-family and senior housing projects we work on with the Dakota County CDA, Minnesota (they own and operate 1,350 affordable senior rental units), a Springsted client since their inception in 1971. We have evaluated joint venture structures and developer subsidy requests for a major multi-phase project between the City of Des Moines and the Hillside Housing Corporation in Iowa.

Springsted worked with the City of Roseville on the establishment of an affordable housing project in which tax increment revenues and low-income housing tax credits were a component. Our process began with a review of the developer's application that included the project description and request for public assistance to determine project eligibility. We prepared tax increment revenue projections and cash flow scenarios based on the provided information and worked with the City of Roseville and Ramsey County to verify the development assumptions. We also worked with the City of Roseville's policy guidelines to determine project eligibility and allowable use of increment.

## Tax Increment and Tax Abatement

Springsted provides Tax Increment Financing and Tax Abatement services.

- Springsted provides all the due diligence services required to ensure the successful implementation of tax increment financing and/or tax abatement plans and to reduce the City's risk. This includes a thorough review of the developer's pro forma to determine that the requested level of public assistance is necessary for the project to move forward and conservative estimates of future tax increment/abatement revenues. Where possible we always encourage the City to provide pay-as-you-go financing versus the City bonding for the public subsidy up front, to reduce the City's risk. Our direct services to the City include conducting a financial feasibility analysis on the project, reviewing any market analysis provided by the developer and negotiating the amount and timing of assistance and developer guarantees.
- Springsted provides tax increment financing and tax abatement modeling and projections. For clients considering the use of tax increment financing or tax abatement for specific projects, we develop projections of the revenues to be generated over the life of the assistance period, and estimate the project costs that could be paid by such revenues.
- Springsted provides services to establish tax increment financing/tax abatement districts by coordinating the production and transmittal of notifications, plans and certifications to the required parties on the required schedule.
- Springsted provides tax increment financing/tax abatement management and compliance for clients with established districts, by reviewing district cash flows, preparing state mandated annual reports and coordinate plan amendments for expanding or contracting districts

**Policy Development**

Springsted assists our clients clarify and formalize their development objectives, subsidy criteria and required safeguards to improve public development policies. Such policies establish a consistent framework for negotiating subsidies while preserving the flexibility to create innovative development solutions.

**Creativity and Innovation**

Our Economic Development team has responded to local governments need to have a better understanding of the potential fiscal impacts that might arise while undertaking land use and development planning. The Springsted team has been invited to join the planning efforts where we have created a development financing model customized to a particular community's resources and challenges. The City of Bloomington retained Springsted to update our Development Model created for the Bloomington Central Station Area. The City of North St. Paul has just retained our services to create a similar Development Model for thee blighted blocks adjacent to their downtown. The City of Maple Grove has retained our Springsted Housing and Economic Development team to create a Development Finance Model for the Gravel Mining Area and the City of Edina's Planning Commission retained our services for their Grandview Small Area Plan.

## 9. Support Services Capabilities

Summarize the firm's support services capabilities (i.e. computer printing, word processing, graphics, etc.) and whether these services are done in-house or are contracted out.

To provide quality and responsive service, Springsted must have the in-house resources to support all of our service areas. From information to analysis to communicating our services, Springsted continues to invest in the internal resources, both people and systems, to maintain our high standards of service. Our investment in in-house support staff is extensive with *a ratio of two internal support staff for each external client service professional*. As a result, all of our support services are completed in-house.

Springsted brings the benefits of technology to our clients in three areas: analytical services, information resources and communication capabilities. In each area, our resources and capabilities are extensive, yet can be tailored to meet the individual needs of each client. A small sample of our extensive technology and support services resources are provided below:

### Analytical Services

- Industry standard bond structuring software – MUNEX™
- Industry standard bond bidding electronic platform - PARITY®
- Expert Microsoft Word, Excel and Access programmers

### Information Resources

- Bloomberg
- Delphis Hanover Corporation (Muni Bond Industry Provider)
- Municipal Market Data (MMD)
- *The Bond Buyer*
- Proprietary database of prior transactions (including transactions where Springsted was not the financial advisor)
- Professional staff dedicated solely to research projects

### Communication Capabilities

- Springsted's website provides a complete listing of:
  - Bond sale information
  - Municipal and Treasury Current Market Information
  - Descriptions of recent projects
  - News, events calendar and market commentary
  - Springsted services

## 10. Advance Refunding for Local Governments

Outline the firm's experience in advance refunding for local governments.

The monitoring of our client's existing debt for interest cost savings is a key Springsted service. The adjacent table highlights the total number and volume of refundings (current and advanced) Springsted has undertaken over the past six years.

Springsted Refundings		
<b>2005</b>	Volume	\$1,673,740,000
	Issues	108
<b>2006</b>	Volume	\$485,725,000
	Issues	39
<b>2007</b>	Volume	\$648,555,000
	Issues	46
<b>2008</b>	Volume	\$436,790,000
	Issues	43
<b>2009</b>	Volume	\$1,062,460,000
	Issues	92
<b>2010</b>	Volume	\$894,270,000
	Issues	104
Total Volume		\$5,201,540,000
Total Issues		432

An important aspect in Springsted's long-term relationships with our clients is to clearly identify the strengths and weakness of any potential refunding, including how a refunding impacts long-term debt

objectives. Our role as the City's financial advisor is to first identify refunding opportunities and then work with City staff to evaluate whether the refunding achieves the desired long-term results.

A refunding feasibility will show the projected future value cash flow savings as well as the present value savings under current market conditions. The City needs to be able to discern that a potential refunding is in its best interest. There are guidelines to follow to determine whether or not a refunding has benefit to the City.

### Advanced Refunding Considerations

- Minnesota State Statutes require total present value savings for an advance refunding must be equal to or greater than 3% of the present value of refunded debt service.
- Is the municipality getting a greater benefit than the Underwriters and financial advisors? Total present value savings should be greater than and desirably at least twice the total costs of executing the transaction – the costs of issuance plus the underwriter's profit.
- Strive for the total future cash flow savings of approximately \$50,000 per million dollars of debt refunded.
- Tax exempt issuers are subject to a federal limitation of one advance refunding per issue. Therefore, the City should choose

carefully when it executes its one chance for savings using an advance refunding.

- The City will want to check the efficiency of the escrow. Is the yield on the escrow securities being maximized vis-à-vis the arbitrage yield of the refunding bonds? If not, the City may want to wait until investment yields are more in line with the cost of borrowing.
- A refunding extends the call date of a bond issue. The City should consider the revenue stream pledged to the bonds and if there is an opportunity to redeem the bonds early without a refunding. As the City's financial advisor, we structure any refunding opportunity around the remaining future revenue stream pledged to the original bonds.

The City's 2005A bond issue has a first call date 2/1/14 and could be advance refunded at this time using today's rates for future value savings of \$127,000. See **Appendix I**.

## 11. Process and Methodology to Gain Working Knowledge of East Bethel

Describe the process by which your firm will acquire a working knowledge of the City's outstanding debt so as to be able to advise the City on any financial, legal, market or regulatory issues in the future.

Springsted has a strong working knowledge of East Bethel's outstanding debt, as we have served as the City's financial advisor for many years, assisting on multiple projects.

Our historical East Bethel experience is a high platform for an ongoing commitment to learn and discuss the goals and environment of the City. This very visible demonstration is one part of the larger ongoing homework we do on an ongoing basis to continually learn about East Bethel. We propose informal, periodic get-togethers to discuss current and long-term City topics. We continually learn about the City by study, by analysis, by the various perspectives we bring, and by talking with you.

## 12. References

List of references relating to projects completed for local governments over the past five years with comparable characteristics to the City of East Bethel, preferably in the State of Minnesota. Provide name, address and telephone number of a contact with the reference government.

Our references are specifically presented to demonstrate our work with Minnesota cities comparable to East Bethel in terms of size, ex-urban in nature, not fully developed and having economic development objectives.

### **City of Shakopee, Minnesota**

Ms. Julie Linnihan, Finance Director/City Clerk  
129 South Holmes Street  
Shakopee, Minnesota 55379  
952-233-9326

### **City of Hugo, Minnesota**

Mr. Ronald Otkin, Finance Director  
14669 Fitzgerald Avenue North  
Hugo, Minnesota 55038  
651-762-6314

### **City of Becker, Minnesota**

Mr. Cory Boyer, Finance Director  
12060 Sherburne Ave  
Becker, Minnesota 55308  
763-261-4302

## B. Fees

### Compensation

Springsted encourages the City to select a financial advisor based on the quality of service, the stability of the firm, and the capabilities of the individuals assigned to the project. Once the City has made its selection based on qualifications, we are always willing to negotiate a specific and overall package designed to ensure that the City accomplishes its capital financing and public policy objectives.

Our approach to compensation is based on building a close, long-term working relationship with our clients through not separately charging for idea sessions, responses to routine questions, research and easy-to-perform analytics.

Our Financial Advisory and all other fees would remain unchanged from what the City has been charged. These fee levels are consistent with those paid by the overwhelming majority of our Minnesota clients.

### Flat Fee Schedule

#### General obligation Debt

Amount of Debt Obligation (000 Omitted)	Fee
\$ 0 - \$ 500	\$ 8,500
501 - 1,000	10,500
1,001 - 1,500	12,500
1,501 - 2,000	14,000
2,001 - 2,500	15,500
2,501 - 3,000	16,500
3,001 - 3,500	17,500
3,501 - 4,000	18,500
4,001 - 4,500	19,500
4,501 - 5,000	20,500
5,001 - and over	20,500, plus \$500 per \$.5 million or any part thereof in excess of \$5 million

The foregoing schedule shall include the Springsted's services through closing of a debt obligation. **Springsted does not charge for tax impact, financial capacity analysis, or evaluation of financing options associated with potential bond issuance. Certain services such as monitoring outstanding debt issues for refunding possibilities, monitoring the capital markets, general meetings on debt management and credit rating strategies are also provided without charge.**

The fee for non-general obligation, advance refundings and tax increment debt is 1.5 times the fee set out above.

**Out-of-Pocket Expenses**

Our fee does not include certain related costs of issuance that are customarily billed directly to the issuer by the provider, including: bond counsel; credit rating; credit enhancement (municipal insurance) charges, if applicable; fiscal agent/registrar; and electronic posting of Official Statement. Out-of-pocket expenses incurred by Springsted on behalf of the City are billed separately from our fee-for-services and include: Official Statement printing and distribution; postage and special delivery; and conference calls. Given the proximity of East Bethel, there will be no fee for travel.

Fees are payable upon completion of the bond issue.

**Certain Hourly Engagements and Special Contract Projects**

**Housing and Economic Development Services**

Springsted will charge the City actual staff time based on the fee schedule below for housing and economic development services, including but not limited to analyzing Tax Increment Districts. Prior to commencing the assignment, Springsted and the City will agree on a work plan and a not-to-exceed fee for the completion of the work plan. Generally, for a single project district, the Tax Increment Finance district establishment fee would be \$7,500. For a Tax Abatement project, that fee would generally be \$6,500.

**Other Management Consulting, including Operational Finance, Organizational Management/Human Resources and Specialized Projects**

Springsted will charge the City actual staff time based on the fee schedule below for any other management consulting service or specialized project. Prior to commencing the assignment, Springsted and the City will agree on a work plan and a not-to-exceed fee for the completion of the work plan.

<b>Hourly Rates</b>	
Principal & Senior Officer	\$215
Officer & Project Manager	185
Senior Associate	150
Associate	140
Support Staff	60

**Arbitrage Rebate Management and Continuing Disclosure**

<b>Task</b>	<b>Pricing Basis</b>
Arbitrage Rebate Management/Calculation	\$500 – where only Spend-down Computation is needed (bona-fide debt service fund, no other investment fund)  \$1,500 – Standard Computation – one year period  \$1,500 – Standard Computation – more than one year (\$1,500 first year, plus \$400 for each additional year)
Assistance with Continuing Disclosure Requirements	\$1,300 per annual report if the City has not issued debt which produces an Official Statement that can be used as the Annual Report for a particular credit type, plus \$200 per issue filed, up to a maximum of \$2,000 for each like credit type issue.



**\$1,430,000**

City of East Bethel, Minnesota  
General Obligation Public Safety Refunding Bonds, Series 2012  
Crossover Refunding of Series 2005A

**Preliminary Feasibility Summary**

Dated 10/01/2012 | Delivered 10/01/2012

**Sources Of Funds**

Par Amount of Bonds.....	\$1,430,000.00
<b>Total Sources.....</b>	<b>\$1,430,000.00</b>

**Uses Of Funds**

Deposit to Crossover Escrow Fund.....	1,372,940.36
Costs of Issuance.....	40,161.00
Total Underwriter's Discount (0.925%).....	13,227.50
Rounding Amount.....	3,671.14
<b>Total Uses.....</b>	<b>\$1,430,000.00</b>

**ISSUES REFUNDED AND CALL INFORMATION**

Prior Issue Call Price.....	100.000%
Prior Issue Call Date.....	2/01/2014

**SAVINGS INFORMATION**

Net Future Value Benefit.....	\$127,351.14
Net Present Value Benefit.....	\$111,677.27
Net PV Benefit / \$1,507,543.23 PV Refunded Debt Service.....	7.408%

**BOND STATISTICS**

Average Life.....	8.071 Years
Average Coupon.....	1.8494224%
Net Interest Cost (NIC).....	1.9640289%
True Interest Cost (TIC).....	1.9625954%

**APPENDIX II**  
**Economic Development Projects**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100

## CASE STUDY

### Dean Lakes

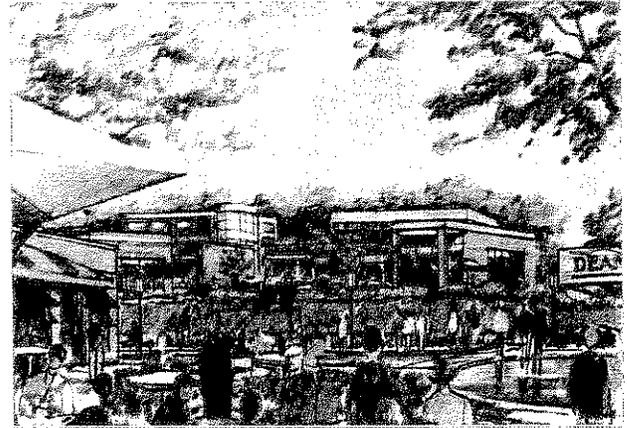
City of Shakopee, Minnesota

#### *Tax Abatement and Developer Negotiation*

Springsted's housing and economic development team assisted the City of Shakopee in evaluating a proposal from Ryan Company's US Inc. for the development of Dean Lakes.

Dean Lakes is a mixed-use project, including approximately 300 residential units, 44 acres of retail and 90 acres of industrial space. Springsted worked closely with the developer, on the City's behalf, to analyze the projects' financial capacity to support the infrastructure and economic development subsidy costs for the industrial components of the project.

We measured and tested the requested subsidy amount to determine the appropriate level and assisted the City in negotiating the amount with the developer. Subsidy levels were calculated by comparing lease/land costs based on project costs to lease/land costs based on current market conditions. Springsted calculated the taxpayer impacts resulting from the proposed subsidy and facilitated a council discussion to assist them in ascertaining the projects' direct and indirect public costs.



#### Housing and Economic Development Services

Capital Improvement Plans

Debt Management

Development Strategy

Development Studies and Analysis

Economic Development

Housing Initiatives

Incentive Capacity Analysis

Policy Development

Public and Private Housing Plans

Bond Issues

Development Process Management

Financial and Tax Impact Analysis

Operational Financing

Public Financing

Public/Private Partnerships

#### **Managing & Performance**

Developer Review and Negotiation

Financial Compliance and Disclosure

Statutory Compliance Services

Training and Workshops

## CASE STUDY

### Panattoni Development

City of Lino Lakes, Minnesota

#### *Tax Increment Financing and Developer Negotiation*

Springsted's team assisted the City of Lino Lakes in establishing a tax increment financing district for the construction of a 265,000 square foot distribution, fulfillment and production center in one of its industrial parks. The process of creating the district included drafting a tax increment plan, generating tax increment revenue projections and estimating impacts on the other taxing jurisdictions. We provided proper notification to the local county and school district, requested publication of the notice of public hearing, attended the public hearing to address questions and comments, and completed the process with a certification request to the county, filing a formal certification letter with the Department of Revenue and crafting a final transcript for the City to assist them in ongoing monitoring of the district and pay-as-you-go obligation.

We aided the City with evaluating the developer's requested subsidy amount to determine the appropriate level and assisted in negotiating such amount with the developer. Subsidy levels were calculated by comparing lease/land costs based on project costs to lease/land costs based on current market conditions. Springsted calculated the taxpayer impacts resulting from the proposed subsidy and facilitated a council discussion to assist in ascertaining the projects' direct and indirect public costs. Based on Springsted's recommendation, the City provided five years of tax increment rather than the requested nine years, saving an estimated \$500,000.



#### Housing and Economic Development Services

Capital Improvement Plans

Debt Management

Development Strategy

Development Studies and Analysis

Economic Development

Housing Initiatives

Incentive Capacity Analysis

Policy Development

Public and Private Housing Plans

Bond Issues

Development Process Management

Financial and Tax Impact Analysis

Operational Financing

Public Financing

Public/Private Partnerships

#### Managing & Performance

Developer Review and Negotiation

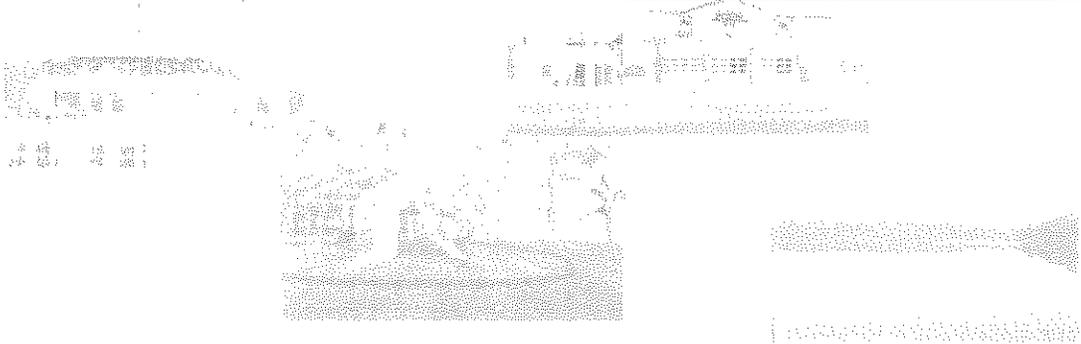
Financial Compliance and Disclosure

Statutory Compliance Services

Training and Workshops

# City of East Bethel, Minnesota Proposal for Financial Advisory Services

---



## **The PFM Group**

800 Nicollet Mall  
Suite 2710  
Minneapolis, MN 55402

612 338-3535  
612 338-7264 fax

[www.pfm.com](http://www.pfm.com)

July 26, 2012





## Table of Contents

---

### Transmittal Letter

	<u>Page</u>
1: Experience	1
2: Project Team	7
3: Experience and Approach with Rating Agencies	10
4: Debt Issue Development and Oversight	11
5: Continuing Disclosure/Arbitrage Rebate Management	16
6: Financial Planning and Debt Management Services	18
7: Economic Development Planning Services	20
8: Firm's Support Service Capability	22
9: Firm's Experience in Advance Refunding	24
10: Acquiring Knowledge of City's Debt	26
11: List of References	27
12: Reasons to Select PFM	28
13: Fee Proposal	29

### Appendix A – List of Minnesota Transactions





## The PFM Group

Public Financial Management, Inc.  
PFM Asset Management, LLC  
PFM Advisors

800 Nicollet Mall  
Suite 2710  
Minneapolis, MN 55402

612-338-3535  
612-338-7264 fax  
www.pfm.com

July 26, 2012

Ms. Rita Pierce  
Director of Fiscal and Support Services  
City of East Bethel  
Financial Advisor RFP  
2241 221<sup>st</sup> Avenue NE  
East Bethel, MN 55011

Dear Ms. Pierce:

Public Financial Management, Inc. (“PFM”) is pleased to present our proposal to provide financial advisory services to the City of East Bethel (the “City”). PFM offers a comprehensive orientation of services that is unique among financial advisors. Whereas other financial advisors typically only manage debt transactions, PFM offers its clients an integrated array of services designed to meet *all* their financial needs:

- **Financial Advising:** planning and managing transactions related to debt issuance;
- **Investment Management:** providing investment advice and portfolio management for working capital and bond proceeds;
- **Investment Consulting:** structuring simple, reliable, and fundamentally sound asset management strategies;
- **Strategic Consulting:** offering highly effective capital and operating budget advice; and
- **Structured Products:** developing innovative financing techniques and investment products.

We serve only **one** interest: that of our clients and no one else. This fact, coupled with our proven track record and comprehensive approach to finance, makes PFM a leader in providing independent financial and investment advisory services to local and state governments.

We have proposed a senior project team to assist the City in meeting its financial advisory needs, led by Jon Burmeister and Heather Casperson, and supported by Chuck Upcraft, Jessica Cameron Mitchell and Consultant staff. Our approach focuses on being accessible, bringing the highest level of technical skills available in the municipal market and leveraging the experience of senior PFM professionals to provide all the financial advisory services desired by the City.

We will act as an extension of the City, assisting with the development of a strategic plan, evaluating financing alternatives and sources, running cash flows, providing communication between financing team members, preparing disclosure documentation, coordinating the bond closing, and attending



meetings and presentations as desired by the City. PFM will always act in the best interest of the City and commits to achieving the City's goals.

As we highlight in our proposal, PFM offers a wide range of services, the traditional transaction management and planning services related to debt issuance as well as expertise in the use of the most innovative capital financing tools. As you review our proposal, we ask that you keep in mind the following:

1. PFM has excellent and extensive experience working with jurisdictions with similar needs and characteristics of the City both in Minnesota and nationally.
2. PFM provides the most sophisticated debt management services with the expertise to expand the City's access to the most innovative financing techniques.
3. PFM has excellent relationships with the bond rating agencies and has assisted many jurisdictions with presentations to introduce, maintain or upgrade their ratings.
4. PFM's diverse array of financial and investment services allows us to bring solutions to cities in addition to debt issuance. We are currently working with several cities for which we have developed financial and capital planning models for their water and sewer enterprise funds as well as tax increment financing models.

Thank you for your consideration of our proposal. We look forward to the opportunity to present our qualifications and ideas at an interview. Please contact us at 612.338.3535 with any questions you have concerning this proposal.

Sincerely,

**Public Financial Management, Inc.**

A handwritten signature in cursive script that reads "Jon Burmeister".

Jon Burmeister  
Managing Director  
burmeisterj@pfm.com

A handwritten signature in cursive script that reads "Heather Casperson".

Heather Casperson  
Senior Managing Consultant  
caspersonh@pfm.com

## Statement of Qualifications

Public Financial Management, Inc. ("PFM") is able to offer the City unmatched expertise and experience in municipal finance. Many of our professionals come to PFM after successful careers as finance directors, investment bankers, arbitrage rebate consultants and other high-level municipal finance positions. Consequently, we have a pool of knowledge and talent from our national transportation, wastewater and higher education practices unmatched by any other financial advisory firm to best serve our clients' needs and objectives.

PFM offers a broad and diverse array of services as financial advisor. Our proposed project team is comprised of senior level staff who, in aggregate, has more than 70 years of experience serving major issuers in the Midwest. Our approach focuses on being accessible, bringing the highest level of technical skills available in the municipal market and leveraging the experience of the project team to provide all of the financial advisory services desired by the City. We have many offices located in the Midwest and are extremely knowledgeable of what major issuers in our region are doing in the capital markets, strategic planning, and asset management arenas.

Over the past several State legislative sessions, changes have been instituted forcing local governments to work with less. Cuts to local government aid, state aid budget shifts and market value exclusions have been some of the recent State budget solutions. This has required all governmental entities to reevaluate and prioritize the services they offer. It also requires more careful planning since there may be less contingency funds as there simply isn't room for it in the budget.

Over the next several years it will be key for the city of East Bethel to continue right size budgeting and planning. Therefore, the City's financial advisor should be experienced and fully capable of providing a complete range of financial planning, debt issuance and debt management services. While we have many clients that are annual borrowers of debt, we also have many clients that are not. Part of the value added of the proposed PFM project team is that in addition to traditional financings, we can assist the City with unconventional financing techniques.

A value added service PFM offers many of its city clients is the development of specialized models that are used for financial and capital planning for liquor, water, sewer and wastewater enterprise funds. PFM also assists clients with maintaining and projecting tax increment cash flows. These models are currently utilized in several Minnesota and Iowa cities. We operate as an extension of City staff in building models specific to the current and future needs of the City. These models use historical and projected financial performance and facilitate the formulation of a financing plan which includes:

- Projected capital projects;
- The impact to rates and charges of those projected projects;
- Pay-as-you-go funding; and
- Long-term borrowing impacts.

Use of these models will help City staff determine whether its current rates and charges are adequate to fund operations, maintain sufficient debt coverage and fund the City's capital improvement plan.

### Market Presence

As the nation's leading financial advisory firm, PFM is in the market on behalf of our clients three times daily, on average. Last year, PFM advised on 758 bond transactions nationally with a total volume of over \$39.6 billion, of which 132 transactions were completed in the Midwest, with a total volume of over \$2 billion, placing PFM in the top three firms in the municipal market including major Wall Street investment banks. Although PFM is **an independent financial advisor, not a broker or dealer**, this market presence ensures that we have access to up-to-date market information and trends, including investor demand and preferences.

#### 2011 Year End Overall Long-Term Municipal New Issues

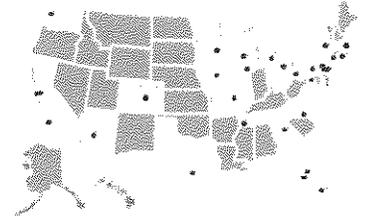
National Municipal Financial Advisory Ranking - Equal Credit to Each Financial Advisor  
Source: Thomson-Reuters

	# transactions	dollars in millions
PFM	758	39,632.1
Public Resources Advisory Group	119	20,854.7
FirstSouthwest	614	18,438.2
Govt Development Bank for Puerto Rico	24	9,263.5
RBC Capital Markets	175	6,289.5
Lamont Financial Services Corp	43	5,810.8
Kaufman Hall & Associates Inc	54	5,148.6
A C Advisory Inc	30	4,767.2
KNN Public Finance	57	4,621.5
Montague DeRose & Associates LLC	25	4,503.2

# Experience

## Description of Firm

The PFM Group is the nation's leading provider of independent financial and investment advisory services with over 450 employees and 31 offices throughout the United States. Committed to serving the City, the staff presented in this proposal is located in our Minneapolis office: 800 Nicollet Mall, Suite 2710 in Minneapolis, Minnesota 55402.



The original practice of the PFM Group of companies included Public Financial Management, Inc. ("PFM"), PFM Asset Management LLC ("PFMAM") and PFM Advisors, which was founded in 1975 with a staff of five on the principle of providing sound independent financial advice to state and local governments.

The PFM Group of companies does not trade or underwrite securities. We serve only one interest—that of our clients. We are involved in the capital markets on a daily basis and offer our clients professional resources which equal or surpass those of any investment banking firm without the conflicts of interest inherent to underwriting firms. Our only business is providing financial, investment, and consulting advice to our clients.

When the PFM Group is hired, depending upon needs, our clients can have access to any of our five primary business activities:

- **Financial Advising:** managing transactions related to debt issuance;
- **Investment Management:** providing investment advice and portfolio management for working capital and bond proceeds;
- **Investment Consulting:** structuring simple, reliable, and fundamentally sound asset management strategies and retirement plans;
- **Strategic Consulting:** offering highly effective capital and operating budget advice; and
- **Structured Products:** developing innovative financing techniques and investment products

PFM has registered as a municipal advisor under temporary regulations issued by the Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"). Other governance regulations have been proposed by the SEC and the MSRB, but none is in effect.

At PFM, innovation and analytic excellence not only occurs in the context of debt transactions, but is the core of how we approach the advisory business. We use innovative ideas and structures as tools to help our clients realize their objectives and solve their problems, not simply as a means of doing deals. In fact, the very way that the firm is designed - as large as the largest investment banks with the expertise to help governments with nearly every aspect of their financial management - is itself an innovation. We understand the City is concerned not only with debt transactions, but also with a myriad of other issues, such as budget needs, capital planning, economic development, and investment returns.

Office	Employees
Albany, NY	3
Ann Arbor, MI	6
Arlington, VA	13
Atlanta, GA	4
Austin, TX	9
Bohemia, NY (Long Island)	10
Boston, MA	7
Chandler, AZ	1
Charlotte, NC	11
Chattanooga, TN	2
Chicago, IL	17
Cleveland, OH	6
Coral Gables, FL (Miami)	2
Denver, CO	1
Des Moines, IA	12
Harrisburg, PA	108
Largo, FL (Tampa)	4
Los Angeles, CA	10
Malvern, PA	2
Memphis, TN	6
Milwaukee, WI	3
Minneapolis, MN	12
New York, NY	14
Orlando, FL	22
Philadelphia, PA	121
Pittsburgh, PA	2
Princeton, NJ	4
Providence, RI	3
San Francisco, CA	30
Seattle, WA	8
St. Louis, MO	4
<b>Total</b>	<b>457</b>

## Experience of the firm in the State of Minnesota

PFM's Minneapolis office has a strong history of serving Minnesota clients. At PFM, we seek to blend together our national experience with local perspective, regional knowledge, and specialized functional expertise. We have extensive experience providing financial consulting services to jurisdictions throughout the Twin Cities metropolitan area and the State of Minnesota. Since June 1, 2007, PFM has completed 277 financings in the State of Minnesota totaling over \$4.7 billion; provided in Appendix A are the list of these transactions.

## Experience

Our client engagements during the last five years have included:

Alden-Conger ISD	Hennepin County RRA	New London-Spicer ISD
Bagley ISD	Henning ISD	New Ulm, City of
Balaton, City of	Holdingford ISD	Nisswa, City of
Baxter, City of	Hopkins ISD	Nobles County (LPRWS)
Beltrami County	Hubbard County HRA	Parkers Prairie, City of
Bemidji, City of	Ideal Township	Polk County
Bemidji EDA	Itasca County	Renville County
Bemidji Airport Authority	Jackson County (RRRWS)	Rice County
Breckenridge ISD	Kerkhoven, City of	Robbinsdale ISD
Carlton County	Lewiston-Altura ISD	St. Clair ISD
Clinton-Graceville-Beardsley ISD	Le Seuer-Henderson ISD	St. Louis County
Cottonwood, City of	Litchfield ISD	Southern MN Mun. Power Agency
Duluth, City of	Mahnomen, City of	Staples, City of
Duluth EDA	Mabel Canton ISD	Staples EDA
Duluth ISD	Marshall County	Stearns County
East Grand Forks ISD	McLeod County	Three Rivers Park District
Faribault County	Meeker County	Thompson Township
Freeborn County	Menahga, City of	Todd County
Glencoe Light & Power Comm	Metropolitan Council	Ulen-Hitterdahl ISD
Glyndon, City of	Mille Lacs County	Vergas, City of
Graceville, City of	Mille Lacs County HRA	Wadena-Deer Creek ISD
Grant County	Minneapolis Special School District	Washington County HRA
Grant County HRA	Minnesota Public Facilities Authority	Watonwan County (RRRWS)
Greenbush, City of	Minnesota, State of	Wayzata, City of
Hallock, City of	Minnesota Lake, City of	Western Lake Superior San. Dist.
Hayfield, City of	Murray County	White Bear Lake
Hennepin County		Yellow Medicine County

### Experience of the firm with jurisdictions of comparable characteristics

PFM brings to the City the multiplicity of experiences and knowledge gained through our relationships with comparable cities both in Minnesota and nationwide.

As a national firm, we have many suburban clients that possess similar high credit qualities of the City. Presented in the box to the right is a sampling of PFM's current Midwest city clients with similar characteristics to the City.

Examples of the type of services we provide to some of these comparison cities are presented in the case studies that follow this page.

Baxter, MN	New Ulm, MN
Bemidji, MN	Nisswa, MN
Dubuque, IA	Sioux City, IA
Iowa City, IA	Sioux Falls, SD
Marion, IA	Wayzata, MN
Minot, ND	West Des Moines, IA
Newton, IA	White Bear Lake, MN

### City of Bemidji, Minnesota

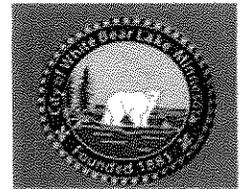
PFM has worked for the city of Bemidji for more than 15 years. During that time, we have assisted the city on a wide variety of projects, including assessment bonds, revenue bonds, tax increment bonds, and lease revenue bonds issued by the city secured by lease payments of the State of Minnesota which were used for the construction of a regional state criminal laboratory in the city. We assisted the city on the planning and bond issuance for the construction of the Sanford Center, a large regional event center, which opened in October 2010. The project included the issuance of both temporary and permanent bonds by the city and its Economic Development Authority. A portion of temporary bonds was taken out by permanent sales tax refunding bonds in February of 2011, and the other temporary financing piece was taken out with permanent taxable refunding bonds in January of 2012. We also serve as the financial advisor for the Bemidji Regional Airport Authority and worked with the Authority in 2010 on an issue for a terminal expansion project.



PFM developed a Public Utilities Enterprise Fund cashflow for the city to aid the with their water and sewer rates projections. This cashflow incorporates the sewer, water, storm water and refuse departments on a stand-alone basis with regards to the revenues available for debt service, the debt service coverage ratios and cash percentages. In addition, the cashflow also shows the status of the enterprise fund on a combined basis. It incorporates historical audited performance, the current budget, the utilities capital improvement plan and projections of future performance based on assumptions from City staff. This model allows City's staff to determine whether its current rates and charges relative to the trend of the usage are adequate to fund operations, maintain sufficient debt coverage and fund the City's capital improvement plan. Excerpts from the cash flow analysis are presented in Appendix B of sample work products.

### City of White Bear Lake, Minnesota

PFM has provided general financial advisory services to this "Aa2" rated community since 1993. A current population of 24,361, the City is a stable, nearly fully developed suburb located in the northeast part of the Minneapolis/St. Paul metropolitan area in Ramsey and Washington Counties.



During our engagement, we have assisted the city with the issuance of debt supported by special assessments, tax increment revenues, property tax levies and other revenues. Debt issues have been in connection with economic development projects such as bonds to finance the acquisition of a portion of the site of the former Johnson Boat Works and Marina, tax increment projects, and the identification and execution of refundings. The city is not an annual borrower of tax-exempt debt; however, in addition to traditional financings, we also assist the city with non-financing activities related to planning of capital improvement projects, the preparation of presentation materials, as requested, and annual continuing disclosure reports.

In April 2012, we assisted the city with a refinancing of bonds issued in 2003 and 2005. The current refunding transaction secured actual future value dollar savings of \$302,375 equivalent to present value savings of \$282,645 or 9.40% of refunded debt service when using the arbitrage yield as the discount factor.

### City of Nisswa, Minnesota

PFM has worked with the city of Nisswa for more than 15 years. We have assisted the city with the issuance of general obligation wastewater bonds, lease revenue bonds, liquor store revenue bonds and tax increment planning and analysis. The city is not an annual borrower of tax-exempt debt; however, since 2009 we have also assisted the city with annual cash flow models for the city's liquor and sewer enterprise funds. These models assist the city in tracking debt service coverage ratios, planning for future capital projects and financial performance based on assumptions provided from city staff.



In July 2012, we assisted the city with the competitive sale of General Obligation Sewer Revenue Bonds to finance improvements to its wastewater treatment facility. We are currently evaluating and advance refunding of Lease Revenue Bonds issued in 2004 to finance the construction of a new Public Works Facility and a new city hall building.

### City of Baxter, Minnesota

The City of Baxter has been a client since 2004. PFM has assisted the City with the issuance general obligation debt backed by special assessments, taxes, net revenues of water utility and sales tax revenues. In addition, PFM has built several planning models to assist the City with their current and future financing needs. In 2004 these planning models helped the City attain a rating upgrade by Moody's, which has since been recalibrated to an "Aa3" rating.



To aid the City with their water and sewer rate projections, PFM developed separate water and sewer cashflow models. These cashflows incorporate historical audited performance, the current budget, the utilities capital improvement plan and projections of future performance based on assumptions from City staff. These models allow the City to determine whether its current rates and charges relative to the trend of the usage are adequate to fund operations, maintain sufficient debt coverage and fund the City's capital improvement plan.

As a debt planning tool, PFM has developed a Debt Planning Model which gives the City an overall view of the Debt Levy Rate. In this model each bond issue is accounted for in a separate spreadsheet to correspond with the individual debt service funds found in the City's audit. The individual spreadsheets give the City an at a glance look at all revenues that will be used to pay the debt service payments for instance, special assessment revenues, water, sewer or general fund abatements or payments from taxes. The model then combines all of these individual debt service funds into a summary which shows the portion of all of these bonds to be paid from taxes. This is a great planning tool for the City to plan for the future impact of taxes based on the City's Net Tax Capacity.

In 2010 we assisted the city with a refinancing of bonds issued in 2004 and 2005 which secured actual future value dollar savings of \$147,593 equivalent to present value savings of \$143,110 or 3.15% of refunded debt service when using the arbitrage yield as the discount factor.

### City of New Ulm, Minnesota

PFM senior staff has worked as financial advisor to the city for over 25 years. PFM has helped the city with the issuance of general obligation, refunding, sales tax, public utility revenue and subordinate bonds, and Clean Renewable Energy Bonds (CREB) and continues to contribute with the city's future projects.

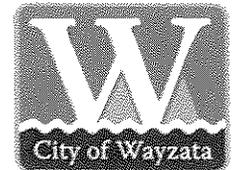


PFM has developed similar enterprise fund cashflows as described previously with the city of Bemidji. This has helped city's staff to determine whether its current rates and charges relative to the trend of the usage are adequate to fund operations, maintain sufficient debt coverage and fund the city's capital improvement plan.

In July 2012, we assisted the city with the issuance of General Obligation Permanent Improvement Revolving Fund Bonds to finance street and alley improvements and sewer, water and storm sewer improvements.

### City of Wayzata, Minnesota

Located at the northern end of Lake Minnetonka, Wayzata has a population of just over 4,000 and essentially serves as the retail hub for the surrounding lake-oriented communities. Wayzata benefits from high wealth levels and strong property valuation, stemming from both the high value lake front property and the strong concentration of commercial office and retail development. Ms. Vanda has served as financial advisor to Wayzata for over twenty years. During that time, the city has utilized tax increment financing to accomplish multiple goals related to creation of affordable housing and the completion of a comprehensive redevelopment of the Lake Street corridor. PFM worked with city staff on the development and implementation of the redevelopment district and tax increment plans and assisted in negotiations with developers for public infrastructure improvements. PFM crafted multiple plans of finance for the various projects that used TIF cash funding, TIF tax exempt and taxable debt and inter districts loans. PFM monitors property values for all TIF districts, maintains cash flow projections and assists city staff to complete state reporting requirements.



## Experience

PFM has created a cash flow model for its water fund, and structured water revenue bonds to have the least amount of rate impact on the city.

Most recently, we have been working with the city and a developer for the redevelopment of the Wayzata Bay Shopping Center. The developer requested using pay-as-you-go tax increment financing to supplement the redevelopment of the shopping center. PFM analyzed the developer's pro forma and decided that TIF assistance would be appropriate for the project to occur. PFM, along with counsel and a representative from Wayzata, then negotiated with the developer on the TIF term sheet (note amount, years, termination policy, land swaps). During the negotiations, PFM analyzed the internal rate of return of the non-profit developer based on the pro forma and decided a look-back test was needed to ensure the TIF funds were necessary once the project was at full capacity. Ms. Vanda has written a new TIF plan to create a new TIF district for the shopping center. PFM continues its work on the TIF cashflows and negotiations for the Wayzata Bay Shopping Center as the market continues to change.

### City of Minot, North Dakota

PFM has provided general financial advisory services to this "Aa2/AA" rated community since 1984. With a current population of 36,256, Minot is the fourth largest city in North Dakota and the county seat of Ward County. Minot's location and business climate have allowed it to become strong and diverse in economic sectors of agriculture, energy, health care, education, tourism, business and retail activity for a radius of roughly 150 miles, including all of north central North Dakota and portions of the Canadian provinces of Manitoba and Saskatchewan. It is currently experiencing increasing activity in connection with the oil exploration and drilling project in the western part of the state.



During our engagement, we have assisted the city with the issuance of various debt issuances in connection with the expansion and improvement of the city's Water and Sewer Utility, highway and street improvement projects, and various infrastructure projects within improvement districts of the city. Since 2007, PFM has assisted the city with 12 issues totaling \$35.5 million.

In 2011 as part of planning for its annual borrowing needs, special attention was directed to researching and preparing for credit discussions to best present the city in light of the recent flooding. North Dakota issuers are currently in a tenuous position as a group of North Dakota citizens has generated a sufficient number of petition signatures to force a special statewide election in June on a proposition which would abolish property taxes. Measure 2, as it is called, also would be retroactive to January 1, 2012 which has wrought havoc in the state bond market since it would effectively eliminate general obligation bonds and a number of other types of obligations which are dependent on the ability to levy property taxes to secure the debt. Unfortunately, the outcome is very much uncertain and could certainly affect our ongoing work in the state.

## Proposed Project Team

PFM has assembled a team specifically designed to provide the City with the talent, knowledge and resources to be especially responsive to your needs. **Jon Burmeister**, *Managing Director*, will serve as co-Engagement Manager to ensure that the full resources of PFM are available to the City. He will provide valuable market insight from his experience in working with Midwest clients for over 15 years, including assignments for other Minnesota issuers. **Heather Casperson**, *Senior Managing Consultant*, will serve as co-Engagement Manager who will be the primary day-to-day contact and project manager for the City. As such, she will be responsible for managing the logistics, responding to the City's requests, attending all meetings and overseeing the delivery of all work products. Ms. Casperson has experience in Minnesota including working as the project manager for the city of Nisswa, Three Rivers Park District, Minneapolis Schools and Hennepin County, and is immediately available to begin work with the City. **Jessica Cameron Mitchell**, *Senior Managing Consultant*, and **Chuck Upcraft**, *Senior Managing Consultant*, will be available to provide additional project management support as needed by the City, and participate in meetings as appropriate. In addition to Minnesota issuers, Ms. Mitchell works with high profile clients nationwide and is an analytical specialist, creating custom built models for many of her clients. Mr. Upcraft is an attorney and CPA and is extremely knowledgeable on Minnesota financing law and structure. Additionally, the project team will be supported by **Matt Schnackenberg** and **Arcelia Detert**, *Consultants*. They will prepare quantitative analyses, develop terms and conditions related to bond issuance, monitor and analyze market conditions and pricing data, prepare, review and/or maintain disclosure documentation. Other PFM staff will be called upon to meet staffing needs if required.

All team members are knowledgeable of public finance law and regulations and have extensive experience in public interaction and presentations. Our team is unconditionally committed to providing the service that the City deserves and requires. Resumes for the project team are presented below:

### Jon Burmeister

Managing Director  
burmeisterj@pfm.com

**Jon Burmeister** is a Managing Director of PFM. Mr. Burmeister joined Public Financial Management, Inc. in 1997 and has providing financial advisory services to municipalities in the Midwest with particular emphasis on cities and municipal utilities.

Mr. Burmeister has been responsible for the financial planning and execution of general obligation, tax increment, special assessment, public power, telecommunication, sewer and water debt issues. Mr. Burmeister has served as financial advisor to local governments in Iowa, Minnesota & Nebraska.

Over the last year, Mr. Burmeister has assisted several public power districts, including Alta Municipal Utilities, Cedar Falls Utilities, Eldridge Municipal Utilities, City of Pella, Spencer Municipal Utilities, Sumner Municipal Utilities, Waverly Light and Power and West Bend Municipal Utilities, develop financing plans to fund their ownership commitment in the proposed 790 megawatt coal-fired generating plant being built by MidAmerican Energy Co. near Council Bluffs, Iowa. The new plant is being built at the company's Council Bluffs Energy Center which includes three other MidAmerican power generating stations.

In addition, Mr. Burmeister is assisting the Central Minnesota Municipal Power Agency, which includes sixteen city members, to outline and develop the agency's contractual and organizational structure to implement a potential joint financing on behalf of its members to fund their 12 megawatt leasing commitment in the proposed 600 megawatt single coal fueled generating unit (NC2) being built by Omaha Public Power District. In order to access the agency's credit position and enhance its members financial planning capabilities, Mr. Burmeister was retained to develop long-term financial and capital planning models for each member to access the adequacy of their rates and charges relative to their leasing commitment and capital improvement plans. The planning models allowed the members to analyze their short-term liquidity and long-term solvency positions prior to committing to their allocated leasing obligation.

Prior to joining PFM, Mr. Burmeister was a member of the quantitative group of a national financial advisory firm. There, he focused on many different types of financial analyses, including arbitrage rebate, current and advanced refundings, escrow restructurings and cash defeasances. Previously, Mr. Burmeister served as the primary verification agent on over 500 current and advanced refundings while working for a national CPA firm.

## Project Team

Mr. Burmeister received a Bachelor of Science degree in Accounting and Business Administration with honors from Mankato State University. Mr. Burmeister is a Certified Public Accountant (CPA) and in 1997 earned his Chartered Financial analyst (CFA) Charter from the Association for Investment Management and Research (AIMR).

### Heather Casperson

Senior Managing Consultant  
caspersonh@pfm.com

**Heather Casperson** is a Senior Managing Consultant in Public Financial Management's Minneapolis office. She provides financial advisory services including: financial analysis, debt schedule development and modeling, preparing rating agency presentations, and preparation/review of disclosure materials. In September 2010, she was a speaker at the Minnesota Government Finance Officers Association 47<sup>th</sup> annual conference. Featured in a break-out session panel, she presented the topic of American Recovery and Reinvestment Act of 2009 with emphasis on the new bonding programs available to local governments as a result of the Act. In February 2008, she was a speaker at the 13<sup>th</sup> Annual Public Finance Conference in Wichita, Kansas. She was featured along with representatives from Fitch and Moody's, presenting the topic of preparing for a rating agency meeting.

Ms. Casperson has experience and currently works with clients in Minnesota, Iowa, Kansas, Maryland, and North Dakota, including cities, counties, and school districts. She has provided assistance on various types of bonds and notes, including general obligation, hotel revenue, lease revenue, sewer revenue, water revenue, and parking bonds for public facilities and economic development projects.

Ms. Casperson has provided these services to many Midwest jurisdictions, including the city of Nisswa, Hennepin County, Three Rivers Park District, Metropolitan Council, Minneapolis Special School District No.1, Minnesota, the city of Minot, North Dakota, the city of Overland Park, Kansas; the city of Sioux City, Iowa; and the city of Rockville, Maryland.

She joined Evensen Dodge, now PFM, in 1998 and has a total of sixteen years experience in public finance. She received a B.S.B. in general management with an emphasis in psychology from the Carlson School of Management at the University of Minnesota.

### Jessica Cameron Mitchell

Senior Managing Consultant  
cameronj@pfm.com

**Jessica Cameron Mitchell** is a Senior Managing Consultant in PFM's Minneapolis office. During her more than thirteen-year career, she has served a variety of pooled programs and state and local government entities including: Hennepin County, Minnesota; city of Duluth, Minnesota; Western Lake Superior Sanitary District, Minnesota; State of Minnesota; Minnesota Public Facilities Authority; Florida Water Pollution Control Corporation;

Louisiana Public Facilities Authority; Ohio Water Development Authority; Ohio Public Facilities Commission; North Dakota Building Authority; North Dakota Public Finance Authority; North Dakota State Water Commission; Iowa Finance Authority; and South Dakota Conservancy District.

Ms. Cameron provides project management and day-to-day contact for numerous high profile issuers, as well as a wide variety of analytical and quantitative functions including: new program development, ongoing financial and strategic planning, credit rating strategy, program capacity analysis, the review of legal documents, structuring of bonds, creating models for quantitative analysis and analyzing market conditions.

Ms. Cameron graduated with a BA in Sociology from Asbury College in Wilmore, Kentucky.

### Charles A. Upcraft

Senior Managing Consultant  
upcraftc@pfm.com

**Chuck Upcraft** is a Senior Managing Consultant based in the firm's Minneapolis, Minnesota office. As a public finance generalist, Mr. Upcraft has assisted governmental entities at the local and state level in a number of areas including financial planning, managing and executing municipal bond transactions and compliance matters.

Mr. Upcraft has primary day-to-day responsibility for a number of PFM's financial advisory clients throughout the upper Midwest. Mr. Upcraft provides these clients with a broad range of financial advisory services including

## Project Team

identifying potential financing alternatives for various projects, preparing debt capacity analyses, evaluating debt restructuring opportunities, coordinating rating agency relations, and executing debt transactions.

Mr. Upcraft joined PFM in 2003 when it acquired Evensen Dodge, Inc. (EDI), another independent public financial consulting firm. Mr. Upcraft had twenty years of public financial advisory experience with EDI where he was a Vice President and managed the firm's competitive sale transactions group. In that capacity, he was actively involved in hundreds of issues for a diverse group of clients in Minnesota, North and South Dakota, Iowa, Wisconsin, Missouri and Illinois. He also has special expertise in matters relating to disclosure and postsale compliance.

Mr. Upcraft is a graduate of the College of Liberal Arts and the Law School of the University of Minnesota. He has also passed the CPA examination and worked on the staff of a large regional public accounting firm.

### **Matt Schnackenberg**

Consultant

schnackenbergm@pfm.com

**Matt Schnackenberg** joined PFM's Minneapolis office as a Consultant in 2005. Mr. Schnackenberg actively supports senior staff by providing services such as sizing and structuring bond issues, analyzing debt, conducting refunding analyses, developing comprehensive debt profiles and creating Excel based cash flow models. He has provided

assistance on various types of bonds and notes including general obligation and revenue-secured financings. Some of his clients include the State of Minnesota, cities of Duluth and Wayzata, Minnesota; Minnesota Public Facilities Authority; North Dakota State Water Commission; North Dakota Public Finance Authority; Metropolitan St. Louis Sewer District, Missouri; Erie County Water Authority, New York; and has assisted with the State of Ohio, city and county of Honolulu and the St. Louis Art Museum.

Mr. Schnackenberg received a B.B.A. in Finance from the Haworth College of Business at Western Michigan University.

### **Arcelia Detert**

Consultant

deterta@pfm.com

**Arcelia Detert** joined PFM's Minneapolis office in 2001. Ms. Detert provides a wide variety of analytical and quantitative support for our clients and client managers by offering services such as: structuring of bonds, preparing and maintaining disclosure documentation, conducting refunding analyses, and developing comprehensive debt profiles that

incorporate statistical data for all outstanding debt of issuers.

Ms. Detert has provided assistance on various types of bonds and notes including general obligation, lease revenue, sewer revenue, water revenue, aid anticipation notes, alternative facilities and refundings through the State of Minnesota and North Dakota. Among her clients include: State of Minnesota; Hennepin County, Minnesota; Grand Forks County, North Dakota; Carlton County, Minnesota; Rice County, Minnesota; City of Bemidji, Minnesota; and Fargo Public Schools, North Dakota among others.

Ms. Detert graduated from the University of Minnesota receiving a B.A. in International Relations with an emphasis on Economic Development and a minor in Economics.

# Experience and Approach with Rating Agencies

## Experience with Rating Agencies

PFM has developed considerable experience working with the major national rating agencies. As a result of our experience advising more than one hundred clients each year to issue tax-exempt securities for a wide range of purposes, PFM has developed a clear understanding of the analytical methods utilized by Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services ("S&P"), and Fitch Ratings ("Fitch"). Our professional staff is trained to conduct in-depth credit analyses comparable to the rating agencies so that both credit strengths and weaknesses can be identified by the issuer prior to the presentation of materials to rating analysts.



We recognize that an issuer's credit rating has never been more important than in the current market. In August 2011, S&P downgraded the U.S. Sovereign rating, and Moody's put a negative outlook on hundreds of 'Aaa' credits with perceived ties to the U.S. Sovereign rating. Many of the affected 'Aaa' issuers are clients of PFM, and we have been working across the country to help our clients retain their ratings in these days of heightened scrutiny.

We believe the following tenets act as the cornerstone of productive relationships with the rating agencies:

- **Credible Strategic Financial Plan.** An issuer must develop a credible long term financial plan which addresses funding for its forecast capital projects. The Strategic Financial Plan may comprise several components, including a Capital Improvement Plan and a Debt Management Policy. Many clients are also developing multi-year budget forecasts, often included as part of the annual budget. The PFM Team offers the City an integrated approach to financial advisory services, going beyond traditional transaction management and incorporating our expertise in sophisticated model development and long-term strategic financial planning. PFM's extensive experience working with cities with similar characteristics across the country will give the City access to the processes and solutions developed as the challenges associated with city finance are addressed.
- **Analysis of Credit Strengths and Weaknesses.** As part of our initial work with new clients, PFM completes a comprehensive evaluation of the client's credit strength and weaknesses. We review credit reports issued in the last five years so that credit-related trends and issues identified by rating analysts are well understood. PFM then completes an historic analysis of all key financial performance and economic benchmarks. PFM observations and recommendations to improve documentation of key credit parameters are reviewed with City staff. PFM identifies any weak performance indicators and works with staff to develop appropriate responses or documentation for discussion with rating agency analysts. Key credit strengths are thoroughly analyzed. This analytical approach reflects PFM's view that the issuer must develop a thorough understanding of the key credit issues and the ability to comfortably and confidently discuss the issues with credit analysts, thus demonstrating the management direction expected of high credit quality issuers.
- **Comprehensive Credit Presentation.** PFM assists our clients in developing sophisticated, comprehensive credit presentations that incorporate all of the client's positive credit features and provide responses to any actual or potential credit negatives. The PFM documentation provided to credit analysts often is incorporated in final credit reports.

As a national firm, we routinely collaborate and provide feedback to rating agencies on proposed changes to various criteria. Recently, PFM prepared a collaborative response to S&P regarding proposed changes to its Municipal Pools rating criteria. This effort was lead by Jessica Cameron out of PFM's Minneapolis office. We also prepared and submitted a formal response to S&P regarding its recent request for comment on proposed changes to ratings methodology on Local Governments. Currently PFM is collaborating across all offices to respond to Moody's request for comment from market participants regarding its plan to implement several adjustments to pension liability, asset, and cost information reported by US state and local governments and their pension plans, which is due by August 31, 2012.

# Debt Issue Development and Oversight

## Debt Issue Development and Oversight

We believe debt should be issued in accordance with a financing plan – a plan that takes into account the outstanding debt, proposed debt, debt capacity, debt management policies, related budgetary issues, and rating agency criteria. Further, this plan must examine capital funding alternatives.

In Minnesota, a city is constrained by its debt limit as defined in State Statutes, Section 475.53 of three percent (3%) of the market value of taxable property in the municipality. The debt limit, with some exceptions, is for debt which is paid solely from ad valorem taxes. There are numerous State Statutes that outline provisions under which a City can issue tax-exempt debt. Minnesota is fortunate to offer several State sponsored credit enhancement programs, and the Minnesota Public Facilities Authority has several revolving fund loan programs which are available for low cost borrowing and should be evaluated in connection with projects for which issuing debt is considered.

The determination of an efficient issue structure is a function of three elements: (i) is the proposed amortization schedule well coordinated with the issuer's existing and future planned debt obligations and revenues? (ii) are the resources pledged to debt redemption sufficient to meet total debt service coverage requirements when existing and proposed debt is combined? (iii) is the proposed maturity schedule designed to attract maximum interest from underwriters and potential investors in the current market?

Working with other members of the financing team and City staff, PFM will conduct any analysis of funding alternatives, cash flow projections and other revenue considerations pertinent to the financing. We will structure the issue and the terms under which the bonds are to be offered in the best possible manner, given the current market. PFM will design terms and conditions of sale that are compatible with underwriter and investor interests under varying market conditions while consistent with the issuer's fiscal policy objectives. Some of the key issues to be addressed are:

- Maturity Schedule and Pattern of Debt Service
- Security
- Call Features
- Credit Enhancement
- Reserves
- Premium or Discount Restrictions

As part of PFM's debt management services, we regularly review our clients' outstanding obligations for refunding and restructuring potential. This will be described in more detail in the section "Firm's Experience in Advance Refunding" beginning on page 24. PFM has extensive experience advising on refunding transactions and we have spent a significant amount of time developing a suite of analytical tools to assist the City with the structuring, sizing and management of the debt financed portion of its capital program. PFM has a dedicated quantitative team to support the City's analytic and quantitative needs which will be described in more detail in the section "Firm's Support Service Capability" beginning on page 22. The proposed project team can draw on the services of our in-house Quantitative Strategies Group ("QSG") and Pricing Group. The QSG has developed an extensive portfolio of proven models that we use for both structuring purposes and to independently confirm the analyses performed by investment banks for our clients. The Pricing Group provides our clients with informed, independent advice on the structure and pricing of their debt instruments.

## Planning and Development

We provide our clients with the most thorough technical analysis and advice possible. PFM has developed extensive experience structuring and advising our clients on new money and refinancing transactions with equal success through competitive and negotiated bond sales, as well as private placements. The breadth of our expertise includes all types of debt issuances, such as revenue bonds, general obligation bonds, notes, and certificates of participation. These financings have been supported by fixed rate, variable rate, auction rate, and a variety of other mechanisms appropriate to the financing requirements.

PFM's approach to advising clients regarding sale method is consistent with the recommended policy of the GFOA in that the competitive sale method is favored unless compelling reasons are present which necessitate a negotiated sale. Each situation is different and must be evaluated on its merits and specific circumstances. In

## Debt Issue Development and Oversight

2011, approximately 64 percent of the issues sold in Minnesota were done by a competitive sale process. While the City maintains a high credit quality for its general obligation debt and has been historically successful with competitive sales, negotiated sales may be a valuable tool for the issuance of complicated financing transactions or transactions that must be completed under volatile market conditions. PFM, with its dedicated pricing group, has experience in this area well ahead of other independent financial advisors. Committed to representing the interests of the issuer, we have developed a reputation as a keen, but fair, negotiator on behalf of our clients.

In the City's case, we would consider the following characteristics prior to recommending a particular sale method:

- Proposed debt structure and size
- Credit quality
- Issuer characteristics
- Current market conditions
- Issuer policy objectives

In addition to the tasks previously noted, PFM affirms that Debt Issue Development and Oversight services will include, but are not limited to:

- Researching and advising on aspects of tax exemption and arbitrage in cooperation with the City attorney and bond counsel;
- Reviewing feasibility studies in conjunction with City officials, City staff or bond counsel;
- Making recommendations regarding amortization schedules and redemption provisions in consideration of repayment sources, existing debt, and future financing needs;
- Conducting a comprehensive review of the City's outstanding indebtedness and analyzing the existing debt for refunding opportunities;
- Developing and implementing a comprehensive credit rating strategy to sustain the high credit quality of the City appropriate to the financing, which would include the preparation of rating agency presentations and participation in those meetings;
- Acting as a liaison with bond counsel and coordinating the work of other professionals; and
- Assisting in the preparation of presentation materials and financial forecasts as appropriate.

### Marketing

The structure of the issue plays an important role in the marketability of the issue. In a competitive sale, there is no opportunity to test the market for a particular bond structuring or credit feature. Therefore, broad experience with marketing debt of all types and features, as well as frequent and recent participation in the current market, is desirable. We serve a large number of issuers across the nation and are in the market virtually every day of the year. Consequently, we are constantly kept up-to-date on national market trends and overall credit market conditions. The active involvement will help to ensure that the timing and structure of the proposed sale is optimized to achieve the lowest possible interest costs.

Immediately prior to the competitive sale, we call a list of local and frequent national buyers, ensuring that all last minute questions are answered, that rating and insurance (decreasingly utilized) information is correct, and that the firm will bid at the sale. Information regarding the number of bidding syndicates and the members is also gathered. After all bids have been received, PFM verifies the accuracy and makes a recommendation as to the awarding of bonds to the lowest cost underwriter.

Even the best laid plans can have last minute changes, and it is important to continuously monitor the market conditions until the completion of a successful sale. There have been instances in which PFM has elected to postpone the competitive sale of bonds due to changes in the bond market. For example, due to the substantial market dislocation which occurred, PFM recommended to one of its Minnesota county clients to sideline its scheduled sales and re-enter the market at a more prudent point. During this time, PFM actively followed the market and maintained contact with underwriting desks to determine the appropriate time to reintroduce each of the series based upon characteristics such as the size of the issuance, credit and term. Based upon this measured approach, and the decisions made by the client with the advice of PFM, attractive bids were received

## Debt Issue Development and Oversight

for all three series, and the client received significant present value debt service savings including approximately \$2.5 million on its general obligation bonds.

In addition to the tasks previously noted, PFM affirms that services related to a financing will include, but are not limited to:

- Providing bond counsel with the specifications of the bond issue to assist in the preparation of the required legal documents for official consideration and action;
- Designing terms and conditions of sale that are compatible with underwriter and investor interests under varying market conditions while consistent with the City's fiscal policy objectives;
- Making recommendations as to timing of a bond sale in consideration of economic releases and other debt in the municipal marketplace;
- Participating in the review of authorizing resolutions, continuing disclosure covenants and other legal documents;
- Preparing an Official Statement and other required financing documents with review and assistance from City staff and bond counsel; and
- Circulating information regarding the upcoming financing to Bloomberg, TM3, and a wide list of underwriters through PFM's forward calendar.

### Bond Sale Activities

PFM provides a broad range of services related to the actual issuance of bonds and will coordinate with all financing team members throughout the entire process. Services that PFM would expect to provide to the City for its financing regardless of sale method include:

- Develop a financing timetable to identify the responsibilities of each participant in the transaction. The schedule will be designed to permit sufficient time for review of all disclosure materials by City staff prior to final printing and distribution.
- Make recommendations with respect to security provisions, maturity schedules, amortization schedules, redemption provisions and credit enhancement features. A pre-sale analysis comprised of the structuring decisions will be provided, if appropriate.
- Assist the City in the selection of ancillary service providers, such as bond registrar, paying agent, managing underwriters (negotiated sale), private placement agents, trustee, printers, credit enhancement providers, feasibility consultants, special counsel, and such other professionals as requested by the City.
- Arrange to have electronic bidding available via PARITY® or other appropriate electronic bidding provider.
- On the day of sale, receiving and evaluating bids to determine the most favorable bid and recommending appropriate action for the City, including attendance the City Council meeting to present the sale results and recommendation.
- Prepare and deliver a postsale analysis to the City which will document the results of the sale, summarize the essential terms of the offering, identify market conditions at the time of sale, and describe the sales results of other comparable issues in the market.
- In conjunction with bond counsel, prepare and deliver a transcript of the legal documents.
- Provide ongoing advice throughout the life of the bond issue to discuss general matters related to the financing and answer any questions. This service is provided as part of our initial fee and no supplemental billings occur for this service.

**Negotiated Sale Method.** The following tasks will be performed for bonds sold through negotiated sale. These tasks are in addition to the tasks listed above which are common to all financings.

- ✓ Assist in the development of criteria to evaluate underwriting proposals.
- ✓ Participate in the preparation of a request for proposals (RFP) for managing underwriters for review by the City. Provide a suggested distribution list for the RFP to qualified underwriters or firms which have indicated an interest in serving as managing underwriter.

## Debt Issue Development and Oversight

- ✓ Participate in the preparation of an RFP for other service providers, such as liquidity banks or remarketing agents, as needed.
- ✓ Recommend a structure for the group of managing underwriters, such as the number of firms and types of firms to be represented. If requested, we will recommend selection of specific firms.
- ✓ Assist in the negotiation of the compensation terms for the managing underwriters. Some of these terms can and should be determined following selection (management fee and expenses) while other elements (takedown and net to underwriting) should be reflective of market conditions.
- ✓ Prior to market entry, prepare an independent analysis of market conditions and proposed interest rates based upon comparable issues. Negotiate on behalf of the City the most favorable interest rates with the managing underwriters during the course of pre-marketing, order taking period and final pricing.

### Bond Closing

PFM will work with all parties involved with the closing to prepare a schedule of tasks to be completed prior to closing and identify the party responsible for completing the task. These tasks include printing and preparing bond certificates (if printed bonds are used), completing the final official statement, preparing closing documents, and arranging for the transfer of funds and investment of funds.

In preparation for closing, PFM will work with the issuer's bond counsel and other members of the financing team to prepare and review all required documentation. This will include our direct dealings with a financial and bond printer, as well as coordination of bond registration with the underwriter and registrar. Our advisory team will arrange for either registration of the bonds with the Depository Trust Company or delivery of the bonds and the simultaneous transfer of "same day" funds into the accounts identified by the issuer. If the transaction is a refunding, PFMAM is available to assist in the purchase of U.S. Treasury or other permissible securities for the escrow. Other closing arrangements will also be completed so that officials of the issuer can be confident that each transaction will be completely and professionally brought to a close.

PFMAM is also prepared to offer the issuer its full range of investment management services as described in the Other Financial Programs section. These services will be performed by PFM Asset Management staff located in PFM's Harrisburg office.

In addition to the tasks specifically addressed, PFM affirms that Bond Closing services will include (but are not limited to):

- Assisting the City and other members of the financing team in the bond closing process, including preparation of a closing memorandum detailing the transfer of funds, review of legal documents, computing the bond yield as defined by federal regulations and compilation of transcript material;
- Advising the City on developing a strategy for the investment of bond proceeds by PFMAM, if requested;
- Preparing final transaction schedules including, but not limited to, debt service, pricing summary, proof of arbitrage yield, 8038 statistics, and tax levies when appropriate;
- Developing a strategy for the investment of idle funds by PFMAM, as necessary; and
- Coordinating a post-closing review to discuss success of the transaction and general satisfaction of the City with PFM's services.

### Work Products

PFM strives to provide its clients with clear, concise work products that can be used for sale coordination, planning, stakeholder education, and for inclusion in permanent records held by the City. The types of work products have been discussed in prior portions of this Debt Issue Development and Oversight section.

## Debt Issue Development and Oversight

---

Work products made available to the City will include, but are not limited to:

- A financing timetable to identify the responsibilities of each participant in the transaction and designed to permit sufficient time for review of all disclosure materials by City staff prior to final printing and distribution;
- A pre-sale analysis comprising the recommendations with respect to security provisions, maturity schedules, amortization schedules, redemption provisions and credit enhancement features;
- An Official Statement and other required financing documents with review and assistance from City staff and bond counsel;
- A postsale analysis to the City which will document the results of the sale, summarize the essential terms of the offering, identify market conditions at the time of sale, and describe the sales results of other comparable issues in the market; and
- Other applicable analysis which may include enterprise fund cash flow analysis, funding alternatives or models necessary for evaluating and constructing sound financial planning for bond sale purposes.

# Continuing Disclosure/Arbitrage Rebate Management

## Continuing Disclosure/Arbitrage Rebate Management

While we have outlined our processes and sale related services that would be provided to the City, there are additional services that PFM can provide to the City after a successful financing. Post compliance has become more important to an issuer of tax-exempt bonds in recent years and it is extending beyond the traditional secondary market disclosure as described later in this section. Prior to 2007, the IRS primarily focused on pre-issuance type compliance issues, such as if a project was financeable with tax-exempt bond proceeds.

In 2009, compliance check questionnaires were sent to 200 state and local government bond issuers. These questionnaires now asked state and local government bond issuers to describe if any written policies and procedures were in place to manage compliance.

In 2010, a Build America Bond (BAB) compliance questionnaire was set to state and local government bond issuers continuing to focus on written procedures. Clearly there has been an increase in general audit activity, the IRS will have closed over 1,200 examinations in fiscal year 2010 and reviewed 1,400 compliance check questionnaires.

PFM is the largest independent financial advisor to local governments in the country. As such, we have the resources to be well informed on all new and proposed federal regulatory and statutory requirements, and we can work with the City's bond counsel to help develop a response to any routine IRS questionnaire or to institute written procedures to demonstrate your ability to comply with IRS requirements.

We routinely review publicly available information relating to secondary market trades of issues between the sale and closing dates. Based on our knowledge of the conditions prevailing in the municipal bond market between such dates, we can advise the City and bond counsel of any information that would lead us to question the representations of the Purchaser contained in the Purchaser's Certificates.

## Continuing Disclosure Services

PFM's role in advising our clients with respect to SEC rules for secondary market disclosure varies with each client and is dependent on their particular situation. Beginning in 2008, the MSRB established the Electronic Municipal Market Access ("EMMA") system, to be the sole repository for continuing disclosure filings. As of December 1, 2010, the list of material events that must be reported was expanded. Our assistance to the City may include some or all of the following:

- ✓ As referenced in the prior section outlining bond sale activities, PFM will assist with drafting the official statement for the primary offering. The official statement will create certain information standards for the annual information statements which are to be filed with the information repositories.
- ✓ Reviewing the continuing disclosure agreement drafted by bond counsel, between the City and bondholders which sets forth the ongoing obligations of the City to comply with the SEC rules.
- ✓ Assisting with preparing and filing the annual information statement required by the SEC.
- ✓ Advising the City in determining when an "event" requiring disclosure has occurred and filing the disclosure statement with the information repositories.

Neither the SEC, the IRS, nor has any state authority ruled one of our clients' bond issues to be taxable due to non-compliance with tax and disclosure law.

## Arbitrage Rebate Calculations and Compliance

As investment advisor to a tax-exempt bond issuer, PFMAM assumes responsibility for all calculations, monitoring and documentation necessary for compliance with federal tax regulations, including the arbitrage and rebate provisions.

The Tax Reform Act of 1986 created a great deal of confusion and concern among tax-exempt bond issuers interested in managing their funds efficiently while complying fully with the new tax law. Many issuers have tried to address this problem by placing their bond proceeds in low-interest-bearing devices. Others have bid out all their investments at once, and have ignored the investments thereafter. Unfortunately, these simplistic responses

## Continuing Disclosure/Arbitrage Rebate Management

do not give issuers the interest revenues they require, the flexibility that is essential to financing a capital project, and -worst of all- may yet fall short of complying with the Tax Reform Act regulations. For example, an issuer who invests in low-yielding securities might be faced with the prospect of the U.S. Treasury demanding that the issuer calculate its rebate based on the investments it could have obtained.

Given this uncertain climate, issuers now recognize the importance of obtaining expert advice with regard to investing their funds and with regard to arbitrage and rebate compliance.

PFMAM has been providing arbitrage rebate compliance services since 1989. Over the past 21 years, we have assisted hundreds of issuers and borrowers, including authorities, cities, counties, health care and higher education systems, school districts, states, and 501 c(3) organizations, in complying with the complicated and onerous post-issuance compliance requirements commonly referred to as the "Arbitrage Rebate Regulations."

**Michael Steinbrook, Senior Managing Consultant**  
PFM Asset Management LLC  
One Keystone Plaza, Suite 300  
North Front & Market Streets  
Harrisburg, PA 17101  
(717) 232-2723  
(717) 233-6073 fax  
Email: [steinbrookm@pfm.com](mailto:steinbrookm@pfm.com)

PFMAM's Arbitrage Group efficiently completes a significant volume of calculations each year. PFMAM arbitrage rebate specialists annually prepare in excess of 3,000 calculations, including arbitrage rebate, yield restriction compliance, and spending exception compliance calculations for the 350+ clients that have engaged our services through a separate contractual arrangement and for the hundreds of participants with bond proceeds invested in the thirteen local government investment pool programs that we support.

PFMAM provides its clients with complete, detailed arbitrage rebate reports for each separate bond issue being tracked. PFM's reports are frequently distributed to trustees, auditors, bond or tax counsel, or other third parties and may be relied upon to determine if an issuer is required to remit any payments to the IRS.

In the event that an arbitrage rebate payment is due, PFMAM finalizes calculations, completes the required payment forms on behalf of the issuer, and provides remittance assistance to ensure that all payments are received by the IRS on-time. Each of the professionals in PFMAM's Arbitrage Group who complete calculations is registered with the IRS and has a PTIN (Preparer Tax Identification Number).

An example of the value added of our arbitrage rebate group is work we have done with the Minneapolis Special School District No. 1, Minnesota. Upon the issuance of a general obligation bond issue, the District decided it would be to their advantage to make the election to pay Penalty-In-Lieu-of-Rebate to comply with the arbitrage rebate requirements. Interest rates were high and the Issuer expected to earn positive arbitrage through the life of the project. The capital project proceeds were expected to be fully expended in approximately two years, and the expected project draw schedule was close to meeting all the requirements of the two-year spending exception. The 6-month and 12-month benchmarks were met, but as the project began to slow down, the 18-month benchmark was missed and the District made a \$92,544 penalty payment to the IRS representing 1.5% of the 18-month expenditure shortfall. The 2-year benchmark was also missed, and the District made an additional \$222,709 penalty payment. The District also issued a subsequent bond issue to fund additional capital projects but mistakenly began spending the second series proceeds before spending the remaining proceeds on the first series. In all, the District made \$510,119 in penalty payments, wiping out any positive arbitrage that was earned.

The District realized that they expected to use a FIFO approach to spending the bond proceeds; therefore, the District worked with bond counsel to draft reimbursement and reallocation resolutions so that the District's internal accounting methods better matched the actual expenditure of the bond proceeds. The District authorized the reallocations in sufficient time to satisfy the timing requirements in the Treasury Regulations of allocating gross proceeds to expenditures. The District then engaged PFM's Arbitrage Rebate Group to apply the expenditure reallocations, to reallocate interest earnings to the two bond issues, and to "un-commingle" the proceeds of the two project funds.

PFM recomputed the penalty payments and also recomputed the arbitrage rebate and yield restriction liability. The result of PFM's analysis was that there was no liability for the second bond issue, but more importantly, the District had overpaid the IRS and was entitled to a refund of prior penalty payments in the amount of \$246,140.

# Financial Planning and Debt Management Services

## Financial Planning and Debt Management Services

At the outset of a new financial advisory relationship, PFM believes it is important to first develop a comprehensive understanding of the client's financial goals and objectives and debt policies. As a part of this process, we will make sure that we understand your needs from a broad perspective—incorporating economic goals, operating and capital budget concerns, balance sheet, business environment, and other issues that help complete the picture. We also research regulatory factors that may impact the capital plan in the future. We will involve our industry specialists in developing both an understanding of the business environments and in crafting a plan of finance.

We begin the process by preparing the proprietary PFM “debt profile”, which is a comprehensive summary of all outstanding debt. It is used to monitor refunding candidates (advance, current and forward), determine option values, perform capacity analysis and track prior bond proceeds. The profile provides the foundation for a more complete review of the client's existing debt policies (debt burden, debt structure, financial covenants, etc.). Once we have a complete understanding of the client's existing policies and strategies, we will develop a multi-faceted plan of finance that guides the entire financing process. We will develop specialized plans to address other needs that are not directly related to financings, if applicable.

It is PFM's goal to serve as an extension of staff for the City, providing ongoing advice and working collaboratively with staff to facilitate the management of the City's financing programs. To that end, PFM will assist the City as described in following paragraphs.

### Capital Improvement Plan

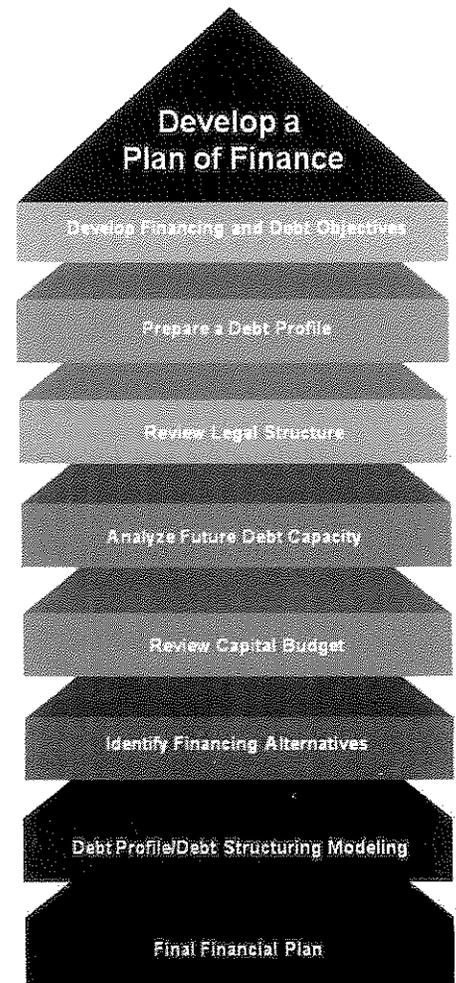
The City's capital improvement plan is a thoughtfully developed document that provides the anticipated timeframe for improvements. This timeframe is critical in the development of the plan of finance, and is incorporated into long-term financial forecasting to determine the proper mix of cash and bond funds for the execution of the plan given existing and forecasted financial resources. PFM is available to assist the City in the development of financial aspects of the plan, such as estimated debt amortization schedules related to CIP projects, assumed borrowing rates, etc.

### Revenue Supported Debt

We believe that in addition to the development of finance plans for overall debt issuance, it is important for the City to develop long-term financial and capital planning models for revenue supported debt. When appropriate, revenue bonds can extend financing outside of the City's traditional general obligation debt limits.

PFM has played an active role in the financing team advising on revenue bonds with the development of the indenture and other legal documents, creating a rating agency strategy, developing the financing structures, procuring and negotiating with ancillary providers, and drafting official statements. In order to properly plan for the issuance of revenue bonds, various considerations and factors include, but are not limited to the following:

- Different growth rates
- Multiple bond structures (variable rate or fixed rate)
- Different lien levels with assumed different credit and pricing characteristics
- Early redemptions of bonds from excess revenues
- Appropriate reserve levels
- Adequate coverage projections



# Financial Planning and Debt Management Services

## Long-Term Forecast

We consider the development of a long-term forecast to be a critical component of a revenue based plan of finance. In addition to allowing the evaluation of various potential financing scenarios, the Financial Plan has proven to be a useful tool for communicating the impact of borrowing on revenue requirements to City Council citizens, and portraying credit strengths to rating agencies.

The Financial Planning model for enterprise funds begins with comprehensive review of customers and system usage. Customer and usage forecasts are made based on customer type, reflecting the varying growth rates of single-family, multi-family, and un-metered customers. PFM replicates the rate structure as applied to residential users to better project revenues. Isolation of revenue sources allows for the evaluation of the revenue raising abilities of each distinct user charge. Current and future rates are applied to customer and usage data to analyze both the future revenues and the impact on the typical user's monthly bill. The existing and proposed rate structure as applied to the customer and usage projections are used to generate revenue forecasts. Revenue streams are evaluated against the capital program to analyze the following:

- Proper mix of funds; pay-as-you-go vs. debt financing
- Impact of the proposed financing plan on cash balances
- Affordability of additional debt as indicated by coverage levels and the historical parity tests
- Ability of the current rates and charges to sustain the covenanted levels of debt service coverage on new and existing debt.

## Enterprise Fund Revenue Debt

Cities may issue revenue bonds payable from the net revenues of the cities' enterprise funds. PFM will assist the City to analyze enterprise funds as this relates to its ability to fund the City's capital improvement plan (CIP) through pay-as-you-go financing, or selling revenue bonds or general obligation bonds abated by net revenues from the enterprise fund. In order to access the financial capabilities of the City's enterprise funds, PFM would develop a long-term financial and capital planning model for each enterprise fund to analyze the sufficiency of rates and charges relative to the fund's operational and capital commitments.

The planning models will allow the City to assess, analyze and monitor its short-term liquidity position, long-term solvency position and sufficiency of current and projected rates and charges prior to committing to the projects identified in the City's CIP. Through the use of this planning model, PFM can assist City staff to develop alternative rate adjustments, potentially alter the timing of capital projects and develop alternative financing techniques to intertwine the competing objectives of low enterprise rates and funding future financial and capital commitments to maintain the operational efficiencies of the City's enterprise fund.

PFM's quantitative group developed a capital improvement plan model for the city of Wayzata. This Excel-based model was designed for city staff to be the end user with the functionality to manipulate data and achieve real time results of various planning options.

PFM will assist the City in both its long-range financial planning and with long and short range debt programs to accomplish its goals. In addition to the tasks specifically addressed, PFM affirms that Financial Planning and Debt Management services will include (but are not limited to):

- Establishing policies and procedures to assist in identifying and evaluating objectives;
- Reviewing and analyzing alternatives for financing the City's operating and capital requirements;
- Reviewing and planning the revenue requirements of various enterprise funds;
- Monitoring the City's debt for refunding opportunities;
- Advising and assisting the City in determining the scope of new financings;
- Assisting with communications to the financial community to promote the City's debt and maintaining its high credit rating; and
- Assisting the City with compliance of its secondary market disclosure requirements.

# Economic Development Planning Services

## Economic Development Planning Services

PFM has been helping cities across the country undertake complex redevelopment projects including inner-city projects involving land assemblage, public infrastructure improvements, and public-private partnerships for financing major league and minor league sports stadiums and arenas, convention centers, museums, housing and mixed-use developments. PFM has also assisted cities develop financing packages to win the relocation of major employers, with office campus projects of one million square feet.

These initiatives have generally involved a combination of financing sources, including development loans and grants, cooperative efforts with other governmental entities, often states, as well as the use of tax-increment financing. The following paragraphs provide a description of our experience in those areas including housing services, tax increment financing and economic development.

### Housing

For several decades PFM and its professionals have been working with state housing agencies, local housing authorities and other housing issuers in providing an array of services. Within PFM we have an experienced group of housing specialists that will be utilized when necessary.

Our work for various kinds of participants in these financings provides us with a broader perspective than most financial advisors. As a result, we not only understand housing finance transactions, we understand them with the same degree of depth and from the same perspective as all of the major actors in these transactions. This enables us to analyze the transactions from every point of view, offer innovations, negotiate better terms and do whatever else is necessary to assist in maintaining and expanding an affordable housing program.

PFM has provided financial services for multifamily housing and single family bond programs and have extensively used the Low Income Housing Tax Credits, HOME and CDBG funds in many transactions, nationally. A select list of our housing clients in Minnesota, and a recent case study are as follows:

- Beltrami County Housing and Redevelopment Authority
- Grant County Housing and Redevelopment Authority
- Hubbard County Housing and Redevelopment Authority
- Kandiyohi County Housing and Redevelopment Authority
- Renville County Housing and Redevelopment Authority

### Grant County HRA and Hubbard County HRA, Minnesota

PFM has worked for both of these Minnesota County Housing and Redevelopment Authorities (HRAs) on the issuance of "essential function" housing revenue bonds for qualified housing development projects under Minnesota Statutes, section 469.034. For Grant County HRA, the project consisted of the construction of twenty multifamily residential rental units on three sites in the county. The Hubbard County HRA project was a twenty-six unit congregate housing facility adjacent to the Heritage Living Center in the city of Park Rapids. For each project, PFM assisted the county HRA with the issuance of the original bonds for the construction of the project and subsequent refunding of the original bonds.

### Tax Increment Financing

PFM has worked on tax increment projects in several states, including Minnesota, Iowa, Wisconsin, Florida and Pennsylvania. TIF has been incorporated into project financing plans on a pay-go basis for some clients and used to leverage debt for other projections. PFM has advised on general obligation TIF bonds and also on pure TIF debt, with no taxing authority backstop. Recent TIF projects the proposed project team has completed in Minnesota include: financing streetscape and parking improvements in the city of Wayzata, and the expansion and completion of a building in foreclosure turned into a Senior Assisted Living Center and Adult Day Care facility in the city of Nisswa.

The scope of services performed by PFM varies depending on the circumstances surrounding each individual project. We have been involved in analyzing proposed projects to determine whether the proposal is reasonable and economically feasible given the assumptions used. We have participated in reviewing and drafting

# Economic Development Planning Services

development agreements particularly with respect to provisions involving allocation of risk, security and enhancement responsibility language and funding responsibilities. We are experienced in developing cash flows to model the proposed sequence of the development and related revenue source projections. We have also prepared plans of finance for increment districts and participated in the design and implementation of the financing(s) to support the project. Almost without exception large development projects bring with them the need for a number of professional firms representing specific disciplines required for planning, risk assessment and project implementation. PFM has experience and works effectively in our engagements with the developers, planners, engineers, attorneys, investment bankers, marketing firms and others. At the same time, we clearly recognize our responsibility to our public entity client.

## Economic Development Financial Analysis/Program Development

PFM has been helping cities across the country undertake complex redevelopment projects including inner-city projects involving land assemblage, public infrastructure improvements, and public-private partnerships for financing major league and minor league sports stadiums and arenas, convention centers, museums, housing and mixed-use developments. PFM has also assisted cities develop financing packages to win the relocation of major employers, with office campus projects of one million square feet.

These initiatives have generally involved a combination of financing sources, including development loans and grants, cooperative efforts with other governmental entities, often states, as well as the use of tax-increment financing. The following paragraphs provide a description of our experience in those areas including housing services, tax increment financing and economic development.

PFM has worked with governmental units and economic development authorities on major projects to promote economic development in their communities. We provide tax impact analysis for issuers to share at public meetings to illustrate the proposed tax levy impact to residential and commercial property owners for upcoming projects.

Examples of economic development projects include the case study for the city of Wayzata included in the section outlining PFM's relevant experience on page 5, additional examples of recent engagements in the Midwest are outlined in the following paragraphs.

### Minneapolis Special School District No. 1, Minnesota

We have provided general financial advisory services to the Minneapolis Special School District since 1984. In December of 2010, we assisted the school district with the financing of its \$40 million administrative service center. This engagement included the evaluation of new market tax credits, use of ARRA programs which included use of recovery zone allocation obtained from the city of Minneapolis. In the end, two bond issues were competitively sold, \$12,990,000 Taxable Certificates of Participation (Recovery Zone Economic Development Bonds) and \$28,235,000 Taxable Certificates of Participation (Build America Bonds – Direct Pay).



### Grand Forks Park District, North Dakota

We have assisted the Grand Forks Park District with their financing needs for over a decade. In December 2010, PFM was involved in the issuance of two series of taxable revenue bonds in the amount of \$23 million used to construct a 158,070 square foot health and fitness facility center. One series was issued as taxable Recovery Zone Economic Development Bonds and the other as taxable bonds. Both series of bonds are secured by a pledge and lien on the revenues derived from the operations of the fitness center and other park facilities and the moneys received by the park district from its capital fund campaign. PFM assisted the park district in developing a Request for Proposals (RFP) for a managing underwriter and a trustee for a negotiated sale of bonds. In addition, we coordinated the process and helped the park district obtain an "A" credit rating from Standard & Poor's.



We worked with the State of North Dakota's Industrial Commission and Grand Forks County to obtain recovery zone allocation for the bonds, and aggressively negotiating with the underwriter to obtain the lowest underwriting compensation and interest rates.

# Firm's Support Service Capability

## Firm's Support Service Capability

PFM continues to develop and strengthen its edge technically by installing the most advanced telecommunications and rate processing systems available. PFM provides its clients with a diverse and broad array of analytical capabilities. Each team of PFM professionals includes members experienced in credit research, economic analysis, computer programming, municipal bond structuring and refunding techniques. All PFM professionals possess exceptional skills in utilizing financial modeling software and developing sophisticated financial analysis models.

## Technology and Resources

PFM maintains sophisticated computer capabilities, both in-house and through various contract services and major time sharing system vendors. Each member of PFM's professional staff is provided with a personal computer with a minimum of a Pentium IV processor. We also provide employees with remote transmission capabilities for field use, via Citrix enabled VPN services.

To supplement PFM's in-house financial analysis models, PFM uses DBC; a bond structuring program that optimally sizes and structures debt issues, given any number of constraints. This municipal finance program, which currently constitutes the industry standard, is integrated with other proprietary computer programs written by PFM professionals, and is easily transformed into graphics for presentation purposes.

PFM maintains an extensive library of widely published computer applications which are used for debt structuring, cash flow analyses, debt management, investment management, leasing analyses, and other modeling requirements. In addition to in-house technical resources, PFM makes use of nationally recognized timesharing networks and database management systems including those of: Bloomberg, Securities Data Corporation, Delphis Hanover Corporation, Municipal Market Advisors, Thomson Financial, CDA Spectrum and Dow Jones. PFM uses these timesharing networks and information systems for research and bond market analyses.

PFM tracks municipal bond new issue pricings and credit information with on-line access to the Securities Data Corporation's extensive database. Thomson Municipal Market Monitor (TM3) provides PFM with market interest rate scales for tax-exempt issues differentiated by state, sector or credit quality. The variety of technical resources available to PFM allows us to provide flexible customized research and analytical support to our clients in a cost effective manner.

## Other Available Resources

In addition to the core financing team, PFM has a broad range of additional resources available to the City. The following paragraphs highlight a few of those services.

**Pricing Group** - PFM has a dedicated, in-house bond Pricing Group that will join the core finance team to support the pricing of the City's bonds. PFM's Pricing Group operates completely independent of the underwriting of municipal securities by banks and securities dealers. PFM's Pricing Group provides centralized access to market information and trends, leverages our knowledge firm-wide for our clients' benefit, cultivates professional peer-to-peer relationships with underwriting desks, and fosters a better understanding of the internal workings of the underwriting process at the investment banks. Our approach to pricing debt instruments is unique in the municipal industry. PFM takes a rigorous and quantitative approach to pricing an issuer's bonds. Instead of surveying investment bankers to get a feel for the market, the Pricing Group provides our clients with informed, independent advice on the structure and pricing of all their debt instruments. Our capital markets access and experience, combined with our vast technical capabilities and expertise in financial modeling, our total commitment to the issuer's point of view, our knowledge of state and federal securities law, and our clout as the largest financial advisor in the market enables PFM to offer our clients unparalleled depth and aptitude as their financial advisor.



## Firm's Support Service Capability

We are in the primary market, on average, three times per day pricing tax-exempt bond issues for our clients. Moreover, we maintain a database on the pricing performance and syndicate member compensation on our client's bond issues.

**Quantitative Strategies Group** - PFM's Quantitative Strategies Group (the "QSG") comprises a group of dedicated professionals whose mission is to develop proactive strategies and tools for PFM's clients and services. The Quantitative Strategies Group's services can be divided into three major areas: 1) firm-wide financial analysis and proprietary model development; 2) complex transactional & engagement support; and 3) firm-wide training. Through the use of advanced financial analysis and commercial and proprietary software, the QSG develops customized solutions to meet the individual quantitative needs of all of our clients. Our extensive quantitative capabilities allow us to provide services which address the full scope of strategic and operational considerations, ranging from capital financing strategies, to strategic planning and budgeting, to investment management strategies. Our Financial Risk Management, Structural Optimization, Refunding Efficiency, Forward Pricing, Other Post-Employee Benefits, and Budget Projection Models, to name a few, assist us in achieving these objectives.

In addition to our on-going firm-wide support, the QSG constantly monitors the municipal market in order to stay abreast of new and emerging products and strategies, and our strong market presence places PFM at the forefront of the development and implementation of these tools and strategies for our clients. To further enhance the capabilities of our staff, the QSG administers the firm's extensive three-month municipal finance training program for new and lateral hires. The QSG also participates in hosting PFM's training seminars for our clients, with topics spanning from the basics of transaction management to policy level considerations.

The multitude of services offered by the Quantitative Strategies Group assists PFM in optimizing its partnerships with clients. This collaborative relationship supports our clients' ability to exceed both short-term budgetary goals and long-term strategic and capital financing objectives.

**Public Private Partnerships** - PFM has been at the forefront of Public-Private Partnerships since their introduction to the U.S. markets. PFM has substantial experience in assisting its clients with reviewing and evaluating corporate credits. The ability of a private sector partner to perform as needed is a key issue in many circumstances. PFM has advised state and local agencies in the review and evaluation of more than 40 public-private partnerships ("P3") projects. We have advised on the negotiation of 15 development agreements and on the financing of more than \$2 billion in projects. PFM views the role of planning as integral to developing a successful financing program. We have participated in numerous studies to determine the viability of public-private partnerships, privatization and other innovative funding alternatives. PFM typically engages in financial planning from a holistic viewpoint, analyzing every alternative and determining the most effective. Whether it is helping draft legislation, evaluating vendor financing alternatives, or advising on the benefits of design-build development, PFM prides itself in the ability to offer full service financial consulting to its clients. On May 16, 2011, PFM acquired Chicago-based Scott Balice Strategies LLC. The acquisition positions PFM as a leader with Midwest clients, large state and local governments, and as experts in the emerging field of public-private partnerships (P3s).

**Research Group** - PFM professionals are supported by our Marketing & Research Support ("M&RS") department which specializes in market research, training, website development and graphic design.

M&RS, specifically, maintains an extensive library of industry publications and reports as well as on-line news resources such as Factiva, Bond Buyer and Thomson Municipal News. In addition to our in-house technical resources, PFM makes use of nationally recognized timesharing networks, database management systems, and market information repositories including those of: Bloomberg, Thomson-Reuters (Securities Data Corporation), Delphis East Bethel Corporation, Thomson Financial and Municipal Market Data, MuniStatements, Factiva, eMAXX, rating agency databases, and Municipal Market Advisors.

Further, access to the rating agency databases (Moody's, S&P, Fitch) allows PFM to retrieve information such as credit/special/criteria reports, municipal financial ratio analyses and press releases. All of these resources allow us to also track municipal new issue pricings, access market interest rate scales, search for credit reports, and track secondary market trading activity and holders of bonds.

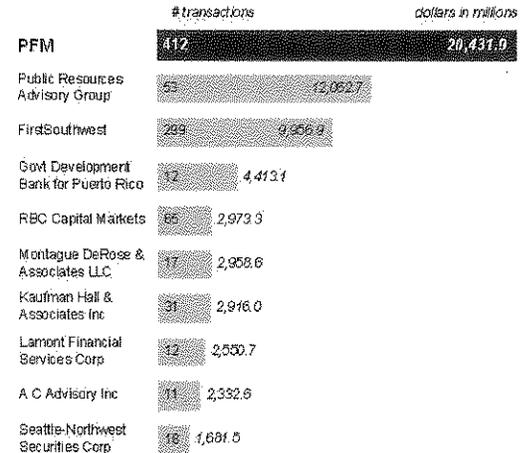
# Firm's Experience in Advance Refunding

## Firm's Experience in Advance Refunding

PFM has extensive experience advising on refunding transactions. PFM has ranked number one in the nation for refunding transactions since 2000. In 2011 alone, PFM advised on 412 refunding transactions with a par value of \$20.4 billion. While the number of PFM transactions is significant, of greater importance is the careful analysis and innovative approaches we have developed to analyze the potential value for a refunding as well as implementation of the transaction to achieve maximum savings for the client.

PFM has spent a significant amount of time developing a suite of analytical tools to assist the City with the structuring, sizing and management of the debt financed portion of its capital program. As we outlined previously in our response on page 22, summarizing the firm's support service capabilities, we have a dedicated quantitative team to support the City's analytic and quantitative needs. The proposed project team can draw on the services of our in-house Quantitative Strategies Group ("QSG") and Pricing Group. The QSG has developed an extensive portfolio of proven models that we use for both structuring purposes and to independently confirm the analyses performed by investment banks for our clients. The Pricing Group provides our clients with informed, independent advice on the structure and pricing of their debt instruments.

2011 Year End Refunding Long-Term Municipal New Issues  
National Municipal Financial Advisory Ranking - Equal Credit to Each Financial Advisor  
Source: *Thomson-Reuters*



**Debt Profile Model and Refunding Screen:** Analysis begins with a comprehensive understanding of an issuer's existing debt. PFM has constructed a complete debt profile of all of the City's bonds. Our debt profile model has the flexibility to show the historical and current debt of the City, and includes all the relevant information pertaining to each bond issue, including maturity date, coupon, yield, call date and prices, and sources and uses, among other details. The debt profile model can quickly produce reports and summary statistics such as debt service, par or interest only, as well as a debt service graph. It also includes a debt schematic, which is a pictorial display of debt issuances that tracks refunding candidates and outstanding escrows.

PFM's debt profile model has the ability to identify forward refunding candidates which are analyzed using appropriately adjusted forward borrowing rates. In addition to calculating the savings that may be generated by refunding a given maturity, the model also identifies any negative arbitrage and/or transferred proceeds penalty attributable to that maturity. In this way, PFM can analyze why a given bond is or is not achieving a specified target savings level. The PFM refunding methodology incorporates an "option value" model that allows us to estimate, on a maturity-by-maturity basis, the percentage of the theoretical maximum option value that is captured by the refunding. The option value model can guide the City as to whether it is appropriate to execute a refunding of certain bonds now or wait to obtain probable additional savings.

The output of this information from the debt profile model is referred to as the Refunding Screen.

**Refunding Candidates of the City.** The following table provides a list of the City's outstanding issues, excluding the General Obligation Water Revenue Note issued in 2010.

Date of Issue	Issue/Purpose	Original Amount	Final Maturity	Principal Outstanding	Call Date
09/15/05	G.O. Public Safety Bonds, Series 2005A	\$ 1,900,000	2/1/2026	\$ 1,510,000	2/1/2014
09/15/05	G.O. Improvement Bonds, Series 2005B	495,000	2/1/2016	225,000	--
05/01/08	G.O. Sewer Revenue Bonds, Series 2008A	1,715,000	2/1/2029	1,430,000	2/1/2018
12/15/10	G.O. Water Utility Rev Bonds, Series 2010A (Taxable Recovery Zone)	11,465,000	2/1/2040	11,465,000	2/1/2021
12/15/10	G.O. Water Utility Rev Bonds, Series 2010B (Taxable BABs)	6,100,000	2/1/2040	6,100,000	2/1/2021
12/15/10	G.O. Bonds, Series 2010C (Taxable)	1,260,000	2/1/2017	1,260,000	--
				<u>\$ 21,990,000</u>	

## Firm's Experience in Advance Refunding

There are two kinds of refunding issues, current or advance. A current refunding is defined by the IRS as one in which the proceeds of refunding bonds are used to redeem principal and interest of prior bonds within 90 days of the call date. The IRS defines an advance refunding as a refunding that is not a current refunding. Tax-exempt bonds are only allowed to be advance refunded once with tax-exempt refunding bonds. Additionally, the state of Minnesota requires that an advance refunding produce a minimum of 3% net present value savings as a percentage of the refunded debt service.

The City currently has one advance refunding candidates that is exceeding the required 3% minimum savings level: the Series 2005A Bonds which are callable as of February 1, 2014. The City does not currently have any current refunding candidates.

Advance Refunding of 2005A Bonds		
Total Interest Savings	Present Value Savings	Percent of Refunded Debt Service
\$ 125,497	\$ 110,145	7.58%

Under the current market conditions tax-exempt municipal bond rates and yields are low, but investment rates for the reinvestment of escrow funds are also very low. An advance refunding candidate must achieve the state required minimum savings level in spite of any negative arbitrage in the escrow fund. Negative arbitrage results when market investment rates are not high enough to achieve an investment yield in the escrow account at the highest permitted level. Each advance refunding candidate has negative arbitrage when using State and Local Government Series (SLGS) securities as the investment vehicle for the escrow fund. It is possible that a competitive procurement of permitted open market securities may garner additional yield to reduce the amount of negative arbitrage. The negative arbitrage associated with a crossover advance refunding of the 2005A Bonds is approximately \$29,000.

The option value percentages demonstrated in the refunding screen is an average of 81.8% for the 2005A Bonds. PFM recommends a threshold level of 70% or greater as a percentage of option value to achieve a high level of refunding efficiency. Therefore, we would recommend that the City pursue an advance refunding of the 2005A Bonds since it is producing a high level of option value savings, with minimal negative arbitrage.

Series	Component	Maturity	Call Date	PV Option Value
Series 2005A	Serial	02/01/15	02/01/14	59.36%
Series 2005A	Serial	02/01/16	02/01/14	83.04%
Series 2005A	Serial	02/01/17	02/01/14	86.58%
Series 2005A	Serial	02/01/18	02/01/14	87.80%
Series 2005A	Serial	02/01/19	02/01/14	88.18%
Series 2005A	Serial	02/01/20	02/01/14	86.42%
Series 2005A	Serial	02/01/21	02/01/14	83.48%
Series 2005A	Serial	02/01/22	02/01/14	82.16%
Series 2005A	Serial	02/01/23	02/01/14	81.59%
Series 2005A	Serial	02/01/24	02/01/14	82.80%
Series 2005A	Serial	02/01/25	02/01/14	80.72%
Series 2005A	Serial	02/01/26	02/01/14	79.48%

In 2010, PFM was hired by the Metropolitan Council to review its debt management policy. In addition to the general provisions of this policy, a specific focus was to be on a subsection of the policy, Refunding Practices. PFM provided the Metropolitan Council with recommended changes and a supporting technical memorandum providing supporting data and computations to support the recommended changes.

# Acquiring Knowledge of the City's Debt

## Acquiring Knowledge of the City's Debt

As a first step in any financial advisory engagement, PFM constructs a profile of all debt outstanding. The debt profile distinguishes series of bonds by payment source and documents key issuance and pricing parameters. Credit ratings, insurance, optional redemption features, refunding actions, together with actual pricing results are assembled in a database. The debt profile is also described in our response related to Financial Planning and Debt Management Services on page 18, and the Firm's Experience in Advance Refunding on the prior page.

The data for completing the debt profile will be found from the City's prior official statements, comprehensive annual financial reports and budget documents. This information is easily obtained on repositories such as EMMA, as well as the City's web site.

Functionally, this allows PFM to use the database to quickly analyze opportunities to refund outstanding maturities either in a series analysis, maturity-by-maturity analysis or option value analysis, and to develop a baseline for analysis of new money financing alternatives. For the client, the bound debt profile provides easy and ready access to all key data points of all debt issues. As part of this process, outstanding escrows and past arbitrage compliance activities are also reviewed by our Structured Products group and opportunities to re-optimize escrows or amend arbitrage report findings are identified for the consideration by City officials.

As part of the debt profile process, PFM also completes a pricing analysis of the various City credits. Pricing yields of the various series are compared to indexed yields for the pricing date. Bonds of comparable credits are also analyzed. This analysis allows us to evaluate both how the City's bonds are pricing over time and how those bonds are pricing relative to other issuers with similar credit ratings, insurance, and sale dates.

## Approach to Local Government

As demonstrated by our proposal, PFM understands the requested scope of work as stated, and is fully prepared to perform the requested services. PFM prides itself on its many longstanding relationships with local government clients, and attributes this success to our dedicated, extension of staff approach. After being engaged by the City, PFM would coordinate an initial meeting with the City. PFM strongly believes that it is important to create and develop strong working relationships between our organizations by promoting communication. An important objective of this meeting would be to explore and discuss the City's immediate and long-term needs and implement a plan to accomplish them.

For many of our clients, PFM has become an integral team member as opposed to a financial advisor with a purely transactional approach. PFM will actively seek to become involved in assisting the City with most aspects of its capital planning processes. Active involvement allows PFM to stay attuned to the risks, challenges and benefits related to the implementation of the City's key financial strategies. Since the City has several highly trained professionals within its finance department PFM's role will be to work collaboratively with City staff to develop enhanced alternatives to maximize the City's resources. PFM will work quickly to obtain a comprehensive understanding of the City's financial capability and facilitate the timely completion of all tasks. This effort will be facilitated through a team approach with all project team members playing an active role.

As highlighted in our project team discussion, PFM can bring significant resources to the City. PFM has assigned professionals who are fully capable of developing, creating, updating, monitoring and modifying highly technical capital and financial planning models. Upon retention as financial advisor by the City, PFM will work on developing planning models by assigning separate members of the project team. These models may include Sewer and Water Enterprise Funds models, Debt Service Levy analysis and a Debt Capacity model. PFM is prepared to provide the maximum level of commitment and resources to the City.

Depending upon the ability of City staff to provide PFM with all of the requested information, PFM should be able to develop fully functional models, within a month of receiving all necessary data. PFM is committed to meeting the needs of the City and will allocate the necessary resources to complete the assigned tasks in a timely fashion.

When analyzing the City's financing options, several considerations influence the final choice. Source of repayment, election requirements, available financing instruments and debt limitations are influencing factors to developing a plan of finance.

## List of References

### References

Case studies have been presented throughout the proposal response to demonstrate that PFM has an understanding of, and can perform the requested service that the City requires. In this section the contact information for local governments is presented as a testament to the quality of our work.

#### City of Baxter, Minnesota

The city of Baxter has been a client for over 8 years. Throughout the years, we have assisted the city with many types of financings including, general obligation bonds, grant anticipation notes, taxable tax allocation bonds, tax increment financings, housing development bonds, certificates of participation, bond anticipation notes, lease revenue bonds, refunding bonds, and a cash defeasance transaction. PFM developed and annual maintains a Public Utilities Enterprise Fund cashflow model for the city to aid the with their water and sewer rates projections.

**Jeremy Vacinek**, Finance Director, 13190 Memorywood Dr, Baxter, MN 56425, (218) 454-5112

#### City of Bemidji, Minnesota

The city of Bemidji has been a client for over 13 years. Throughout the years, we have assisted the city with many types of financings including, general obligation bonds, grant anticipation notes, taxable tax allocation bonds, tax increment financings, housing development bonds, certificates of participation, bond anticipation notes, lease revenue bonds, refunding bonds, and a cash defeasance transaction. PFM developed and annual maintains a Public Utilities Enterprise Fund cashflow model for the city to aid the with their water and sewer rates projections.

**Ron Eischens**, Finance Officer, 317 4<sup>th</sup> Street NW, Bemidji, MN 56601-3116, (218) 759-3568

#### City of New Ulm, Minnesota

PFM senior staff has worked as financial advisor to the city for over 25 years. PFM has helped the city with the issuance of general obligation, refunding, sales tax, public utility revenue and subordinate bonds, and Clean Renewable Energy Bonds (CREB) and continues to contribute with the city's future projects.

PFM has developed similar enterprise fund cashflows as the city of Bemidji. This has helped city's staff to determine whether its current rates and charges relative to the trend of the usage are adequate to fund operations, maintain sufficient debt coverage and fund the city's capital improvement plan.

**Reg Vorwek**, Finance Director, 100 North Broadway, New Ulm, MN 56073, (507) 359-8266

#### City of Nisswa, Minnesota

PFM has provided general financial advisory services to the city of Nisswa for more than 15 years. We have assisted the city with the issuance of general obligation wastewater bonds, lease revenue bonds, liquor store revenue bonds and tax increment planning and analysis. The city is not an annual borrower of tax-exempt debt; however, since 2009 we have also assisted the city with annual cash flow models for the city's liquor and sewer enterprise funds. These models assist the city in tracking debt service coverage ratios, planning for future capital projects and financial performance based on assumptions provided from city staff.

**Loren Wickham**, City Planner, 5442 City Hall St, Nisswa, MN 56468, (218) 963-2402

#### City of White Bear Lake, Minnesota

PFM has provided general financial advisory services to the city of White Bear Lake since 1993. During our engagement, we have assisted the city with the issuance of debt supported by special assessments, tax increment revenues, property tax levies and other revenues. We also assist the city with non-financing related activities.

**Don Rambow**, Finance Director, 4701 Highway 61, White Bear Lake, MN 55110, (651) 429-8517

### Reasons to Select PFM

PFM is able to offer the City unmatched expertise and experience in municipal finance. Many of our Managing Directors and Senior Managing Consultants come to PFM after successful careers as finance directors, investment bankers, verification and arbitrage rebate consultants, and other high-level municipal finance positions. Consequently, we have a pool of knowledge and talent from our national transportation, wastewater and higher education practices, unmatched by any other financial advisory firm, to best serve our clients' needs and objectives.

Our proposed project team is comprised of senior level staff who, in aggregate, have more than 70 years of experience serving major issuers in the Midwest. Our approach focuses on being accessible, bringing the highest level of technical skills available in the municipal market and leveraging the experience of senior PFM professionals to provide all of the financial advisory services desired by the City. We have many offices located in the Midwest and are extremely knowledgeable of what major issuers in our region are doing in the capital markets, strategic planning, and asset management arenas.

PFM advises on more financings than any other advisory firm. Our national experience is unequalled; we have been ranked by Securities Data as the nation's leading advisor for seven consecutive years.

At PFM, innovation and analytic excellence not only occurs in the context of debt transactions, but is the core of how we approach the advisory business. We use innovative ideas and structures as tools to help our clients realize their objectives and solve their problems, not simply as a means of doing deals. In fact, the very way that the firm is designed - as large as the largest investment banks with the expertise to help governments with nearly every aspect of their financial management - is itself an innovation. We understand the City is concerned not only with debt transactions, but also with a myriad of other issues, such as budget needs, progress of capital programs, workforce costs and investment returns.

PFM is proud to have a long history of crafting innovative solutions to the specific problems confronting our clients. We completed the first competitive advance refunding and variable rate bond issues; we have assisted clients with asset sales and securitizations of tax liens, pension fund contributions and other assets or revenue streams as a means of managing cash flow and increasing net income; we have extensively analyzed and managed the competitive and negotiated placement of many derivative securities, but only after ensuring that all risks were understood and appropriately managed and that contract terms were written to protect our clients' interests; we have managed a host of synthetic advance refundings to allow our clients to guarantee debt service savings from outstanding high coupon bonds that, under federal tax law, cannot be advance refunded; we have integrated the management of assets and liabilities to minimize interest rate risks, cash flow variances and other risks through techniques such as forward rate agreements, interest rate swaps and commodity price swaps.

PFM's philosophy is to have project managers with local expertise manage our engagements on a day-to-day basis but also to have experts available to assist with the more specialized aspects of financial management. We call this our "cluster approach," and we feel that it allows us to offer significantly superior service and helps our clients develop a sharper focus on the impact that their decisions have on the bottom line.

## Fee Proposal

PFM proposes a transaction fee schedule that covers all costs associated with the planning and execution of debt issues. This fee schedule applies both to competitive and negotiated transactions and is valid for a period of three years.

The Base Fee for providing the services related to Debt Issuance as described in the RFP's Scope of Services is determined by applying the following formula to each issue:

<u>Amount</u>	<u>Issue Size</u>
1% of Par	Up to \$1 million
\$14,500	\$1 - \$5 million
\$15,000	\$5 - \$10 million
\$18,000	\$10 - \$20 million
TBD	Over \$20 million

When multiple issues are sold at the same time, the smallest issue will be billed at 85% of the appropriate scale. The application of the base transaction fee to different types of bond issues is as follows:

<u>Types of Bonds</u>	<u>Adjustment to Base</u>
General Obligation Bonds	100% of Base
Revenue Bonds	125% of Base
Advance Refunding Bonds	110% of Base

Use of the transaction fee covers all financial planning required for each debt issuance, as well as the debt issuance process itself. It also presumes that the City would contact us with routine questions or issues and that we would attend occasional meetings between financings without any additional compensation.

PFM would expect that normal costs of issuance to be paid by the City would include bond counsel, rating and insurance costs, cost of printing and advertising, and costs associated with the closing.

For services related to development and implementation of rating strategy, on-going review of refunding opportunities, annual continuing disclosure, preparation of cash flow analyses (including debt service levy analyses, debt capacity models and enterprise fund analyses), PFM will bill on an annual, fiscal year basis in the amount of not to exceed \$8,000. PFM will account for their hours and will reduce such retainer if the number of hours doesn't warrant the full retainer fee. Such annual retainer fee will be added to transactions fees and incorporated with the first bond issue of the annual period; if it has been determined that no bond issues are planned, the annual retainer will be billed in December.

### Hourly Advisory Fees

PFM offers hourly fees for projects that do not involve debt transactions, such as the development of debt management policies. Advisory fees shall be based on the actual time expended by PFM's staff and the schedule of hourly rates by staff classification as set forth below.

Title	Hourly Rates
<b>Senior Advisor</b>	
Managing Director	\$ 200
<b>Advisor:</b>	
Senior Managing Consultant	\$ 180
Consultant	150
<b>Paraprofessional:</b>	
Associate	\$ 120

## Expenses

PFM would propose to be reimbursed for reasonable and actual out-of-pocket costs, overnight mail, any out-of-town travel, and any debt issuance related costs required by the City and initially paid for by PFM. PFM would propose that expenses are reimbursed at cost.

## Additional Services

For any additional services, such as investment or escrow advice, or arbitrage rebate calculations and reports, PFMAM would work with the City to reach a mutually agreeable price once the nature and scope of the requirements are more fully developed.

## Commitment to City

Please contact us with any questions you might have regarding this fee proposal. PFM never wants compensation to be an impediment to a client choosing to work with us; we would be willing to discuss different alternatives for compensation at the City's request.

## Appendix A – List of Minnesota Transactions

---

Issuer Name	Type of Financing	Par Amount	Sale Date
Nisswa, City of	G.O. Sewer Revenue Bonds, Series 2012A	1,240,000	07/18/2012
New Ulm, City of	G.O. Permanent Improvement Revolving Fund Bonds, Series 2012	3,300,000	07/17/2012
New London-Spicer ISD # 345	G.O. Capital Facilities Bonds, Series 2012	1,395,000	07/09/2012
Mabel-Canton ISD #238	GO Sch Bldg Ref Bonds 2012	1,750,000	05/15/2012
Marshall County	G.O. Water System Refunding Bonds, Series 2012A	685,000	05/14/2012
Duluth, City of	Taxable GO Airport Improvement Bonds, Series 2012B	7,650,000	05/10/2012
Glencoe Light and Power Commission	Electric Revenue Bonds, Series 2012	7,980,000	05/07/2012
Hubbard County	G.O. Correctional Facility Ref. Bonds, Series 2012	5,835,000	05/02/2012
Polk County	GO Refunding Bonds, Series 2012B	1,805,000	04/24/2012
Meeker County	G.O. Capital Improvement Ref. Bonds, Series 2012	3,175,000	04/02/2012
Renville County	G.O. Jail Refunding Bonds, Series 2012	5,085,000	03/27/2012
Staples, City of	G.O. Bonds, Series 2012	2,455,000	03/27/2012
White Bear Lake, City of	GO Tax Inc Refunding Bonds, Series 2012A	2,650,000	03/13/2012
St. Clair ISD Number #75, MN	G.O. School Building Refunding Bonds, Series 2012	6,295,000	02/27/2012
Hennepin County	G.O. Refunding Bonds, Series 2012B	36,375,000	02/21/2012
Ulen-Hitterdal ISD # 914	G.O. School Building Refunding Bonds, Series 2012	2,370,000	02/21/2012
Duluth, City of	G.O. Tax Abatement Bonds, Series 2012A	7,055,000	02/09/2012
Polk County	G.O. Watershed District Bonds, Series 2012	2,710,000	01/24/2012
Lincoln County	G.O. Water System Refunding Bonds, Series 2012	1,050,000	01/17/2012
Hennepin County	G.O. Refunding Bonds, Series 2012A	25,230,000	01/11/2012
Bemidji, City of	Taxable G.O. Refunding Bonds, Series 2012	5,915,000	01/03/2012
Three Rivers Park District	G.O. Bonds, Series 2011A	4,575,000	12/15/2011
Three Rivers Park District	G.O. Refunding Bonds, Series 2011B	6,190,000	12/15/2011
Hallock, City of	G.O. Refunding Bonds, Series 2011	1,675,000	12/05/2011
New Ulm, City of	G.O. Public Utility Revenue Bonds, Series	3,000,000	11/29/2011
Minnesota, State of, Tobacco Securitization Authority	Minnesota Tobacco Settlement Revenue Bonds, Tax-Exempt Series of 2011B	682,270,000	11/17/2011
Minnesota, State of, Tobacco Securitization Authority	Minnesota Tobacco Settlement Revenue Bonds, Taxable Series of 2011A	74,685,000	11/17/2011
Minneapolis Special School District	G.O. School Building Bonds, Series 2011C	16,770,000	11/15/2011
Minneapolis Special School District	Refunding Certificates of Participation, Series	19,705,000	11/15/2011
Minneapolis Special School District #1	Taxable G.O. School Building Bonds, Series 2011D (QSCB)	4,260,000	11/15/2011
Duluth, City of	G.O. Capital Equipment Notes, Series 2011B	3,095,000	11/14/2011
Duluth, City of	G.O. Capital Improvement Bonds, Series 2011A	1,870,000	11/14/2011
Duluth, City of	G.O. Gas Utility Revenue Ref. Bonds, Series 2011C	3,125,000	11/14/2011
Duluth, City of	G.O. Sewer Utility Revenue Ref. Bonds, Series	2,265,000	11/14/2011
Hennepin County	G.O. Bonds, Series of 2011A	60,000,000	11/01/2011
Clinton-Graceville-Beardsley ISD No 2888	G.O. Refunding Bonds, Series 2011	790,000	10/17/2011
Freeborn County, MN	G.O. Capital Improvement Ref. Bonds, Series	6,200,000	10/03/2011
New London-Spicer ISD No 345	G.O. Refunding Bonds, Series 2011B	1,455,000	09/26/2011

Issuer Name	Type of Financing	Par Amount	Sale Date
Beltrami County	Unlimited Tax Law Enforcement Center Refunding Bonds, Series 2011	4,735,000	09/20/2011
Breckenridge ISD No. 846	G.O. School Building Refunding Bonds, Series 2011	1,120,000	09/19/2011
Alden-Conger ISD No. 242	G.O. Refunding Bonds of 2011	960,000	09/12/2011
Le Sueur Henderson ISD #2397	G.O. Aid Anticipation Certificates of	3,000,000	08/22/2011
Litchfield ISD No. 465	G.O. Aid Anticipation Certificates of	5,000,000	08/22/2011
Rice County	G.O. Capital Improvement Plan Bonds, Series	2,655,000	08/22/2011
Rice County	G.O. Capital Improvement Plan Bonds, Series	1,075,000	08/22/2011
Holdingford ISD #738	G.O. Aid Anticipation Certificates of	3,000,000	08/17/2011
Wadena-Deer Creek ISD	G.O. Aid Anticipation Certificates of	1,625,000	08/15/2011
Le Sueur Henderson ISD #2397	G.O. Capital Facilities Bonds, Series 2011A	790,000	08/02/2011
Western Lake Superior Sanitary District	G.O. Refunding Bonds, Series 2011B (AMT)	2,345,000	07/25/2011
Western Lake Superior Sanitary District	Taxable G.O. Refunding Bonds, Series 2011A	16,045,000	07/25/2011
New Ulm, City of	G.O. Permanent Improvement Revolving Fund Bonds, Series 2011A	3,225,000	07/19/2011
Itasca County	G.O. Capital Improvement Refunding Bonds, Series 2011B	3,695,000	07/12/2011
East Grand Forks ISD No. 595	G.O. Aid Anticipation Certificates of	2,200,000	07/11/2011
New London-Spicer ISD No 345	G.O. Aid Anticipation Certificates of	3,950,000	07/11/2011
Minneapolis Special School District	G.O. Refunding Bonds, Series 2011B	10,525,000	06/28/2011
Minneapolis Special School District	Refunding Certificates of Participation, Series	31,255,000	06/28/2011
Freeborn County	Criminal Justice Center Refunding Bonds, Series 2011A	6,120,000	06/20/2011
Freeborn County	Unlimited Tax Law Enforcement Center Refunding Bonds, Series 2011B	4,800,000	06/20/2011
New London-Spicer ISD No 345	G.O. Alternative Facilities Refunding Bonds, Series 2011	3,365,000	06/13/2011
Hennepin County	G.O. Commercial Paper Certificates, Series A (Tax-Exempt)	35,000,000	05/16/2011
Hennepin County	G.O. Commercial Paper Certificates, Series A (Taxable)	35,000,000	05/16/2011
Bemidji, City of	G.O. Public Utility Revenue Bonds, Series	4,755,000	04/18/2011
Todd County	G.O. Bonds, Series 2011	4,125,000	04/18/2011
Wayzata, City of	G.O. Revenue Bonds, Series 2011A	3,375,000	02/15/2011
Metropolitan Council	G.O. Wastewater Revenue Refunding Bonds, Series 2011B	9,230,000	02/14/2011
Itasca County	Taxable G.O. Capital Improvement Plan Bonds, Series 2011 (QECCB)	3,690,000	02/08/2011
Grant County	G.O. Bonds, Series 2011A	2,480,000	02/01/2011
Grant County	Taxable G.O. Capital Improvement Plan Bonds, Series 2011B (QECCB)	2,000,000	02/01/2011
Bemidji, City of	G.O. Sales Tax Revenue Refunding Bonds, Series 2011	44,000,000	01/18/2011
Carlton County	Taxable G.O. Capital Improvement Bonds, Series 2010A (Build America Bonds - Direct Payment)	5,000,000	12/21/2010
Carlton County	Taxable G.O. Capital Improvement Bonds, Series 2010B (RZEDB)	4,750,000	12/21/2010
Todd County	Taxable G.O. Courthouse Bonds, Series 2010 (RZEDB)	525,000	12/20/2010

Issuer Name	Type of Financing	Par Amount	Sale Date
Hennepin County	G.O. Senior Sales Tax Revenue Bonds, Series 2010E	102,810,000	12/13/2010
Minneapolis Special School District	G.O. Refunding Bonds, Series 2010C	17,940,000	12/07/2010
Minneapolis Special School District	G.O. School Building Bonds, Series 2010D	7,750,000	12/07/2010
Minneapolis Special School District #1	Taxable Certificates of Participation, Series 2010A (RZEDB)	12,990,000	12/07/2010
Minneapolis Special School District #1	Taxable Certificates of Participation, Series 2010B (Build America Bonds - Direct Pay)	28,235,000	12/07/2010
Minneapolis Special School District #1	Taxable G.O. School Building Bonds, Series 2010E (QSCB)	19,785,000	12/07/2010
Three Rivers Park District	G.O. Bonds, Series 2010	4,700,000	11/18/2010
Duluth, City of	G.O. Capital Equipment Notes, Series 2010B	2,295,000	11/04/2010
Duluth, City of	G.O. Capital Improvement Bonds, Series 2010A	2,175,000	11/04/2010
Duluth, City of	G.O. Improvement Refunding Bonds, Series 2010E	2,340,000	11/04/2010
Duluth, City of	G.O. Utilities Revenue Refunding Bonds, Series 2010C	4,405,000	11/04/2010
Duluth, City of	Taxable G.O. Airport Improvement Refunding Bonds, Series 2010D	1,850,000	11/04/2010
Minnesota Public Facilities Authority	State Revolving Fund Revenue Bonds Series 2010C	200,000,000	10/26/2010
Minnesota Public Facilities Authority	Taxable State Revolving Fund Revenue Bonds (Build America Bonds - Direct Pay) Series 2010D	91,000,000	10/26/2010
Mille Lacs County	G.O. Capital Improvement Plan Bonds, Series 2010A	900,000	10/25/2010
Mille Lacs County	Taxable G.O. Capital Improvement Plan Bonds Series 2010B (RZEDB)	920,000	10/25/2010
Minnesota Public Facilities Authority	Transportation Revenue Refunding Bonds Series 2010-T2 (Closed Loan Pool)	5,370,000	10/25/2010
Baxter, City of	G.O. Improvement Refunding Bonds, Series	4,465,000	10/19/2010
Minnesota Public Facilities Authority	Transportation Revenue Refunding Bonds Series 2010 - T1 (Metropolitan Council Project)	2,945,000	10/19/2010
Southern Minnesota Municipal Power Agency ("SMMPA")	Power Supply System Revenue Bonds, Series 2010B (Tax-Exempt)	7,010,000	10/14/2010
Southern Minnesota Municipal Power Agency ("SMMPA")	Power Supply System Revenue Bonds, Taxable Series 2010A (Issuer Subsidy - Build America)	67,990,000	10/14/2010
Bagley ISD #162	G.O. Refunding Bonds, Series 2010	2,985,000	10/04/2010
Lewiston-Altura ISD No 857	G.O. Refunding Bonds, Series 2010C	1,780,000	09/13/2010
Hennepin County	G.O. Bonds, Series of 2010B	47,440,000	08/24/2010
Hennepin County	Taxable G.O. Bonds, Series 2010C (Build America Bonds - Direct Payment)	41,060,000	08/24/2010
Hennepin County	Taxable G.O. Bonds, Series 2010D (RZEDB)	37,375,000	08/24/2010
Le Sueur Henderson ISD #2397	G.O. Aid Anticipation Certificates of	3,000,000	08/23/2010
Litchfield ISD No. 465	G.O. Aid Anticipation Certificates of	5,000,000	08/23/2010
Bemidji Regional Airport Authority	G.O. Airport Revenue Bonds, Series 2010	1,330,000	08/18/2010
Holdingford ISD #738	G.O. Aid Anticipation Certificates of	3,000,000	08/18/2010
Wayzata, City of	G.O. Improvement Bonds, Series 2010A	2,695,000	08/17/2010
Wayzata, City of	G.O. Tax Increment Refunding Bonds, Series 2010B	1,265,000	08/17/2010
Wadena-Deer Creek ISD	G.O. Aid Anticipation Certificates of	2,000,000	08/16/2010
Staples, City of	G.O. Improvement Bonds, Series 2010A	1,685,000	07/27/2010

Issuer Name	Type of Financing	Par Amount	Sale Date
Staples, City of	G.O. Improvement Bonds, Series 2010B	1,055,000	07/27/2010
East Grand Forks ISD No. 595	G.O. Aid Anticipation Certificates of Indebtedness	2,200,000	07/12/2010
New London-Spicer ISD No 345	G.O. Aid Anticipation Certificates of Indebtedness	3,950,000	07/12/2010
New Ulm, City of	G.O. Permanent Improvement Revolving Fund Bonds, Series 2010B	2,900,000	06/15/2010
Balaton, City of	G.O. Improvement Refunding Bonds of 2010	430,000	06/14/2010
New Ulm, City of	G.O. Public Utility Revenue Refunding Bonds, Series 2010A	2,410,000	05/18/2010
Hennepin County	G.O. Library Refunding Bonds, Series 2010A	10,215,000	04/08/2010
Minnesota Public Facilities Authority	State Revolving Fund Revenue Bonds Series 2010A	310,065,000	03/23/2010
Minnesota Public Facilities Authority	Taxable State Revolving Fund Revenue Bonds (Build America Bonds - Direct Pay) Series 2010B	33,040,000	03/23/2010
St. Clair ISD No. 75	G.O. School Building Refunding Bonds of 2010	455,000	03/22/2010
Hennepin County Regional Railroad Authority	Limited Tax Refunding Bonds, Series 2010A	42,595,000	02/24/2010
Wadena-Deer Creek ISD	G.O. Refunding Bonds, Series 2010	4,190,000	02/22/2010
Meeker County	G.O. Capital Notes, Series 2010	2,500,000	01/19/2010
Stearns County	G.O. Capital Improvement Bonds, Series 2010A	8,935,000	01/19/2010
Stearns County	G.O. Capital Improvement Refunding Bonds, Series 2010C	1,935,000	01/19/2010
Stearns County	Taxable G.O. Capital Improvement Bonds, Series 2010B (RZEDB)	1,665,000	01/19/2010
Bemidji Economic Development Authority	Taxable G.O. Temporary Refunding Bonds, Series 2010	5,780,000	01/04/2010
Freeborn County	G.O. Capital Loan Notes, Series 2010B	3,575,000	01/04/2010
Polk County	G.O. Lake Improvement District Bonds, Series 2009B	400,000	12/15/2009
Freeborn County	Taxable G.O. Waste Disposal Bonds, Series 2010A	525,000	12/14/2009
Minneapolis Special School District #1	G.O. School Building Bonds Taxable Series 2009C (Tax Credit Bonds) (QSCB)	17,200,000	12/01/2009
Freeborn County	G.O. Drainage Bonds, Series 2009	1,060,000	11/30/2009
Duluth, City of	G.O. Capital Equipment Notes, Series 2009D	2,570,000	11/19/2009
Duluth, City of	G.O. Capital Improvement Bonds, Series 2009B	7,085,000	11/19/2009
Duluth, City of	G.O. Improvement Refunding Bonds, Series 2009F	2,150,000	11/19/2009
Duluth, City of	G.O. Utilities Revenue Bonds, Series 2009E	4,465,000	11/19/2009
Duluth, City of	Taxable G.O. Capital Improvement Bonds (Build America Bonds - Direct Pay) Series 2009C	11,905,000	11/19/2009
Hennepin County	G.O. Bonds, Series 2009C	27,980,000	11/18/2009
Hennepin County	Taxable G.O. Bonds (Build America Bonds), Series 2009D	52,020,000	11/18/2009
Hennepin County	G.O. Refunding Bonds, Series 2009B	108,530,000	11/10/2009
Rice County	Taxable G.O. Capital Improvement Bonds (Build America Bonds) Series 2009	15,000,000	11/09/2009

Issuer Name	Type of Financing	Par Amount	Sale Date
East Grand Forks ISD No. 595	G.O. Aid Anticipation Certificates of Indebtedness of 2009	2,200,000	10/26/2009
Minneapolis Special School District #1	G.O. Refunding Bonds, Series 2009A	9,590,000	10/13/2009
Minneapolis Special School District #1	Refunding Certificates of Participation, Series 2009B	22,850,000	10/13/2009
New London-Spicer ISD No 345	G.O. Taxable OPEB Bonds, Series 2009	2,220,000	09/28/2009
Itasca County	G.O. Refunding Bonds, Series 2009C	615,000	09/22/2009
Itasca County	Taxable G.O. Nursing Home Revenue Bonds, Series 2009A (Build America Bonds - Direct Pay)	4,605,000	09/22/2009
Itasca County	Taxable G.O. Nursing Home Revenue Bonds, Series 2009B (RZEDBs) (BABs)	1,490,000	09/22/2009
Faribault County	Taxable G.O. Waste Disposal Bonds of 2009	1,500,000	09/15/2009
Three Rivers Park District	G.O. Bonds, Series 2009B	4,410,000	09/10/2009
Three Rivers Park District	G.O. Capital Equipment Notes, Series 2009C	685,000	09/10/2009
Litchfield ISD No. 465	Aid Anticipation Certificates of Indebtedness of 2009	5,000,000	08/24/2009
Holdingford ISD #738	G.O. Aid Anticipation Certificates of Indebtedness of 2009	2,500,000	08/19/2009
Minnesota, State of	Certificates of Participation, Series 2009	74,980,000	08/18/2009
Watsonwan County Red Rock Rural Water System	G.O. Water Revenue Refunding Bonds, Series 2009	1,600,000	08/18/2009
Wadena-Deer Creek ISD	G.O. Aid Anticipation Certificates of	2,000,000	08/17/2009
Jackson County Red Rock Rural Water System	G.O. Water System Revenue Refunding Bonds, Series 2009	1,745,000	08/11/2009
Hayfield, City of MN	G.O. Water and Sewer Revenue Refunding Bonds, Series 2009	610,000	07/27/2009
New Ulm, City of	G.O. Refunding Sales Tax Revenue Bonds, Series 2009C	6,400,000	07/21/2009
New London-Spicer ISD No 345	G.O. Aid Anticipation Certificates of	3,950,000	07/13/2009
Southern Minnesota Municipal Power Agency ("SMMPA")	Power Supply System Revenue Bonds, Series 2009A	76,715,000	07/08/2009
Greenbush, City of	G.O. Temporary Water Revenue Bonds, Series 2009	1,065,000	07/07/2009
Vergas, City of	G.O. Water and Sewer Revenue Refunding Bonds, Series 2009	475,000	06/30/2009
Grant County Housing and Redevelopment Authority	Housing Development Refunding Bonds, Series 2009A	1,055,000	06/11/2009
New Ulm, City of	G.O. Permanent Improvement Revolving Fund Bonds, Series 2009A	2,620,000	06/02/2009
New Ulm, City of	G.O. Refunding Permanent Improvement Revolving Fund Bonds, Series 2009B	1,695,000	06/02/2009
Staples Economic Development Authority	Public Facilities Lease Revenue Bonds, Series 2009 (Build America Bonds)	630,000	05/26/2009
Nobles County	G.O. Temporary Water System Bonds, Series 2009A (Lincoln-Pipestone Rural Water System)	8,500,000	05/18/2009
Staples, City of	G.O. Library Bonds, Series 2009A (Build America Bonds)	1,975,000	05/12/2009
McLeod County	G.O. Capital Notes, Series 2009	3,000,000	05/05/2009
Wayzata, City of	G.O. Street Reconstruction Bonds, Series	370,000	05/05/2009
Wayzata, City of	G.O. Tax Increment Refunding Bonds, Series 2009C	885,000	05/05/2009

Issuer Name	Type of Financing	Par Amount	Sale Date
Wayzata, City of	G.O. Water Revenue Bonds, Series 2009A	3,870,000	05/05/2009
Nisswa, City of	Liquor Facilities Revenue Bond, Series 2009	257,000	04/28/2009
Polk County	G.O. Drainage Bonds, Series 2009	925,000	04/07/2009
Bemidji, City of	G.O. Street Reconstruction and Refunding Bonds, Series 2009C	1,855,000	04/06/2009
Bemidji, City of	G.O. Water and Sewer Revenue Refunding Bonds, Series 2009B	2,195,000	04/06/2009
Hallock, City of	G.O. Water Revenue Bonds, Series 2009	650,000	04/06/2009
Hennepin County	G.O. Bonds, Series 2009A	60,000,000	03/31/2009
Yellow Medicine County	G.O. Capital Equipment Notes, Series 2009	695,000	03/10/2009
Ideal Township	G.O. Certificates of Indebtedness of 2009	270,000	02/09/2009
Duluth, City of	G.O. Utilities Revenue Bonds, Series 2009A	1,640,000	02/05/2009
Bemidji, City of	G.O. Temporary Sales Tax Revenue Bonds, Series 2009	44,000,000	01/26/2009
Three Rivers Park District	G.O. Refunding Bonds, Series 2009A	11,655,000	12/18/2008
Minnesota Office of Higher Education	Adjustable Rate Supplemental Student Loan Program Revenue Bonds 2008 Series A	66,700,000	12/17/2008
Minnesota Office of Higher Education	Adjustable Rate Supplemental Student Loan Program Revenue Bonds 2008 Series B	33,300,000	12/17/2008
Duluth, City of	G.O. Capital Improvement Bonds, Series 2008D	1,600,000	11/20/2008
Duluth, City of	G.O. Equipment Certificates of Indebtedness, Series 2008E	2,515,000	11/20/2008
Duluth, City of	G.O. Street Improvement Refunding Bonds, Series 2008F	3,055,000	11/20/2008
Duluth, City of	G.O. Tax Increment Refunding Bonds, Series 2008G	1,965,000	11/20/2008
Hennepin County	Lease Revenue Refunding Certificates of Participation, Series 2008F	18,935,000	11/12/2008
Hubbard County Housing & Redevelopment Authority	G.O. Housing Development Revenue Bonds, Series 2008	1,825,000	10/29/2008
Hennepin County	G.O. Bonds, Series 2008D	63,335,000	10/28/2008
Hennepin County	G.O. Capital Notes, Series 2008E	15,000,000	10/08/2008
St. Louis, County of	G.O. Capital Equipment Notes, Series 2008A	3,580,000	10/07/2008
St. Louis, County of	G.O. Capital Improvement Bonds, Series 2008B	11,380,000	10/07/2008
Bemidji, City of	Lease Revenue Refunding Bonds, Series 2008	6,395,000	09/15/2008
Stearns County	G.O. Capital Improvement Refunding Bonds, Series 2008B	1,800,000	09/12/2008
Minneapolis Special School District #1	G.O. Bonds, Series 2008	24,645,000	09/09/2008
Staples, City of	G.O. Improvement Bonds of 2008	500,000	09/09/2008
East Grand Forks ISD No. 595	G.O. Aid Anticipation Certificates of	1,000,000	09/08/2008
Litchfield ISD No. 465	G.O. Aid Anticipation Certificates of	3,750,000	09/08/2008
Meeker County	G.O. State Aid Highway Bonds of 2008	3,000,000	09/08/2008
Itasca County	G.O. Capital Improvement Bonds, Series 2008	6,000,000	08/26/2008
Three Rivers Park District	G.O. Bonds, Series 2008 B	6,450,000	08/21/2008
Three Rivers Park District	G.O. Capital Equipment Notes, Series 2008 C	420,000	08/21/2008
Holdingford ISD #738	G.O. Aid Anticipation Certificates of	1,000,000	08/20/2008
Wadena-Deer Creek ISD	G.O. Aid Anticipation Certificates of	1,225,000	08/18/2008
Bemidji, City of	G.O. Improvement Bonds, Series 2008	4,310,000	08/04/2008

Issuer Name	Type of Financing	Par Amount	Sale Date
Duluth, City of	G.O. Aerial Lift Bridge Improvement Bonds, Series 2008B	1,475,000	07/24/2008
Duluth, City of	G.O. DECC Improvement Bonds, Series of 2008A	40,635,000	07/24/2008
Duluth, City of	G.O. Street Improvement Bonds, Series 2008C	2,320,000	07/24/2008
Minnesota, State of	G.O. State Refunding Bonds, Series 2008C	155,415,000	07/22/2008
Minnesota, State of	G.O. State Trunk Highway Bonds, Series 2008B	33,500,000	07/22/2008
Minnesota, State of	G.O. State Various Purpose Bonds, Series 2008A	275,000,000	07/22/2008
New Ulm, City of	G.O. Public Utility Subordinate Revenue Refunding Bonds, Series 2008	5,815,000	07/22/2008
Mille Lacs County	G.O. Capital Improvement Bonds, Series 2008	7,985,000	07/15/2008
New London-Spicer ISD No 345	G.O. Aid Anticipation Certificates of	3,040,000	07/14/2008
Hallock, City of	G.O. Improvement Bonds, Series 2008	900,000	07/10/2008
Hennepin County	Third Lien Variable Rate, Sales Tax Revenue Bonds (Ballpark Project) Series 2008C	75,000,000	06/25/2008
New Ulm, City of	G.O. Permanent Improvement Revolving Fund Bonds, Series 2008	2,320,000	06/17/2008
Stearns County	G.O. Capital Improvement Bonds, Series 2008A	12,800,000	06/17/2008
Minnesota Lake, City of	G.O. Improvement Bonds, Series of 2008	510,000	06/11/2008
Rice County	G.O. Capital Improvement Bonds, Series 2008	2,000,000	05/12/2008
Hennepin County	Second Lien Sales Tax Revenue Bonds (Ballpark Project) Series 2008B	116,775,000	04/01/2008
Henning ISD No. 545, Minnesota	G.O. Refunding Bonds, Series 2008	2,155,000	03/25/2008
Parkers Prairie, City of	G.O. Wastewater Revenue Bonds, Series	260,000	03/17/2008
Hennepin County	G.O. Bonds, Series 2008A	60,000,000	03/13/2008
Litchfield ISD No. 465	G.O. Refunding Bonds, Series 2008	3,340,000	03/10/2008
Three Rivers Park District	G.O. Refunding Bonds, Series 2008A	2,585,000	03/06/2008
Polk County	G.O. State Aid Highway Bonds, Series 2008B	4,000,000	03/04/2008
New London-Spicer ISD No 345	G.O. Refunding Bonds, Series 2008	4,955,000	02/25/2008
Metropolitan Council	G.O. Transit Bonds, Series 2008B	40,300,000	02/20/2008
Metropolitan Council	G.O. Waste Water Revenue Bonds, Series 2008C	80,000,000	02/20/2008
Metropolitan Council	G.O. Waste Water Revenue Refunding Bonds, Series 2008D	8,955,000	02/20/2008
Yellow Medicine County	G.O. Water Revenue Refunding Bonds, Series 2008	5,845,000	02/12/2008
Cottonwood, City of	G.O. Improvement Refunding Bonds, Series	400,000	02/07/2008
Duluth, City of	G.O. Tax and Aid Anticipation Certificates of Indebtedness of 2008	18,500,000	02/07/2008
Graceville, City of	(Big Stone County) G.O. Water Revenue Refunding Bonds, Series 2008	300,000	01/10/2008
Minnesota Public Facilities Authority	Transportation Revenue Bonds Series 2008A (Metropolitan Council Project)	7,700,000	01/08/2008
Bemidji, City of	Taxable G.O. Temporary Bonds, Series 2008	14,500,000	01/07/2008
Duluth, City of	G.O. Capital Improvement Bonds	1,240,000	12/29/2007
Polk County	G.O. Refunding Bonds, Series 2008A	595,000	12/18/2007

Issuer Name	Type of Financing	Par Amount	Sale Date
Robbinsdale ISD Number 281	G.O. School Building Refunding Bonds, Series 2007	6,530,000	12/17/2007
Minneapolis Special School District #1	G.O. Bonds, Series of 2007, Special School District No 1	28,845,000	12/11/2007
Duluth, City of	G.O. DECC Improvement Refunding Bonds	3,760,000	11/29/2007
Duluth, City of	G.O. Equipment Certificates of Indebtedness	1,985,000	11/29/2007
Duluth, City of	G.O. Sewer Utility Revenue Bonds	2,120,000	11/29/2007
Duluth, City of	G.O. Street Improvement Bonds	2,285,000	11/29/2007
Duluth, City of	G.O. Water and Sewer Utility Revenue Refunding Bonds	2,275,000	11/29/2007
Duluth ISD #709	G.O. School Building Refunding Bonds, Series 2007	4,180,000	11/20/2007
Baxter, City of	(Crow Wing County) G.O. Improvement Bonds Series 2007B	3,425,000	11/15/2007
Mahnomen, City of	G.O. Improvement Refunding Bonds	800,000	11/05/2007
Ulen-Hitterdal ISD No. 914	G.O. Refunding Bonds, Series 2007	3,090,000	11/01/2007
Glyndon, City of	G.O. Improvement Bonds of 2007	1,415,000	10/10/2007
Minnesota Public Facilities Authority	Clean Water Revenue Bonds, Series 2007B	80,000,000	10/10/2007
New Ulm, City of	G.O. Improvement Bonds, Series 2007	775,000	10/02/2007
Bemidji, City of	G.O. Bonds, Series 2007	4,810,000	09/17/2007
Litchfield ISD No. 465	G.O., Aid Anticipation Certificates of Indebtedness	3,750,000	09/10/2007
Menahga, City of	(Wadena County) G.O. Refunding Bonds, Series 2007B	1,150,000	09/10/2007
Three Rivers Park District	G.O. Bonds, Series 2007A	14,360,000	09/06/2007
Three Rivers Park District	G.O. Capital Equipment Notes, Series 2007B, Three Rivers Park District, Minnesota	545,000	09/06/2007
Hopkins School District	G.O. Aid Anticipation Certificates of Indebtedness of 2007 ISD No. 270 (Hopkins) Hennepin County, Minnesota	2,900,000	08/23/2007
New Ulm, City of	G.O. Public Utility Subordinated Revenue Bonds, Series 2007	2,375,000	08/21/2007
Polk County	G.O. Bonds of 2007	1,645,000	08/21/2007
Wadena-Deer Creek ISD	G.O. Aid Anticipation Certificates of	1,225,000	08/20/2007
Holdingford ISD #738	G.O. Aid Anticipation Certificates of	1,465,000	08/14/2007
Itasca County	G.O. Capital Improvement Bonds of 2007	10,000,000	08/14/2007
East Grand Forks ISD No. 595	G.O. Aid Anticipation Certificates of	1,425,000	08/13/2007
Menahga, City of	G.O. Sewer Revenue Bonds, Series 2007	1,085,000	08/13/2007
New London-Spicer ISD No 345	G.O. Aid Anticipation Certificates of	3,520,000	08/13/2007
Faribault County	G.O. Jail Bonds, Series 2007A	10,000,000	08/07/2007
Faribault County	Taxable G.O. Waste Disposal Bonds, Series 2007B	750,000	08/07/2007
Thompson, Town of	G.O. Bonds, Series 2007	1,750,000	07/19/2007
Murray County	G.O. Sewer Revenue Bonds, Series 2007	1,715,000	07/17/2007
Hennepin County	G.O. Bonds, Series 2007A	73,140,000	07/11/2007
Litchfield ISD No. 465	G.O. Capital Facilities Bonds, Series 2007	475,000	07/09/2007
Hallock, City of	G.O. Improvement Bonds, Series 2007	765,000	06/27/2007
New Ulm, City of	G.O. Permanent Improvement Revolving Fund Bonds, Series 2007	2,585,000	06/13/2007
Minnesota Public Facilities Authority	Clean Water Revenue Bonds, Series 2007A	90,000,000	06/12/2007
St. Louis, County of	G.O. Capital Equipment Notes, Series 2007	5,000,000	06/05/2007

**Total Par \$4,745,297,000**  
**Total Issues 277**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60  
61  
62  
63  
64  
65  
66  
67  
68  
69  
70  
71  
72  
73  
74  
75  
76  
77  
78  
79  
80  
81  
82  
83  
84  
85  
86  
87  
88  
89  
90  
91  
92  
93  
94  
95  
96  
97  
98  
99  
100