



Minneapolis Office:
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 www.daviddrown.com

March 7, 2013

RECOMMENDATIONS

City Council
 Ms. Rena Weber, City Administrator
 City of Rockville
 PO Box 93, 209 Broadway St. E.
 Rockville, MN 56369

RE: Refunding of Bonds

Dear Council Members and Ms. Weber:

On February 19th, the Finance committee and council directed DDA to move forward with a plan to refund three (3) outstanding bond issues. This letter outlines our recommendations to accomplish this.

\$1,975,000 G.O. CIP Bonds, Series 2014A (Refunds the 2005A City Hall and Fire Station Lease)

Back in 2005, the City and EDA issued a \$2,565,000 Lease Revenue Bond to finance a City Hall and Fire Station Project. This debt carries an interest rate of about 4.75%. Today's interest rates are currently around 2.00% -- this lower rate is due in part to a recent upgrade of the City's bond rating from AA- to AA+. Although the old debt cannot be repaid until August 1, 2015, the refunding can be completed now using an advance refunding technique.

Advance refunding the prior bonds at current market rates and using a \$222,225 reserve fund which is no longer needed to buy down principal, future annual payments will be about \$40,000 lower each year, or \$500,000 lower over the life of the issue. In "today" dollars this reduction is worth over \$200,000. (This reduction takes into account all transaction costs, including about \$50,000 of duplicate interest expense while two bonds are outstanding.) (See attached savings analysis.)

We worked with Rena, we have already completed the rating process with Standard & Poors and are ready to proceed with a competitive sale. Instead of waiting a full five (5) weeks for your next regular council meeting, we ask the Council to consider scheduling a special meeting for Wednesday, March 19th to evaluate bid results and consider award. Closing will be delayed until May 1st

Action Required:

Adoption of a Resolution providing for the competitive Sale of \$1,975,000 G.O. CIP Bonds to be held at a special meeting on Wednesday, March 19, 2014.

\$176,000 G.O. Improvement Refunding Bonds, Series 2014B (Refunding the 2008A Bonds for Co. Rd 82 and S.J Lewis)

In 2008, the City issued \$230,000 of bonds to reconstruct Co. Rd. 82 and provide improvements serving S.J. Lewis. As a part of that project, the City deferred the assessment on the Molitor property until 2015 when it would be paid in full. The bond issue incorporated a large principal payment (a balloon payment) in 2017 in anticipation of this large lump sum payment. This lump sum payment is not expected to be collected.

We recommend these bonds be refunded and restructured so that the balloon payment can be spread out over four (4) additional years to keep bond payments equal. Although the longer term means

additional interest expense, the savings generated by lowering the interest rate from 4.5% to 2.1% will cover the extra interest expense plus all transaction costs. So, overall bond payments will remain the same. (See attached savings analysis.)

Given the small size of the issue, we have applied for and received a funding commitment from the MN Rural Water Association's micro loan program to complete the refunding at a single fixed interest rate of 2.1%. We believe this is the most cost effective means to complete this transaction and recommend you proceed using this funding source.

Action Required:

Adoption of a Resolution providing for the sale of \$176,000 GO Improvement Refunding Bonds, Series 2014B

\$539,000 G.O. Partial Refunding Water Revenue Bonds, Series 2014C

(Refunding of a portion of the 2009A bonds associated with the Pleasant Lake Water Tower)

In 2005, the City issued bonds to finance water system improvements in the Pleasant Lake area. That bond also included a \$500,000 "balloon" maturity on 2/1/2016 that was expected to be covered by a lump sum assessment payment. This balloon feature was retained when the bonds were refunded in 2009. Since a lump sum assessment payment is no longer expected to be received, refunding only the \$500,000 balloon payment to spread out payments over a 7-year period will avoid a large depletion of water fund reserves. (See attached bond payment schedule)

We have considered combining this partial refunding as a part of the competitive bond sale. However, the accounting complexities that would result would far overshadow any minor cost savings of combining issues. Accordingly, we have applied for and received funding commitment from the MN Rural Water Association's MIDI loan program to complete the refunding at a single fixed interest rate of 2.6%. We believe this is a cost effective means to complete this transaction.

Action Required:

Adoption of a Resolution providing for the sale of \$539,000 GO Partial Crossover Utility Revenue Bonds, Series 2014C.

I will attend the March 12th Council meeting to discuss these recommendations.

Yours truly,



David P. Drown, President
David Drown Associates, Inc.

City of Rockville, Minnesota

GO CIP Full Adv Refunding 2014A

\$1,975,000

Gross Debt Service Comparison

Date	Principal	Coupon	Interest	New D/S	OLD D/S	Savings
02/01/2015	115,000.00	0.300%	23,913.75	138,913.75	179,450.00	40,536.25
02/01/2016	110,000.00	0.400%	31,540.00	141,540.00	180,837.50	39,297.50
02/01/2017	145,000.00	0.550%	31,100.00	176,100.00	217,012.50	40,912.50
02/01/2018	145,000.00	0.800%	30,302.50	175,302.50	216,487.50	41,185.00
02/01/2019	150,000.00	1.000%	29,142.50	179,142.50	215,750.00	36,607.50
02/01/2020	155,000.00	1.350%	27,642.50	182,642.50	219,450.00	36,807.50
02/01/2021	155,000.00	1.650%	25,550.00	180,550.00	217,700.00	37,150.00
02/01/2022	160,000.00	1.950%	22,992.50	182,992.50	220,337.50	37,345.00
02/01/2023	160,000.00	2.100%	19,872.50	179,872.50	217,500.00	37,627.50
02/01/2024	165,000.00	2.200%	16,512.50	181,512.50	219,000.00	37,487.50
02/01/2025	170,000.00	2.350%	12,882.50	182,882.50	220,000.00	37,117.50
02/01/2026	170,000.00	2.500%	8,887.50	178,887.50	220,500.00	41,612.50
02/01/2027	175,000.00	2.650%	4,637.50	179,637.50	220,500.00	40,862.50
Total	\$1,975,000.00	-	\$284,976.25	\$2,259,976.25	\$2,764,525.00	\$504,548.75

PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	433,776.40
Transfers from Prior Issue DSR Fund	(222,225.00)
Contingency or Rounding Amount	3,168.75
Net Present Value Benefit	\$214,720.15
Net PV Benefit / \$2,000,000 Refunded Principal	10.736%
Net PV Benefit / \$1,975,000 Refunding Principal	10.872%

Refunding Bond Information

Refunding Dated Date	5/01/2014
Refunding Delivery Date	5/01/2014

City of Rockville, Minnesota

\$176,000

G.O. Improvement Refunding Bonds, Series 2014B
(MN Rural Water MODIFIED Micro-Loan)

Uses of Funds

Cost to Call Prior Bonds @ Par	170,000.00
Acc'd Interest on Prior Bonds (2/1 to 5/1)	1,912.50
Costs of Issuance	3,800.00
Surplus Funds	287.50
	<u>176,000.00</u>

Sources of Funds

Par Amount of Issue	176,000.00
Cash Contribution	-
	<u>176,000.00</u>

FINAL
Current Refunding of 2008A
2/24/2014

Prior Bonds

2008A GO Imp Bonds

Payment Date	Principal	Rate	Interest	Payment Total	ANNUAL
2/1/2014	Last Payment Date				
8/1/2014	15,000	4.50%	3,825	3,825	22,650
2/1/2015	15,000	4.50%	3,488	18,825	21,975
8/1/2015	100,000	4.50%	3,150	3,150	106,300
2/1/2016	20,000	4.50%	900	900	21,800
8/1/2016	20,000	4.50%	450	450	20,900
2/1/2017	20,000	4.50%	450	20,450	-
8/1/2017					-
2/1/2018					-
8/1/2018					-
2/1/2019					-
8/1/2019					-
2/1/2020					-
8/1/2020					-
2/1/2021					-
8/1/2021					-
2/1/2022					-
8/1/2022					-
2/1/2023					-
	<u>170,000</u>		<u>23,625</u>	<u>193,625</u>	

New Bonds

Refunding Payment Schedule

Payment Date	Principal	Rate	Interest	Payment Total	Annual Proceeds >>	Savings
5/1/2014	Dated Date of New Bonds					
8/1/2014	19,000	2.10%	2,772	21,772	21,772	288
2/1/2015	-		1,649	1,649	1,649	878
8/1/2015	18,000	2.10%	1,649	19,649	21,297	678
2/1/2016	-		1,460	1,460	1,460	-
8/1/2016	19,000	2.10%	1,460	20,460	21,919	84,381
2/1/2017	-		1,260	1,260	1,260	-
8/1/2017	19,000	2.10%	1,260	20,260	21,520	280
2/1/2018	-		1,061	1,061	1,061	-
8/1/2018	19,000	2.10%	1,061	20,061	21,121	(196)
2/1/2019	-		861	861	861	-
8/1/2019	20,000	2.10%	861	20,861	21,722	(21,722)
2/1/2020	-		651	651	651	-
8/1/2020	20,000	2.10%	651	20,651	21,302	(21,302)
2/1/2021	-		441	441	441	-
8/1/2021	21,000	2.10%	441	21,441	21,882	(21,882)
2/1/2022	-		221	221	221	-
8/1/2022	21,000	2.10%	221	21,221	21,441	(21,441)
2/1/2023						
	<u>176,000</u>		<u>17,976</u>	<u>193,976</u>	<u>193,976</u>	<u>(64)</u>

City of Rockville, Minnesota

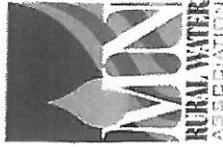
\$539,000

General Obligation Partial Crossover Utility Revenue Bonds, Series 2014C

PAYMENT SCHEDULE AND CASHFLOW

2.24.2014

FINAL



Partial Crossover Refunding of 2009A

Payment Date	Note Payments			Payment Total	Annual plus 5%	Budget Year	Budget Revenues			D/S Fund Balance		
	Principal	Rate*	Interest				Escrow Revenues	Utility Revenues	Revs for Coverage	Surplus (deficit)	Account Balance	
5/1/2014												886
8/1/2014			3,503.50	3,503.50								
2/1/2015			7,007.00	7,007.00	11,036	N/A	10,511	-	526			
8/1/2015			7,007.00	7,007.00								
2/1/2016	-	2.600%	7,007.00	7,007.00	14,715	N/A	14,014		701			
8/1/2016			7,007.00	7,007.00								
2/1/2017	71,000	2.600%	7,007.00	78,007.00	89,265	2016	-	84,129	4,251	(886)		
8/1/2017			6,084.00	6,084.00								
2/1/2018	73,000	2.600%	6,084.00	79,084.00	89,426	2017	-	85,168	4,258	-		
8/1/2018			5,135.00	5,135.00								
2/1/2019	75,000	2.600%	5,135.00	80,135.00	89,534	2018	-	85,270	4,264	-		
8/1/2019			4,160.00	4,160.00								
2/1/2020	77,000	2.600%	4,160.00	81,160.00	89,586	2019	-	85,320	4,266	-		
8/1/2020			3,159.00	3,159.00								
2/1/2021	79,000	2.600%	3,159.00	82,159.00	89,584	2020	-	85,318	4,266	-		
8/1/2021			2,132.00	2,132.00								
2/1/2022	81,000	2.600%	2,132.00	83,132.00	89,527	2021	-	85,264	4,263	-		
8/1/2022			1,079.00	1,079.00								
2/1/2023	83,000	2.600%	1,079.00	84,079.00	89,416	2022	-	85,158	4,258	-		
	539,000		82,036.50	621,036.50	652,088		24,525	595,627	31,052	(886)		

Prepared by: David Drown Associates, Inc.
612-920-3320

Cashflow

EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF THE
CITY OF ROCKVILLE, MINNESOTA

HELD: 12 March, 2014

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Rockville, Stearns County, Minnesota, was duly held at the City Hall in said City on the 12th day of March, 2014, beginning at 6:00 o'clock p.m. for the purpose, in part, of authorizing the competitive negotiated sale of the \$1,975,000 General Obligation Capital Improvement Plan Bonds, Series 2014A, of said City.

The following Council members were present:

and the following were absent:

Councilmember _____ introduced the following resolution and moved its adoption:

RESOLUTION 2014- 05
PROVIDING FOR THE COMPETITIVE NEGOTIATED SALE OF
\$1,975,000 GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2014A

A. WHEREAS, the City Council of the City of Rockville, Minnesota (the "City"), has heretofore determined that it is necessary and expedient to issue the City's \$1,975,000 General Obligation Capital Improvement Plan Bonds, Series 2014A (the "Bonds") to provide for a full advance refunding of the \$2,565,000 EDA Public Project Revenue Bonds, Series 2005A of the City and of the Economic Development Authority ("EDA") of the City;

B. WHEREAS, the City has retained David Drown Associates, Inc., in Minneapolis, Minnesota ("David Drown"), as its independent financial advisor for the Bonds and Certificates and is therefore authorized to sell the Bonds and Certificates by a competitive negotiated sale in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9):

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

1. Authorization. The Council hereby authorizes David Drown to solicit bids for the competitive negotiated sale of the Bonds and Certificates.
2. Meeting; Bid Opening. The Council shall meet at the time and place specified in the Terms of Offering attached hereto as Exhibit A for the purpose of considering sealed bids for, and awarding the sale of, the Bonds and Certificates. The City Administrator, or designee, shall open bids at the time and place specified in such Terms of Offering.
3. Terms of Offering. The terms and conditions of the Bonds and Certificates and the negotiation thereof are fully set forth in the "Terms of Offering" attached hereto as Exhibit A and hereby approved and made a part hereof.
4. Official Statement. In connection with said competitive negotiated sale, the officers or employees of the City are hereby authorized to cooperate with David Drown and participate in

the preparation of an official statement for the Bonds and Certificates and to execute and deliver it on behalf of the City upon its completion.

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

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Approved this 12th day of March, 2014.

STATE OF MINNESOTA)
COUNTY OF STEARNS)
CITY OF ROCKVILLE)

I, the undersigned, being the duly qualified and acting Administrator of the City of Rockville, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the City's \$1,975,000 General Obligation Capital Improvement Plan Bonds, Series 2014A..

WITNESS my hand as such Administrator of the City this 12th day of March 2014.

Rena Weber
City Administrator

EXHIBIT A

TERMS OF OFFERING

City of Rockville, Minnesota

\$1,975,000

General Obligation Capital Improvement Plan Bonds, Series 2014A

(BOOK ENTRY ONLY)

TERMS OF PROPOSAL

Proposals for the Bonds will be received on Wednesday, 19 March, 2014 at 11:00 A.M. Central Time, at the offices of David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at 6:00 p.m., Central Time, on that same date.

SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 605-2375 to David Drown Associates, Inc. Signed Proposals, without final price or coupons, may be submitted to David Drown Associates, Inc. prior to the time of sale. The bidder shall be responsible for submitting to David Drown Associates, Inc. the final Proposal price and coupons, by telephone (612) 920-3320 or fax (612) 605-2375 for inclusion in the submitted Proposal. David Drown Associates, Inc. will assume no liability for the inability of the bidder to reach David Drown Associates, Inc. prior to the time of sale specified above.

Notice is hereby given that electronic proposals will be received via PARITY[®], in the manner described below, until 11:00 a.m., local time on 19 March, 2014. Bids may be submitted electronically via PARITY[®] pursuant to this Notice until 11:00 a.m., local time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY[®] conflict with this Notice, the terms of this Notice shall control. For further information about PARITY[®], potential bidders may contact David Drown Associates, Inc. or PARITY[®] at (212) 806-8304.

Neither the City of Rockville nor David Drown Associates, Inc. assumes any liability if there is a malfunction of PARITY. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner of the Proposal submitted.

DETAILS OF THE BONDS

The Bonds will be dated May 1, 2014, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2015. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2015	\$ 115,000	2021	\$ 155,000
2016	110,000	2022	160,000
2017	145,000	2023	160,000
2018	145,000	2024	165,000
2019	150,000	2025	170,000
2020	155,000	2026	170,000
		2027	175,000

TERM BOND OPTION

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds; provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

REGISTRAR

The City will name Northland Trust Services, Inc., Minneapolis, MN, as registrar for the Bonds. Northland Trust shall be subject to applicable SEC regulations. The City will pay for the services of the registrar.

OPTIONAL REDEMPTION

The City may elect on February 1, 2023 and on any day thereafter, to prepay Bonds due on or after February 1, 2024. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes.

TYPE OF PROPOSALS

Proposals shall be for not less than \$1,950,312.50 (98.75%) and accrued interest on the total principal amount of the Bonds. The apparent low-bidder as notified by David Drown Associates, Inc. shall wire, to a designated account, a good faith amount of \$39,500 by 3:00 p.m. on the date of sale. If the good faith wire transfer is not in process prior to the award, the City shall retain the right to reject the bid. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

AWARD

The proposals will be evaluated on the basis of the lowest interest rate to be determined on a net interest cost (NIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. The City will reserve the right to waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, reject all proposals without cause, and reject any proposal, which the City determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

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

CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The purchaser shall pay the CUSIP Service Bureau charge for the assignment of CUSIP identification numbers.

SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the City and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of bond counsel, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

FULL CONTINUING DISCLOSURE

On the date of the actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking where under the City will covenant to provide, or cause to be provided annual financial information, including audited financial statements of the City, and notices of certain material events, as specified in and required by SEC Rule 15c2-12(b)(5). A description of the City's undertaking is set forth in the Official Statement.

OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the City, David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota 55410, and telephone (612) 920-3320.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 25 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated 12 March, 2014

BY ORDER OF THE CITY COUNCIL

/s/ Rena Weber
City Administrator