

February 10, 2020

Pre-Sale Report for

City of Chanhassen, Minnesota

\$6,795,000 General Obligation Utility Revenue Bonds,  
Series 2020A



**Prepared by:**

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## Executive Summary of Proposed Debt

Proposed Issue:	\$6,795,000 General Obligation Utility Revenue Bonds, Series 2020A (the “Bonds”)
Purposes:	<p>The proposed issue includes fixed-rate, tax-exempt financing for the various utility system improvement projects identified within the City’s capital improvement plan. Inclusive of estimated financing costs, the Bonds are sized as follows:</p> <ul style="list-style-type: none"> <li>• \$4,700,000 for water system improvements. Debt service will be paid from net revenues of the water fund collected from 2020 to 2030.</li> <li>• \$715,000 for sanitary sewer system improvements. Debt service will be paid from net revenues of the sanitary sewer fund collected from 2020 to 2029.</li> <li>• \$1,380,000 storm water system improvements. Debt service will be paid from net revenues of the storm water fund collected from 2020 to 2029.</li> </ul>
Authority:	<p>The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 &amp; 475.</p> <p>Chapter 444 allows cities to issue debt without limitation as long as debt service is expected to be paid from water, sewer and storm water revenues.</p>
Term/Call Feature:	<p>The Bonds are being issued for a term of 10 years, 10 months in total. Principal on the Bonds will be due on February 1 in the years 2021 through 2031. Interest is payable every six months beginning February 1, 2021.</p> <p>The Bonds will be subject to prepayment at the discretion of the City on February 1, 2027 or any date thereafter at a price of par plus accrued interest.</p>
Bank Qualification:	<p>Because the City is expecting to issue no more than \$10,000,000 in tax exempt debt during the calendar year, the City will be able to designate the Bonds as “bank qualified” obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.</p>
Rating:	<p>The City’s most recent bond issues were rated by Standard &amp; Poor’s. The current ratings on those bonds are “AAA”. The City will request a new rating for the Bonds.</p>
Method of Sale/Placement:	<p>We will solicit competitive bids for the purchase of the Bonds from underwriters and banks. We will include an allowance for discount bidding in the terms of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.</p> <p>If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to reduce the final borrowing amount.</p>
Premium Pricing:	<p>In some cases, investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the</p>

	<p>face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.” The underwriter of the bonds will retain a portion of this reoffering premium as their compensation (or “discount”) and pay the remainder to the City as additional net proceeds for the projects.</p> <p>The amount of the premium varies, but it is not uncommon to see premiums for new issues in the range of 2.00% to 10.00% of the face amount of the issue. This means that an issuer with a \$6,000,000 offering may receive bids that result in proceeds of \$6,120,000 to \$6,600,000.</p> <p>The amount of premium can be restricted in the bid specifications. Be advised that restrictions on premium may result in fewer bids, but may also eliminate large adjustments on the day of sale and unintended impacts with respect to debt service payments. Ehlers will identify appropriate bidding parameters for the Bonds intended to achieve the City’s objectives for available funds to construct the utility system projects.</p>
Review of Existing Debt:	<p>We have reviewed all outstanding indebtedness for the City and find that there are no viable refunding opportunities to consider at this time. We will continue to monitor the market and the call dates for the City’s outstanding debt and will alert you to any future refunding opportunities as they arise.</p>
Continuing Disclosure:	<p>The City will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually, as well as providing notices of the occurrence of certain reportable events to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC).</p> <p>The City is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.</p>
Arbitrage Monitoring:	<p>Because the Bonds tax-exempt obligations, the City must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Arbitrage Certificate prepared by your Bond Attorney and provided at closing. You have retained Ehlers to assist you with compliance with these rules.</p> <p><b>Two-Year Spending Exception (24-month)</b> – The City expects to meet the two-year expenditure exception for the construction of its utility projects. If the City fails to meet the exception, it will rebate any arbitrage earnings subject to the regulations.</p>
Risk Factors:	<p><b>Utility Revenues:</b> The City expects to pay debt service of the Bonds with utility funds. If utility revenue is inadequate in the future, the City may have to use general funds or levy taxes to provide for all or a portion of the debt service shortfall.</p>
Other Service Providers:	<p>This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers so Ehlers can coordinate their engagement on your behalf. Fees charged by these service providers will be paid from proceeds of the Bonds unless you notify us that you wish to pay them from other</p>

	<p>sources. Our pre-sale bond sizing includes a good faith estimate of these fees, but final fees may vary. If you have any questions pertaining to the service providers or their role, or if you would like to use a different service provider for any of the listed services please contact us.</p> <p><b>Bond Counsel:</b> Taft Stettinius &amp; Hollister LLP (formerly Briggs &amp; Morgan)  <b>Paying Agent:</b> Bond Trust Services Corporation  <b>Rating Agency:</b> S&amp;P Global Ratings (S&amp;P)</p>
<p><b>Basis for Recommendation:</b></p>	<p>Based on the City’s objectives, project funding requirements, our advisory relationship and characteristics of various municipal financing options, we are recommending the issuance of General Obligation Bonds as a suitable option to finance the planned utility projects because:</p> <ul style="list-style-type: none"> <li>• The issuance is consistent with the City’s practices for financing these types of projects and is structured to fit within its long-term financial plans, including its ten-year Utility Rate Study updated in December, 2019.</li> <li>• The General Obligation pledge will result in lower interest rates than other financing options available.</li> <li>• The expectation this form of financing will also meet the City’s objectives for term, structure and optional redemption.</li> <li>• The method of sale process identified herein complies with City policy as well as best practices endorsed by the Government Finance Officers Association (GFOA).</li> </ul>
<p><b>Summary:</b></p>	<p>The decisions to be made by the City Council regarding this report are as follows:</p> <ul style="list-style-type: none"> <li>• Accept or modify the finance assumptions described in this report</li> <li>• Consider the resolution giving preliminary approval to issue the Bonds</li> </ul>

This presale report summarizes our understanding of the City’s objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the City’s objectives.

## Proposed Debt Issuance Schedule

Pre-Sale Review by City Council:	February 10, 2020
Due Diligence Call to review Official Statement:	Week of February 17, 2020
Conference with Rating Agency:	Week of February 17, 2020
Distribute Official Statement:	Week of February 24, 2020
City Council Meeting to Award Sale of the Bonds:	March 9, 2020
Estimated Closing Date:	April 2, 2020

### Attachments

- Estimated Sources and Uses of Funds
- Estimated Proposed Debt Service Schedule
- Resolution Authorizing Ehlers to Proceed With Bonds Sale

### Ehlers Contacts

Municipal Advisors:	Nick Anhut	(651) 697-8507
	Bruce Kimmel	(651) 697-8572
Disclosure Coordinator:	Silvia Johnson	(651) 697-8580
Financial Analyst:	Alicia Gage	(651) 697-8551

The Preliminary Official Statement for this financing will be sent to the City Council at their home or email address for review prior to the sale date.

# City of Chanhassen, Minnesota

\$6,795,000 General Obligation Utility Revenue Bonds, Series 2020A

Issue Summary

Assumes Current Market BQ "AAA" Rates plus 25bps

## Total Issue Sources And Uses

Dated 04/02/2020 | Delivered 04/02/2020

	Water	Sewer	Storm Water	Issue Summary
<b>Sources Of Funds</b>				
Par Amount of Bonds	\$4,700,000.00	\$715,000.00	\$1,380,000.00	\$6,795,000.00
<b>Total Sources</b>	<b>\$4,700,000.00</b>	<b>\$715,000.00</b>	<b>\$1,380,000.00</b>	<b>\$6,795,000.00</b>
<b>Uses Of Funds</b>				
Total Underwriter's Discount (1.000%)	47,000.00	7,150.00	13,800.00	67,950.00
Costs of Issuance	51,184.70	7,786.60	15,028.70	74,000.00
Deposit to Project Construction Fund	4,600,000.00	700,000.00	1,350,000.00	6,650,000.00
Rounding Amount	1,815.30	63.40	1,171.30	3,050.00
<b>Total Uses</b>	<b>\$4,700,000.00</b>	<b>\$715,000.00</b>	<b>\$1,380,000.00</b>	<b>\$6,795,000.00</b>

# City of Chanhassen, Minnesota

## \$6,795,000 General Obligation Utility Revenue Bonds, Series 2020A

### Issue Summary

Assumes Current Market BQ "AAA" Rates plus 25bps

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+	Fiscal Total
04/02/2020	-	-	-	-	-
02/01/2021	205,000.00	1.250%	83,385.69	288,385.69	288,385.69
08/01/2021	-	-	48,917.50	48,917.50	-
02/01/2022	640,000.00	1.250%	48,917.50	688,917.50	737,835.00
08/01/2022	-	-	44,917.50	44,917.50	-
02/01/2023	650,000.00	1.300%	44,917.50	694,917.50	739,835.00
08/01/2023	-	-	40,692.50	40,692.50	-
02/01/2024	660,000.00	1.300%	40,692.50	700,692.50	741,385.00
08/01/2024	-	-	36,402.50	36,402.50	-
02/01/2025	665,000.00	1.350%	36,402.50	701,402.50	737,805.00
08/01/2025	-	-	31,913.75	31,913.75	-
02/01/2026	675,000.00	1.400%	31,913.75	706,913.75	738,827.50
08/01/2026	-	-	27,188.75	27,188.75	-
02/01/2027	680,000.00	1.450%	27,188.75	707,188.75	734,377.50
08/01/2027	-	-	22,258.75	22,258.75	-
02/01/2028	695,000.00	1.550%	22,258.75	717,258.75	739,517.50
08/01/2028	-	-	16,872.50	16,872.50	-
02/01/2029	705,000.00	1.600%	16,872.50	721,872.50	738,745.00
08/01/2029	-	-	11,232.50	11,232.50	-
02/01/2030	715,000.00	1.800%	11,232.50	726,232.50	737,465.00
08/01/2030	-	-	4,797.50	4,797.50	-
02/01/2031	505,000.00	1.900%	4,797.50	509,797.50	514,595.00
<b>Total</b>	<b>\$6,795,000.00</b>	<b>-</b>	<b>\$653,773.19</b>	<b>\$7,448,773.19</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$41,668.63
Average Life	6.132 Years
Average Coupon	1.5689819%
Net Interest Cost (NIC)	1.7320542%
True Interest Cost (TIC)	1.7387736%
Bond Yield for Arbitrage Purposes	1.5646343%
All Inclusive Cost (AIC)	1.9311239%

### IRS Form 8038

Net Interest Cost	1.5689819%
Weighted Average Maturity	6.132 Years

# City of Chanhassen, Minnesota

\$4,700,000 General Obligation Utility Revenue Bonds, Series 2020A

Water

Assumes Current Market BQ "AAA" Rates plus 25bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+	Fiscal Total
04/02/2020	-	-	-	-	-
02/01/2021	-	-	58,504.33	58,504.33	58,504.33
08/01/2021	-	-	35,220.00	35,220.00	-
02/01/2022	440,000.00	1.250%	35,220.00	475,220.00	510,440.00
08/01/2022	-	-	32,470.00	32,470.00	-
02/01/2023	445,000.00	1.300%	32,470.00	477,470.00	509,940.00
08/01/2023	-	-	29,577.50	29,577.50	-
02/01/2024	455,000.00	1.300%	29,577.50	484,577.50	514,155.00
08/01/2024	-	-	26,620.00	26,620.00	-
02/01/2025	460,000.00	1.350%	26,620.00	486,620.00	513,240.00
08/01/2025	-	-	23,515.00	23,515.00	-
02/01/2026	465,000.00	1.400%	23,515.00	488,515.00	512,030.00
08/01/2026	-	-	20,260.00	20,260.00	-
02/01/2027	470,000.00	1.450%	20,260.00	490,260.00	510,520.00
08/01/2027	-	-	16,852.50	16,852.50	-
02/01/2028	480,000.00	1.550%	16,852.50	496,852.50	513,705.00
08/01/2028	-	-	13,132.50	13,132.50	-
02/01/2029	485,000.00	1.600%	13,132.50	498,132.50	511,265.00
08/01/2029	-	-	9,252.50	9,252.50	-
02/01/2030	495,000.00	1.800%	9,252.50	504,252.50	513,505.00
08/01/2030	-	-	4,797.50	4,797.50	-
02/01/2031	505,000.00	1.900%	4,797.50	509,797.50	514,595.00
<b>Total</b>	<b>\$4,700,000.00</b>	<b>-</b>	<b>\$481,899.33</b>	<b>\$5,181,899.33</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$30,328.61
Average Life	6.453 Years
Average Coupon	1.5889265%
Net Interest Cost (NIC)	1.7438957%
True Interest Cost (TIC)	1.7502125%
Bond Yield for Arbitrage Purposes	1.5646343%
All Inclusive Cost (AIC)	1.9333409%

## IRS Form 8038

Net Interest Cost	1.5889265%
Weighted Average Maturity	6.453 Years

# City of Chanhassen, Minnesota

## \$715,000 General Obligation Utility Revenue Bonds, Series 2020A

Sewer

Assumes Current Market BQ "AAA" Rates plus 25bps

### Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/02/2020	-	-	-	-	-
02/01/2021	70,000.00	1.250%	8,490.35	78,490.35	78,490.35
08/01/2021	-	-	4,673.75	4,673.75	-
02/01/2022	70,000.00	1.250%	4,673.75	74,673.75	79,347.50
08/01/2022	-	-	4,236.25	4,236.25	-
02/01/2023	70,000.00	1.300%	4,236.25	74,236.25	78,472.50
08/01/2023	-	-	3,781.25	3,781.25	-
02/01/2024	70,000.00	1.300%	3,781.25	73,781.25	77,562.50
08/01/2024	-	-	3,326.25	3,326.25	-
02/01/2025	70,000.00	1.350%	3,326.25	73,326.25	76,652.50
08/01/2025	-	-	2,853.75	2,853.75	-
02/01/2026	70,000.00	1.400%	2,853.75	72,853.75	75,707.50
08/01/2026	-	-	2,363.75	2,363.75	-
02/01/2027	70,000.00	1.450%	2,363.75	72,363.75	74,727.50
08/01/2027	-	-	1,856.25	1,856.25	-
02/01/2028	75,000.00	1.550%	1,856.25	76,856.25	78,712.50
08/01/2028	-	-	1,275.00	1,275.00	-
02/01/2029	75,000.00	1.600%	1,275.00	76,275.00	77,550.00
08/01/2029	-	-	675.00	675.00	-
02/01/2030	75,000.00	1.800%	675.00	75,675.00	76,350.00
<b>Total</b>	<b>\$715,000.00</b>	<b>-</b>	<b>\$58,572.85</b>	<b>\$773,572.85</b>	<b>-</b>

### Yield Statistics

Bond Year Dollars	\$3,863.85
Average Life	5.404 Years
Average Coupon	1.5159204%
Net Interest Cost (NIC)	1.7009692%
True Interest Cost (TIC)	1.7089457%
Bond Yield for Arbitrage Purposes	1.5646343%
All Inclusive Cost (AIC)	1.9261900%

### IRS Form 8038

Net Interest Cost	1.5159204%
Weighted Average Maturity	5.404 Years

# City of Chanhassen, Minnesota

\$1,380,000 General Obligation Utility Revenue Bonds, Series 2020A

Storm Water

Assumes Current Market BQ "AAA" Rates plus 25bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+	Fiscal Total
04/02/2020	-	-	-	-	-
02/01/2021	135,000.00	1.250%	16,391.01	151,391.01	151,391.01
08/01/2021	-	-	9,023.75	9,023.75	-
02/01/2022	130,000.00	1.250%	9,023.75	139,023.75	148,047.50
08/01/2022	-	-	8,211.25	8,211.25	-
02/01/2023	135,000.00	1.300%	8,211.25	143,211.25	151,422.50
08/01/2023	-	-	7,333.75	7,333.75	-
02/01/2024	135,000.00	1.300%	7,333.75	142,333.75	149,667.50
08/01/2024	-	-	6,456.25	6,456.25	-
02/01/2025	135,000.00	1.350%	6,456.25	141,456.25	147,912.50
08/01/2025	-	-	5,545.00	5,545.00	-
02/01/2026	140,000.00	1.400%	5,545.00	145,545.00	151,090.00
08/01/2026	-	-	4,565.00	4,565.00	-
02/01/2027	140,000.00	1.450%	4,565.00	144,565.00	149,130.00
08/01/2027	-	-	3,550.00	3,550.00	-
02/01/2028	140,000.00	1.550%	3,550.00	143,550.00	147,100.00
08/01/2028	-	-	2,465.00	2,465.00	-
02/01/2029	145,000.00	1.600%	2,465.00	147,465.00	149,930.00
08/01/2029	-	-	1,305.00	1,305.00	-
02/01/2030	145,000.00	1.800%	1,305.00	146,305.00	147,610.00
<b>Total</b>	<b>\$1,380,000.00</b>	<b>-</b>	<b>\$113,301.01</b>	<b>\$1,493,301.01</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$7,476.17
Average Life	5.418 Years
Average Coupon	1.5154960%
Net Interest Cost (NIC)	1.7000826%
True Interest Cost (TIC)	1.7080438%
Bond Yield for Arbitrage Purposes	1.5646343%
All Inclusive Cost (AIC)	1.9247322%

## IRS Form 8038

Net Interest Cost	1.5154960%
Weighted Average Maturity	5.418 Years