

City of Shakopee, Minnesota Pre-Sale Summary for Issuance of Bonds

\$4,220,000 General Obligation Tax Increment Revenue Bonds, Series 2019A

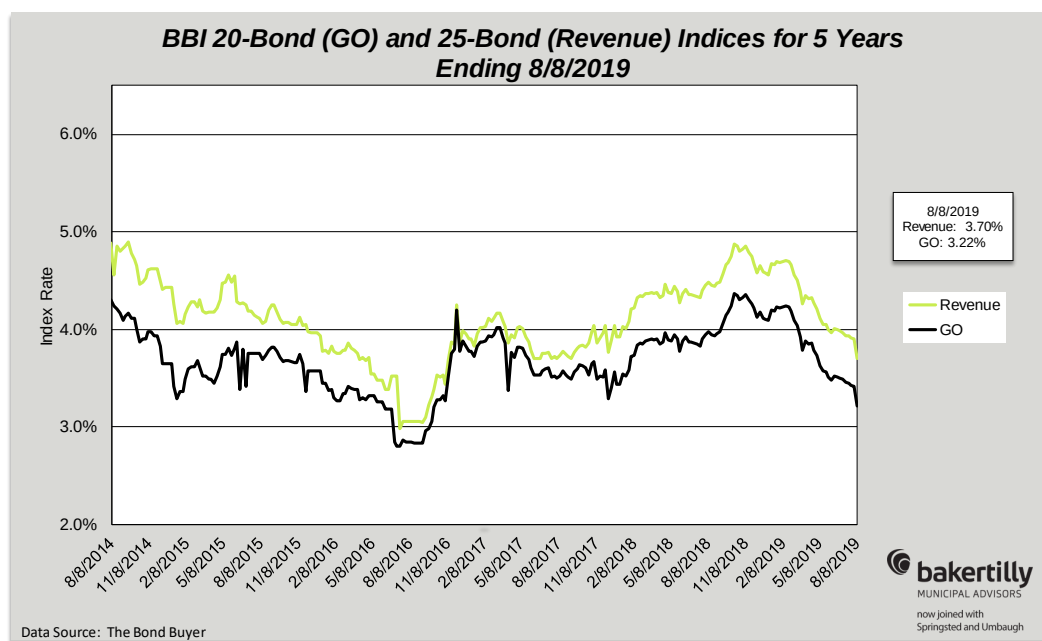
The Council has under consideration the issuance of bonds (the "Bonds") to fund the phase I public improvements to be constructed within the City's Tax Increment Financing (Redevelopment) District No. 18 (the "TIF District"). This document provides information relative to the proposed issuance.

KEY EVENTS: The following summary schedule includes the timing of some of the key events that will occur relative to the bond issuance.

August 20, 2019	Council sets sale date and terms
Week of September 3, 2019	Rating conference is conducted
September 17, 2019, 10:30 a.m.	Competitive proposals are received
September 17, 2019, 7:00 p.m.	Council considers award of the Bonds
October 17, 2019	Proceeds are received

RATING: An application will be made to S&P Global Ratings (S&P) for a rating on the Bonds. The City's general obligation debt is currently rated "Aa1" by Moody's Investor Service.

THE MARKET: Performance of the tax-exempt market is often measured by the Bond Buyer's Index ("BBI") which measures the yield of high grade municipal bonds in the 20th year for general obligation bonds rated Aa2 by Moody's or AA by S&P (the BBI 20-Bond GO Index) and the 30th year for revenue bonds rated A1 by Moody's or A+ by S&P (the BBI 25-Bond Revenue Index). The following chart illustrates these two indices over the past five years.



**POST ISSUANCE
COMPLIANCE:**

The issuance of the Bonds will result in post-issuance compliance responsibilities. The responsibilities are in two primary areas: (i) compliance with federal arbitrage requirements and (ii) compliance with secondary disclosure requirements.

Federal arbitrage requirements include a wide range of implications that have been taken into account as this issue has been structured. Post-issuance compliance responsibilities for this tax-exempt issue include both rebate and yield restriction provisions of the IRS Code. In general terms the arbitrage requirements control the earnings on unexpended bond proceeds, including investment earnings, moneys held for debt service payments (which are considered to be proceeds under the IRS regulations), and/or reserves. Under certain circumstances any “excess earnings” will need to be paid to the IRS to maintain the tax-exempt status of the Bonds. Any interest earnings on gross bond proceeds or debt service funds should not be spent until it has been determined based on actual facts that they are not “excess earnings” as defined by the IRS Code.

The arbitrage rules provide for an exception to the rebate requirements for an issuer that issues \$5 million or less of tax-exempt obligations in a calendar year; therefore, the City will qualify as a small issuer and the Bonds will be exempt from rebate.

Regardless of whether the issue qualifies for an exemption from the rebate provisions, yield restriction provisions will apply to Bond proceeds (including interest earnings) unspent after three years and the debt service fund throughout the term of the Bonds. These moneys should be monitored until the Bonds are retired.

Secondary disclosure requirements result from an SEC requirement that underwriters provide ongoing disclosure information to investors. To meet this requirement, any prospective underwriter will require the City to commit to providing the information needed to comply under a continuing disclosure agreement.

Baker Tilly Municipal Advisors currently provides both arbitrage and continuing disclosure services to the City. Baker Tilly Municipal Advisors will work with the City staff to include the Bonds under the existing Agreement for Municipal Advisor Services.

**SUPPLEMENTAL
INFORMATION AND
BOND RECORD:**

Supplementary information will be available to staff including detailed terms and conditions of sale, comprehensive structuring schedules and information to assist in meeting post-issuance compliance responsibilities.

Upon completion of the financing, a bond record will be provided that contains pertinent documents and final debt service calculations for the transaction.

PURPOSE:

Proceeds of the Bonds will be used to finance various public improvements related to the reconstruction of 12th Avenue within the TIF District which encompasses Canterbury Park.

AUTHORITY:

Statutory Authority: The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475.

Statutory Requirements: In order to issue tax increment supported debt under Minnesota Statutes, Chapter 469, the debt service for projects must be paid, in the aggregate, with at least 20% tax increment revenue. The project being financed is expected to meet this requirement.

**SECURITY AND
SOURCE OF
PAYMENT:**

The Bonds will be a general obligation of the City, secured by its full faith and credit and taxing power. The City will pledge tax increment revenues from the TIF District to the payment of the Bonds. A cash flow projection showing the estimated amount of tax increment revenue to be generated in the TIF District was prepared by Baker Tilly Municipal Advisors and is attached to this Pre-Sale Summary.

The interest payments due on the Bonds August 1, 2020 and February 1, 2021 are due prior to first collection of TIF District revenues and will be paid from capitalized interest included in the principal amount of the Bonds. Thereafter, each year's collection of tax increment revenues is expected be sufficient to pay the interest to come due on August 1 in the year of collection and the principal and interest due February 1 in the following year.

**STRUCTURING
SUMMARY:**

The Bonds have been structured with a term of fifteen years. Principal payments are structured to result in approximately even annual surpluses of the projected TIF District revenues.

**SCHEDULES
ATTACHED:**

Schedules attached include a sources and uses of funds and an estimated net debt service schedule, given the current interest environment.

**ADDITIONAL
ATTACHMENTS:**

In addition to the schedules attached, is an estimate of future year Phase I revenues for the TIF District.

**RISKS/SPECIAL
CONSIDERATIONS:**

The outcome of this financing will rely on the market conditions at the time of the sale. Any projections included herein are estimates based on current market conditions.

Numerous events, including legislative action, can impact the generation of tax increment revenues. In the event tax increment revenues are negatively impacted, the actual tax increment revenues received may not be sufficient to cover 100% of the debt service on the Bonds. In such event, the City would be required to cover the shortfall in tax increment revenues with other available City funds or tax levies.

**SALE TERMS AND
MARKETING:**

Variability of Issue Size: A specific provision in the sale terms permits modifications to the issue size and/or maturity structure to customize the issue once the price and interest rates are set on the day of sale.

Prepayment Provisions: Bonds maturing on or after February 1, 2028 may be prepaid at a price of par plus accrued interest on or after February 1, 2027.

Bank Qualification: The City does not expect to issue more than \$10 million in tax-exempt obligations that count against the \$10 million limit for this calendar year; therefore, the Bonds are designated as bank qualified.

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\$4,220,000

City of Shakopee, Minnesota
General Obligation Tax Increment Revenue Bonds, Series 2019A
Phase I Project

Sources & Uses

Dated 10/17/2019 | Delivered 10/17/2019

Sources Of Funds

Par Amount of Bonds..... \$4,220,000.00

Total Sources..... \$4,220,000.00

Uses Of Funds

Deposit to Project Construction Fund..... 4,000,000.00

Deposit to Capitalized Interest (CIF) Fund..... 110,838.00

Costs of Issuance..... 53,800.00

Total Underwriter's Discount (1.200%)..... 50,640.00

Rounding Amount..... 4,722.00

Total Uses..... \$4,220,000.00

\$4,220,000**City of Shakopee, Minnesota****General Obligation Tax Increment Revenue Bonds, Series 2019A****Phase I Project****NET DEBT SERVICE vs. REVENUE**

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S	105% Overlevy	Phase I TIF Revenue	Srpls (Shrtfall)
02/01/2020	-	-	-	-	-	-	-	-	-
02/01/2021	-	-	110,838.00	110,838.00	(110,838.00)	-	-	-	-
02/01/2022	250,000.00	1.380%	85,995.00	335,995.00	-	335,995.00	352,794.75	510,656.00	157,861.25
02/01/2023	250,000.00	1.400%	82,545.00	332,545.00	-	332,545.00	349,172.25	510,656.00	161,483.75
02/01/2024	255,000.00	1.450%	79,045.00	334,045.00	-	334,045.00	350,747.25	510,656.00	159,908.75
02/01/2025	260,000.00	1.500%	75,347.50	335,347.50	-	335,347.50	352,114.88	510,656.00	158,541.13
02/01/2026	265,000.00	1.600%	71,447.50	336,447.50	-	336,447.50	353,269.88	510,656.00	157,386.13
02/01/2027	270,000.00	1.700%	67,207.50	337,207.50	-	337,207.50	354,067.88	510,656.00	156,588.13
02/01/2028	270,000.00	1.800%	62,617.50	332,617.50	-	332,617.50	349,248.38	510,656.00	161,407.63
02/01/2029	275,000.00	2.000%	57,757.50	332,757.50	-	332,757.50	349,395.38	510,656.00	161,260.63
02/01/2030	285,000.00	2.150%	52,257.50	337,257.50	-	337,257.50	354,120.38	510,656.00	156,535.63
02/01/2031	290,000.00	2.250%	46,130.00	336,130.00	-	336,130.00	352,936.50	510,656.00	157,719.50
02/01/2032	295,000.00	2.350%	39,605.00	334,605.00	-	334,605.00	351,335.25	510,656.00	159,320.75
02/01/2033	300,000.00	2.450%	32,672.50	332,672.50	-	332,672.50	349,306.13	510,656.00	161,349.88
02/01/2034	310,000.00	2.550%	25,322.50	335,322.50	-	335,322.50	352,088.63	510,656.00	158,567.38
02/01/2035	320,000.00	2.650%	17,417.50	337,417.50	-	337,417.50	354,288.38	510,656.00	156,367.63
02/01/2036	325,000.00	2.750%	8,937.50	333,937.50	-	333,937.50	350,634.38	510,656.00	160,021.63
Total	\$4,220,000.00	-	\$915,143.00	\$5,135,143.00	(110,838.00)	\$5,024,305.00	\$5,275,520.25	\$7,659,840.00	\$2,384,319.75

Dated..... 10/17/2019
 Delivery Date..... 10/17/2019
 First Coupon Date..... 8/01/2020

Yield Statistics

Bond Year Dollars..... \$40,724.11
 Average Life..... 9.650 Years
 Average Coupon..... 2.2471773%
 Net Interest Cost (NIC)..... 2.3715263%
 True Interest Cost (TIC)..... 2.3713831%
 Bond Yield for Arbitrage Purposes..... 2.2296843%
 All Inclusive Cost (AIC)..... 2.5244448%

Projected Tax Increment Report
City of Shakopee, Minnesota
Tax Increment Financing (Redevelopment) District No. 18 Canterbury Phase 1 Apartments Only
Phase 1 TIF Projections - 300 Units - \$123,750/Unit

Annual Period Ending (1)	Total Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity (4)	Less: Fiscal Disp. @ 0.0000% (5)	Retained Captured Net Tax Capacity (5)	Times: Tax Capacity Rate (6)	Annual Gross Tax Increment (7)	Less: State Aud. Deduction 0.360% (8)	Subtotal Net Tax Increment (9)	Less: City Retainage 10.00% (10)	Annual Net Revenue (11)
12/31/19	1,585,900	19,824	19,824	0	0	128.185%	0	0	0	0	0
12/31/20	1,585,900	19,824	19,824	0	0	128.185%	0	0	0	0	0
12/31/21	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/22	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/23	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/24	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/25	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/26	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/27	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/28	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/29	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/30	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/31	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/32	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/33	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/34	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/35	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/36	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/37	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/38	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/39	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/40	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/41	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/42	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/43	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/44	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/45	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/46	37,125,000	464,063	19,824	0	444,239	128.185%	569,446	2,050	567,396	56,740	510,656
12/31/47	1,585,900	0	0	0	0	128.185%	0	0	0	0	0
							\$14,805,596	\$53,300	\$14,752,296	\$1,475,240	\$13,277,056