

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

\$8,165,000 General Obligation Tax Increment Revenue Bonds, Series 2020A

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.

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. The continually changing conditions resulting from the pandemic have created significant, ongoing volatility in the financial markets. It is not known what impact this may have on the City's ability to issue the proposed Bonds on the timeline, at the interest rate estimates, or under the method of sale presented in this Pre-Sale Summary. This document and corresponding schedules are based on estimates made at the time this document was prepared. In the time leading up to the City's sale, Baker Tilly Municipal Advisors will continue to monitor the market on the City's behalf and will work with the City to address issues and/or identify alternative approaches to the City's financing.

The following summary schedule includes the timing of some of the key events that will occur relative to the Bond issuance.

KEY EVENTS:

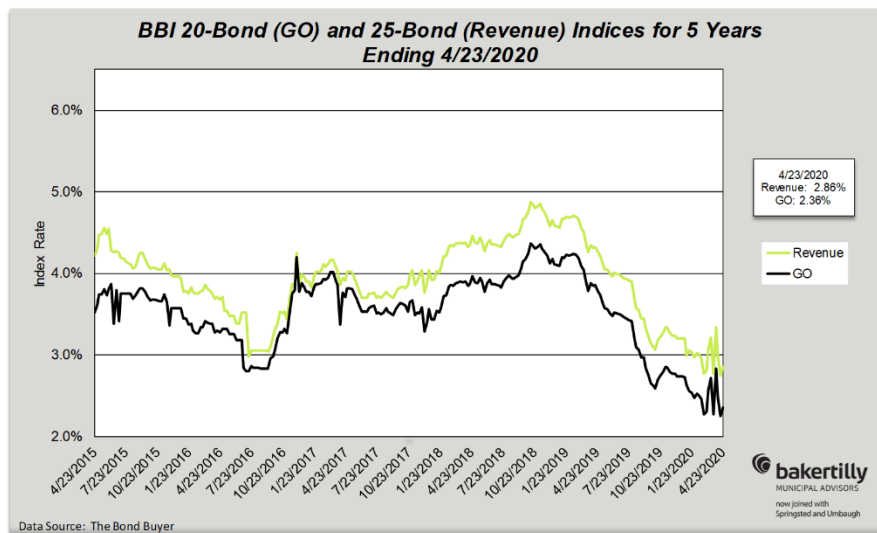
May 5, 2020	Council sets sale date and terms
Week of May 18, 2020	Rating conference is conducted
June 2, 2020, 10:30 a.m.	Competitive proposals are received
June 2, 2020, 7:00 p.m.	Council considers award of the Bonds
July 2, 2020	Proceeds are received

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 "AA+" by S&P.

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.



PURPOSE:	Proceeds of the Bonds will be used to finance various public improvements related to the reconstruction of 12 th Avenue within the TIF District which encompasses Canterbury Park.
AUTHORITY:	<u>Statutory Authority:</u> The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475. <u>Statutory Requirements:</u> 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 pay 100% of the debt service on the Bonds.
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, which revenues are also pledged to the City's General Obligation Tax Increment Revenue Bonds, Series 2019A, dated October 17, 2019 (the "Series 2019A Bonds"). The City anticipates that revenues from the TIF District will be sufficient to make the debt service payments on the Bonds and the Series 2019A Bonds, and the City will not be required to levy taxes for repayment 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 February 1, 2021, August 1, 2021, and February 1, 2022 interest payments due on the Bonds are due prior to first full anticipated 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 to be sufficient to pay the interest 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 a term of fifteen principal payments structured to result in approximately even annual surpluses of the projected TIF District revenues over the debt service payments on the Bonds and the Series 2019A Bonds.
SCHEDULES ATTACHED:	Schedules attached include (i) sources and uses of funds, (ii) estimated pricing for the Bonds, given the current market conditions, (iii) estimated net debt service, given the current market conditions, (iv) estimated debt service coverage, given current market conditions and revenue estimates.
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.

The Bonds have been structured with a reasonable pricing estimate given current market conditions. There is no guaranty that the winning bidder will price the Bonds with a premium in the amount estimated, which could result in less or more additional proceeds than what is currently shown in the attached schedules. A minimum bid requirement of 100.09% of par will ensure a deposit of at least \$7,800,000 to the project fund and sufficient proceeds to pay costs of issuance and the estimated amount of capitalized interest as shown herein.

**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, 2030 may be prepaid at a price of par plus accrued interest on or after February 1, 2029.

Bank Qualification: Although the City does not anticipate the issuance of additional long-term debt in 2020, a conduit issuer of the City expects to issue bonds for a housing project in 2020; therefore the Bonds are not designated as bank qualified.

Bidding Parameters: The Bonds are being marketed with a minimum bid requirement of 100.09% of par

**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 spend-down exceptions for proceeds that are spent within either a 6-month, 18-month or, for certain construction issues, a 24-month period each in accordance with certain spending criteria. Proceeds that qualify for an exception will be exempt from rebate. These exceptions are based on actual expenditures and not based on reasonable expectations, and expenditures, including any investment proceeds will have to meet the spending criteria to qualify for the exclusion. The City expects to meet the 18-month spending exception.

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.

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\$8,165,000

City of Shakopee, Minnesota
General Obligation Tax Increment Revenue Bonds, Series 2020A

Sources & Uses

Dated 07/02/2020 | Delivered 07/02/2020

Sources Of Funds

Par Amount of Bonds.....	\$8,165,000.00
Reoffering Premium.....	129,432.25

Total Sources..... \$8,294,432.25

Uses Of Funds

Deposit to Project Construction Fund.....	7,800,000.00
Deposit to Capitalized Interest (CIF) Fund.....	303,008.31
Total Underwriter's Discount (1.500%).....	122,475.00
Costs of Issuance.....	65,786.25
Rounding Amount.....	3,162.69

Total Uses..... \$8,294,432.25

2020A GO Tax Inc Rev Bond | SINGLE PURPOSE | 4/22/2020 | 5:04 PM

\$8,165,000

City of Shakopee, Minnesota
General Obligation Tax Increment Revenue Bonds, Series 2020A

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2023	Serial Coupon	3.000%	1.520%	440,000.00	103.730%	456,412.00
02/01/2024	Serial Coupon	3.000%	1.530%	450,000.00	105.102%	472,959.00
02/01/2025	Serial Coupon	3.000%	1.550%	460,000.00	106.386%	489,375.60
02/01/2026	Serial Coupon	3.000%	1.580%	480,000.00	107.555%	516,264.00
02/01/2027	Serial Coupon	2.000%	1.610%	490,000.00	102.425%	501,882.50
02/01/2028	Serial Coupon	2.000%	1.650%	505,000.00	102.483%	517,539.15
02/01/2029	Serial Coupon	1.750%	1.750%	510,000.00	100.000%	510,000.00
02/01/2030	Serial Coupon	1.850%	1.850%	520,000.00	100.000%	520,000.00
02/01/2031	Serial Coupon	1.950%	1.950%	530,000.00	100.000%	530,000.00
02/01/2032	Serial Coupon	2.050%	2.050%	540,000.00	100.000%	540,000.00
02/01/2033	Serial Coupon	2.150%	2.150%	555,000.00	100.000%	555,000.00
02/01/2034	Serial Coupon	2.250%	2.250%	565,000.00	100.000%	565,000.00
02/01/2035	Serial Coupon	2.350%	2.350%	575,000.00	100.000%	575,000.00
02/01/2036	Serial Coupon	2.450%	2.450%	595,000.00	100.000%	595,000.00
02/01/2037	Serial Coupon	2.550%	2.550%	950,000.00	100.000%	950,000.00
Total	-	-	-	\$8,165,000.00	-	\$8,294,432.25

Bid Information

Par Amount of Bonds.....	\$8,165,000.00
Reoffering Premium or (Discount).....	129,432.25
Gross Production.....	\$8,294,432.25
Total Underwriter's Discount (1.500%).....	\$(122,475.00)
Bid (100.085%).....	8,171,957.25
Total Purchase Price.....	\$8,171,957.25
Bond Year Dollars.....	\$83,865.24
Average Life.....	10.271 Years
Average Coupon.....	2.2916388%
Net Interest Cost (NIC).....	2.2833431%
True Interest Cost (TIC).....	2.2809340%

\$8,165,000

City of Shakopee, Minnesota
General Obligation Tax Increment Revenue Bonds, Series 2020A

NET DEBT SERVICE vs. REVENUE

Date	Principal	Coupon	Interest	Total P+I	CIF	Net 2019A D/S*	Net New D/S	105% Overlevy	Revenue	Srpls(Shrtfall)
02/01/2021	-	-	111,298.31	111,298.31	(111,298.31)	-	-	-	110,065.00	110,065.00
02/01/2022	-	-	191,710.00	191,710.00	(191,710.00)	345,462.50	345,462.50	362,735.63	559,370.00	196,634.38
02/01/2023	440,000.00	3.000%	191,710.00	631,710.00	-	344,962.50	976,672.50	1,025,506.13	1,146,570.00	121,063.88
02/01/2024	450,000.00	3.000%	178,510.00	628,510.00	-	343,962.50	972,472.50	1,021,096.13	1,146,570.00	125,473.88
02/01/2025	460,000.00	3.000%	165,010.00	625,010.00	-	347,462.50	972,472.50	1,021,096.13	1,146,570.00	125,473.88
02/01/2026	480,000.00	3.000%	151,210.00	631,210.00	-	345,212.50	976,422.50	1,025,243.63	1,146,570.00	121,326.38
02/01/2027	490,000.00	2.000%	136,810.00	626,810.00	-	347,462.50	974,272.50	1,022,986.13	1,146,570.00	123,583.88
02/01/2028	505,000.00	2.000%	127,010.00	632,010.00	-	343,962.50	975,972.50	1,024,771.13	1,146,570.00	121,798.88
02/01/2029	510,000.00	1.750%	116,910.00	626,910.00	-	345,562.50	972,472.50	1,021,096.13	1,146,570.00	125,473.88
02/01/2030	520,000.00	1.850%	107,985.00	627,985.00	-	346,862.50	974,847.50	1,023,589.88	1,146,570.00	122,980.13
02/01/2031	530,000.00	1.950%	98,365.00	628,365.00	-	345,862.50	974,227.50	1,022,938.88	1,146,570.00	123,631.13
02/01/2032	540,000.00	2.050%	88,030.00	628,030.00	-	344,762.50	972,792.50	1,021,432.13	1,146,570.00	125,137.88
02/01/2033	555,000.00	2.150%	76,960.00	631,960.00	-	343,562.50	975,522.50	1,024,298.63	1,146,570.00	122,271.38
02/01/2034	565,000.00	2.250%	65,027.50	630,027.50	-	346,868.75	976,896.25	1,025,741.06	1,146,570.00	120,828.94
02/01/2035	575,000.00	2.350%	52,315.00	627,315.00	-	344,962.50	972,277.50	1,020,891.38	1,146,570.00	125,678.63
02/01/2036	595,000.00	2.450%	38,802.50	633,802.50	-	342,537.50	976,340.00	1,025,157.00	1,146,570.00	121,413.00
02/01/2037	950,000.00	2.550%	24,225.00	974,225.00	-	-	974,225.00	1,022,936.25	1,146,570.00	123,633.75
Total	\$8,165,000.00	-	\$1,921,888.31	\$10,086,888.31	(303,008.31)	\$5,179,468.75	\$14,963,348.75	\$15,711,516.19	\$17,867,985.00	\$2,156,468.81

*Values net of capitalized interest.

Dated..... 7/02/2020
Delivery Date..... 7/02/2020
First Coupon Date..... 2/01/2021

Yield Statistics

Bond Year Dollars..... \$83,865.24
Average Life..... 10.271 Years
Average Coupon..... 2.2916388%

Net Interest Cost (NIC)..... 2.2833431%
True Interest Cost (TIC)..... 2.2809340%
Bond Yield for Arbitrage Purposes..... 2.1148588%
All Inclusive Cost (AIC)..... 2.3715006%

2020A GO Tax Inc Rev Bond | SINGLE PURPOSE | 4/22/2020 | 5:04 PM

\$8,165,000

City of Shakopee, Minnesota
General Obligation Tax Increment Revenue Bonds, Series 2020A

Coverage Ratio

Date	Total Revenues	Total D/S	Coverage
02/01/2021	221,363.31	111,298.31	1.9889189x
02/01/2022	751,080.00	537,172.50	1.3982101x
02/01/2023	1,146,570.00	976,672.50	1.1739554x
02/01/2024	1,146,570.00	972,472.50	1.1790256x
02/01/2025	1,146,570.00	972,472.50	1.1790256x
02/01/2026	1,146,570.00	976,422.50	1.1742560x
02/01/2027	1,146,570.00	974,272.50	1.1768473x
02/01/2028	1,146,570.00	975,972.50	1.1747974x
02/01/2029	1,146,570.00	972,472.50	1.1790256x
02/01/2030	1,146,570.00	974,847.50	1.1761532x
02/01/2031	1,146,570.00	974,227.50	1.1769017x
02/01/2032	1,146,570.00	972,792.50	1.1786378x
02/01/2033	1,146,570.00	975,522.50	1.1753394x
02/01/2034	1,146,570.00	976,896.25	1.1736866x
02/01/2035	1,146,570.00	972,277.50	1.1792621x
02/01/2036	1,146,570.00	976,340.00	1.1743552x
02/01/2037	1,146,570.00	974,225.00	1.1769047x
Total	\$18,170,993.31	\$15,266,357.06	-

Projected Tax Increment Report

City of Shakopee, MN

Tax Increment Financing (Redevelopment) District No. 18

Updated TIF Projections

Updated Phase 1 TIF Projections - \$75M EMV Phase 1 Apt - Existing MV Maintained

Annual Period Ending (1)	Total Market Value (2)	Total Net Tax Capacity (3)	Less: Original Net Tax Capacity (4)	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)
12/31/20	37,100,900	665,670	564,921	100,749	121.824%	122,736	442	122,294	12,229	110,065
12/31/21	66,819,900	1,076,945	564,921	512,024	121.824%	623,768	2,246	621,522	62,152	559,370
12/31/22	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/23	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/24	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/25	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/26	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/27	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/28	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/29	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/30	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/31	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/32	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/33	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/34	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/35	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/36	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/37	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/38	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/39	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/40	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/41	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/42	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/43	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/44	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/45	110,332,800	1,614,443	564,921	1,049,522	121.824%	1,278,570	4,603	1,273,967	127,397	1,146,570
12/31/46	0	0	564,921	0	121.824%	0	0	0	0	0
12/31/47	0	0	564,921	0	121.824%	0	0	0	0	0
12/31/48	0	0	0	0	121.824%	0	0	0	0	0
						\$31,432,184	\$113,156	\$31,319,027	\$3,131,902	\$28,187,125

1) Projections assume no change to existing market value from Assess2020/Pay2021 amounts.

2) Projections assume a completed estimated market value for Triple Crown Residences Phase 1 of \$75,000,000 as provided by Scott County Assessor.

3) Projections assume no market value inflation and constant tax rate.

4) Frozen Tax Rate for District is 128.185%, TIF will be calculated based on the lessor of this amount or current rate.