



CITY OF NEW RICHMOND  
THE CITY BEAUTIFUL

**June 30, 2015**

## **FINANCE COMMITTEE MEETING**

**Fred Horne  
Jim Zajkowski  
Jane Hansen**

**This is to inform you that there will be a Finance Committee Meeting on Monday, July 6, 2015 at 5:00 p.m. in the ED Lab of the Civic Center, 156 East First Street, New Richmond.**

### **AGENDA:**

- 1. Roll Call**
- 2. Adoption of Agenda**
- 3. Approval of the minutes of the previous meeting, June 22, 2015**
- 4. Sale of General Obligation Refunding Bonds \$3,530,000**
- 5. Sale of Electric Utility Revenue Refunding Bonds \$1,800,000**
- 6. State Trust Fund Loan**
- 7. Post Issuance Compliance Policy**
- 8. Continuing Disclosure Agreement – Ehlers**
- 9. Communications and Miscellaneous**
- 10. Closed Session per State Statute 19.85 (1)(c) - Employee Benefit Information and/or Wages in Which the City of New Richmond has Jurisdiction**
- 11. Open Session – Action on Closed Session Agenda**
- 12. Adjournment**

**Mike Darrow,  
City Administrator/Utility Manager**

**cc:**

**The News  
Northwest Community Communications  
City of New Richmond Web Site**

**A majority of the members of the New Richmond City Council may be present at the above meeting.**

Pursuant to State ex rel. Badke v. Greendale Village Board, 173 Wis. 2d 553, 494 N.W. 2<sup>nd</sup> 408 (1993) such attendance may be considered a meeting of the City Council and must be noticed as such, although the Council will not take action at this meeting.

**Come Grow With Us!**

FINANCE COMMITTEE MEETING  
JUNE 22, 2015 – 5:00 P.M.

The Finance Committee was called to order by Fred Horne at 5:00 p.m. on June 22, 2015.

Roll call was taken.

**Members Present:** Fred Horne, Jim Zajkowski and Jane Hansen

**Others Present:** Mike Darrow, Bev Langenback, Jeanne Bergman, Gary Crosby, Kevin Blader, Mike Strey, Craig Yehlik, Deb Powers, Steve Skinner and Bob Mullen.

Jim Zajkowski moved to adopt the agenda, seconded by Jane Hansen and carried.

Jane Hansen moved to approve the minutes of the June 1, 2015 meeting, seconded by Jim Zajkowski and carried.

**Employee Benefit Review**

There was discussion regarding employee benefits including holidays, vacation, sick, and longevity compared to River Falls, Hudson, Rice Lake, Menomonie, St. Croix County and Pierce County.

**Communications and Miscellaneous**

There will be another meeting on July 27, 2015 at 5:00 p.m. to discuss employee benefits.

**Adjournment**

Jim Zajkowski moved to adjourn the meeting, seconded by Fred Horne and carried.

Meeting adjourned at 6:35 p.m.

  
Tanya Reigel,  
City Clerk



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**TO: Finance Committee**

**FROM: Bev Langenback, Treasurer / Mike Darrow, City Administrator**

**DATE: June 30, 2015**

**RE: GO Refunding Bonds 2015A & Electric Revenue Refunding Bonds 2015B**

#### **Background**

The 2006 GO Bonds and the 2006 Electric Revenue Bonds will be callable on October 1, 2015 and are eligible for refunding 90 days prior. The purpose of refunding these bonds would be to save money in interest. The approximate interest savings would be \$370,000 between the two issues over the next 11 years.

#### **Recommendation**

Staff recommends the approval of the resolutions providing for the sale of GO Refunding Bonds, Series 2015A and for the sale of Electric Revenue Refunding Bonds, Series 2015B.



**EHLERS**  
LEADERS IN PUBLIC FINANCE

July 13, 2015

Pre-Sale Report for

City of New Richmond, Wisconsin

\$3,530,000 General Obligation Refunding Bonds,  
Series 2015A

*City of New Richmond*

**Prepared by:**

Sean Lentz  
Senior Municipal Advisor

And

Patrick Malloy  
Financial Specialist II



## Executive Summary of Proposed Debt

Proposed Issue:	\$3,530,000 General Obligation Refunding Bonds, Series 2015A
Purposes:	<p>The proposed issue includes financing for the following purpose:</p> <ul style="list-style-type: none"> <li>• Current refunding of \$4,545,000 General Obligation Corporate Purpose Bonds, Series 2006A – Debt service will be paid from ad valorem property taxes and Tax Increment District No. 8 revenues.</li> </ul> <p>Interest rates on the obligations proposed to be refunded are 4.125% to 4.200%. The refunding is expected to reduce interest expense by approximately <b>\$280,000</b> over the next 10 years. The Net Present Value Benefit of the refunding is estimated to be <b>\$250,268</b>, equal to <b>7.254%</b> of the refunded principal. These savings figures are based on interest rates 50 basis points (0.50%) above current market rates.</p> <p>This refunding is considered to be a Current Refunding as the obligations being refunded are either callable (pre-payable) now, or will be within 90 days of the date of issue of the new Bonds.</p>
Authority:	<p>The Bonds are being issued pursuant to Wisconsin Statute:</p> <ul style="list-style-type: none"> <li>• 67.04</li> </ul> <p>The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.</p> <p>The Bonds count against the City’s General Obligation Debt Capacity Limit of 5% of total City Equalized Valuation. Following issuance of the Bonds, the City’s total General Obligation debt principal outstanding will be <b>\$18,083,884</b>, which is <b>63%</b> of its limit. Remaining General Obligation Borrowing Capacity will be approximately <b>\$10,690,000</b>.</p>
Term/Call Feature:	<p>The Bonds are being issued for a 10 year term. Principal on the Bonds will be due on October 1 in the years 2016 through 2025. Interest is payable every six months beginning April 1, 2016.</p> <p>The Bonds maturing on and after October 1, 2023 will be subject to prepayment at the discretion of the City on October 1, 2022 or any date thereafter.</p>
Bank Qualification:	<p>Because the City is issuing less than \$10,000,000 in 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 “Aa3” by Moody’s Investors Service. The City will request a new rating for the Bonds.</p>



	<p>If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the City's bond rating in the event that the bond rating of the insurer is higher than that of the City.</p>
<p>Basis for Recommendation:</p>	<p>Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of General Obligation Bonds as a suitable financing option because:</p> <ul style="list-style-type: none"> <li>• General Obligation debt offers the lowest interest cost and highest savings to the City.</li> <li>• There are not currently sufficient funds in TID No. 8 to prepay the TID No. 8 portion of the 2006A Bonds.</li> <li>• The issue is large enough to make a public offering cost-effective.</li> </ul>
<p>Method of Sale/Placement:</p>	<p>In order to obtain the lowest interest cost to the City, we will solicit competitive bids for purchase of the Bonds from local banks in your area and national underwriters.</p> <p>We have included an allowance for discount bidding equal to 1.00% of the principal amount 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 lower your borrowing amount.</p> <p><b>Premium Bids:</b> Under current market conditions, most 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 face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.”</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 \$2,000,000 offering may receive bids that result in proceeds of \$2,040,000 to \$2,200,000.</p> <p>For this issue of Bonds, any premium amount received will be used to reduce the issue size. These adjustments may slightly change the true interest cost of the original bid, either up or down. The amount of premium allowed can be restricted in the bid specifications. Restrictions on premium may result in fewer bids, but may also eliminate large adjustments on the day of sale and unintended results with respect to debt service payment impacts. Ehlers will identify appropriate premium restrictions for the Bonds intended to achieve the City’s objectives for this financing.</p>



Other Considerations:	The proposed timeline allows the City to conduct a current refunding at the earliest possible time. The call date for the 2006A Bonds is October 1, 2015 and closing must occur within 90 days of the call date for an issue to be eligible for a current refunding. Conducting a sale in May or June allows the City to close in early July and be within the 90 day window. Conducting the sale as soon as possible enables to City to secure interest rates sooner (as of the date of sale) and eliminates the interest rate risk that waiting until closer to the call date entails.
Review of Existing Debt:	We have reviewed all outstanding indebtedness for the City and find that the \$2,160,000 Electric Revenue Bonds, Series 2006B are good candidates for refunding. A separate Pre-Sale Report details a proposed refunding debt issue.  We will continue to monitor the market and the call dates for the City’s other outstanding debt and will alert you to any future refunding opportunities.
Continuing Disclosure:	Because the City has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, 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 “material events” to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The City is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.
Arbitrage Monitoring:	Because the Bonds are tax-exempt securities/tax credit securities, 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 Tax Exemption Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you. We also recommend that you establish written procedures regarding compliance with IRS rules.
Risk Factors:	<b>Current Refunding:</b> The Bonds are being issued for the purpose of current refunding prior City debt obligations. Those prior debt obligations are “callable” now and can therefore be paid off within 90 days or less. The new Bonds will not be pre-payable until October 1, 2022. This refunding is being undertaken based in part on an assumption that the City does not expect to have future revenues to pay off this debt prior to the new call date and that market conditions warrant the refinancing at this time.



<p>Other Service Providers:</p>	<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. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other 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 identified service providers or their roles, or if you would like to use a different service provider for any of the listed services please contact us.</p> <p><b>Bond Attorney:</b> Quarles &amp; Brady LLP</p> <p><b>Paying Agent:</b> Bond Trust Services Corporation</p> <p><b>Rating Agency:</b> Moody's Investors Service</p>
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This Pre-Sale 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 Common Council:	July 13, 2015
Distribute Official Statement:	Mid-July, 2015
Conference with Rating Agency:	Week of July 27, 2015
Common Council Meeting to Award Sale of the Bonds:	August 10, 2015
Estimated Closing Date:	August 26, 2015
Redemption Date for Series 2006A Bonds:	October 1, 2015

### Attachments

Proposed Debt Service Schedule with Sources and Uses of Funds

Refunding Savings Analysis

Tax Increment District No. 8 Forecast

Resolution Providing for the Sale of \$3,530,000 General Obligation Refunding Bonds, Series 2015A

### Ehlers Contacts

Financial Advisors:	Sean Lentz	(651) 697-8509
	Patrick Malloy	(651) 697-8552
Disclosure Coordinator:	Jen Chapman	(651) 697-8566
Financial Analyst:	Beth Mueller	(651) 697-8553

The Official Statement for this financing will be mailed to the Common Council members at their home addresses or e-mailed for review prior to the sale date.



# Exhibit 1

## City of New Richmond, WI

### Estimated Debt Service and Capitalization Schedule

\$3,530,000 General Obligation Refunding Bonds, Series 2015A

Year	Principal	Rate	Interest	Total P&I	Levy	TID No. 8
2015				-		
2016	315,000	1.05%	81,011	<b>396,011</b>	62,322	333,689
2017	320,000	1.35%	70,525	<b>390,525</b>	60,705	329,820
2018	325,000	1.65%	66,205	<b>391,205</b>	60,030	331,175
2019	340,000	1.90%	60,843	<b>400,843</b>	64,205	336,638
2020	340,000	2.05%	54,383	<b>394,383</b>	58,160	336,223
2021	355,000	2.20%	47,413	<b>402,413</b>	62,135	340,278
2022	365,000	2.35%	39,603	<b>404,603</b>	60,925	343,678
2023	380,000	2.55%	31,025	<b>411,025</b>	64,633	346,393
2024	390,000	2.65%	21,335	<b>411,335</b>	63,103	348,233
2025	400,000	2.75%	11,000	<b>411,000</b>	56,513	354,488
<b>Totals</b>	<b>3,530,000</b>		<b>483,341</b>	<b>4,013,341</b>	<b>612,729</b>	<b>3,400,611</b>

<b>Issue Summary</b>			
<u>Key Dates</u>			
Dated Date:		8/26/2015	
First Interest Payment:		4/1/2016	
First Principal Payment:		10/1/2016	
<u>Projected Interest Rates</u>			
Basis:		Current Aa3 rates plus 50 basis points	
True Interest Cost (TIC):		2.527%	
All Inclusive Cost (AIC):		2.764%	
<u>Sources and Uses</u>			
	Total	Levy	TID No. 8
Par Amount of Bonds	3,530,000	540,000	2,990,000
<b>Total Sources</b>	<b>\$3,530,000</b>	<b>\$540,000</b>	<b>\$2,990,000</b>
Underwriters Discount (1.00%)	35,300	5,400	29,900
Costs of Issuance	44,000	6,731	37,269
Deposit to Project Fund	3,450,000	525,000	2,925,000
Rounding Amount	700	2,869	(2,169)
<b>Total Uses</b>	<b>\$3,530,000</b>	<b>\$540,000</b>	<b>\$2,990,000</b>

Exhibit 2

City of New Richmond, WI



Preliminary Refunding Savings Analysis

Year	PRIOR TO THE REFUNDING					FOLLOWING THE REFUNDING					DEBT SERVICE SAVINGS
	Principal 10/1	Rate	Interest 4/1 & 10/1	Less: Fund Transfers	Net Debt Service	Principal 10/1	Rate	Interest 4/1 & 10/1	Less: Fund Transfers	Net Debt Service	
	Existing Debt Service (to be refunded) \$4,545,000 General Obligation Corporate Purpose Bonds, Series 2006A Dated: 5/9/2006					New Debt Service \$3,530,000 General Obligation Refunding Bonds, Series 2015A Dated: 8/26/2015					
2015	280,000	4.125%	143,031	-	423,031	315,000	1.05%	81,011	-	396,011	27,021
2016	290,000	4.125%	131,481	-	421,481	320,000	1.35%	70,525	-	390,525	30,956
2017	300,000	4.125%	119,519	-	419,519	325,000	1.65%	66,205	-	391,205	28,314
2018	300,000	4.125%	107,144	-	427,144	340,000	1.90%	60,843	-	400,843	26,301
2019	320,000	4.125%	93,944	-	423,944	340,000	2.05%	54,383	-	394,383	29,561
2020	330,000	4.125%	80,331	-	430,331	355,000	2.20%	47,413	-	402,413	27,919
2021	350,000	4.125%	65,894	-	430,894	365,000	2.35%	39,603	-	404,603	26,291
2022	365,000	4.150%	50,838	-	435,838	380,000	2.55%	31,025	-	411,025	24,813
2023	385,000	4.200%	34,860	-	439,860	390,000	2.65%	21,335	-	411,335	28,525
2024	405,000	4.200%	17,850	-	442,850	400,000	2.75%	11,000	-	411,000	31,850
2025	425,000	4.200%	17,850	-	442,850	400,000	2.75%	11,000	-	411,000	31,850
<b>Total</b>	<b>3,450,000</b>		<b>844,891</b>	<b>-</b>	<b>4,294,891</b>	<b>3,530,000</b>		<b>483,341</b>	<b>-</b>	<b>4,013,341</b>	<b>281,551</b>

Notes:

1. Rates based on current market for Aa3 rating plus 50 basis points; analysis of savings based on lower rates below

Plus Rounding: 700

Total Cash Flow (Future Value) Savings:	282,251
Present Value Savings of 7.254%:	250,268

INTEREST RATE ANALYSIS		
Rates	FV Savings	PV Savings
Market	388,888	353,566
+ 0.25%	335,015	301,222
		% Savings
		10.248%
		8.731%

Exhibit 3

City of New Richmond, WI

Tax Increment Forecast - With Refunding of 2006A Bonds

TID No. 8

Creation Date (Council Approval): June 13, 2005  
 End of Expenditure Period: June 13, 2020  
 Maximum Life of District (Termination Date): June 13, 2035  
 Final Revenue Collection Year: 2035

Revenue Year	New Valuation	TID Value Increment	Tax Rate	REVENUES			EXPENSES				Annual Balance	Cumulative Balance		
				Projected Tax Increment	Projected Transfer from TID No. 5	Other Revenues	Projected Total Revenues	TID 8 Portion 2006 G.O. Bonds \$	Proposed 2015 G.O. Bonds \$	Repayment of Utility Advance			Projected Total Expenses	
2015		3,398,200	24.58	83,518	466,136		549,655	4,545,000	355,551	355,551	17,204	355,551	194,103	218,377
2016		3,398,200	24.58	83,518	466,136		549,655		333,689	333,689	17,204	333,689	215,966	434,342
2017	700,000	4,098,200	24.58	100,722	466,136		566,859		329,820	566,859	17,204	347,024	219,835	654,177
2018		4,098,200	24.58	100,722	466,136		566,859		331,175	566,859	17,204	348,379	218,480	872,657
2019		4,098,200	24.58	100,722	466,136		566,859		336,638	566,859	17,204	353,842	213,017	1,085,674
2020		4,098,200	24.58	100,722	466,136		566,859		336,223	566,859	17,204	353,427	213,432	1,299,106
2021		4,098,200	24.58	100,722	466,136		566,859	Refunded by 2015A Bonds	340,278	566,859	17,204	357,482	209,377	1,508,483
2022		4,098,200	24.58	100,722	466,136		566,859		343,678	566,859	17,204	360,882	205,977	1,714,461
2023		4,098,200	24.58	100,722	466,136		566,859		346,393	566,859	17,204	363,597	203,262	1,917,723
2024		4,098,200	24.58	100,722	466,136		566,859		348,233	566,859	17,204	365,437	201,422	2,119,145
2025		4,098,200	24.58	100,722	466,136		566,859		354,488	566,859	17,204	371,692	195,167	2,314,312
2026		4,098,200	24.58	100,722	466,136		566,859			566,859	17,204	17,204	549,655	2,863,967
2027		4,098,200	24.58	100,722	466,136		566,859			566,859	17,204	17,204	549,655	3,413,622
2028		4,098,200	24.58	100,722	466,136		566,859			566,859	1,134	1,134	99,588	3,513,210
2029		4,098,200	24.58	100,722			100,722			100,722		-	100,722	3,613,932
2030		4,098,200	24.58	100,722			100,722			100,722		-	100,722	3,714,655
2031		4,098,200	24.58	100,722			100,722			100,722		-	100,722	3,815,377
2032		4,098,200	24.58	100,722			100,722			100,722		-	100,722	3,916,099
2033		4,098,200	24.58	100,722			100,722			100,722		-	100,722	4,016,822
2034		4,098,200	24.58	100,722			100,722			100,722		-	100,722	4,117,544
2035		4,098,200	24.58	100,722			100,722			100,722		-	100,722	4,218,266

Resolution No. \_\_\_\_\_

Council Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**Resolution Providing for the Sale of  
\$3,530,000 General Obligation Refunding Bonds, Series 2015A**

- A. WHEREAS, the Common Council of the City of New Richmond, Wisconsin, has heretofore determined that it is necessary and expedient to issue the City's \$3,530,000 General Obligation Refunding Bonds, Series 2015A (the "Bonds"), to provide for a current refunding of the City's General Obligation Corporate Purpose Bonds, Series 2006A; and
- B. WHEREAS, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor;

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of New Richmond, Wisconsin, as follows:

- 1. Authorization; Findings. The Common Council hereby authorizes Ehlers to solicit proposals for the sale of the Bonds.
- 2. Meeting; Proposal Opening. The Common Council shall meet at 7:00 pm on August 10, 2015, for the purpose of considering the proposals for and awarding the sale of the Bonds.
- 3. Official Statement. In connection with said sale, the officers or employees of the City are hereby authorized to cooperate with Ehlers and participate in the preparation of an official statement for the Bonds 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 Council Member \_\_\_\_\_ 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.

Dated this 13th day of July, 2015.

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City Clerk



**EHLERS**  
LEADERS IN PUBLIC FINANCE

July 13, 2015

Pre-Sale Report for

City of New Richmond, Wisconsin

\$1,800,000 Electric Utility Revenue Refunding Bonds,  
Series 2015B

*City of New Richmond*

**Prepared by:**

Sean Lentz  
Senior Municipal Advisor

And

Patrick Malloy  
Financial Specialist II



## Executive Summary of Proposed Debt

Proposed Issue:	\$1,800,000 Electric Utility Revenue Refunding Bonds, Series 2015B
Purposes:	<p>The proposed issue includes financing for the following purposes:</p> <ul style="list-style-type: none"> <li>• Current refunding of Electric Utility Revenue Refunding Bonds, Series 2006B – Debt service will be paid from electric revenues.</li> </ul> <p>Interest rates on the obligations proposed to be refunded are 4.20% to 4.40%. The refunding is expected to reduce interest expense by approximately <b>\$90,000</b> over the next 11 years. The Net Present Value Benefit of the refunding is estimated to be <b>\$77,851</b>, equal to <b>4.436%</b> of the refunded principal. These savings figures are based on interest rates 50 basis points (0.50%) above current market rates.</p> <p>This refunding is considered to be a Current Refunding as the obligations being refunded are either callable (pre-payable) now, or will be within 90 days of the date of issue of the new Bonds.</p>
Authority:	<p>The Bonds are being issued pursuant to Wisconsin Statute:</p> <ul style="list-style-type: none"> <li>• 66.0621</li> </ul> <p>The Bonds are not general obligations of the City but are payable only from and secured by a pledge of income and revenue to be derived from the operation of the Electric Utility.</p>
Term/Call Feature:	<p>The Bonds are being issued for an 11 year term. Principal on the Bonds will be due on October 1 in the years 2016 through 2026. Interest is payable every six months beginning April 1, 2016.</p> <p>The Bonds maturing on and after October 1, 2024 will be subject to prepayment at the discretion of the City on October 1, 2023 or any date thereafter.</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 backed by the Electric Utility were rated A3 by Moody’s Investors Service. The City will request a new rating for the Bonds.</p> <p>If the winning bidder on the Bonds elects to purchase bond insurance, the rating for the issue may be higher than the City's bond rating in the event that the bond rating of the insurer is higher than that of the City.</p>



<p>Basis for Recommendation:</p>	<p>Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of electric utility revenue bonds as a suitable financing option because:</p> <ul style="list-style-type: none"> <li>• Revenue bonds do not count against the City’s general obligation borrowing capacity. G.O. debt would likely offer greater savings, but the City does not have sufficient G.O. borrowing capacity in reserve to issue the Bonds as G.O. debt and still retain sufficient capacity for other borrowing the City may do in the next several years.</li> <li>• The electric utility’s strong performance positions it as an attractive credit for a commercial market debt issuance.</li> </ul>
<p>Method of Sale/Placement:</p>	<p>In order to obtain the lowest interest cost to the City, we will competitively bid the purchase of the Bonds from local and national underwriters/banks.</p> <p>We have included an allowance for discount bidding equal to 1.20% of the principal amount 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 lower your borrowing amount.</p> <p><b>Premium Bids:</b> Under current market conditions, most 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 face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.”</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 \$2,000,000 offering may receive bids that result in proceeds of \$2,040,000 to \$2,200,000.</p> <p>For this issue of Bonds, any premium received may be retained, used to reduce the issue size, or used as a combination thereof. These adjustments may slightly change the true interest cost of the original bid, either up or down. We anticipate using any premium amounts to reduce the issue size.</p>
<p>Review of Existing Debt:</p>	<p>We have reviewed all outstanding indebtedness for the City and find that the \$4,545,000 General Obligation Corporate Purpose Bonds, Series 2006A are good candidates for refunding. A separate Pre-Sale Report details a proposed refunding debt issue.</p> <p>We will continue to monitor the market and the call dates for the City’s other outstanding debt and will alert you to any future refunding opportunities.</p>



Continuing Disclosure:	Because the City has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, 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 “material events” to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The City is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.
Arbitrage Monitoring:	Because the Bonds are tax-exempt securities/tax credit securities, 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 Tax Exemption Certificate prepared by your Bond Attorney and provided at closing. We recommend that you regularly monitor compliance with these rules and/or retain the services of a qualified firm to assist you. We also recommend that you establish written procedures regarding compliance with IRS rules.
Risk Factors:	<p><b>Utility Revenue:</b> The City expects to pay the Bond debt service with:</p> <ul style="list-style-type: none"> <li>• Electric Revenues</li> </ul> <p>In the event utility revenues are insufficient to pay debt service, the Common Council is committing to consider appropriating funds from any other available sources in an amount sufficient to cover the shortfall. If it chooses to do so, the City may levy a tax to make up a shortfall. Any amount levied for this purpose is exempted from levy limits. While the City is not required to appropriate the funds necessary to remedy any shortfall in revenues needed to pay debt service, failure to do so would result in either a lack of access to capital markets in the future, or access at a substantially higher cost.</p> <p><b>Current Refunding:</b> The Bonds are being issued for the purpose of current refunding prior City debt obligations. Those prior debt obligations are “callable” now and can therefore be paid off within 90 days or less. The new Bonds will not be pre-payable until October 1, 2023. This refunding is being undertaken based in part on an assumption that the City does not expect to have future revenues to pay off this debt prior to the new call date and that market conditions warrant the refinancing at this time.</p>
Other Service Providers:	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. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have



	<p>identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other 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 identified service providers or their roles, or if you would like to use a different service provider for any of the listed services please contact us.</p> <p><b>Bond Attorney:</b> Quarles &amp; Brady LLP</p> <p><b>Paying Agent:</b> Bond Trust Services Corporation</p> <p><b>Rating Agency:</b> Moody's Investors Service</p>
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This Pre-Sale 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 Common Council	July 13, 2015
Distribute Official Statement:	Mid-July, 2015
Conference with Rating Agency:	Week of July 27, 2015
Common Council Meeting to Award Sale of the Bonds:	August 10, 2015
Estimated Closing Date:	August 26, 2015
Redemption Date for Bond	October 1, 2015

### Attachments

Refunding Savings Analysis with Proposed Debt Service Schedule and Sources and Uses of Funds  
Electric Utility Debt Service Coverage Projection  
Resolution Providing for the Sale of \$1,800,000 Electric Utility Revenue Refunding Bonds, Series 2015B

### Ehlers Contacts

Financial Advisors:	Sean Lentz	(651) 697-8509
	Patrick Malloy	(651) 697-8552
Disclosure Coordinator:	Jen Chapman	(651) 697-8566
Financial Analyst:	Beth Mueller	(651) 697-8553

The Official Statement for this financing will be mailed to the Common Council members at their home address or e-mailed for review prior to the sale date.



Exhibit 1

City of New Richmond, WI



Preliminary Refunding Savings Analysis

Year	PRIOR TO THE REFUNDING Existing Debt Service (to be refunded) \$2,160,000 Electric Utility Revenue Bonds, Series 2006B Dated: 5/9/2006				FOLLOWING THE REFUNDING New Debt Service \$1,800,000 Electric Utility Revenue Refunding Bonds, Series 2015B Dated: 8/26/2015				DEBT SERVICE SAVINGS	
	Principal 10/1	Rate	Interest 4/1 & 10/1	Less: Fund Transfers	Net Debt Service	Principal 10/1	Rate	Interest 4/1 & 10/1		Less: Fund Transfers
2015					-	140,000	1.50%	50,851		-
2016	125,000	4.20%	75,100		200,100	150,000	1.75%	44,245		190,851
2017	130,000	4.20%	69,850		199,850	150,000	1.95%	41,620		194,245
2018	135,000	4.20%	64,390		199,390	155,000	2.15%	38,695		191,620
2019	145,000	4.20%	58,720		203,720	160,000	2.35%	35,363		193,695
2020	150,000	4.20%	52,630		202,630	165,000	2.50%	31,603		195,363
2021	160,000	4.25%	46,330		206,330	170,000	2.75%	27,478		196,603
2022	165,000	4.25%	39,530		204,530	175,000	2.95%	22,803		197,478
2023	175,000	4.25%	32,518		207,518	180,000	3.15%	17,640		197,803
2024	180,000	4.40%	25,080		205,080	185,000	3.30%	11,970	(180,000)	197,640
2025	190,000	4.40%	17,160		207,160	170,000	3.45%	5,865		196,970
2026	200,000	4.40%	8,800	(208,800)	-					(4,135)
<b>Total</b>	<b>1,755,000</b>		<b>490,108</b>	<b>(208,800)</b>	<b>2,036,308</b>	<b>1,800,000</b>		<b>328,131</b>	<b>(180,000)</b>	<b>1,948,131</b>

Notes:

1. Rates based on current market for A3 utility rating plus 50 basis points; analysis of savings based on lower rates below

Plus Rounding: 2,200

Total Cash Flow (Future Value) Savings:	90,377
Present Value Savings of 4.436%:	77,851

INTEREST RATE ANALYSIS			
Rates	FV Savings	PV Savings	% Savings
Market	149,013	131,925	7.517%
+ 0.25%	120,140	104,668	5.964%

Sources	Uses	Rate Summary
Par Amount of Bonds:	Underwriters Discount:	21,600
Transfer from Prior Issue DSR:	Costs of Issuance:	50,000
	Deposit to Debt Service Reserve Fund:	180,000
	Deposit to Current Refunding Fund:	1,755,000
	Rounding Amount:	2,200
<b>Total:</b>		<b>2,008,800</b>
	True Interest Cost:	3.071%
	All-Inclusive Cost:	3.579%

## Exhibit 2

### City of New Richmond, WI

#### Electric Utility - Debt Service Coverage Projection

Year	Revenue Available for Debt Service	REVENUE DEBT AND COVERAGE			
		Proposed		Total Revenue Debt Service	Revenue Debt Coverage
		2006B Electric Rev. Bonds \$2,160,000	2015A Electric Rev. Bonds 1,800,000		
2013	664,207	116,230		116,230	5.71
2014	814,195	199,970		199,970	4.07
2015	814,195	200,140		200,140	4.07
2016	814,195		190,851	190,851	4.27
2017	814,195		194,245	194,245	4.19
2018	814,195		191,620	191,620	4.25
2019	814,195		193,695	193,695	4.20
2020	814,195	Refunded by 2015B Bonds	195,363	195,363	4.17
2021	814,195		196,603	196,603	4.14
2022	814,195		197,478	197,478	4.12
2023	814,195		197,803	197,803	4.12
2024	814,195		197,640	197,640	4.12
2025	814,195		196,970	196,970	4.13
2026	814,195			175,865	175,865

	Audit <u>2013</u>	Draft Audit <u>2014</u>
Operating Revenues	9,668,644	9,746,313
Operation & Maintenance	8,678,893	8,607,496
Depreciation	558,339	562,543
Taxes	62,980	66,557
Operating Expenses	9,300,212	9,236,596
Operating Income	368,432	509,717
Plus: Interest Income/(Loss)	(476)	4,757
Less: Non-Utility Expenses	(10,905)	(16,630)
Less: Tax Equivalent Payment	(251,183)	(246,192)
Plus: Depreciation	558,339	562,543
<b>Amount Available for Debt Service</b>	<b>664,207</b>	<b>814,195</b>

Resolution No. \_\_\_\_\_

Council Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**Resolution Providing for the Sale of  
\$1,800,000 Electric Utility Revenue Refunding Bonds, Series 2015B**

- A. WHEREAS, the Common Council of the City of New Richmond, Wisconsin, has heretofore determined that it is necessary and expedient to issue the City's \$1,800,000 Electric Utility Revenue Refunding Bonds, Series 2015B (the "Bonds"), to provide for a current refunding of the City's Electric Utility Revenue Bonds, Series 2006B; and
- B. WHEREAS, the City has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor;

NOW, THEREFORE, BE IT RESOLVED by the Common Council of the City of New Richmond, Wisconsin, as follows:

- 1. Authorization; Findings. The Common Council hereby authorizes Ehlers to solicit proposals for the sale of the Bonds.
- 2. Meeting; Proposal Opening. The Common Council shall meet at 7:00 pm on August 10, 2015, for the purpose of considering the proposals for and awarding the sale of the Bonds.
- 3. Official Statement. In connection with said sale, the officers or employees of the City are hereby authorized to cooperate with Ehlers and participate in the preparation of an official statement for the Bonds 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 Council Member \_\_\_\_\_ 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.

Dated this 13th day of July, 2015.

\_\_\_\_\_  
City Clerk



156 East First Street  
New Richmond, WI 54017  
Ph 715-246-4268 Fax 715-246-7129  
[www.newrichmondwi.gov](http://www.newrichmondwi.gov)

**TO:** Finance Committee

**FROM:** Bev Langenback, Treasurer / Mike Darrow, City Administrator

**DATE:** June 30, 2015

**RE:** State Trust Fund Loan

#### **Background**

In order to induce Developer to undertake development within TID#10, the City agreed to make available financial assistance to Developer in an aggregate amount of \$450,000 for eligible development and site improvement incentives.

#### **Recommendation**

Staff recommends the approval of the resolution authorizing the borrowing of \$450,000 from the State Trust Fund Loan.

STATE OF WISCONSIN  
BOARD OF COMMISSIONERS OF PUBLIC LANDS  
101 EAST WILSON STREET, 2<sup>ND</sup> FLOOR  
POST OFFICE BOX 8943  
MADISON, WISCONSIN 53708-8943

APPLICATION FOR STATE TRUST FUND LOAN

CITY - 20 YEAR MAXIMUM

Chapter 24 Wisconsin Statutes

CITY OF NEW RICHMOND

Date sent: June 11, 2015

Received and filed in Madison, Wisconsin:

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ID # 05604201

RAS

RETURN THIS ORIGINAL – DO NOT RETURN PHOTOCOPY

TO: BOARD OF COMMISSIONERS OF PUBLIC LANDS

We, the undersigned Mayor and clerk of the City of New Richmond, in the County(ies) of St Croix, Wisconsin, in accordance with the provisions of Chapter 24 of the Wisconsin Statutes, do hereby make application for a loan of **Four Hundred Fifty Thousand And 00/100 Dollars (\$450,000.00)** from the Trust Funds of the State of Wisconsin for the purpose of **financing TID #10 development and site improvements.**

The loan is to be continued for a term of **10** years from the 15th day of March preceding the date the loan is made. The loan is to be repaid in annual installments, as provided by law, with interest at the rate of **3.25** percent per annum.

We agree to the execution and signing of such certificates of indebtedness as the Board may prepare and submit, all in accordance with Chapter 24, Wisconsin Statutes.

The application is based upon compliance on the part of the City with the provisions and regulations of the statutes above referred to, as set forth by the following statements which we do hereby certify to be correct and true.

The meeting of the common council of the City of **New Richmond**, in the County(ies) of **St Croix**, Wisconsin, which approved and authorized this application for a loan was a regularly called meeting held on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

At the aforesaid meeting a resolution was passed by a majority vote of the members of the common council approving and authorizing an application to the Board of Commissioners of Public Lands, State of Wisconsin, for a loan of **Four Hundred Fifty Thousand And 00/100 Dollars (\$450,000.00)** from the Trust Funds of the State of Wisconsin to the City of **New Richmond** in the County(ies) of **St Croix**, Wisconsin, for the purpose of **financing TID #10 development and site improvements.** That at the same time and place, the common council of the City of **New Richmond** by a majority vote of the members, adopted a resolution levying upon all the taxable property in the city, a direct annual tax sufficient in amount to pay the annual installments of principal and interest, as they fall due, all in accordance with Article XI, Sec. 3 of the Constitution and Sec. 24.66(5), Wisconsin Statutes.

A copy of the aforesaid resolutions, certified to by the city clerk, as adopted at the meeting, and as recorded in the minutes of the meeting, accompanies this application.

A statement of the equalized valuation of all the taxable property within the City of **New Richmond**, certified to by the **Mayor** and clerk, accompanies this application.

Given under our hands in the City of **New Richmond** in the County(ies) of **St Croix**, Wisconsin, this day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Mayor, City of **New Richmond**

\_\_\_\_\_  
Clerk, City of **New Richmond**

FORM OF RECORD

The following preamble and resolutions were presented by Alderman \_\_\_\_\_ and were read to the meeting.

By the provisions of Sec. 24.66 of the Wisconsin Statutes, all municipalities may borrow money for such purposes in the manner prescribed, and,

By the provisions of Chapter 24 of the Wisconsin Statutes, the Board of Commissioners of Public Lands of Wisconsin is authorized to make loans from the State Trust Funds to municipalities for such purposes. (Municipality as defined by Sec. 24.60(2) of the Wisconsin Statutes means a town, village, city, county, public inland lake protection and rehabilitation district, town sanitary district created under Sec. 60.71 or 60.72, metropolitan sewerage district created under Sec. 200.05 or 200.23, joint sewerage system created under Sec. 281.43(4), school district or technical college district.)

THEREFORE, BE IT RESOLVED, that the City of **New Richmond**, in the County(ies) of **St Croix**, Wisconsin, borrow from the Trust Funds of the State of Wisconsin the sum of **Four Hundred Fifty Thousand And 00/100 Dollars (\$450,000.00)** for the purpose of **financing TID #10 development and site improvements** and for no other purpose.

The loan is to be payable within **10** years from the 15th day of March preceding the date the loan is made. The loan will be repaid in annual installments with interest at the rate of **3.25** percent per annum from the date of making the loan to the 15th day of March next and thereafter annually as provided by law.

RESOLVED FURTHER, that there shall be raised and there is levied upon all taxable property, within the City of **New Richmond**, in the County(ies) of **St Croix**, Wisconsin, a direct annual tax for the purpose of paying interest and principal on the loan as they become due.

RESOLVED FURTHER, that no money obtained by the City of **New Richmond** by such loan from the state be applied or paid out for any purpose except **financing TID #10 development and site improvements** without the consent of the Board of Commissioners of Public Lands.

RESOLVED FURTHER, that in case the Board of Commissioners of Public Lands of Wisconsin agrees to make the loan, that the **Mayor** and clerk of the City of **New Richmond**, in the County(ies) of **St Croix**, Wisconsin, are authorized and empowered, in the name of the city to execute and deliver to the Commission, certificates of indebtedness, in such form as required by the Commission, for any sum of money that may be loaned to the city pursuant to this resolution. The **Mayor** and clerk of the city will perform all necessary actions to fully carry out the provisions of Chapter 24, Wisconsin Statutes, and these resolutions.

RESOLVED FURTHER, that this preamble and these resolutions and the aye and no vote by which they were adopted, be recorded, and that the clerk of this city forward this certified record, along with the application for the loan, to the Board of Commissioners of Public Lands of Wisconsin.

**RETURN THIS ORIGINAL – DO NOT RETURN PHOTOCOPY**

Alderman \_\_\_\_\_ moved adoption of the foregoing preamble and resolutions.

The question being upon the adoption of the foregoing preamble and resolutions, a vote was taken by ayes and noes, which resulted as follows:

- 1. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 2. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 3. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 4. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 5. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 6. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 7. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 8. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 9. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 10. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 11. Alderman \_\_\_\_\_ voted \_\_\_\_\_
- 12. Alderman \_\_\_\_\_ voted \_\_\_\_\_

A majority of the members of the common council of the City of **New Richmond**, in the County(ies) of **St Croix**, State of Wisconsin, having voted in favor of the preamble and resolutions, they were declared adopted.

**RETURN THIS ORIGINAL – DO NOT RETURN PHOTOCOPY**

STATE OF WISCONSIN

County(ies) of **St Croix**

I, \_\_\_\_\_, Clerk of the City of **New Richmond**, in the County(ies) of **St Croix**, State of Wisconsin, do hereby certify that the foregoing is a true copy of the record of the proceedings of the common council of the City of **New Richmond** at a meeting held on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, relating to a loan from the State Trust Funds; that I have compared the same with the original record thereof in my custody as clerk and that the same is a true copy thereof, and the whole of such original record.

I further certify that the common council of the City of **New Richmond**, County(ies) of **St Croix**, is constituted by law to have \_\_\_\_\_ members, and that the original of said preamble and resolutions was adopted at the meeting of the common council by a vote of \_\_\_\_\_ ayes to \_\_\_\_\_ noes and that the vote was taken in the manner provided by law and that the proceedings are fully recorded in the records of the city.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the seal of the City of **New Richmond** this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
Clerk (Signature)

\_\_\_\_\_  
Clerk (Print or Type Name)

**City of New Richmond**

**County(ies) of St Croix**

State of Wisconsin

**RETURN THIS ORIGINAL – DO NOT RETURN PHOTOCOPY**

STATE OF WISCONSIN  
COUNTY(IES) OF **ST CROIX**

TO: THE BOARD OF COMMISSIONERS OF PUBLIC LANDS

I, \_\_\_\_\_, Clerk of the City of **New Richmond**, County(ies) of **St Croix**, State of Wisconsin, do hereby certify that it appears by the books, files and records in my office that the valuation of all taxable property in the City of **New Richmond** is as follows:

EQUALIZED VALUATION FOR THE YEAR 20\_\_\_\_\_ \* \$ \_\_\_\_\_

\* Latest year available

I further certify that the whole existing indebtedness of the City of **New Richmond**, County(ies) of **St Croix**, State of Wisconsin, is as follows (list each item of indebtedness):

NAME OF CREDITOR	PRINCIPAL BALANCE (EXCLUDING INTEREST)
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
TOTAL INDEBTEDNESS:	\$ _____

\_\_\_\_\_  
Clerk (Signature)

\_\_\_\_\_  
Clerk (Print or Type Name)

City of **New Richmond**

County(ies) of **St Croix**,

State of Wisconsin

\_\_\_\_\_, 20\_\_\_\_\_  
Date

THE TOTAL INDEBTEDNESS, INCLUDING THE TRUST FUND LOAN APPLIED FOR, MAY NOT EXCEED 5% OF THE VALUATION OF THE TAXABLE PROPERTY AS EQUALIZED FOR STATE PURPOSES. (Sec. 24.63(1), Wis. Stats., 1989-90)

**RETURN THIS ORIGINAL – DO NOT RETURN PHOTOCOPY**



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New Richmond, WI 54017  
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[www.newrichmondwi.gov](http://www.newrichmondwi.gov)

**TO:** Finance Committee

**FROM:** Bev Langenback, Treasurer / Mike Darrow, City Administrator

**DATE:** June 30, 2015

**RE:** Post Issuance Compliance Policy

**Background**

In accordance with issuing tax exempt debt, it is recommended that each municipality adopt a "Post-Issuance Compliance Policy".

**Recommendation**

Staff recommends approval of the attached "Post-Issuance Compliance Policy".

## **Post-Issuance Compliance Policy for Tax-Exempt and Tax-Advantaged Obligations and Continuing Disclosure**

**Adopted:** \_\_\_\_\_, 20\_\_\_\_

### **Statement of Purpose**

This Post-Issuance Compliance Policy (the "Policy") sets forth specific policies of the City of New Richmond, Wisconsin (the "Issuer") designed to monitor post-issuance compliance:

- (i) with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder ("Treasury Regulations") for obligations issued by the Issuer on tax-exempt or tax-advantaged basis ("Obligations"); and
- (ii) with applicable requirements set forth in certificates and agreement(s) ("Continuing Disclosure Agreements") providing for ongoing disclosure in connection with the offering of obligations to investors ("Offerings"), for obligations (whether or not tax-exempt / tax-advantaged) subject to the continuing disclosure requirements of Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934.

This Policy documents practices and describes various procedures and systems designed to identify on a timely basis facts relevant to demonstrating compliance with the requirements that must be satisfied subsequent to the issuance of Obligations in order that the interest on such Obligations continue to be eligible to be excluded from gross income for federal income tax purposes or that the Obligations continue to receive tax-advantaged treatment. The federal tax law requirements applicable to each particular issue of Obligations will be detailed in the arbitrage or tax certificate prepared by bond counsel and signed by officials of the Issuer and the post-closing compliance checklist provided by bond counsel with respect to that issue. This Policy establishes a permanent, ongoing structure of practices and procedures that will facilitate compliance with the requirements for individual borrowings.

This Policy similarly documents practices and describes various procedures and systems designed to ensure compliance with Continuing Disclosure Agreements, by preparing and disseminated related reports and information and reporting "material events" for the benefit of the holders of the Issuer's obligations and to assist the Participating Underwriters (within the meaning of the Rule) in complying with the Rule.

The Issuer recognizes that compliance with pertinent law is an on-going process, necessary during the entire term of the obligations, and is an integral component of the Issuer's debt management. Accordingly, the analysis of those facts and implementation of the Policy will require on-going monitoring and consultation with bond counsel and the Issuer's accountants and advisors.

## **General Policies and Procedures**

The following policies relate to procedures and systems for monitoring post-issuance compliance generally.

- A. The Treasurer (the "Compliance Officer") shall be responsible for monitoring post-issuance compliance issues. [For utility issues, the Compliance Officer will coordinate with the Utility's Finance Director with respect to monitoring post-issuance compliance.]
- B. The Compliance Officer will coordinate procedures for record retention and review of such records.
- C. All documents and other records relating to Obligations issued by the Issuer shall be maintained by or at the direction of the Compliance Officer. In maintaining such documents and records, the Compliance Officer will comply with applicable Internal Revenue Service ("IRS") requirements, such as those contained in Revenue Procedure 97-22.
- D. The Compliance Officer shall be aware of options for voluntary corrections for failure to comply with post-issuance compliance requirements (such as remedial actions under Section 1.141-12 of the Regulations and the Treasury's Tax-Exempt Bonds Voluntary Closing Agreement Program) and take such corrective action when necessary and appropriate.
- E. The Compliance Officer will review post-issuance compliance procedures and systems on a periodic basis, but not less than annually.

## **Issuance of Obligations - Documents and Records**

With respect to each issue of Obligations, the Compliance Officer will:

- A. Obtain and store a closing binder and/or CD or other electronic copy of the relevant and customary transaction documents (the "Transcript").
- B. Confirm that bond counsel has filed the applicable information report (e.g., Form 8038, Form 8038-G, Form 8038-CP) for such issue with the IRS on a timely basis.
- C. Coordinate receipt and retention of relevant books and records with respect to the investment and expenditure of the proceeds of such Obligations with other applicable staff members of the Issuer.

## **Arbitrage**

The following policies relate to the monitoring and calculating of arbitrage and compliance with specific arbitrage rules and regulations.

The Compliance Officer will:

- A. Confirm that a certification of the initial offering prices of the Obligations with such supporting data, if any, required by bond counsel, is included in the Transcript.
- B. Confirm that a computation of the yield on such issue from the Issuer's financial advisor or bond counsel (or an outside arbitrage rebate specialist) is contained in the Transcript.
- C. Maintain a system for tracking investment earnings on the proceeds of the Obligations.
- D. Coordinate the tracking of expenditures, including the expenditure of any investment earnings. If the project(s) to be financed with the proceeds of the Obligations will be funded with multiple sources of funds, confirm that the Issuer has adopted an accounting methodology that maintains each source of financing separately and monitors the actual expenditure of proceeds of the Obligations.
- E. Maintain a procedure for the allocation of proceeds of the issue and investment earnings to expenditures, including the reimbursement of pre-issuance expenditures. This procedure shall include an examination of the expenditures made with proceeds of the Obligations within 18 months after each project financed by the Obligations is placed in service and, if necessary, a reallocation of expenditures in accordance with Section 1.148-6(d) of the Treasury Regulations.
- F. Monitor compliance with the applicable "temporary period" (as defined in the Code and Treasury Regulations) exceptions for the expenditure of proceeds of the issue, and provide for yield restriction on the investment of such proceeds if such exceptions are not satisfied.
- G. Ensure that investments acquired with proceeds of such issue are purchased at fair market value. In determining whether an investment is purchased at fair market value, any applicable Treasury Regulation safe harbor may be used.
- H. Avoid formal or informal creation of funds reasonably expected to be used to pay debt service on such issue without determining in advance whether such funds must be invested at a restricted yield.
- I. Consult with bond counsel prior to engaging in any post-issuance credit enhancement transactions or investments in guaranteed investment contracts.
- J. Identify situations in which compliance with applicable yield restrictions depends upon later investments and monitor implementation of any such restrictions.
- K. Monitor compliance with six-month, 18-month or 2-year spending exceptions to the rebate requirement, as applicable.

- L. Procure a timely computation of any rebate liability and, if rebate is due, to file a Form 8038-T and to arrange for payment of such rebate liability.
- M. Arrange for timely computation and payment of "yield reduction payments" (as such term is defined in the Code and Treasury Regulations), if applicable.

### **Private Activity Concerns**

The following polices relate to the monitoring and tracking of private uses and private payments with respect to facilities financed with the Obligations.

The Compliance Officer will:

- A. Maintain records determining and tracking facilities financed with specific Obligations and the amount of proceeds spent on each facility.
- B. Maintain records, which should be consistent with those used for arbitrage purposes, to allocate the proceeds of an issue and investment earnings to expenditures, including the reimbursement of pre-issuance expenditures.
- C. Maintain records allocating to a project financed with Obligations any funds from other sources that will be used for otherwise non-qualifying costs.
- D. Monitor the expenditure of proceeds of an issue and investment earnings for qualifying costs.
- E. Monitor private use of financed facilities to ensure compliance with applicable limitations on such use. Examples of potential private use include:
  - 1. Sale of the facilities, including sale of capacity rights;
  - 2. Lease or sub-lease of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g., hosting of cell phone towers) or leasehold improvement contracts;
  - 3. Management contracts (in which the Issuer authorizes a third party to operate a facility, e.g., cafeteria) and research contracts;
  - 4. Preference arrangements (in which the Issuer permits a third party preference, such as parking in a public parking lot);
  - 5. Joint-ventures, limited liability companies or partnership arrangements;
  - 6. Output contracts or other contracts for use of utility facilities (including contracts with large utility users);
  - 7. Development agreements which provide for guaranteed payments or property values from a developer;

8. Grants or loans made to private entities, including special assessment agreements; and
9. Naming rights arrangements.

Monitoring of private use should include the following:

1. Procedures to review the amount of existing private use on a periodic basis; and
2. Procedures for identifying in advance any new sale, lease or license, management contract, sponsored research arrangement, output or utility contract, development agreement or other arrangement involving private use of financed facilities and for obtaining copies of any sale agreement, lease, license, management contract, research arrangement or other arrangement for review by bond counsel.

If the Compliance Officer identifies private use of facilities financed with tax-exempt or tax-advantaged debt, the Compliance Officer will consult with the Issuer's bond counsel to determine whether private use will adversely affect the tax status of the issue and if so, what remedial action is appropriate. The Compliance Officer should retain all documents related to any of the above potential private uses.

### **Qualified Tax-Exempt Obligations**

If the Issuer issues "qualified tax-exempt obligations" in any year, the Compliance Officer shall monitor all tax-exempt financings (including lease purchase arrangements and other similar financing arrangements and conduit financings on behalf of 501(c)(3) organizations) to assure that the \$10,000,000 "small issuer" limit is not exceeded.

### **Federal Subsidy Payments**

The Compliance Officer shall be responsible for the calculation of the amount of any federal subsidy payments and the timely preparation and submission of the applicable tax form and application for federal subsidy payments for tax-advantaged obligations such as Build America Bonds, New Clean Renewable Energy Bonds and Qualified School Construction Bonds.

### **Reissuance**

The following policies relate to compliance with rules and regulations regarding the reissuance of Obligations for federal law purposes.

The Compliance Officer will identify and consult with bond counsel regarding any post-issuance change to any terms of an issue of Obligations which could potentially be treated as a reissuance for federal tax purposes.

## Record Retention

The following polices relate to retention of records relating to the Obligations issued.

The Compliance Officer will:

- A. Coordinate with staff regarding the records to be maintained by the Issuer to establish and ensure that an issue remains in compliance with applicable federal tax requirements for the life of such issue.
- B. Coordinate with staff to comply with provisions imposing specific recordkeeping requirements and cause compliance with such provisions, where applicable.
- C. Coordinate with staff to generally maintain the following:
  - 1. The Transcript relating to the transaction (including any arbitrage or other tax certificate and the bond counsel opinion);
  - 2. Documentation evidencing expenditure of proceeds of the issue;
  - 3. Documentation regarding the types of facilities financed with the proceeds of an issue, including, but not limited to, whether such facilities are land, buildings or equipment, economic life calculations and information regarding depreciation.
  - 4. Documentation evidencing use of financed property by public and private entities (e.g., copies of leases, management contracts, utility user agreements, developer agreements and research agreements);
  - 5. Documentation evidencing all sources of payment or security for the issue; and
  - 6. Documentation pertaining to any investment of proceeds of the issue (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received by the investment of proceeds, guaranteed investment contracts, and rebate calculations).
- D. Coordinate the retention of all records in a manner that ensures their complete access to the IRS.
- E. Keep all material records for so long as the issue is outstanding (including any refunding), plus seven years.

## **Conduit Bond Financings**

In conduit bond financings, such as industrial revenue bonds or Midwestern Disaster Area Bonds, the Issuer is not in a position to directly monitor compliance with arbitrage requirements and qualified use requirements because information concerning and control of those activities lies with the private borrower. The Issuer's policy in connection with conduit financings is to require that the bond documents in such financings impose on the borrower (and trustee or other applicable party) responsibility to monitor compliance with qualified use rules and arbitrage and other federal tax requirements and to take necessary action if remediation of nonqualified bonds is required.

## **Continuing Disclosure**

Under the provisions of SEC Rule 15c2-12 (the "Rule"), Participating Underwriters (as defined in the Rule) are required to determine that issuers (such as the Issuer) have entered into written Continuing Disclosure Agreements to make ongoing disclosure in connection with Offerings subject to the Rule. Unless the Issuer is exempt from compliance with the Rule or the continuing disclosure provisions of the Rule as a result of certain permitted exemptions, the Transcript for each issue of related obligations will include a Continuing Disclosure Agreement executed by the Issuer.

In order to monitor compliance by the Issuer with its Continuing Disclosure Agreements, the Compliance Officer will take the actions listed below, if and as required by such Continuing Disclosure Agreements. The Compliance Officer may coordinate with staff, and may engage a dissemination agent, counsel, and/or other professionals to assist in discharging the Compliance Officer's duties under these Procedures as the Compliance Officer deems necessary.

### **A. Compilation of Currently Effective Continuing Disclosure Agreements**

The Compliance Officer shall compile and maintain a set of all currently effective Continuing Disclosure Agreements of the Issuer. Such agreements are included in the transcript of proceedings for the Issuer's respective bond or note issue. Continuing Disclosure Agreements are "Currently Effective" for purposes of these Procedures (and hence shall be included in the set of Currently Effective Continuing Disclosure Agreements) for so long as the bonds or notes to which they relate are outstanding. As bonds or notes are completely repaid or redeemed, the Compliance Officer shall remove the related continuing disclosure agreements from the set of Currently Effective Continuing Disclosure Agreements.

### **B. Annual Review and Annual Reporting Requirements**

The Compliance Officer shall ensure that all necessary financial statements, financial information and operating data is filed in the manner and by the filing dates set forth in the Currently Effective Continuing Disclosure Agreements. The Compliance Officer shall review the set of Currently Effective Continuing Disclosure Agreements annually, prior to each annual filing, keeping in mind:

- The financial information and operating data required to be reported under a particular Continuing Disclosure Agreement may differ from the financial information and operating data required to be reported under another Continuing Disclosure Agreement; and
- The timing requirements for reporting under a particular Continuing Disclosure Agreement may differ from the timing requirements for filing under another Continuing Disclosure Agreement.

**C. Calendar; EMMA Notification System**

The Compliance Officer shall keep a calendar of all pertinent filing dates required under the Issuer's Currently Effective Continuing Disclosure Agreements. The Compliance Officer shall also subscribe to notification services made available through the EMMA system.

**D. Annual Review of Prior Filings**

As part of the annual review process, the Compliance Officer shall also review prior filings made within the past five years subsequent to the last such review of prior filings. If the Compliance Officer discovers any late or missing filings, the Compliance Officer (after discussing the circumstances with the Issuer's dissemination agent, counsel or other agents as necessary) shall "remedy" such prior failures by ensuring that the missing information is filed.

**E. Monitoring of Material Events**

The Compliance Officer shall monitor the occurrence of any of the following events and/or other events set forth in the Currently Effective Continuing Disclosure Agreements and shall provide notice of the same in the required manner and by the relevant reporting deadline (likely within 10 days of the occurrence):

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's bonds or notes, or other material events affecting the tax status of the Issuer's bonds or notes;

- Modification to rights of holders of the Issuer's bonds or notes, if material;
- Calls of the Issuer's bonds or notes, if material, and tender offers;
- Defeasances of the Issuer's bonds or notes;
- Release, substitution or sale of property securing repayment of the Issuer's bonds or notes, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the Issuer;
- The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

#### **F. Review of Official Statements**

The Compliance Officer shall review drafts of any Official Statement for a new offering or bonds or notes, with assistance from its dissemination agent, counsel or other agents of the Issuer as necessary, and shall determine that the Official Statement accurately and completely describes the Issuer's continuing disclosure compliance history within the five years prior to the date of the respective Official Statement. This compliance review is not meant to limit the Issuer's other reviews of or diligence procedures relating to its Official Statements.

#### **G. Municipalities Continuing Disclosure Cooperative Initiative**

If the Issuer has previously reported to the Division of Enforcement (the "Division") of the U.S. Securities and Exchange Commission (the "Commission") under the *Municipalities Continuing Disclosure Cooperative Initiative* (the "MCDC Initiative") and if the Division recommended enforcement proceedings and settlement terms in that connection, then the Compliance Officer shall also be responsible, with assistance from its dissemination agent, counsel, and/or other agents of the Issuer, for implementing the undertakings required by such settlement. A list of these "undertakings" is set forth in the Division's announcement describing the MCDC Initiative: <http://www.sec.gov/divisions/enforce/municipalities-continuing-disclosure-cooperation-initiative.shtml>.

## **H. Record Retention**

The Compliance Officer shall retain documentation evidencing the Issuer's annual reviews and its reviews of Official Statements in connection with new offerings as set forth above. This Issuer shall retain this documentation, for each Continuing Disclosure Agreement, for the period that the related bonds or notes are outstanding.

## **I. Annual Review Checklist**

The Compliance Officer may (or may not) choose to use and retain the attached Annual Review Checklist to assist in implementing these Procedures.

**CONTINUING DISCLOSURE ANNUAL REVIEW CHECKLIST**

**1. Fiscal Year Ending:** \_\_\_\_\_

**2. Compliance Officer:** \_\_\_\_\_

**3. Checklist Completion Date:** \_\_\_\_\_

**4. Bonds/Notes for which there are Currently Effective Continuing Disclosure Agreements**  
**- Attach Agreements:**

\$ \_\_\_\_\_, \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_

**5. Have any new Bonds or Notes subject to Continuing Disclosure Been Issued this Year?**

\_\_\_\_\_ No

\_\_\_\_\_ Yes (Add Agreement to Set of Currently Effective Continuing Disclosure Agreements)

If Yes, did the Compliance Officer review the Official Statement's Description of the Issuer's Continuing Disclosure Compliance History within the Prior 5 Years? **Circle:** Y / N (If N, review and discuss any issues with counsel.)

**6. Have any Bonds or Notes subject to Continuing Disclosure Been Completely Paid or Redeemed this Year?**

\_\_\_\_\_ No

\_\_\_\_\_ Yes (Remove Agreement from Set of Currently Effective Continuing Disclosure Agreements)

**7. (a) Has the Compliance Officer Review the Annual Continuing Disclosure Filing to Ensure that all Necessary Financial Statements, Financial Information and Operating Data is Included?**

\_\_\_\_\_ Yes

\_\_\_\_\_ No (Compliance Officer must review the Annual Continuing Disclosure Filing)

**(b) For purposes of this review, please keep in mind:**

	Checked?
Different Continuing Disclosure Agreements may require different information to be file (so check each one)	Y / N
Different Continuing Disclosure Agreements may have different filing timing requirements (so check each one).	Y / N

**Have any of the Following Events Occurred this Year?**

Event	Circle
1. Principal and interest payment delinquencies	Y / N
2. Non-payment related defaults, if material	Y / N
3. Unscheduled draws on debt service reserves reflecting financial difficulties	Y / N
4. Unscheduled draws on credit enhancements reflecting financial difficulties	Y / N
5. Substitution of credit or liquidity providers, or their failure to perform	Y / N
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's bonds or notes, or other material events affecting the tax status of the Issuer's bonds or notes	Y / N
7. Modification to rights of holders of the Issuer's bonds or notes, if material	Y / N
8. Calls of the Issuer's bonds or notes, if material, and tender offers	Y / N
9. Defeasances of the Issuer's bonds or notes	Y / N
10. Release, substitution or sale of property securing repayment of the Issuer's bonds or notes, if material	Y / N
11. Rating changes	Y / N

- 12. Bankruptcy, insolvency, receivership or similar event of the Issuer Y / N
- 13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material Y / N
- 14. Appointment of a successor or additional trustee or the change of name of a trustee, if material Y / N

**If any such Event Occurred, was Proper Notice Provided?**

\_\_\_\_\_ Yes

\_\_\_\_\_ No (Call your dissemination agent or counsel immediately to discuss)

\_\_\_\_\_ N/A

**Has the Issuer Retained a Dissemination Agent? (i.e., a Paid Third Party that Assists with Filings)**

\_\_\_\_\_ Yes: Name/Contact: \_\_\_\_\_

\_\_\_\_\_ No



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New Richmond, WI 54017  
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**TO:** Finance Committee

**FROM:** Bev Langenback, Treasurer / Mike Darrow, City Administrator

**DATE:** June 30, 2015

**RE:** Continuing Disclosure Agreement - Ehlers

**Background**

Each time a municipal security is issued, the issuer agrees to provide periodic information and notices detailed within a Continuing Disclosure Agreement/Certificate/Undertaking (“CDU”) associated with that particular offering. In the past, Ehlers has provided this service for us. Attached is a revised fee schedule for providing this service in the future.

**Recommendation**

Staff recommends approval of the attached agreement with Ehlers for Continuing Disclosure.



January 5, 2015

Bev Langenback  
City Treasurer  
City of New Richmond  
156 E 1st Street  
New Richmond, WI 54017

Re: Letter of Engagement to Retain Ehlers as Dissemination Agent for Issuer Continuing Disclosure Required Under Securities and Exchange Commission (SEC) Rule 15c2-12 (the "Rule")

As an issuer of municipal securities, the City ("Issuer") is required to comply with all continuing disclosure obligations enumerated in the Continuing Disclosure Agreement/Certificate/Undertaking (CDU) associated with each issue of securities subject to the Rule. Many Issuers have CDUs that vary significantly from one CDU to another. Ehlers & Associates, Inc. ("Ehlers") has been helping you comply with all CDU obligations as Issuer's Dissemination Agent. Fulfilling this obligation requires research, preparation and filing of disclosure reports within specific time frames.

This Letter of Engagement ("Letter") is being presented to memorialize and clarify the terms of the Issuer's engagement of Ehlers as the Issuer's Dissemination Agent. In this regard, Ehlers agrees to provide Issuer with those services described in Appendix A ("Services"). Ehlers shall be entitled to compensation by the Issuer also as described in Appendix A.

This Letter shall be effective as of the date of its execution by the Issuer and shall remain in effect for a period of one (1) year (the "Initial Term"). This Letter shall renew automatically on each anniversary of the effective date of this Letter (each an "Additional Term"). Notwithstanding the foregoing, this Letter may be terminated by either party upon sixty (60) days prior written notice. The Initial Term and each Additional Term shall collectively be referred to herein as the "Term".

In order to perform the engagement, Issuer agrees to provide Ehlers all documents and information as are deemed necessary to fulfill the Issuer's reporting requirements under each respective CDU, and within the applicable timeframe(s) ("Disclosure Information"). With respect to Issuer's obligation to report the occurrence of any event for which a material event notice ("Event Notice") is to be filed, Issuer shall provide Disclosure Information related to the event to Ehlers within five (5) days of its occurrence. All other Disclosure Information must be provided to Ehlers within fourteen (14) days of Issuer's receipt of any such request from Ehlers. If Issuer fails to provide any Disclosure Information to Ehlers in accordance with the foregoing, Ehlers shall not be held liable for any reason in the event that any necessary disclosure filing is



not disseminated to the appropriate party within the applicable timeframe(s). Further, if for any reason Issuer fails to provide required Disclosure Information to Ehlers in accordance with the foregoing and Issuer's delay results in any disclosure filing being after a stated deadline, Ehlers shall, without further direction or instruction from Issuer, file a notice(s) with the applicable recipient submitting information provided by Issuer, if any, and/or describing the failure and providing any other information as Ehlers deems appropriate.

Ehlers shall deem all Disclosure Information provided to it by the Issuer to be accurate and free of defect, as well as not containing any material misstatements, falsehoods, or omissions of fact. Issuer acknowledges that Ehlers shall be entitled to rely on all Disclosure Information provided by the Issuer without further investigation as to its completeness or accuracy.

Issuer shall indemnify, hold harmless and defend Ehlers from and against any damages, costs or other liabilities (including reasonable attorneys' fees) arising from or relating to any breach of this Letter by Issuer, including, but not limited to, damages, costs and other liabilities arising out of any Disclosure Information received and disseminated by Ehlers. Further, in no event shall Ehlers' total aggregate liability under this Letter be in excess of the amount of fees paid by Issuer to Ehlers during the Term then in effect notwithstanding anything contained herein. In addition, Issuer acknowledges that Ehlers shall not be responsible and/or liable for any errors, misstatements or omissions associated with any continuing disclosure report or filing, or for the correction thereof, that was prepared or disseminated by any party other than Ehlers.

This Letter constitutes the entire agreement between the parties and is intended to supersede any and all agreements, whether oral or written, between the parties that were entered into relative to the subject matter hereof prior to the effective date of this Letter. No amendment or modification of this Letter shall be deemed valid unless made in writing and signed by both parties.

Our records show that Issuer is subject to Full CDU's. Ehlers will continue to act as Issuer's Dissemination Agent for the CDU's we have been handling.

This Letter covers these securities and any subsequent securities for which Ehlers has acted as the Municipal Advisor. The Issuer may request in writing that Ehlers act as the Dissemination Agent on any future securities subject to the Rule not involving Ehlers.

If our engagement under the terms of this Letter is acceptable, please sign this Letter in the appropriate signature block below and return a signed copy to us for our records. If, however, you do not wish to engage our services, please note that election and return a copy of this Letter to us.

Please contact me if you have any questions or would like to discuss our engagement further.

Sincerely,

Ehlers

Sean Lentz, CIPFA  
Senior Financial Advisor/Director

**SO ACCEPTED BY ISSUER**

Issuer hereby accepts this Letter and engages Ehlers to provide the services noted herein and executes this Letter as of the date noted below:

By: \_\_\_\_\_

Title: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**SO DECLINED BY ISSUER**

Issuer hereby acknowledges that it will be responsible for updating and submitting all necessary continuing disclosure reports and filings as may be required of Issuer without the assistance of Ehlers. Issuer further acknowledges and agrees that Ehlers assumes no responsibility for the compilation and/or submission of any such continuing disclosure reports or filings.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## APPENDIX A

### **EHLERS DISSEMINATION AGENT SERVICES AND FEES**

Ehlers' continuing disclosure services are designed to assist the Issuer in meeting its continuing disclosure obligations. Depending on the size of a transaction and the total amount of debt outstanding at the time of issuance, different debt issues may be subject to different reporting requirements. Ehlers will provide the services identified below, which are reflective of the Issuer's requirements under its respective Continuing Disclosure Undertaking (CDU). In no event will Ehlers assist Issuer with assessing whether information provided or omitted as part of an annual filing is "material" or whether an event is "material" under the federal securities laws requiring the filing of an event notice pursuant to a CDU. If the Issuer accepts this letter and engages Ehlers as the Dissemination Agent, Ehlers shall provide the following services and charge the following fees:

#### **Full Disclosure Services.**

##### **Background**

Since 1995, Securities and Exchange Commission (SEC) rule 15c2-12 (the "Rule") has required underwriters of municipal securities to ensure that issuers are obligated to provide periodic reporting of specific information with respect to certain issues of municipal securities. An issuer is classified as a "full disclosure" reporting entity when it issues securities subject to the Rule in an amount of \$1 million or more, and further provided that total securities subject to the Rule and currently outstanding exceed \$10 million. Full disclosure reporting entities must:

- File reports consisting of specific information at least annually with the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) system (<http://emma.msrb.org>).
- File "Event Notices" regarding enumerated events specified in SEC rules and CDUs within 10 business days of occurrence. Event Notices are filed through the same EMMA system.

##### **Description of Services**

Issuer engages Ehlers to provide the following services in connection with the preparation and dissemination of Issuer's continuing disclosure reports and Event Notice filings in connection with all outstanding debt issues of Issuer subject to the Rule and for which continuing disclosure reports or filings are required. During the Term of the engagement, Ehlers shall provide the services hereinafter described with respect to all existing and future securities of the Issuer subject to the Rule and having continuing disclosure requirements. Ehlers shall provide these services for any other securities of the Issuer when requested in writing by the Issuer.

##### **Annual Filings, or More Frequently, if Required**

- a. Review and catalog of all Continuing Disclosure Agreement/Certificate/Undertaking (CDU)'s of Issuer relative to current and future issues of securities subject to the Rule.
- b. Creation of a timetable for the anticipated schedule of events relating to the preparation of Issuer's annual (or more frequently, if required) continuing disclosure report.
- c. Collection of information from third parties and Issuer, as applicable, to the extent necessary to prepare the annual (or more frequently, if required) continuing disclosure report.
- d. Preparing the annual (or more frequently, if required) continuing disclosure report in a standardized format acceptable for submission to the EMMA system, or any future industry standard.
- e. Submission of the annual (or more frequently, if required) continuing disclosure report and any Event Notices to the designated recipient based on the applicable CDU's of Issuer and all laws, rules and regulations relative thereto.

- f. Delivering a copy of any report or notice submitted in accordance with (e. above) to Issuer for its records, as well as confirmations of receipt of filing(s).
- g. Respond to Underwriter/Investor inquiries and requests.
- h. Providing recommendations to Issuer relating to future continuing disclosure related matters.

**Event Notices**

- a. Informing Issuer of the types of events that may require the filing of an “Event Notice” and the required reporting period for such notices.
- b. Notifying Issuer of any information Ehlers discovers that may require the filing of an Event Notice, and preparation and filing of the required Event Notice.
- c. Upon notification by Issuer of any circumstances that may require the filing of an Event Notice, preparing, filing, and providing confirmation of filing the required Event Notice.

**Description of Fees**

Full Disclosure Services fees shall be assessed as follows:

<b>Number of Issuer Continuing Disclosure Undertakings</b>	<b>Annual Fee</b>
One (1) to three (3) CDU’s	\$2,800
Four (4) to six (6) CDU’s	\$3,300
Seven (7) or more CDU’s	\$3,800

Plus any out of pocket expenses.

Special Circumstances

If an Issuer’s CDU requires periodic filings (quarterly or semiannually) in addition to the annual filings, a fee of \$500 per required CDU filing shall be assessed.

Limited Disclosure Services.

**Background**

In 2009, the Securities and Exchange Commission put into place revised rules regarding a limited scope of continuing disclosure requirements for certain municipal securities issuers. These rules apply to any securities issued on or after July 1, 2009 in amounts of \$1 million or more and where the Issuer’s total amount of principal outstanding and subject to the Rule is less than \$10 million upon issuance. Any issuer meeting the aforementioned parameters must comply with a limited disclosure undertaking and file annual reports. Issuers subject to limited disclosure requirements must file audited financial statements (or unaudited financial statements if allowed under a CDU) on an annual basis, rather than both financial statements and operating and statistical data.

**Description of Services**

Ehlers shall provide the following services in connection with the preparation and dissemination of Issuer’s continuing disclosure reports and Event Notice filings for all current and future outstanding securities of Issuer subject to the Rule and for which continuing disclosure reports or filings are required. During the Term of the engagement, Ehlers shall provide the services hereinafter described with respect to all future issuances for which Ehlers provides municipal advisory services and that have continuing disclosure requirements. Ehlers will also provide these services for any other issues when requested in writing by the Issuer.

Services to be provided are as follows:

**Annual Filings**

- a. Review of all Continuing Disclosure Agreement/Certificate/Undertaking (CDU)'s of Issuer relative to currently outstanding issuances.
- b. Creation of a timetable for the anticipated schedule of events relating to the dissemination of Issuer's annual updated financial information and operating data.
- c. Submitting the Issuer's annual financial statements to the designated recipient thereof based on the applicable CDU's of Issuer and all laws, rules and regulations relative thereto.
- d. Delivering a copy of any report or notice submitted in accordance with (c above) to Issuer for its records.
- e. Respond to Underwriter/Investor inquires and requests.
- f. Providing recommendations to Issuer relating to future continuing disclosure related matters.

**Event Notices**

- a. Informing Issuer of the types of events that may require the filing of an "Event Notice".
- b. Notifying Issuer of any information Ehlers discovers that may require the filing of an Event Notice, and preparation and filing of the required Event Notice.
- c. Upon notification by Issuer of any circumstances that may require the filing of an Event Notice, prepare and file the required Event Notice.

**Description of Fees**

Limited Disclosure Services shall be provided annually for a fee of \$750.

**Future Fee Changes**

Ehlers reserves the right to adjust fees during the Term of the engagement without prior consent of the Issuer, but not more than annually. Prior to any fee adjustments, the Issuer will be notified in writing of the revised fees and their effective date.

## **APPENDIX B**

### **EVENT NOTICES**

If any one of the listed events occurs in relation to the Issuer and/or any of the Issuer's securities subject to this agreement, you must notify Ehlers at the earliest possible time to discuss the applicability and the need for any filing of an Event Notice. The Issuer may also wish to discuss the matter with its legal counsel to gauge materiality of any occurrence.

#### **Mandatory Event Notices**

- Principal and interest payment delinquencies
- Non-payment related defaults, if material
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers or their failure to perform
- Adverse tax opinions, IRS notices or material events affecting the tax status of the security
- Modifications to rights of security holders, if material
- Bond calls, if material
- Defeasances
- Release, substitution or sale of property securing repayment of the securities, if material
- Rating changes
- Tender offers
- Bankruptcy, insolvency, receivership or similar event of the obligated person
- Merger, consolidation, or acquisition of the obligated person, if material
- Appointment of a successor or additional trustee, or the change of name of a trustee, if material

#### **Additional / Voluntary Event-Based Disclosures**

- Amendment to continuing disclosure undertaking
- Change in obligated person
- Notice to investors pursuant to bond documents
- Certain communications from the Internal Revenue Service
- Secondary market purchases
- Bid for auction rate or other securities
- Capital or other financing plan
- Litigation / enforcement action
- Change of tender agent, remarketing agent, or other on-going party
- Derivative or other similar transaction
- Other event-based disclosures