



August 7, 2024

Mr. Jeremy Vacinek
Finance Director
City of Baxter, MN
13190 Memorywood Drive
Baxter, MN 56425

Dear Jeremy,

The purpose of this letter (this "Engagement Letter") is to confirm our agreement that PFM Financial Advisors LLC ("PFM") will act as financial advisor to the City of Baxter, Minnesota (the "Client"). PFM will provide, upon request of Client, services related to financial planning, budget and strategic advice and planning, and planning services related to debt issuance, as applicable and set forth in Exhibit A to this Engagement Letter. Most tasks requested by Client will not require all services provided for in Exhibit A and as such the specific scope of services for such task shall be limited to just those services required to complete the task.

pfm

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Suite 3300
Des Moines, IA 50309
515.243.2600

pfm.com

PFM is a registered municipal advisor with the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2. As of the date of this letter, Client has **not** designated PFM as its independent registered municipal advisor ("IRMA") for purposes of SEC Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption."). Client agrees not to represent that PFM is Client's IRMA with respect to any aspect of a municipal securities issuance or municipal financial product, without PFM's prior written consent.

MSRB Rules require that municipal advisors make written disclosures to their clients of all material conflicts of interest, certain legal or disciplinary events and certain regulatory requirements. Such disclosures are provided in PFM's Disclosure Statement delivered to Client prior to or together with this Engagement Letter.

PFM's services will commence as soon as practicable after the receipt of this Engagement Letter by Client and a request by Client for such service. Any material changes in or additions to the scope of services described in Exhibit A shall be promptly reflected in a written supplement or amendment to this Engagement Letter. Services provided by PFM which are not included in the scope of services set forth in Exhibit A of this Engagement Letter shall be completed as agreed in writing in advance between the Client and PFM. Upon request of Client, an affiliate of PFM or a third party referred or otherwise introduced by PFM may agree to additional services to be provided by such affiliate or third party, by a separate writing, including separate scope and compensation, between Client and such affiliate or third party.

For the services described in Exhibit A, PFM's professional fees will be paid as provided in Exhibit B. All fees shall be due to PFM within thirty (30) days of the date of invoice. In addition to fees for services, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses incurred, including travel, meals, lodging, telephone, mail, and other ordinary cost and any actual extraordinary cost for graphics, printing, data processing and computer time which are incurred by PFM. Upon request of Client, documentation of such expenses will be provided.

This Engagement Letter shall remain in effect until all related activities associated with this engagement are complete unless canceled in writing by either party



upon thirty (30) days written notice to the other party. Upon any such termination, PFM will be paid for all services performed and costs and expenses incurred up to the termination date.

PFM shall not assign any interest in this Engagement Letter or subcontract any of the work performed under this Engagement Letter without the prior written consent of Client; provided that PFM retains the right to enter into a sale, merger, internal reorganization, or similar transaction involving PFM's business without any such consent.

All information, data, reports, and records ("Data") in the possession of Client or any third party necessary for carrying out any services to be performed under this Engagement Letter shall be furnished to PFM. PFM may rely on the Data in connection with its provision of the services under this Engagement Letter and the provider thereof shall remain solely responsible for the adequacy, accuracy and completeness of such Data.

All notices and other communication required under this Engagement Letter will be in writing, sent by certified mail, return receipt requested, or by nationally recognized courier, with written verification of receipt. Notices shall be addressed to the party for whom it is intended, at the addresses on the first page of this Engagement Letter.

All materials, except functioning or dynamic financial models, prepared by PFM pursuant exclusively to this Engagement Letter will be the property of Client. Subject to the preceding exception, upon termination of this Engagement Letter, PFM will deliver to Client copies of any and all material pertaining to this Engagement Letter.

The Minneapolis and Des Moines offices of PFM will provide the services set forth in this Engagement Letter. PFM may, from time to time, supplement or otherwise amend team members. The Client has the right to request, for any reason, PFM to replace any member of the advisory staff. Should Client make such a request, PFM will promptly suggest a substitute for approval by Client.

PFM will maintain insurance coverage with policy limits not less than as stated in Exhibit C. Except to the extent caused by willful misconduct, bad faith, gross negligence or reckless disregard of obligations or duties under this Engagement Letter, PFM shall have no liability to any party under this Engagement Letter.

PFM, its employees, officers and representatives at all times will be independent contractors and will not be deemed to be employees, agents, partners, servants and/or joint ventures of Client by virtue of this Engagement Letter or any actions or services rendered under this Engagement Letter. Nothing in this Engagement Letter is intended or shall be construed to give any person, other than the parties hereto, their successors and permitted assigns, any legal or equitable rights, remedy or claim under or in respect of this Engagement Letter or any provisions contained herein. In no event will PFM be liable for any act or omission of any third party or for any circumstances beyond PFM's reasonable control including, but not limited to, fire, flood, or other natural disaster, war, riot, strike, act of terrorism, act of civil or military authority, software and/or equipment failure, computer virus, or failure or interruption of electrical, telecommunications or other utility services.



This Engagement Letter shall be construed, enforced, and administered according to the laws of the State of Minnesota. PFM and the Client agree that, should a disagreement arise as to the terms or enforcement of any provision of this Engagement Letter, each party will in good faith attempt to resolve said disagreement prior to pursuing other action.

This Engagement Letter represents the entire agreement between Client and PFM and may not be amended or modified except in writing signed by both parties. For the sake of clarity, any separate agreement between Client and an affiliate of PFM or a third party referred or introduced by PFM shall not in any way be deemed an amendment or modification of this Engagement Letter. The invalidity in whole or in part of any provision of this Engagement Letter shall not void or affect the validity of any other provision.

Please have an authorized official of Client acknowledge receipt of this Engagement Letter and respond to us to acknowledge the terms of this engagement.

Sincerely,

PFM FINANCIAL ADVISORS LLC

Jon Burmeister
Managing Director



EXHIBIT A **SCOPE OF SERVICES**

PFM shall provide, upon request of Client, municipal advisory services related to the financial planning and development of planning models, examples of which, not intended to be exclusive, are set forth as follows:

- Review of Client's audited financial statements.
- Review Client's internal budget documents and cash balance reports.
- Review capital improvement plan and review funding sources for the capital projects.
- Development and preparation of several financial and capital planning models:
 - Debt Service Tax Capacity Analysis planning model
 - Sewer Enterprise Fund financial and capital planning model
 - Water Enterprise Fund financial and capital planning model
 - Stormwater Enterprise Fund financial and capital planning model
 - Local Option Sales tax financial and capital planning model
- Develop financial options analyses (using financial and capital planning models listed above):
 - Analysis of the existing financial arrangements
 - Analyze debt capacity
 - Identify and analyze financing alternatives and debt structuring options
 - Develop scenarios
 - Analyze and compare to objectives/constraints
 - Evaluation of alternative security structures
 - Evaluation of alternative funding and financing approaches
 - Sensitivity analysis
- Assist Client with the development of Client's financial plan by assessing capital needs, identifying potential revenue sources, analyze financing alternatives such as pay-as-you-go, lease/purchasing, short-term vs. long-term financings, assessments, user fees, impact fees, developer contributions, public/private projects, and grants and provide analysis of each alternative as required as to the budgetary and financial impact.
- Develop preliminary financial plan objectives:
 - Review and revise with staff
 - Presentation and review with City Council
 - Assist with financial plan review and approval (as appropriate)
- Attend virtual meetings with Client's staff, consultants and other professionals.



EXHIBIT B
COMPENSATION FOR SERVICES

1. Annual Retainer

For financial planning services and development of planning models, PFM shall receive an annual fee in the amount as outlined below (“Retainer”), payable upon invoice. The projects outlined below will be updated upon the City’s request. The Retainer shall be reviewed and revised upon mutual agreement.

<u>Project</u>	<u>Annual Fee</u>
Debt Service Tax Capacity Analysis	\$5,000
Sewer Enterprise Fund	\$5,000
Water Enterprise Fund	\$5,000
Stormwater Enterprise Fund	\$5,000
Local Option Sales Tax	\$2,500
Multi-Year Updates for All Projects	\$1,000 per year

2. Hourly Project Fees (Non-Transaction Related)

In the event Client requests that PFM perform significant special projects, fees will be negotiated in advance of the project. Fees will be generally based upon the following hourly rates for the indicated levels of experience or their equivalents.

<u>Experience Level</u>	<u>Hourly Rate</u>
Managing Director	\$350.00
Director	\$300.00
Senior Managing Consultant	\$250.00
Senior Analyst	\$200.00
Analyst	\$175.00
Associate	\$125.00

3. Reimbursable Expenses

In addition to fees for services, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses incurred, including travel, meals, lodging, printing, telephone, postage, data processing and other ordinary costs which are incurred by PFM. Appropriate documentation can be provided.



EXHIBIT C
INSURANCE STATEMENT

PFM has a complete insurance program, including property, casualty, general liability, automobile liability and workers compensation. PFM maintains professional liability and fidelity bond coverages which total \$5 million and \$5 million single loss/ \$10 million aggregate, respectively. PFM also carries a \$5 million cyber liability policy.

Our Professional Liability policy is a “claims made” policy and our General Liability policy claims would be made by occurrence.

1. Deductibles/SIR:

Automobile \$100 comprehensive & \$1,000 collision
Cyber Liability \$100,000
General Liability \$0
Professional Liability (E&O) \$200,000
Financial Institution Bond \$50,000

2. Insurance Company & AM Best Rating

Professional Liability (E&O).....	Lloyds of London; (A; Stable)
.....	AXIS Surplus Insurance Company; (A; Stable)
Financial Institution Bond	Berkley Regional Insurance Company; (A+; Stable)
Cyber Liability.....	Greenwich Insurance Company (A+; Stable)
General Liability.....	Valley Forge Insurance Company; (A; Stable)
Automobile Liability.....	Continental Insurance Company; (A; Stable)
Excess/Umbrella Liability.....	Continental Insurance Company; (A; Stable)
Workers Compensation & Employers Liability	Continental Insurance Company; (A; Stable)