



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 8/20/2024
Agenda Section: Other Business

Department Origination: Finance

Agenda Item: Adopt Resolution 2024-074, Approving the Issuance and Sale of **\$5,480,000** General Obligation Improvement Bonds, Series 2024

Approval Required: Simple Majority Vote

BACKGROUND

As part of the City's annual, long-term financing of its utility and street improvement projects, General Obligation (G.O.) Improvement bonds are issued. Proceeds from the improvement bonds will reimburse for costs incurred to construct the various street and utility improvements in 2024. The projects include: the 2024 Mill and Overlay and FDR street improvements, the 2024 South Forestview street and utilities project, and the 2024 CSAH 77 utility improvements that were ordered.

Finance Director Vacinek has been working with our financial advisor, Jon Burmeister of Public Financial Management (PFM), and our bond counsel, Jenny Boulton of Kennedy and Graven, on the bond sale. In consultation with our counsel and financial advisor, attached is the draft resolution to award the sale of the bonds to the low bidder from the August 20th sale. **Actual results will be known after the 10:00 a.m. sale on Tuesday, August 20. Updated information will be presented to the Council at the Council meeting with a recommendation to consider adoption of the resolution.**

On August 19th, Moody's Investors Service assigned the Aa2 rating to the proposed 2024 bonds and reaffirmed the Aa2 rating on our existing outstanding debt. Moody's cited the rating was because Baxter, "benefits from a strong financial position, solid full value per capita, and moderate long-term liabilities and fixed costs. However, it has a slightly lower resident income than Aa-rated medians and its economic growth metric trails the nation." The city's financial performance (available fund balance and liquidity ratios), institutional framework, and fixed-costs ratio place the city in the "Aaa" scoring. These strong scores mitigate the lower "A" rating score for economic growth metric and "Aa" scores for resident income ratio, full value per capita, and leverage for long-term liabilities.

Moody's noted credit strengths included, "Robust financial position and moderate leverage and fixed costs". Credit challenges were indicated as "Economic growth trails the nation". Factors that could lead to an upgrade included "Maintenance of robust available fund balance ratio and substantial strengthening of economic metrics, including full value per capita well above \$180,000 or resident income ratio closer to 120" (the ratio was 122.1% in 2020 and was 103.7% in 2022). Factors that could lead to a downgrade were noted as "Significant, sustained narrowing of reserve ratios to levels below 40% and materially increased long-term liabilities ratio closer to 300% (currently 141.2%) or fixed-costs ratio over 15% (currently 8.7%)."

FINANCIAL IMPLICATIONS

Finance Director Vacinek, in consultation with PFM, has prepared the initial \$6.9 million bond issue (**revised to \$5.48 million after the sale**) to finance about **48% 42%** of the improvement projects, based upon engineer's estimates of the various projects' funding sources and estimated costs projects, as of May 20, 2024, when the bonds were structured **and updated post sale on August 20, 2024**. At the time of the initial sizing, funding

sources for the project costs included special assessments to benefitting properties (43%), a future debt service property tax levy (10%), sales tax proceeds (19%), collector street funds proceeds (17%), franchise fees (2%), and contributions from the city's enterprise funds (9%). The estimated \$6.9 million of net bond proceeds (**revised to \$5.48 million with the additional prepaid assessments, updated project costs estimates, and the bond's premium incorporated after the sale**) corresponds to the approximate special assessment and city property tax levy being collected and levied in the future. When structured, about 78% of the debt service from this bond issue is proposed to be paid from special assessments to benefited property owners with the remaining 22% comprised of a property tax levy.

Given the current interest rate environment, the city ~~may did~~ receive a premium when the bonds ~~are were~~ sold on August 20, similar to prior bond issues. **If the premium is substantial, With the premium, the city may elect elected** to reduce the par amount of the bonds, effectively reducing the amount borrowed, and ~~use-used~~ the proceeds from the premium to fund a portion of the improvements. Additional adjustments to the final bond size ~~will-be were~~ made for any special assessment prepayments and updated project cost estimates after the sale occurs and before the bonds are awarded. **The \$1,420,000 reduction in the par amount of the bonds also will result in a \$368,952 reduction in net interest cost over the life of the bonds.**

The preliminary property tax levy requirement will be included in the 2025 proposed levy certified to the county and will be incorporated into the city's existing property tax levy cash flow. The project costs and financing, prior to the final adjustments after the sale, are outlined in the attached Sources and Uses analysis from the original bond size.

The bonds meet the \$10 million qualified tax-exempt limits for 2024. The bond issue will reimburse for project costs incurred this year and estimated outstanding costs. **With the actual bond sale earlier today, the adjusted bond TIC was 3.17%, resulting in a final assessment interest rate of 4.70% for city-initiated project parcels and 5.20% for developer-petitioned project parcels that were not part of an assessment or settlement agreement. The final assessment interest rates were lower than the 7.00% originally projected.**

STAFF RECOMMENDATIONS

Upon receipt of Tuesday's bond sale results, Finance Director Vacinek will make a recommendation to the Council to consider adopting the attached resolution, updated with actual figures, awarding the sale of the 2024 G.O. Improvement bonds to the low bidder, **Piper Sandler & Company.**

COUNCIL ACTION REQUESTED

Adopt the attached Resolution 2024-074, approving the issuance and sale of ~~\$6,900,000~~ **\$5,480,000** General Obligation Improvement Bonds, Series 2024

2024 GO IMPROVEMENT BONDS AND PROJECT SOURCES AND USES ANALYSIS 05.20.24; **REVISED POST SALE 08.20.24**

2024 GO IMPROVEMENT BONDS ESTIMATED SOURCES AND USES OF FUNDS

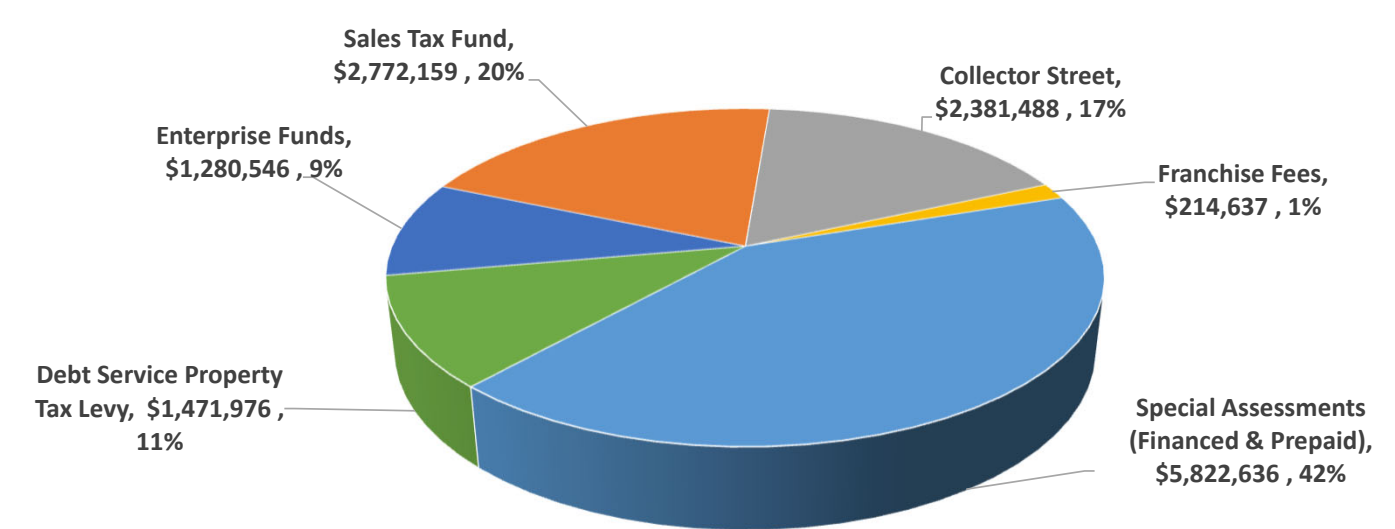
ESTIMATED SOURCES		Bond Proceeds Financing*
GO Improvement Bonds		
Par Amount of Bonds	5,480,000	
Premium	512,793	
Total Bond Proceeds	5,992,793	
ESTIMATED USES		
Deposit to Construction Account	5,893,269	5,893,269
Estimated Underwriter's Discount	44,922	
Estimated Cost of Issuance	51,000	
Rounding Amount	3,602	
Total Estimated Uses	5,992,793	5,893,269

2024 PROJECT ESTIMATED SOURCES AND USES OF FUNDS**

Project	ESTIMATED PROJECT USES	ESTIMATED PROJECT SOURCES						Financed by Bonds
		Enterprise Funds	Sales Tax	Collector Street	Franchise Fees	Special Assess	Tax Levy	
2024 South Forestview	8,263,010	606,608	2,772,159	1,981,488	-	2,441,284	461,471	2,902,755
2024 M&O and FDR	4,827,933	443,866	-	400,000	214,637	2,758,925	1,010,505	3,769,430
2024 CSAH77 Utilities	852,499	230,072	-	-	-	622,427	-	622,427
Totals	13,943,442	1,280,546	2,772,159	2,381,488	214,637	5,822,636	1,471,976	7,294,612
less Prepaid Special Assessments								(1,401,343)
								5,893,269
Proportion of Projects Financed with 2024 Bonds								42%

- * The estimated \$5,893,269 of net bond proceeds deposited to the respective capital project construction funds corresponds to the approximate sum of the anticipated special assessments net of prepayments and debt service property tax levy for the various eligible improvements when bonds were originally structured. This figure represents the portions special assessments net of prepayments and debt service property tax levy for the various eligible improvements. This figure represents the portions of the projects being financed with the 2024 bonds (~42%) after deducting for prepaid improvements and other city contributions not being financed with the bonds when the bonds were originally structured. Project Estimated Uses figures currently do not include bond issuance costs. Those costs will be allocated to the respective project funds when the bonds are issued.
- ** Project Sources and Uses are estimated as of 05.20.24 when bonds were structured; from Original Engineer's Estimates and available figures. Adjustments to the final bond size were made for additional assessment prepayments, updated project estimates, and the bond premium that occurred after the sale and before the bonds are awarded. Cost overruns, ineligible project costs, and other unknown costs will need to be evaluated at a later date and may require other or additional city funding.

2024 Improvement Projects Funding Sources



EXTRACT OF MINUTES OF A MEETING OF THE
CITY COUNCIL OF
THE CITY OF BAXTER, MINNESOTA

HELD: August 20, 2024

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Baxter, Minnesota, was held at City Hall in said City on Tuesday, the 20th day of August, 2024, commencing at 7:00 o'clock P.M.

The following members were present:

and the following were absent:

* * *

* * *

* * *

The Mayor announced that the next order of business was consideration of the proposals which had been received for the purchase of the City's General Obligation Improvement Bonds, Series 2024, to be issued in the aggregate principal amount of \$5,480,000.

The City Finance Director presented a tabulation of the proposals that had been received in the manner specified in the Terms of Proposal for the Bonds. The proposals were as set forth in **Exhibit A** attached.

After due consideration of the proposals, Member _____ then introduced the following resolution and moved its adoption:

RESOLUTION 2024-074

RESOLUTION APPROVING THE ISSUANCE AND SALE OF
\$5,480,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2024; FIXING
THEIR FORM AND SPECIFICATIONS; DIRECTING THEIR EXECUTION AND
DELIVERY; AND PROVIDING FOR THEIR PAYMENT

BE IT RESOLVED By the City Council of the City of Baxter, Crow Wing County, Minnesota (the "City") as follows:

Section 1. Sale of Bonds.

1.01 Authorization. It is hereby determined that it is necessary and expedient for the City to issue its \$5,480,000 General Obligation Improvement Bonds, Series 2024 (the "Bonds") pursuant to Minnesota Statutes, Chapters 429 and 475, both as amended (the "Act") to provide financing for various assessable public improvement projects in the City, including without limitation, Project #4138 (extension of municipal sanitary sewer and watermain to South

Forestview neighborhood and associated roadway construction and trail improvements), Project #4424 (mill and overlay and full depth reclamation improvements to various roadway segments throughout the City) and Project #4118 (construction of sanitary sewer collection and water distribution improvements along CSAH 77 from Inglewood Drive to Edgewood Drive) (the “Improvements”). The City is authorized by Minnesota Statutes, Section 475.60, Subdivision 2(9) to negotiate the sale of the Bonds if the City has retained an independent municipal advisor in connection with such sale. The City has retained PFM Financial Advisors LLC as an independent municipal advisor in connection with the sale of the Bonds.

1.02. Award to the Purchaser and Interest Rates. The proposal of Piper Sandler & Co, in Minneapolis, Minnesota (the “Purchaser”) to purchase the Bonds of the City described in the Terms of Proposal is hereby found and determined to be a reasonable offer and is hereby accepted. The successful proposal is to purchase the Bonds at a price of \$5,947,871.15 (par amount of \$5,480,000.00, plus a premium of \$512,793.25 and less an underwriter’s discount of \$44,922.10), for Bonds bearing interest as follows:

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
2026	5.00%	2032	5.00%
2027	5.00	2033	5.00
2028	5.00	2034	5.00
2029	5.00	2035	4.00
2030	5.00	2036	4.00
2031	5.00	2037	4.00

1.03. Purchase Contract. Any amount paid by the Purchaser over the minimum purchase price shall be credited to the Debt Service Fund hereinafter created or deposited in the Construction Fund hereinafter created, as determined by the City Finance Director after consultation with the City’s municipal advisor. The City Finance Director is directed to retain the good faith deposit of the Purchaser, pending completion of the sale of the Bonds. The Mayor and City Clerk are authorized to execute a contract with the Purchaser on behalf of the City, if requested by the Purchaser.

1.04. Terms and Principal Amounts of Bonds. The City will forthwith issue and sell the Bonds pursuant to the Act, in the total principal amount of \$5,480,000, originally dated the date of delivery, in fully registered form and in denominations of \$5,000 each or any integral multiple thereof, numbered No. R-1 and upward, bearing interest as above set forth, and maturing serially on February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2026	\$455,000	2032	\$460,000
2027	465,000	2033	450,000
2028	470,000	2034	465,000
2029	480,000	2035	475,000
2030	480,000	2036	480,000
2031	480,000	2037	320,000

As may be requested by the Purchaser, one or more term Bonds may be issued having mandatory sinking fund redemption and final maturity amounts conforming to the foregoing principal repayment schedule, and corresponding additions may be made to the provisions of the applicable Bond(s).

1.05. Optional Redemption. The City may elect on February 1, 2033, and on any day thereafter to prepay Bonds maturing on or after February 1, 2034. Redemption may be in whole or in part and if in part, at the option of the City and in such manner as the City will determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC (as defined in Section 7 hereof) of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Prepayments will be at a price of par plus accrued interest.

Section 2. Registration and Payment.

2.01. Registered Form. The Bonds will be issued only in fully registered form. The interest thereon and, upon surrender of each Bond, the principal amount thereof, is payable by check or draft issued by the Registrar described herein.

2.02. Dates; Interest Payment Dates. Each Bond will be dated as of the last interest payment date preceding the date of authentication to which interest on the Bond has been paid or made available for payment, unless (i) the date of authentication is an interest payment date to which interest has been paid or made available for payment, in which case the Bond will be dated as of the date of authentication, or (ii) the date of authentication is prior to the first interest payment date, in which case the Bond will be dated as of the date of original issue. The interest on the Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2025, to the registered owners thereof of record as of the close of business on the 15th day of the immediately preceding month, whether or not that day is a business day.

2.03. Registration. The City will appoint, and will maintain, a bond registrar, transfer agent, authenticating agent and paying agent (the "Registrar"). The effect of registration and the rights and duties of the City and the Registrar with respect thereto are as follows:

(a) Register. The Registrar will keep at its principal corporate trust office a bond register in which the Registrar provides for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar will authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the 15th day of the month preceding each interest payment date and until that interest payment date.

(c) Exchange of Bonds. Whenever any Bonds are surrendered by the registered owner for exchange the Registrar will authenticate and deliver one or more new Bonds of a like aggregate principal amount and maturity as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange will be promptly cancelled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When a Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the Bond until the Registrar is satisfied that the endorsement on the Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar will incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name a Bond is at any time registered, as of the applicable record date, in the bond register as the absolute owner of such Bond, whether the Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the Bond and for all other purposes and payments so made to a registered owner or upon the owner's order will be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. The Registrar may impose a charge upon the owner thereof for a transfer or exchange of Bonds, sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to the transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. If a Bond is mutilated, destroyed, stolen or lost, the Registrar will deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for any Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to the Registrar that the Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar an appropriate bond or indemnity

in form, substance and amount satisfactory to the Registrar and as provided by law, in which both the City and the Registrar must be named as obligees. Bonds so surrendered to the Registrar will be cancelled by the Registrar and evidence of such cancellation must be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms it is not necessary to issue a new Bond prior to payment.

(i) Redemption. In the event any of the Bonds are called for redemption, written notice thereof identifying the Bonds to be redeemed will be given by the Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) at least 30 days prior to the redemption date to the registered owner of each Bond to be redeemed at the address shown on the registration books kept by the Registrar and by publishing the notice if required by law. Failure to give notice by publication or by mail to any registered owner, or any defect therein, will not affect the validity of the proceedings for the redemption of Bonds. Bonds so called for redemption will cease to bear interest after the specified redemption date, provided that the funds for the redemption are on deposit with the place of payment at that time.

2.04. Appointment of Initial Registrar. The City appoints U.S. Bank Trust Company, National Association, St. Paul, Minnesota, as the initial Registrar. The Mayor and the City Clerk are authorized to execute and deliver, on behalf of the City, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company authorized by law to conduct such business, the resulting corporation is authorized to act as successor Registrar. The City agrees to pay the reasonable and customary charges of the Registrar for the services performed. The City reserves the right to remove the Registrar upon 30 days' notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar must deliver all cash and Bonds in its possession to the successor Registrar and deliver the bond register to the successor Registrar. On or before each principal or interest due date, without further order of this Council, the City Finance Director must transmit to the Registrar money sufficient for the payment of all principal and interest then due.

2.05. Execution, Authentication and Delivery. The Bonds will be prepared under the direction of the City Finance Director and executed on behalf of the City by the signatures of the Mayor and the City Clerk, provided that all signatures may be printed, engraved or lithographed facsimiles of the originals. If an officer whose signature or a facsimile of whose signature appears on the Bonds ceases to be such officer before the delivery of any Bond, that signature or facsimile will nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery. Notwithstanding such execution, a Bond will not be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on the Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on a Bond is conclusive evidence that it has been authenticated and delivered under this Resolution. When the Bonds have been so prepared, executed and authenticated, the City Finance Director will deliver the same to the Purchaser thereof upon payment of the purchase price in accordance with the

contract of sale heretofore made and executed, and the Purchaser is not obligated to see to the application of the purchase price.

2.06. Form of Bonds. The Bonds will be printed or typewritten in substantially the form set forth in **Exhibit B** attached hereto.

2.07 Approving Legal Opinion. The City Finance Director is authorized and directed to obtain a copy of the proposed approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, which will be complete except as to dating thereof and to cause the opinion to be printed on or accompany each Bond.

Section 3. Funds and Accounts; Security; Payment.

3.01 Debt Service Fund. For the convenience and proper administration of the moneys to be borrowed and repaid on the Bonds and to provide adequate and specific security for the Purchaser and holders from time to time of the Bonds, there is hereby created a special fund to be designated the General Obligation Improvement Bonds, Series 2024 Debt Service Fund (the “Debt Service Fund”). The Debt Service Fund shall be administered and maintained by the City Finance Director as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. Amounts in the Debt Service Fund are irrevocably pledged to the Bonds. To the Debt Service Fund hereby created, there is hereby pledged and irrevocably appropriated and there will be credited: (A) the proceeds of ad valorem property taxes herein or hereafter levied (the “Taxes”), and, subject to 3.02, the special assessments levied or to be levied against the property specially benefited by the Improvements (the “Assessments”), (iii) any amount over the minimum purchase price of the Bonds paid by the Purchaser, to the extent designated for deposit in the Debt Service Fund in accordance with Section 1.03, (iv) capitalized interest financed from bond proceeds, if any, (v) all investment earnings on funds in the Debt Service Fund, and (vi) any and all other moneys which are properly available and are appropriated by the City Council to the Debt Service Fund. The Debt Service Fund will be maintained in the manner herein specified until all of the Bonds and the interest thereon have been fully paid. The City Finance Director will report to the City Council any current or anticipated deficiency in the Debt Service Fund in the amount necessary to pay the principal of and interest on the Bonds when due. If a payment of principal or interest on the Bonds becomes due when there is not sufficient money in the Debt Service Fund to pay the same, the City Finance Director is directed to pay such principal or interest from other funds of the City, and such fund will be reimbursed for those advances out of the proceeds of Assessments and Taxes when collected.

3.02 Construction Fund. The City hereby creates the General Obligation Improvement Bonds, Series 2024A Construction Fund (the “Construction Fund”) to be administered and maintained by the City Finance Director as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. The proceeds of the Bonds, less the appropriations made in Section 3.01, together with the Assessments collected during the construction of the Improvements and any other funds appropriated for the Improvements will be deposited in a separate construction fund (the “Construction Fund”) to be used solely to defray expenses of the Improvements and the payment of principal and interest on the Bonds prior to the

completion and payment of all costs of the Improvements. Any balance remaining in the Construction Fund after completion of the Improvements and payment of the costs thereof, may be used to pay the cost in whole or in part of any other improvement instituted under the Act under the direction of the City Council or may be used as provided in Minnesota Statutes, section 475.65. Thereafter, the Construction Fund is to be closed and any remaining balances therein and subsequent collections of Assessments for the Improvements and any Taxes are to be deposited in the Debt Service Fund.

3.03. City Covenants. The City hereby covenants with the holders from time to time of the Bonds as follows:

(a) It is hereby determined that the Improvements will directly and indirectly benefit abutting property and other identified property, and that at least 20% of the costs of the Improvements to the City will be paid by Assessments. The City has caused or will cause the Assessments levied or to be levied against the property specially benefited by the Improvements to be promptly levied so that the first installment will be collectible not later than 2025 and will take all steps necessary to assure prompt collection, and the levy of the Assessments is hereby authorized. The City Council will cause to be taken with due diligence all further actions that are required for the construction of each Improvement financed wholly or partly from the proceeds of the Bonds, and will take all further actions necessary for the final and valid levy of the Assessments and the appropriation of any other funds needed to pay the Bonds and interest thereon when due.

(b) In the event of any current or anticipated deficiency in Assessments and Taxes, the City Council will levy additional ad valorem taxes in the amount of the current or anticipated deficiency.

(c) The City will keep complete and accurate books and records showing: receipts and disbursements in connection with the Improvements, Assessments and Taxes levied therefor and other funds appropriated for their payment, collections thereof and disbursements therefrom, monies on hand and, the balance of unpaid Assessments.

(d) The City will cause its books and records to be audited at least annually and will furnish copies of such audit reports to any interested person upon request.

3.04. Pledge of Tax Levy. For the purpose of paying the principal of and interest on the Bonds, there is levied a direct annual irrevocable ad valorem tax upon all of the taxable property in the City, which will be spread upon the tax rolls and collected with and as part of other general taxes of the City. The taxes will be credited to the Debt Service Fund above provided and will be in the years (being each year of collection) and amounts as set forth in **Exhibit C**. The tax levy herein provided is irrevocable so long as any of the Bonds are outstanding and unpaid, provided that the City reserves the right to reduce the levies in the manner and to the extent permitted by Section 475.61, subdivision 3 of the Act. At the time the City makes its annual tax levy the City Finance Director may certify to the County Auditor of Crow Wing County the amount available

in the Debt Service Fund to pay principal and interest due during the ensuing year, and the County Auditor will thereupon reduce the levy collectible during such year by the amount so certified.

3.05. Certification to County Auditor as to Debt Service Fund Amount. It is hereby determined that the estimated collections of Assessments and the foregoing Taxes will produce at least 5% in excess of the amount needed to meet when due the principal and interest payments on the Bonds.

3.06. County Auditor's Certificate as to Registration and Tax Levy. The City Clerk is authorized and directed to file a certified copy of this resolution with the County Auditor of Crow Wing County and to obtain the certificate required by Minnesota Statutes, Section 475.63, that the Bonds have been entered in the County Auditor's register and the tax levy required by law has been made.

3.07. General Obligation Pledge. For the prompt and full payment of the principal of and interest on the Bonds, as the same respectively become due, the full faith, credit and taxing powers of the City will be and are hereby irrevocably pledged. If the balance in the Debt Service Fund is ever insufficient to pay all principal and interest then due on the Bonds and any other bonds payable therefrom, the deficiency will be promptly paid out of monies in the general fund of the City which are available for such purpose, and such general fund may be reimbursed with or without interest from the Debt Service Fund when a sufficient balance is available therein.

Section 4. Authentication of Transcript.

4.01. City Proceedings and Records. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser and to the attorneys approving the Bonds, certified copies of proceedings and records of the City relating to the Bonds and to the financial condition and affairs of the City, and such other certificates, affidavits and transcripts as may be required to show the facts within their knowledge or as shown by the books and records in their custody and under their control, relating to the validity and marketability of the Bonds, and such instruments, including any heretofore furnished, may be deemed representations of the City as to the facts and representations stated therein as it relates to the City.

4.02 Certification as to Official Statement. The Mayor, City Administrator, City Clerk and City Finance Director, or any of them, are authorized and directed to certify that they have examined the Official Statement prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief the Official Statement is, as of the date thereof, a complete and accurate representation of the facts and representations made therein as of the date of the Official Statement as it relates to the City.

4.03. Other Certificates. The Mayor, City Administrator, City Finance Director and City Clerk, or any of them, are hereby authorized and directed to furnish to the Purchaser at the closing such certificates as are required as a condition of sale. Unless litigation shall have been commenced and be pending questioning the Bonds or the organization of the City or incumbency of its officers, at the closing the Mayor, City Administrator, City Clerk and City Finance Director, or any of them, shall also execute and deliver to the Purchaser a suitable certificate as to absence of material litigation, and the City Finance Director shall also execute and deliver a certificate as to payment for and delivery of the Bonds.

4.04 Electronic Signatures. The electronic signature of the Mayor, City Administrator, City Clerk, and City Finance Director, or any of them, to this resolution and to any certificate authorized to be executed hereunder shall be as valid as an original signature of such party and shall be effective to bind the City thereto. For purposes hereof, (i) “electronic signature” means (a) a manually signed original signature that is then transmitted by electronic means or (b) a signature obtained through DocuSign or Adobe or a similarly digitally auditable signature gathering process; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (“pdf”) or other replicating image attached to an electronic mail or internet message.

Section 5. Tax Covenants.

5.01. Tax-Exempt Bonds. The City covenants and agrees with the holders from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bonds to become subject to taxation under the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations promulgated thereunder, in effect at the time of such actions, and that it will take or cause its officers, employees or agents to take, all affirmative action within its power that may be necessary to ensure that such interest will not become subject to taxation under the Code and applicable Treasury Regulations, as presently existing or as hereafter amended and made applicable to the Bonds.

5.02. Not Private Activity Bonds. The City further covenants not to use the proceeds of the Bonds or the Improvements financed by the Bonds, or to cause or permit them or any of them to be used, in such a manner as to cause the Bonds to be “private activity bonds” within the meaning of Sections 103 and 141 through 150 of the Code.

5.03. Bank Qualified Tax-Exempt Obligations. In order to qualify the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, the City makes the following factual statements and representations:

(a) the Bonds are not “private activity bonds” as defined in Section 141 of the Code;

(b) the City hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code;

(c) the reasonably anticipated amount of tax-exempt obligations (other than any private activity bonds that are not qualified 501(c)(3) bonds) which will be issued by the City (and all subordinate entities of the City) during calendar year 2024 will not exceed \$10,000,000; and

(d) not more than \$10,000,000 of obligations issued by the City during calendar year 2024 have been designated for purposes of Section 265(b)(3) of the Code.

5.04 Rebate. The City will comply with requirements necessary under the Code to establish and maintain the exclusion from gross income of the interest on the Bonds under Section 103 of the Code, including without limitation (1) requirements relating to temporary periods for investments, (2) limitations on amounts invested at a yield greater than the yield on the Bonds, and (3) the rebate of excess investment earnings to the United States unless the Bonds qualify for an exception to the rebate requirement under the Code and related Treasury Regulations.

5.05. Procedural Requirements. The City will use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate the designations made by this section.

Section 6. Book-Entry System; Limited Obligation of City.

6.01. DTC. The Bonds will be initially issued in the form of a separate single typewritten or printed fully registered Bond for each of the maturities set forth in Section 1.04 hereof. Upon initial issuance, the ownership of each Bond will be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, and its successors and assigns (“DTC”). Except as provided in this section, all of the outstanding Bonds will be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC.

6.02. Participants. With respect to Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the City, the Registrar and the Paying Agent will have no responsibility or obligation to any broker dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository (the “Participants”) or to any other person on behalf of which a Participant holds an interest in the Bonds, including but not limited to any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person (other than a registered owner of Bonds, as shown by the registration books kept by the Registrar,) of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a registered owner of Bonds, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The City, the Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Registrar as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes. The Paying Agent will pay all principal of,

premium, if any, and interest on the Bonds only to or on the order of the respective registered owners, as shown in the registration books kept by the Registrar, and all such payments will be valid and effectual to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, or interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner of Bonds, as shown in the registration books kept by the Registrar, will receive a certificated Bond evidencing the obligation of this resolution. Upon delivery by DTC to the City Clerk of a written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the words "Cede & Co.," will refer to such new nominee of DTC; and upon receipt of such a notice, the City Clerk will promptly deliver a copy of the same to the Registrar and Paying Agent.

6.03. Representation Letter. The City has heretofore executed and delivered to DTC a Blanket Issuer Letter of Representations (the "Representation Letter") which will govern payment of principal of, premium, if any, and interest on the Bonds and notices with respect to the Bonds. Any Paying Agent or Registrar subsequently appointed by the City with respect to the Bonds will agree to take all action necessary for all representations of the City in the Representation Letter with respect to the Registrar and Paying Agent, respectively, to be complied with at all times.

6.04. Transfers Outside Book-Entry System. In the event the City, by resolution of the City Council, determines that it is in the best interests of the persons having beneficial interests in the Bonds that they be able to obtain Bond certificates, the City will notify DTC, whereupon DTC will notify the Participants, of the availability through DTC of Bond certificates. In such event the City will issue, transfer and exchange Bond certificates as requested by DTC and any other registered owners in accordance with the provisions of this Resolution. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In such event, if no successor securities depository is appointed, the City will issue and the Registrar will authenticate Bond certificates in accordance with this resolution and the provisions hereof will apply to the transfer, exchange and method of payment thereof.

6.05. Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as a Bond is registered in the name of Cede & Co., as nominee of DTC, payments with respect to principal of, premium, if any, and interest on the Bond and notices with respect to the Bond will be made and given, respectively in the manner provided in DTC's Operational Arrangements, as set forth in the Representation Letter.

Section 7. Continuing Disclosure.

7.01. City Compliance with Provisions of Continuing Disclosure Certificate. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate is not an event of default with respect to the Bonds; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

7.02. Execution of Continuing Disclosure Certificate. “Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the Mayor and City Clerk and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Section 8. Defeasance. When the Bonds and all accrued interest thereon, have been discharged as provided in this section, all pledges, covenants and other rights granted by this resolution to the holders of the Bonds will cease, except that the pledge of the full faith and credit of the City for the prompt and full payment of the principal of and interest on the Bonds will remain in full force and effect. The City may discharge the Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full or by depositing irrevocably in escrow, with a suitable institution qualified by law as an escrow agent for this purpose, cash or securities which are backed by the full faith and credit of the United States of America, or any other security authorized under Minnesota law for such purpose, bearing interest payable at such times and at such rates and maturing on such dates and in such amounts as shall be required and sufficient, subject to sale and/or reinvestment in like securities, to pay said obligation(s), which may include any interest payment on such Bond and/or principal amount due thereon at a stated maturity (or if irrevocable provision shall have been made for permitted prior redemption of such principal amount, at such earlier redemption date). If any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit.

Section 9. Setting Improvement’s Special Assessment Interest Rates. Based upon the City’s special assessment policy, the final special assessment interest rate shall be set at one and one-half percent (1.5%) greater than the True Interest Cost (TIC) Rate of the bond issue for non-petitioned Improvements and two percent (2.0%) greater than the TIC Rate of the bond issue for petitioned Improvements, commencing in the year following the certification of the assessment. The City Council hereby sets the assessment rate for non-petitioned Improvements at 4.70% and petitioned Improvements at 5.20% as a result of the bond sale. Special assessments previously approved as part of an assessment or settlement agreement shall remain at and be set at the interest rate identified in the respective agreement. The City Finance Director is authorized to certify the records of assessment for the Improvements at the revised assessment interest rates identified above to the Crow Wing County Auditor for collection with the property taxes, beginning with the first installment in 2025.

The motion for adoption of the foregoing resolution was duly seconded by Member _____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted this 20th day of August, 2024.

STATE OF MINNESOTA)
)
COUNTY OF CROW WING) SS.
)
CITY OF BAXTER)

I, the undersigned, being the duly qualified and acting City Clerk of the City of Baxter, Crow Wing County, Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a meeting of the City Council of the City held on August 20, 2024 with the original minutes on file in my office and the extract is a full, true and correct copy of the minutes insofar as they relate to the issuance and sale of \$5,480,000 General Obligation Improvement Bonds, Series 2024 of the City.

WITNESS my hand officially as such City Clerk this _____ day of _____, 2024.

Kelly Steele, City Clerk

EXHIBIT A

City of Baxter, Minnesota

General Obligation Improvement Bonds, Series 2024

TIC Calculation

Period	Piper Sandler	HilltopSecurities	Robert W. Baird	Northland
<u>Ending</u>	<u>Debt Service</u>	<u>Debt Service</u>	<u>Debt Service</u>	<u>Debt Service</u>
09-17-24	(7,488,301.60)	(7,631,292.20)	(7,522,698.10)	(7,566,649.50)
08-01-25	286,699.44	300,916.67	291,845.56	297,078.89
02-01-26	734,350.00	742,500.00	737,300.00	740,300.00
08-01-26	150,100.00	158,250.00	153,050.00	156,050.00
02-01-27	730,100.00	738,250.00	733,050.00	736,050.00
08-01-27	135,600.00	143,750.00	138,550.00	141,550.00
02-01-28	725,600.00	733,750.00	728,550.00	731,550.00
08-01-28	120,850.00	129,000.00	123,800.00	126,800.00
02-01-29	720,850.00	729,000.00	723,800.00	726,800.00
08-01-29	105,850.00	114,000.00	108,800.00	111,800.00
02-01-30	705,850.00	714,000.00	708,800.00	711,800.00
08-01-30	90,850.00	99,000.00	93,800.00	96,800.00
02-01-31	690,850.00	699,000.00	693,800.00	696,800.00
08-01-31	75,850.00	84,000.00	78,800.00	81,800.00
02-01-32	655,850.00	664,000.00	658,800.00	661,800.00
08-01-32	61,350.00	69,500.00	64,300.00	67,300.00
02-01-33	631,350.00	639,500.00	634,300.00	637,300.00
08-01-33	47,100.00	55,250.00	50,050.00	53,050.00
02-01-34	627,100.00	635,250.00	630,050.00	633,050.00
08-01-34	32,600.00	40,750.00	35,550.00	38,550.00
02-01-35	622,600.00	630,750.00	625,550.00	628,550.00
08-01-35	20,800.00	26,000.00	20,800.00	23,800.00
02-01-36	620,800.00	626,000.00	620,800.00	623,800.00
08-01-36	8,800.00	11,000.00	8,800.00	8,800.00
02-01-37	448,800.00	451,000.00	448,800.00	448,800.00
	9,050,549.44	9,234,416.67	9,111,745.56	9,179,978.89
Par	6,900,000.00	6,900,000.00	6,900,000.00	6,900,000.00
Accrued	None	None	None	None
Discount	588,301.60	731,292.20	622,698.10	666,649.50
	7,488,301.60	7,631,292.20	7,522,698.10	7,566,649.50
TIC	3.174364%	3.198001%	3.214572%	3.244055%
NIC	1,562,247.84	1,603,124.47	1,589,047.46	1,613,329.39
Bid	(7,488,301.60)	(7,631,292.20)	(7,522,698.10)	(7,566,649.50)

	<u>Bid</u>	<u>NIC</u>	<u>TIC</u>
Piper Sandler	7,488,301.60	1,562,247.84	3.174364%
HilltopSecurities	7,631,292.20	1,603,124.47	3.198001%
Robert W. Baird	7,522,698.10	1,589,047.46	3.214572%
Northland	7,566,649.50	1,613,329.39	3.244055%

EXHIBIT B
FORM OF BOND

No. R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF CROW WING
CITY OF BAXTER

GENERAL OBLIGATION IMPROVEMENT BOND, SERIES 2024

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	February 1, 20__	September 17, 2024	

Registered Owner: Cede & Co.

The City of Baxter, Minnesota, a duly organized and existing municipal corporation in Crow Wing County, Minnesota (the “City”), acknowledges itself to be indebted and for value received hereby promises to pay to the Registered Owner specified above or registered assigns, the principal sum set forth above on the Maturity Date specified above, unless called for earlier redemption, with interest thereon from the date hereof at the annual Interest Rate specified above (calculated on the basis of a 360-day year of twelve 30-day months), payable February 1 and August 1 in each year, commencing August 1, 2025, to the person in whose name this Bond is registered at the close of business on the 15th day (whether or not a business day) of the immediately preceding month. The interest hereon and, upon presentation and surrender hereof, the principal hereof are payable in lawful money of the United States of America by check or draft by U.S. Bank Trust Company, National Association, St. Paul, Minnesota, as Registrar, Authenticating Agent, Transfer Agent and Paying Agent, or its designated successor under the Resolution described herein. For the prompt and full payment of such principal and interest as the same respectively become due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged.

The City may elect on February 1, 2033, and on any date thereafter to prepay Bonds due on or after February 1, 2034. Redemption may be in whole or in part and if in part, at the option of the City and in such manner as the City will determine. If less than all Bonds of a maturity are called for redemption, the City will notify the Depository Trust Company (“DTC”) of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. Prepayments will be at a price of par plus accrued interest.

This Bond is one of an issue in the aggregate principal amount of \$5,480,000 all of like original issue date and tenor, except as to number, maturity date, denomination, redemption

privilege, and interest rate, all issued pursuant to a resolution adopted by the City Council on August 20, 2024 (the “Resolution”), for the purpose of providing money to finance the construction of various public improvement projects within the City pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapters 429 and 475. The principal hereof and interest hereon are payable from special assessments levied against property specially benefited by local improvements and from ad valorem taxes as set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred. The full faith and credit of the City are irrevocably pledged for payment of this Bond and the City Council has obligated itself to levy additional ad valorem taxes on all taxable property, in the City in the event of any deficiency in special assessments, and ad valorem taxes pledged, which additional taxes may be levied without limitation as to rate or amount. The Bonds of this series are issued only as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof of single maturities.

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by the owner’s attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or the owner’s attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

This Bond has been designated by the Issuer as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The City and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor the Registrar will be affected by any notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution, and laws of the State of Minnesota, to be done, to exist, to happen and to be performed preliminary to and in the issuance of this Bond in order to make it a valid and binding general obligation of the City in accordance with its terms, have been done, do exist, have happened and have been performed in regular and due form, time and manner, that prior to the issuance of this bond the City Council of the City has provided funds for the payment of principal and interest on the bonds of this issue as the same become due, but the full faith and credit of the City is pledged for their payment and additional taxes will be levied, if required for such purpose, without limitation as to the rate of amount; and that this bond, together with all other indebtedness of the City outstanding on the date of its issuance, does not exceed any constitutional or statutory limitation of indebtedness.

This Bond is not valid or obligatory for any purpose or entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon has been executed by the Registrar by manual signature of one of its authorized representatives.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

Dated: _____

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signatures Program ("MSP") or other such "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.

The Registrar will not effect transfer of this Bond unless the information concerning the assignee requested below is provided.

Name and Address: _____

(Include information for all joint owners if this Bond is held by joint account.)

Please insert social security or other identifying number of assignee

PROVISIONS AS TO REGISTRATION

The ownership of the principal of and interest on the within Bond has been registered on the books of the Registrar in the name of the person last noted below.

<u>Date of Registration</u>	<u>Registered Owner</u>	<u>Signature of Registrar</u>
September 17, 2024	Cede & Co. Federal ID #13-2555119	_____

EXHIBIT C

TAX LEVY SCHEDULE

<u>Collection Year</u>	<u>Levy Amount</u>
2025	\$611,521.86
2026	479,043.95
2027	441,706.66
2028	408,085.66
2029	362,077.90
2030	314,613.76
2031	244,591.27
2032	268,234.58
2033	238,949.63
2034	202,128.57
2035	162,916.51
2036	0

STATE OF MINNESOTA
COUNTY OF CROW WING

COUNTY AUDITOR'S
CERTIFICATE AS TO
TAX LEVY AND REGISTRATION

I, the undersigned County Auditor of Crow Wing County, Minnesota, hereby certify that a certified copy of a resolution adopted by the City Council of the City of Baxter, Minnesota, on August 20, 2024, levying taxes for the payment of the City's \$5,480,000 General Obligation Improvement Bonds, Series 2024, dated September 17, 2024, has been filed in my office and said bonds have been registered on the register of obligations in my office and that such tax has been levied as required by law.

WITNESS my hand this _____ day of _____, 2024.

County Auditor
Crow Wing County, Minnesota