



CITY OF MINNETRISTA

REQUEST FOR CITY COUNCIL ACTION/DISCUSSION

Subject: Item – Resolution No. 42-26 Approve 2026 Arbitrage Services

Prepared By: Brian Grimm, Finance Director

Meeting Date: April 20, 2026

Item: Attached is a resolution approving arbitrage services for 2026. The services would be provided by Ehlers and Associates per the terms of the attached resolution and attached contract.

For context, Ehlers has reviewed our debt portfolio and made recommendations as to which bonds should be reviewed for a potential arbitrage liability and which ones are probably OK due to exemptions or exceptions. Arbitrage can occur when interest rates rise and the entity earns a higher interest rate on its weighted average interest portfolio in comparison to the interest rate on the applicable tax exempt bonds. A potential liability can occur to the IRS based on the calculations and reports at interim periods based on the laws that govern tax exempt financing.

Based on Ehlers review, the bond the City is looking to have reviewed for 2026 is the 2016A Bond. These services for this bond would be provided on an hourly rate with a not to exceed (maximum) amount of \$1,000 maximum for 2026 as per the addendum contract for arbitrage monitoring services report. If there is an arbitrage amount due, the amount would change to a not to exceed (maximum) amount for 2026 of \$1,250. For the efforts that go with filing the appropriate reports and documents with the IRS. The services provided would be a review and not a full report based on the size, scope and term of these off bonds. Subsequent resolutions would be brought to Council for consideration for approval in subsequent years based on the attached calendar as deemed necessary and per annual review.

Recommended City Council Action: Res No. 42-26 Approving 2026 Arbitrage Services

Does Recommended Action meet City Mission Statement? Yes No
Does Recommended Action meet City Goals/Priorities? Yes No
Explain: Resolution regarding approving 2026 Arbitrage Services

Mission Statement:

The City of Minnetrista will deliver quality services in a cost effective and innovative manner and provide opportunities for a high quality of life while protecting natural resources and maintaining a rural character.

CITY OF MINNESTRISTA, MINNESOTA

RESOLUTION NO. 42-26

RESOLUTION APPROVING ARBITRAGE SERVICE CONSULTING AGREEMENT FOR
2026 WITH EHLERS AND ASSOCIATES FOR COMPLYING WITH ARBITRAGE
REQUIREMENTS

WHEREAS, the City of Minnetrista has issued tax exempt bonds which have arbitrage monitoring requirements.

WHEREAS, Staff requested a quote/proposal for arbitrage services from Ehlers and Associates for Arbitrage Services for 2026

WHEREAS, Staff received and reviewed the proposal and that it was a prudent contract/agreement to enter into for 2026.

NOW, THEREFORE, BE IT RESOLVED, BY THE CITY COUNCIL OF THE CITY OF MINNETRISTA, that the City selects to enter into a contract for 2026 with Ehlers and Associates at a quoted not to exceed amount of \$1,000 if no arbitrage liability is found on the 2016A Bond issue. Or a not to exceed \$1,250 amount in the case of a payment due to the IRS on the 2016A Bond issue.

The foregoing resolution was adopted by the Minnetrista City Council this 20th day of April, 2026 by a vote of _____ ayes and _____ nays.

Mayor

ATTEST:

City Clerk

MASTER AGREEMENT FOR ARBITRAGE MONITORING SERVICES

City of Minnetrista
7701 County Road 110 West
Minnetrista, MN 55364

Effective as of May 23, 2019

This Master Agreement covers the City of Minnetrista's current outstanding obligations

Ehlers & Associates, Inc. ("Ehlers") and the City of Minnetrista, Minnesota ("Client") do hereby mutually agree to the following with regard to the provision of arbitrage monitoring services. In consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, it is agreed by and between Ehlers and Client as follows:

All current outstanding obligations are subject to the arbitrage provisions of the Internal Revenue Code of 1986 and related Treasury regulations. To comply with the statute and regulations the Client must undertake certain calculations. Ehlers will provide certain arbitrage monitoring services for all funds related to these obligations to assist the Client in complying with the arbitrage provisions, all as more particularly described in this Agreement.

EHLERS RESPONSIBILITIES - SCOPE OF SERVICES

Ehlers agrees to provide the following services to Client:

1. Review the following documents:
 - a. Information Return for Tax-Exempt Governmental Obligations (Form 8038-G)
 - b. Tax Compliance Certificates
 - c. Official Statements
 - d. Addendum to Official Statements, if any
 - e. Closing Memorandums, if any
 - f. Post Sales Reports, if any
 - g. Verification Reports, if any
 - h. Prior Arbitrage Calculations, if any
 - i. Trust Indentures, if any
 - j. Credit Enhancement Agreements, if any
2. Calculate the Client's arbitrage liability under Section 148(f) of the Internal Revenue Code of 1986, as amended and applicable Treasury regulations in connection with this obligation, including:
 - a. Obtain nonpurpose investment transaction data for all funds related to the outstanding obligations
 - b. Review and analyze nonpurpose investment transaction data as required based on the aforementioned documents
 - c. Compute/verify the amount of spend-down penalties payable to the IRS for obligations applying such provisions
 - d. Confirm the arbitrage yields
 - e. Compute/verify the amount of excess earnings, if any, on nonpurpose investments and the value of those earnings as of the applicable computation date
 - f. Determine the rebate amounts and rebate payments due to the IRS, if any

- g. Compute/verify the yield reduction payments due on yield restricted nonpurpose investments, if any
 - h. Assist with the purchase of State and Local Government Series of U.S. Treasuries for yield restriction of the investments, if necessary
 - i. Prepare arbitrage reports, including computational methods and assumptions used in the analysis and conclusions supporting the calculation
 - j. Prepare IRS Form 8038-T or 8038-R, if required
 - k. Obtain a legal opinion for the arbitrage reports and IRS Form 8038-T or 8038-R, if required
 - l. Deliver arbitrage reports, along with legal opinion and IRS Form 8038-T or 8038-R, if applicable
 3. Maintain a system for computing and tracking the arbitrage liability and future arbitrage computation dates, as necessary.
 4. Evaluate and make recommendations on record keeping practices for those funds and accounts subject to arbitrage compliance.
 5. Apprise Client of any changes in the arbitrage regulations that may occur during the term of this Agreement.
 6. Client acknowledges that, in its sole discretion, Ehlers may contract with third parties selected by Ehlers for the performance of some of the services to be performed hereunder.
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CLIENT RESPONSIBILITIES

Client agrees to provide Ehlers with timely and accurate information regarding pertinent cash and investment activity as well as pertinent revenue and expenditure activities for all funds related to the obligation under review. The information that shall be provided includes:

1. A detailed transaction listing of revenues and expenditures made within all funds related to the obligation under review for the applicable computation periods, including:
 - a. Deposits and withdrawals of gross proceeds, including all investment activity such as interest revenues
 - b. Any other information Ehlers may deem necessary to complete the calculations such as running balances
2. Client agrees to notify Ehlers of the full redemption of these obligations covered by this Agreement or subsequent Addenda prior to the final stated maturity date. Failure to do so will relieve Ehlers of any responsibilities under this Agreement.
3. Client agrees to notify Ehlers if the Client disagrees with any of the assumptions contained in the summary of computational information of the arbitrage reports. Such notices will be made within ten business days upon Client's receipt of said report.

FEE ARRANGEMENT

Ehlers will charge Client the fees outlined in the attached worksheet for the current outstanding obligations to determine spending exceptions, bona fide debt service fund exemptions, penalty calculations, rebate amounts and yield reduction payments for all funds related to these obligations. Depending on the structure of the transaction, certain complexities may require computational work that extends beyond the scope of a standard arbitrage calculation. Conversely, the amount of computational work required to prepare future arbitrage calculations may decrease due to aggressive expenditures of gross proceeds. Ehlers will charge additional fees and/or offer discounts in accordance with the fee schedule set forth below.

Additions to Base Fee	
IRS Form 8038-T preparation	\$500 per form
IRS Form 8038-R preparation	To be negotiated based on size/complexity
Legal opinion	To be determined
Universal cap analysis	To be negotiated based on length of time
Variable rate computation period analysis	To be negotiated based on complexity

Discounts to Base Fee	
Monitoring of debt service fund only	Up to \$300 per year
Monitoring of yield restriction only	Up to \$250 per year

Ehlers will invoice Client for the amount due. The invoice is due and payable by the Client within 60 days of the invoice date. All current outstanding obligations will be covered by this Agreement. All future obligations issued on or after the effective date shall be under the same term and conditions of the current outstanding obligations that this Master Agreement covers.

LIMIT OF LIABILITY

To the fullest extent permitted by applicable law, the total aggregate liability of Ehlers under this Agreement for any actions or omissions taken by Ehlers in the performance of this Agreement shall be limited to the fees paid by Client to Ehlers under this Agreement. However, such liability limitation shall not apply to the extent penalty and/or interest is imposed on Client by the IRS on any additional rebate amounts or yield reduction payments that results from the gross negligence or intentional misconduct of Ehlers in rendering the services outlined in this Agreement. In such case, it is agreed that Ehlers will be liable only for penalty and/or interest imposed by the IRS on any additional rebate amount or yield reduction payment that results from the gross negligence or intentional misconduct of Ehlers. The Client is ultimately responsible for the completion and filing of IRS Form 8038-T or 8038-R. Client, and not Ehlers, shall be responsible for payment of any rebate amount or yield reduction payment due and any interest or penalty for failure to make timely payments. Under no circumstances shall any employee or agent of Ehlers have any personal liability arising out of this Agreement and no party shall seek or claim any such personal liability.

NO THIRD-PARTY BENEFICIARY

No third party shall have any rights or remedies under this Agreement. This Agreement is made solely for the benefit of the parties hereto, and no other person, partnership, limited liability company, association, or corporation shall acquire or have any rights under this Agreement.

CONFIDENTIALITY: DISCLOSURE OF INFORMATION

Client Information All information, files, records, memoranda and other data of the Client ("Client Information") shall be deemed by the parties to be the property of Client. Ehlers may disclose Client Information to third parties in connection with the performance by it of its duties hereunder.

Ehlers Information Client acknowledges that in connection with the performance by Ehlers of its duties hereunder, Client may become aware of internal files, records, memoranda and other data, including without limitation computer programs of Ehlers ("Ehlers Information"). Client acknowledges that all Ehlers Information, except reports prepared by Ehlers for the Client, is confidential and proprietary to Ehlers, and agrees that Client will not, directly or indirectly; disclose the same or any part thereof to any person or entity except with the express written consent of Ehlers.

TERM / TERMINATION OF CONTRACT

The term of this Agreement shall begin on the effective date of this Agreement and shall continue until such time as the above-referenced obligations are no longer outstanding. Either party may terminate this Agreement with or without cause at any time during the term of this Agreement by sending written notice of termination to the other party at least 30 days prior to the effective date of termination. Should this Agreement be terminated, Ehlers shall have no liability to Client with respect to Client's actions or omissions involving the arbitrage provisions of the Internal Revenue Code of 1986 and related Treasury regulations for the obligations covered by such Agreement.

SEVERABILITY

To the extent any provision of this Agreement shall be determined invalid or unenforceable, the invalid or unenforceable portion shall be deleted from this Agreement, and the validity and enforceability of the remainder shall be unaffected.

EVENT OF DEFAULT OR REFUNDING

Ehlers is relieved of all its liability and obligations agreed to herein should Client be in default on its principal and/or interest payments due on the above referenced obligations. In addition, Ehlers is relieved of all its liability and obligations agreed to herein should the above referenced obligations be refunded.

ENTIRE AGREEMENT

There are no representations, covenants, warranties, promises, agreements, conditions or undertakings, oral or written, between Client and Ehlers other than as set forth herein. Except or otherwise expressly provided herein, no subsequent alteration, amendment, change or addition to this Agreement shall be binding upon Ehlers.

AMENDMENT

Ehlers and Client may mutually agree in writing to amend the obligations covered by this Agreement (which amendment shall be reflected in an Addendum to this Agreement), the scope of services and/or the fee arrangement at any time. New obligations are to be added to this Agreement with the same terms and conditions. No modification, alteration, or amendment to this Agreement shall be binding upon any party hereto until such modification, alteration, or amendment is reduced to writing and duly executed by both parties hereto as an Addendum. Addendums will be used when the Client determines an obligation should not be further covered by this Agreement, the Addendum is further described as an Election Form. The Election Form shall relieve Ehlers of all liability for the elected obligation(s) and shall relieve the Client of the Agreement for the elected obligation(s).

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

NOTICE

All notices given shall be in writing and shall be deemed to have been given when delivered, transmitted by first class, registered or certified mail, postage prepaid and addressed as follows:

If to Client:

City of Minnetrista
7701 County Road 110 West
Minnetrista, MN 55364
Attn: Finance Director

If to Ehlers:

Ehlers & Associates
3060 Centre Pointe Drive
Roseville, MN 55113
Attention: Arbitrage Managing Director

In Witness Whereof, the parties have executed this Agreement this 17th day of June, 20 19

By: 

Lisa Whalen

Title: Mayor

ATTEST 

Kris Linguist, City Clerk

Ehlers & Associates, Inc.

By: 

Stephen H. Broden

Title: Arbitrage Managing Director

ADDENDUM CONTRACT FOR ARBITRAGE MONITORING SERVICES

**City of Minnetrista
7701 County Rd 110 W
Minnetrista, MN 55364-9553**

Effective as of March 24, 2026
For the following Obligation

\$2,995,000 General Obligation Bonds, Series 2016A

With a Closing Date of June 9, 2016

Except as otherwise provided in this Addendum, the terms of the Master Agreement for Arbitrage Monitoring Services dated June 17, 2019 (the Master Agreement) shall govern in connection with the above-referenced obligations.

Previous agreements included the 2021 Services Agreement under Resolution No. 069-2021 and the original for 2020 Services Agreement under Resolution No. 066-2020 (approved the aforementioned Master Agreement).

FEE ARRANGEMENT

Ehlers will charge Client a base fee not to exceed \$1,000 (or not to exceed \$1,250 in the case of a payment due to IRS) for the 2016A Bonds per obligation to determine s pending exceptions, bona fide debt service fund exemptions, penalty calculations, re bate amounts and yield reduction payments for all funds related to the obligations o n an annual basis. Depending on the structure of the transaction, certain complexities may require computational work that extends beyond the scope of a standard arbitrage calculation. Conversely, the amount of computational work required to prepare future arbitrage calculations may decrease due to aggressive expenditures of gross proceeds.

Ehlers will invoice Client for the amount due. The invoice is due and payable by the Client within 60 days of the invoice date.

In Witness whereof, the parties have executed this Agreement this
day of _____, 20____

By: _____ Title: _____

Ehlers & Associates, Inc.

By:  _____ Title: Arbitrage Managing Director

Stephen H. Broden

City of Minnetrista, Minnesota

Outstanding Debt (As of 03/24/2026)

	Original Par Amount	Settlement Date	Final Maturity	Arbitrage Yield	Last Service Type	Last Service Date	Next Service Type	Next Service Date	Budget	Notes
General Obligation										
General Obligation Bonds, Series 2012A	\$ 1,550,000	04/26/2012	02/01/2027	0.00000000	Ten year	04/26/2022	Final	02/01/2027	\$ 750	Debt Service Active and overfunded - updated report recommended.
General Obligation Capital Improvement Plan Bonds, Series 2014B	\$ 4,595,000	10/29/2014	02/01/2030	2.13632784	Ten year	10/29/2024	Fifteen year	10/29/2029	\$ 1,000	Debt Service Active and overfunded - updated report recommended.
PFA Clean Water State Revolving Fund Loan, 2016	\$ 9,074,697	01/27/2016	08/20/2035	0.99997416			N/A	N/A	N/A	Noted as taxable - no reporting required.
General Obligation Bonds, Series 2016A	\$ 2,995,000	06/09/2016	02/01/2031	1.59612613	Five year	06/09/2021	Ten year	06/09/2026	\$ 1,000	Debt Service Active and overfunded - updated report recommended.
General Obligation Bonds, Series 2017A	\$ 3,100,000	10/12/2017	02/01/2038	2.44097140	Five year	10/12/2022	Ten year	10/12/2027	\$ 1,000	Debt Service Active and overfunded - updated report recommended.
Taxable General Obligation Refunding Bonds, Series 2017C	\$ 2,370,000	10/12/2017	02/01/2030	2.68172592			N/A	N/A	N/A	Noted as taxable - no reporting required
General Obligation Improvement Refunding Bonds, Series 2019A	\$ 1,210,000	11/06/2019	02/01/2031	1.52379470	Five year	11/06/2024	Ten year	11/06/2029	\$ 1,000	Debt Service Active and overfunded - updated report recommended.
General Obligation Bonds, Series 2020A	\$ 2,390,000	03/26/2020	02/01/2040	1.46567648	Five year	03/26/2025	Ten year	03/26/2030	\$ 1,000	Debt Service Active and overfunded - updated report recommended.
General Obligation Bonds, Series 2023A	\$ 6,790,000	04/26/2023	02/01/2044	2.90455780			Five Year	04/26/2028	\$ 1,000	Debt Service Active and overfunded - updated report recommended.
General Obligation Bonds, Series 2024A	\$ 4,100,000	10/28/2024	02/01/2045	3.20981394			Five Year	10/28/2029	\$ 1,000	Debt Service Active and overfunded - updated report recommended.
General Obligation Street Reconstruction, Water Revenue and Equipment Bonds, Series 2026A	\$ 14,840,000	05/07/2026	02/01/2047	0.00000000			Five Year	06/07/2031	\$ 1,000	Debt Service Active and overfunded - updated report recommended.