



**AGENDA ITEM #9.2.A**

**REPORT TO CITY COUNCIL**

**Report Prepared by: Nancy Malecha**

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**Date:** March 5, 2020

**Subject:** Rasmussen Road & South Washington Avenue Improvement Project  
– Set Sale Date of General Obligation Bond Issuance

**Report:** Attached is the Recommendation Letter, Cash Flow Report, and Resolution from the City's financial consultant, Jason Murray from David Drown Associates, regarding the general obligation utility revenue and disposal system bonds for the Rasmussen Road & South Washington Avenue Improvement Project. Mr. Murray will be present at this Meeting to review this information with the Council and address any inquiries.

**Council Action Requested:** Council motion adopting the attached resolution providing for the competitive negotiated sale of \$2,115,000 in General Obligation Utility Revenue and Disposal System Bonds for the Rasmussen Road & South Washington Avenue Improvement Project.



**DDA**

**David Drown Associates, Inc.  
Public Finance Advisors**

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13979 County Highway 42  
Parkers Prairie, MN 56361  
(612)920-3320 ext. 110 | fax (612) 605-2375  
[www.daviddrown.com](http://www.daviddrown.com)

February 3, 2020

**RECOMMENDATIONS**

Mr. James Tayloe, Mayor  
Ms. Nancy Malecha, City Administrator  
City of Pequot Lakes  
4638 Main Street  
Pequot Lakes, MN 56472

**RE: General Obligation Disposal System and Utility Revenue Bonds, Series 2020A**

Honorable Mayor Tayloe, Members of the City Council, and Ms. Malecha:

This letter outlines our recommendations for the structure and sale of General Obligation Bonds associated with the City's 2020 Rasmussen Road project.

**Overview of Project and Component Costs**

The major component costs and sources of funds are detailed below:

	Construction	\$	2,396,792
	Engineering (design, construction, study, geotech)	\$	384,497
	Contingency	\$	150,000
	Admin/Legal	\$	50,000
	<b>Total Project Costs</b>	<b>\$</b>	<b>2,981,289</b>
	Plus Issuance Costs (including discount)	\$	66,188
	Plus Capitalized Interest/Rounding	\$	18,024
	Less - 402 Fund Contribution/Budget Allocation	\$	(943,000)
	Less - Sourcewell Contribution	\$	(7,500)
	<b>RECOMMENDED SIZE OF BOND ISSUE</b>	<b>\$</b>	<b>2,115,000</b>

**Statutory Authority**

Cities must cite the specific statutory authority they intend to use before issuing general obligation bonds. In this instance, we are advising the utilization of two separate pieces of authority as described below:

Approximately \$1,055,000 of the bonds should be issued as General Obligation Disposal System Bonds utilizing authority provided in Minnesota Statutes Chapters 115 and 475. This authority allows us to fund sanitary sewer related costs and pledge sewer revenues, tax levies, or a blend of both. It requires no public hearings and does not count against any statutory net debt limits.

The remaining \$1,060,000 of the bonds should be issued as General Obligation Utility Revenue Bonds utilizing authority provided in Minnesota Statutes Chapters 444 and 475. This portion of the bonds will be utilized to cover the water system related costs of the project. We must pledge water revenues to the

repayment of this portion of the bonds...no tax levies. This authority also does not require any public hearings nor does it count against net debt limits.

The road costs will be covered with cash contributions from the City's 2020 budget (roughly \$50,000) and the 402 Funds – Highway 371 Turnback dollars (\$893,000).

We bifurcated this issue as described above because in our prior planning we identified taxes as a significant source of revenue and therefore needed to allocate sanitary sewer costs to the Chapter 115 authority.

**Payment and Revenue Requirements:**

We have identified the following revenue source to fund bond payments:

Tax Levy: The average annual tax levy for this debt is estimated at \$86,100. Budgeting for this project began with the 2020 budget, allocating \$50,000 to this project. The City will need to increase its 2021 levy for the additional debt associated with this project. Levy increases have been planned with the project and is consistent with the City's capital financial plan.

Utility Revenues: The Water and Sewer Funds will need to generate roughly \$84,400/year, beginning in 2021 for this debt. With the City's capital financial plan, the water and sewer rates are incorporated for this project.

Current market conditions would likely yield a net effective rate on the borrowing of 2.29%. Due to the size of the bond, along with the fifteen-year term, this bond is sensitive to interest rate movement. If rates move up prior to the official sales date by ½ of a percentage point, the interest expense would increase approximately \$93,800 over the life of the bond.

Please refer to the attached exhibit for bond details.

**\$2,115,000 General Obligation Permanent Improvement Revolving Bonds:**

If the Council chooses to finance this project as detailed in the attached exhibits, David Drown Associates, Inc. recommends the project costs be financed through the issuance of competitively sold \$2,115,000 of General Obligation Disposal System & Utility Revenue Bonds. Other recommended key elements of this financing would be:

- Approximate 15-year term which is consistent with the City's capital financial plan.
- Callable any time after 2/1/2029 @ par plus accrued interest.
- Offer up to 1.25% discount allowance.
- Standard & Poor's Rating (cost of rating more than offset by interest rate savings)
- Limited Continuing Disclosure

**Options Considered**

In addition to the recommended competitive, conventional sale as noted above, I considered other options before coming to that conclusion. For instance, I looked at intergovernmental funding options (USDA, PFA, etc.) and MN Rural Water Association programs. These options were discarded for a variety of factors including, but not limited to:

- Eligibility of programs
- Application process, time delays and uncertainty of funding

- Pricing
- Additional administrative, legal costs & ongoing reporting burdens

**Schedule and Issuance**

The proposed schedule for putting the project financing in place is as follows:

March 5, 2020	Set Sale Date of Bond Issue
April 7, 2020	Award Sale of Bond Issue
April 27, 2020	Closing
May 1, 2020	Projected Construction Date

Please feel free to contact me with any questions. I would welcome the opportunity to discuss this matter with the City Council.

Respectfully,



Jason Murray, Associate  
David Drown Associates, Inc.  
[jason@daviddrown.com](mailto:jason@daviddrown.com)

City of Pequot Lakes, Minnesota

Master Cash Flow  
Proposed for Competitive Sale

**\$2,115,000**  
**General Obligation Utility Revenue and Disposal System Bonds, 2020A**

**Uses of Funds**

Utility Related Construction	805,792
Sewer Disposal	835,000
Non Utility Related (Street)	756,000
<b>Subtotal Construction</b>	<b>2,396,792</b>
Engineering (design, construction, study, geotech)	384,497
Contingency	150,000
Legal/RW/Administration	50,000
<b>Total Project Costs</b>	<b>2,981,289</b>
Underwriter's Discount Allowance 1 25%	26,438
Unused Underwriter's Discount Allowance	-
Financial Advisor <i>Verified</i>	16,000
Bond Counsel <i>Verified</i>	10,000
Pay Agent Setup <i>Verified</i>	750
Miscellaneous <i>Verified</i>	1,500
Rating Agency Fee <i>Estimate</i>	11,500
Capitalized Interest	14,320
Rounding	3,704
	<u>3,065,500</u>

**Sources of Funds**

Bond Issue	2,115,000
Bid Premium	-
Sourcewell Contribution	7,500
City Contribution (Fund 402 - 371 Turnback Funds)	943,000
Construction Fund Earnings (excess proceeds)	-
	<u>3,065,500</u>

**Payment Schedule & Cashflow**

<i>Payment Schedule</i>					
12-Month Period ending	Principal	Rate	Interest	Payment Total	TOTAL PLUS 5%
4/27/2020					
2/1/2021	30,000	1 55%	28,641	58,641	60,857
2/1/2022	125,000	1 55%	41,793	166,793	175,132
2/1/2023	125,000	1 60%	39,855	164,855	173,098
2/1/2024	130,000	1 65%	37,855	167,855	176,248
2/1/2025	130,000	1 70%	35,710	165,710	173,996
2/1/2026	130,000	1 75%	33,500	163,500	171,675
2/1/2027	135,000	1 80%	31,225	166,225	174,536
2/1/2028	135,000	1 90%	28,795	163,795	171,985
2/1/2029	140,000	1 95%	26,230	166,230	174,542
2/1/2030	140,000	2 05%	23,500	163,500	171,675
2/1/2031	140,000	2 15%	20,630	160,630	168,662
2/1/2032	140,000	2 20%	17,620	157,620	165,501
2/1/2033	150,000	2 25%	14,540	164,540	172,767
2/1/2034	150,000	2 35%	11,165	161,165	169,223
2/1/2035	155,000	2 40%	7,640	162,640	170,772
2/1/2036	160,000	2 45%	3,920	163,920	172,116
	<u>2,115,000</u>		<u>402,619</u>	<u>2,517,619</u>	<u>2,642,784</u>

**Bond Details**

Set Sale Date	3/5/2020
Sale Date	4/7/2020
Dated Date	4/27/2020
Closing Date	4/27/2020
1st Interest Payment	2/1/2021
Proceeds spent by	12/31/2021
	<i>to Dated Date</i>
Purchase Price	2,088,562 50
Net Interest Cost	429,056 19
Net Effective Rate	<b>2.2867%</b>
Average Coupon	2 146%
Average Life	8.8716
Call Option	2/1/2029
Purchaser	Proposed for Competitive Sale
Bond Counsel	Taft Stettinius & Hollister LLP
Rating Agency	S & P Global Ratings, Inc
Pay Agent	Northland Trust Services, Inc
Disclosure	Limited
Authority	MS 115, 444 and 475

Collection Year	Revenues			Account Balances	
	Water Revenues	Sewer Revenues	Tax Levies	Surplus (deficit)	Account Balance
				Unused Discount & accrued interest >	18,024
2020	23,101	23,101	-	(14,656)	3,368
2021	42,349	42,349	87,066	(3,368)	-
2022	41,861	41,861	89,376	-	-
2023	43,982	43,982	88,284	-	-
2024	43,419	43,419	87,158	-	-
2025	42,839	42,839	85,998	-	-
2026	42,242	42,242	90,053	-	-
2027	41,627	41,627	88,730	-	-
2028	43,604	43,604	87,334	-	-
2029	42,887	42,887	85,901	-	-
2030	42,134	42,134	84,394	-	-
2031	41,344	41,344	82,814	-	-
2032	43,160	43,160	86,447	-	-
2033	42,274	42,274	84,675	-	-
2034	41,349	41,349	88,074	-	-
2035	43,029	43,029	86,058	-	-
	<u>661,200</u>	<u>661,200</u>	<u>1,302,360</u>	<u>(18,024)</u>	

EXTRACT OF MINUTES OF A MEETING OF THE  
CITY COUNCIL OF THE  
CITY OF PEQUOT LAKES, MINNESOTA

HELD: March 5, 2020

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Pequot Lakes, Crow Wing County, Minnesota, was duly held at the City Hall in said City on the 5th day of March, 2020, beginning at 6:30 o'clock P.M. for the purpose, in part, of authorizing the competitive negotiated sale of \$2,115,000 General Obligation Utility Revenue and Disposal System Bonds, Series 2020A, of said City.

The following Council members were present:

And the following were absent:

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

RESOLUTION #20-\_\_\_\_\_

RESOLUTION PROVIDING FOR THE COMPETITIVE NEGOTIATED SALE OF  
\$2,115,000 GENERAL OBLIGATION UTILITY REVENUE AND DISPOSAL SYSTEM BONDS  
SERIES 2020A

A. WHEREAS, the City Council of the City of Pequot Lakes, Minnesota (the "City"), has heretofore determined that it is necessary and expedient to issue the City's \$2,115,000 General Obligation Utility Revenue and Disposal System Bonds, Series 2020A (the "Bonds"), to provide financing for the 2020 Utility Project; and

B. WHEREAS, the City has retained David Drown Associates, Inc., in Minneapolis, Minnesota ("David Drown"), as its independent municipal advisor for the Bonds and is therefore authorized to sell the Bonds by a competitive negotiated sale in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9):

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Pequot Lakes, Minnesota, as follows:

1. Authorization. The Council hereby authorizes David Drown to solicit bids for the competitive negotiated sale of the Bonds.

2. Meeting; Bid Opening. The Council shall meet at the time and place specified in the Terms of Offering attached hereto as Exhibit A for the purpose of considering sealed bids for, and awarding the sale of, the Bonds. The City Administrator, or designee, shall open bids at the time and place specified in such Terms of Offering.

3. Terms of Offering. The terms and conditions of the Bonds and the negotiation thereof are fully set forth in the "Terms of Offering" attached hereto as Exhibit A and hereby approved and made a part hereof.

4. Official Statement. In connection with said competitive negotiated sale, the officers or employees of the City are hereby authorized to cooperate with David Drown 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.

Approved this 5th day of March, 2020.

STATE OF MINNESOTA                    )  
COUNTY OF CROW WING                )  
CITY OF PEQUOT LAKES                )

I, the undersigned, being the duly qualified and acting Administrator of the City of Pequot Lakes, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council of said City, duly called and held on the date therein indicated, insofar as such minutes relate to the City's \$2,115,000 General Obligation Utility Revenue and Disposal System Bonds, Series 2020A.

WITNESS my hand as City Administrator of the City this 5th day of March, 2020.

\_\_\_\_\_  
Nancy Malecha  
City Administrator

**EXHIBIT A**

**TERMS OF OFFERING**

**City of Pequot Lakes, Minnesota**

**\$2,115,000**

**General Obligation Utility Revenue and Disposal System Bonds, Series 2020A**

**(BOOK ENTRY ONLY)**

**TERMS OF PROPOSAL**

Proposals for the Bonds will be received on Tuesday, April 7, 2020 at 11:00 A.M. Central Time, at the offices of David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the City Council at 6:30 P.M., Central Time, on that same date.

**SUBMISSION OF PROPOSALS**

Proposals may be submitted in a sealed envelope or by fax (612) 605-2375 to David Drown Associates, Inc. Signed Proposals, without final price or coupons, may be submitted to David Drown Associates, Inc. prior to the time of sale. The bidder shall be responsible for submitting to David Drown Associates, Inc. the final Proposal price and coupons, by telephone (612) 920-3320 or fax (612) 605-2375 for inclusion in the submitted Proposal. David Drown Associates, Inc. will assume no liability for the inability of the bidder to reach David Drown Associates, Inc. prior to the time of sale specified above.

Notice is hereby given that electronic proposals will be received via PARITY®, in the manner described below, until 11:00 A.M., CST, on April 7, 2020. Bids may be submitted electronically via PARITY® pursuant to this Notice until 11:00 A.M., CST, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact David Drown Associates, Inc. or PARITY® at (212) 806-8304.

Neither the City of Pequot Lakes nor David Drown Associates, Inc. assumes any liability if there is a malfunction of PARITY. All bidders are advised that each Proposal shall be deemed to constitute a contract between the bidder and the City to purchase the Bonds regardless of the manner of the Proposal submitted.

**DETAILS OF THE BONDS**

The Bonds will be dated April 27, 2020, as the date of original issue, and will bear interest payable on February 1 and August 1 of each year, commencing February 1, 2021. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2021	\$ 30,000	2029	\$ 140,000
2022	125,000	2030	140,000
2023	125,000	2031	140,000
2024	130,000	2032	140,000
2025	130,000	2033	150,000
2026	130,000	2034	150,000
2027	135,000	2035	155,000
2028	135,000	2036	160,000

## **TERM BOND OPTION**

Bids for the bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the bid must specify as provided on the Proposal Form.

## **BOOK ENTRY SYSTEM**

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## **REGISTRAR**

The City will name Northland Trust Services, Inc., Minneapolis, MN, as registrar for the Bonds. Northland Trust Services, Inc. shall be subject to applicable SEC regulations. The City will pay for the services of the registrar.

## **OPTIONAL REDEMPTION**

The City may elect on February 1, 2028 and on any day thereafter, to prepay Bonds due on or after February 1, 2029. 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 shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify 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. All prepayments shall be at a price of par plus accrued interest.

## **SECURITY AND PURPOSE**

The Bonds will be general obligations of the City for which the City will pledge its full faith and credit and power to levy direct general ad valorem taxes. In addition to pledging tax levies, the City will pledge revenues from the City utilities. The proceeds will provide financing for the 2020 Rasmussen Road Project.

## **TYPE OF PROPOSALS**

Proposals shall be for not less than \$2,088,562.50 (98.75%) and accrued interest on the total principal amount of the Bonds. The apparent low-bidder as notified by David Drown Associates, Inc. shall wire, to a designated account, a good faith amount of \$42,300 by 3:00 p.m. on the date of sale. If the good faith wire transfer is not in process prior to the award, the City shall retain the right to reject the bid. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the City. No proposal can be withdrawn or amended after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

## **AWARD**

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a net interest cost (NIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. The City will reserve the right to waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, reject all proposals without cause, and reject any proposal which the City determines to have failed to comply with the terms herein.

## **ISSUE PRICE DETERMINATION**

In order to provide the City with information necessary for compliance with Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder (collectively, the "Code"), the Purchaser will be required to assist the City in establishing the issue price of the Bonds and shall complete, execute, and deliver to the City prior to the closing date, a written certification in a form acceptable to the Purchaser, the City, and Bond Counsel (the "Issue Price Certificate") containing the following for each maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity): (i) the interest rate; (ii) the reasonably expected initial offering price to the "public" (as said term is defined in Treasury Regulation Section 1.148-1(f) (the "Regulation")) or the sale price; and (iii) pricing wires or equivalent communications supporting such offering or sale price. However, such Issue Price Certificate may indicate that the Purchaser has purchased the Bonds for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Bonds for sale to the public. Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by David Drown Associates, Inc.

The City intends that the sale of the Bonds pursuant to this Terms of Offering shall constitute a "competitive sale" as defined in the Regulation based on the following:

- i. the City shall cause this Terms of Offering to be disseminated to potential bidders in a manner that is reasonably designed to reach potential bidders;
- ii. all bidders shall have an equal opportunity to submit a bid;
- iii. the City reasonably expects that it will receive bids from at least three bidders that have established industry reputations for underwriting municipal bonds such as the Bonds; and
- iv. the City anticipates awarding the sale of the Bonds to the bidder who provides a proposal with the lowest net interest cost, as set forth in this Terms of Offering (See "AWARD" herein).

Any bid submitted pursuant to this Terms of Offering shall be considered a firm offer for the purchase of the Bonds, as specified in the proposal. The Purchaser shall constitute an "underwriter" as said term is defined in the Regulation. By submitting its proposal, the Purchaser confirms that it shall require any agreement among underwriters, a selling group agreement, or other agreement to which it is a party relating to the initial sale of the Bonds, to include provisions requiring compliance with the provisions of the Code and the Regulation regarding the initial sale of the Bonds.

If all requirements of a "competitive sale" are not satisfied, the City shall advise the Purchaser of such fact prior to the time of award of the sale of the Bonds to the Purchaser. In such event, any proposal submitted will not be subject to cancellation or withdrawal. Within twenty-four (24) hours of the notice of award of the sale of the Bonds, the Purchaser shall advise the City and David Drown Associates, Inc. if a "substantial amount" (as defined in the Regulation) of any maturity of the Bonds (and, if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) has been sold to the public and the price at which such substantial amount was sold. The City will treat such sale price as the "issue price" for such maturity, applied on a maturity-by-maturity basis. The City will not require the Purchaser to comply with that portion of the Regulation commonly described as the "hold-the-offering-price" requirement for the remaining maturities, but the Purchaser may elect such option. If the Purchaser exercises such option, the City will apply the initial offering price to the public provided in the proposal as the issue price for such maturities. If the Purchaser does not exercise that option, it shall thereafter promptly provide the City and

David Drown Associates, Inc. the prices at which a substantial amount of such maturities are sold to the public; provided such determination shall be made and the City and David Drown Associates, Inc. notified of such prices not later than three (3) business days prior to the closing date.

### **BOND INSURANCE AT PURCHASER'S OPTION**

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser. Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

### **CUSIP NUMBERS**

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The purchaser shall pay the CUSIP Service Bureau charge for the assignment of CUSIP identification numbers.

### **SETTLEMENT**

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the City and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of bond counsel, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

### **LIMITED CONTINUING DISCLOSURE**

On the date of the actual issuance and delivery of the Bonds, the City will execute and deliver a Continuing Disclosure Undertaking where under the City will covenant to provide, or cause to be provided, annual financial information, including audited financial statements of the City, and notices of certain material events, as specified in and required by SEC Rule 15c2-12(b)(5).

### **OFFICIAL STATEMENT**

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the City, David Drown Associates, Inc., 5029 Upton Avenue South, Minneapolis, Minnesota 55410, and telephone (612) 920-3320.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 40 copies of the Official Statement and the addendum or addenda described above. The City designates

the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated: March 5, 2020

BY ORDER OF THE CITY COUNCIL

/s/ Nancy Malecha  
City Administrator