

**Addenda
Minnetonka City Council
Meeting of Nov. 18, 2019**

14B Items related to the Cloud 9 Condominium's Housing Improvement Area

Attached is a revised resolution reflecting today's bond sales.

ADDENDUM

City Council Agenda Item #14B Meeting of November 18, 2019

Brief Description: Resolution awarding sale of approximately \$2,630,000 General Obligation Housing Improvement Bonds, Series 2019A

Attached is a revised resolution appropriately reflecting the results of today's bond sales, which are specifically detailed in the attached Sale Day Report. As part of the resolution, staff recommends awarding the sale to lowest bidder, Piper Jaffray, Minneapolis, Minnesota.

Submitted through:

Geralyn Barone, City Manager
Darin Nelson, Finance Director

Originated by:

Alisha Gray, Economic Development and Housing Manager

Resolution No. 2019-_____

Resolution awarding the sale of Taxable General Obligation Housing Improvement Bonds, Series 2019A, in the original aggregate principal amount of \$2,630,000; fixing their form and specifications; directing their execution and delivery; and providing for their payment

Be it resolved by the City Council (the "Council") of the City of Minnetonka, Minnesota (the "City") as follows:

Section 1. Sale of Bonds.

1.01. Background.

(a) The City has previously established the Cloud 9 Sky Flats Housing Improvement Area (the "Housing Improvement Area") in order to facilitate certain housing improvements (the "Housing Improvements") to property known as Cloud 9 Sky Flats, which is governed by Cloud 9 Sky Flats Association, Inc. (the "Association"). The City Council has previously imposed a housing improvement fee (the "Housing Fees") on housing units located in the Housing Improvement Area in order to finance the Housing Improvements.

(b) Pursuant to Minnesota Statutes, Chapter 475, as amended, and Sections 428A.11 through 428A.21, as amended (collectively, the "Act"), the City is authorized to issue general obligation bonds in the amount necessary to defray the costs of the Housing Improvements, which costs are payable primarily from the Housing Fees and may be further secured by the pledge of the City's full faith, credit, and taxing power.

(c) The City finds it necessary and expedient to the sound financial management of the City to issue its Taxable General Obligation Housing Improvement Bonds, Series 2019A (the "Bonds"), in the original aggregate principal amount of \$2,630,000, pursuant to the Act, in order to defray the costs of the Housing Improvements.

(d) The City is authorized by Section 475.60, subdivision 2(6) of the Act to negotiate the sale of the Bonds, it being determined, on the advice of bond counsel, that interest on the Bonds cannot be represented to be excluded from gross income for purposes of federal income taxation.

1.02. Award to the Purchaser and Interest Rates. A tabulation of the proposals received for the purchase of the Bonds is attached hereto as EXHIBIT A. The proposal of Piper Jaffray & Co., Minneapolis, Minnesota (the "Purchaser"), to purchase the Bonds of the City described in the Terms of

Proposal thereof is found and determined to be a reasonable offer and is accepted, the proposal being to purchase the Bonds at a price of \$2,617,153.67 (principal amount of \$2,630,000.00, less underwriter's discount of \$12,846.33), plus accrued interest, if any, to the date of delivery for Bonds bearing interest as follows:

<u>Year</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Interest Rate</u>
2021	1.700%	2029	2.450%
2022	1.800	2030	2.550
2023	1.850	2031	2.650
2024	1.950	2032	2.750
2025	2.050	2033	2.800
2026	2.150	2034	2.850
2027	2.250	2040*	3.050
2028	2.350		

* *Term Bond*

True interest cost: 2.8435896%

1.03. Purchase Contract. The sum of \$18,713.67, being the amount proposed by the Purchaser in excess of \$2,598,440.00, will be credited to the Debt Service Fund hereinafter created or to the Project Fund hereinafter created, as determined by the Finance Director in consultation with the City's municipal advisor. The Finance Director is directed to retain the good faith check of the Purchaser, pending completion of the sale of the Bonds, and to return the good faith checks of the unsuccessful proposers forthwith. The Mayor and the City Manager are directed to execute a contract with the Purchaser on behalf of the City.

1.04. Terms and Principal Amounts of the Bonds. The City shall forthwith issue and sell the Bonds in the total principal amount of \$2,630,000, originally dated December 5, 2019, in the denomination of \$5,000 each or any integral multiple thereof, numbered No. R-1, upward, bearing interest as above set forth, and which mature on February 1 in the years and amounts as follows:

(The remainder of this page is intentionally left blank.)

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2021	\$100,000	2029	\$125,000
2022	105,000	2030	125,000
2023	110,000	2031	130,000
2024	110,000	2032	135,000
2025	115,000	2033	135,000
2026	115,000	2034	140,000
2027	120,000	2040*	945,000
2028	120,000		

** Term Bond*

1.05. Optional Redemption. The City may elect on February 1, 2029, and on any date thereafter to prepay Bonds due on or after February 1, 2030. 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 6 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. All prepayments will be at a price of par plus accrued interest.

1.06. Mandatory Redemption; Term Bond. The Bonds maturing on February 1, 2040 shall hereinafter be referred to collectively as the “Term Bond.” The principal amounts of the Term Bond subject to mandatory sinking fund redemption on any date may be reduced through earlier optional redemptions, with any partial redemptions of the Term Bond credited against future mandatory sinking fund redemptions of such Term Bond in such order as the City shall determine. The Term Bond is subject to mandatory sinking fund redemption and shall be redeemed in part by lot at par plus accrued interest on the sinking fund installment dates and in the principal amounts as follows:

<u>Sinking Fund Installment Date</u>	<u>Principal Amount</u>
<u>February 1, 2040 Term Bonds</u>	
2035	\$145,000
2036	150,000
2037	155,000
2038	160,000
2039	165,000
2040*	170,000

** Maturity*

Section 2. Registration and Payment.

- 2.01. Registered Form. The Bonds shall 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 such Bond shall 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 such Bond will be dated as of the date of original issue. The interest on the Bonds will be payable on February 1 and August 1 of each year, commencing August 1, 2020, to the owner of record thereof as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day.
- 2.03. Registration. The City will appoint, and shall 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 must 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 a 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 fifteenth day of the month preceding each interest payment date and until such interest payment date.
- (c) Exchange of Bonds. When 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. 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 registered in the bond register as the absolute owner of the 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 such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For a transfer or exchange of Bonds, the Registrar may impose a charge upon the owner thereof 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 becomes mutilated or is 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 a 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 it that the Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it 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, 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) 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 any proceeding 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 Bond Trust Services Corporation, Roseville, Minnesota, as the initial Registrar. The Mayor and the City Manager 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, such 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 thirty (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 must deliver the bond register to the successor Registrar. On or before each principal or interest due date, without further order of the City Council, the Finance Director must transmit to the Registrar moneys 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 Manager and executed on behalf of the City by the signatures of the Mayor and the City Manager, provided that all signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature appears on the Bonds ceases to be such officer before the delivery of any Bond, such 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 each 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 Manager shall deliver the same to the Purchaser 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.

Section 3. Form of Bond.

- 3.01. Execution of the Bonds. The Bonds will be printed in substantially the form set forth in EXHIBIT B attached hereto.
- 3.02. Approving Legal Opinion. The City Clerk shall obtain a copy of the proposed approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota, and shall cause the opinion to be printed on or accompany each Bond.

Section 4. Payment; Security; Pledges and Covenants.

- 4.01. Funds. For the convenience and proper administration of the moneys to be borrowed and repaid on the Bonds, and to make adequate and specific security to the purchasers and holders of the Bonds from time to time, there is hereby created a separate special fund of the City to be known as the Cloud 9 Sky Flats Housing Improvement Area Fund (the "Housing Fund"), which fund will be continued and maintained as a permanent fund of the City until all the Bonds are paid. Within the Housing Fund there will be established and maintained separate accounts as follows:

(a) The Project Fund, into which fund will be deposited proceeds of the Bonds in the amount of \$2,573,201.67. Upon issuance of the Bonds, the City shall also deposit into the Project Fund prepaid Housing Fees in the amount of \$620,338.31, which Housing Fees were levied on property within the Housing Improvement Area and were prepaid pursuant to the resolution levying the Housing Fees. A portion of the amount deposited in the Project Fund will be disbursed to (i) pay in full a loan taken out by the Association to pay the costs of the Housing Improvements in accordance with the terms of the Development Agreement, dated August 31, 2017, as heretofore amended (collectively, the "Development Agreement"), between the City and the Association; (ii) reimburse the Association for costs it incurred for the Housing Improvements made to the Cloud 9 Sky Flats; and (iii) pay a portion of the administrative costs of the Housing Improvement Area, including any rebate of prepaid Housing Fees. Interest earnings from moneys in the Project Fund shall be credited to the Project Fund.

(b) The Costs of Issuance Fund, into which fund will be deposited proceeds of the Bonds in the amount of \$43,952, which amount will be used solely for the purpose of paying costs of issuance of the Bonds. The City authorizes the Purchaser to forward amounts in the Costs of Issuance Fund allocable to the payment of issuance expenses to KleinBank, Chaska, Minnesota, on the closing date for further distribution as directed by the City's municipal advisor, Ehlers and Associates, Inc. Any balance remaining in the Costs of Issuance Fund after all disbursements for issuance expenses

shall be transferred to the Project Fund. Interest earnings from moneys in the Costs of Issuance Fund shall be credited to the Surplus Fund hereinafter created.

(c) The Debt Service Fund, into which fund will be deposited Housing Fees in the amount necessary to pay when due the principal and interest on the Bonds. Interest earnings from moneys in the Debt Service Fund shall be credited to the Debt Service Fund.

(d) The Surplus Fund, into which fund will be deposited all Housing Fees in excess of the amounts required to be deposited into the Debt Service Fund and the Project Fund under this Section. Amounts in the Surplus Fund shall be applied and disbursed in accordance with Section 3.92(f) of the Development Agreement. Interest earnings from moneys in the Surplus Fund shall be credited to the Surplus Fund.

4.02. Deposit of Funds. Money in the funds created by this resolution will be kept separate from other municipal funds and deposited only in a bank or banks which are members of the Federal Deposit Insurance Corporation ("FDIC"). Deposits which cause the aggregate deposits of the City in any one bank to be in excess of the amount insured by FDIC must be continuously secured in the manner provided by law for the investment of municipal funds. In the event excess moneys are held in any of the accounts created pursuant to Section 4.01 hereof, such excess moneys shall be applied and disbursed in accordance with the Development Agreement.

4.03. Covenants Regarding Housing Improvements. The City hereby covenants with the holders from time to time of the Bonds as follows:

(a) The City has caused or will cause the Housing Fees for the Housing Improvements in the Housing Improvement Area to be promptly levied against housing units in such Housing Improvement Area so that the first installment will be collectible not later than 2020 and will take all steps necessary to assure prompt collection. The City Council will cause to be taken with due diligence all further actions that are required under the Development Agreement for the construction of the Housing Improvements 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 Housing Fees 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 Housing Fees (after taking into account any revenues collected or anticipated to be collected under the Development Agreement), the City Council will levy 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 Housing Improvements, Housing Fees levied therefor and other funds appropriated for their payment, collections thereof and disbursements therefrom, and monies on hand.

4.04. 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.

4.05. No Tax Levy Required. It is hereby determined that the estimated collections of Housing Fees for the payment of principal and interest on the Bonds will produce at least five percent (5%) in excess of the amount needed to meet when due the principal and interest payments on the Bonds, and that no tax levy is needed at this time.

4.06. Taxpayer Services Division Manager's Certificate as to Registration. The City Clerk is authorized and directed to file a certified copy of this resolution with the Taxpayer Services Division Manager of Hennepin County and to obtain the certificate required by Section 475.63 of the Act.

Section 5. Authentication of Transcript.

5.01. City Proceedings and Records. The officers of the City are 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, shall be deemed representations of the City as to the facts stated therein.

5.02. Certification as to Official Statement. The Mayor, the City Manager and the Finance Director 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 a complete and accurate representation

of the facts and representations made therein as of the date of the Official Statement.

5.03. Other Certificates. The Mayor, the City Manager, and the Finance Director 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, the City Manager, and the Finance Director shall also execute and deliver to the Purchaser a suitable certificate as to absence of material litigation, and the Finance Director shall also execute and deliver a certificate as to payment for and delivery of the Bonds.

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 such 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, or any amount with respect to principal of 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 and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bonds, and for all other purposes. The Paying Agent will pay all principal of 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 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 Manager 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 Manager will promptly deliver a copy of the same to the Registrar and the 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 shall govern payment of principal of 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 at all times be complied with.
- 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 interest 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 any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond will be made and given, respectively in the manner provided in the Representation Letter.

Section 7. Continuing Disclosure.

7.01. Execution of Continuing Disclosure Certificate. "Continuing Disclosure Certificate" means that certain continuing Disclosure Certificate executed by the Mayor and City Manager 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.

7.02. 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 to be considered an event of default with respect to the Bonds; however, and 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.

Section 8. Defeasance. When all Bonds have been discharged as provided in this Section, all pledges, covenants and other rights granted by this resolution to 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 all 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. 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.

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Adopted by the City Council of the City of Minnetonka, Minnesota, on Nov. 18, 2019.

Brad Wiersum, Mayor

Attest:

Becky Koosman, City Clerk

Action on this resolution:

Motion for adoption:

Seconded by:

Voted in favor of:

Voted against:

Abstained:

Absent:

Resolution adopted.

I hereby certify that the foregoing is a true and correct copy of a resolution adopted by the City Council of the City of Minnetonka, Minnesota, at a meeting held on Nov. 18, 2019.

Becky Koosman, City Clerk

EXHIBIT A PROPOSALS



BID TABULATION

\$2,690,000* Taxable General Obligation Housing Improvement Bonds, Series 2019A

City of Minnetonka, Minnesota

SALE: November 18, 2019

AWARD: PIPER JAFFRAY

Rating: Moody's Investor's Service "Aaa"

Taxable - Non-Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
PIPER JAFFRAY Minneapolis, Minnesota	2021	1.700%	1.700%	\$2,676,860.60	\$897,143.23	2.8479%
	2022	1.800%	1.800%			
	2023	1.850%	1.850%			
	2024	1.950%	1.950%			
	2025	2.050%	2.050%			
	2026	2.150%	2.150%			
	2027	2.250%	2.250%			
	2028	2.350%	2.350%			
	2029	2.450%	2.450%			
	2030	2.550%	2.550%			
	2031	2.650%	2.650%			
	2032	2.750%	2.750%			
	2033	2.800%	2.800%			
	2034	2.850%	2.850%			
	2035 ¹	3.050%	3.050%			
	2036 ¹	3.050%	3.050%			
	2037 ¹	3.050%	3.050%			
	2038 ¹	3.050%	3.050%			
	2039 ¹	3.050%	3.050%			
	2040 ¹	3.050%	3.050%			
NORTHLAND SECURITIES, INC. Minneapolis, Minnesota				\$2,671,059.70	\$902,196.02	2.8688%
BAIRD Milwaukee, Wisconsin				\$2,724,368.75	\$919,454.45	2.9022%

* Subsequent to bid opening the issue size was decreased to \$2,630,000.
Adjusted Price - \$2,617,153.67 Adjusted Net Interest Cost - \$865,635.27 Adjusted TIC - 2.8435%

¹ \$945,000 Term Bond due 2040 with mandatory redemption in 2035-2039.

BUILDING COMMUNITIES. IT'S WHAT WE DO.

✉ info@ehlers-inc.com

☎ 1 (800) 552-1171

🌐 www.ehlers-inc.com

EXHIBIT B
FORM OF BOND

No. R-____ \$ _____

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN
CITY OF MINNETONKA

TAXABLE GENERAL OBLIGATION HOUSING IMPROVEMENT BOND
SERIES 2019A

<u>Rate</u>	<u>Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	February 1, 20__	December 5, 2019	

Registered Owner: Cede & Co.

The City of Minnetonka, Minnesota, a duly organized and existing municipal corporation in Hennepin 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 of \$_____ on the maturity date specified above, with interest thereon from the date hereof at the annual 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, 2020, to the person in whose name this Bond is registered at the close of business on the fifteenth 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 Bond Trust Services Corporation, Roseville, Minnesota, as Bond Registrar, Paying Agent, Transfer Agent and Authenticating 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, 2029, and on any date thereafter to prepay Bonds due on or after February 1, 2030. 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. All prepayments will be at a price of par plus accrued interest.

The Bonds maturing on February 1, 2040 shall hereinafter be referred to collectively as the "Term Bond." The principal amounts of the Term Bond subject to mandatory sinking fund redemption on any date may be reduced through earlier optional redemptions, with any partial redemptions of the Term Bond credited against future mandatory sinking fund redemptions of such Term Bond in such order as the City shall determine. The Term Bond is subject to mandatory sinking fund redemption and shall be redeemed in part by lot at par plus accrued interest on the sinking fund installment dates and in the principal amounts as follows:

<u>Sinking Fund Installment Date</u>	<u>Principal Amount</u>
<u>February 1, 2040 Term Bonds</u>	
2035	\$145,000
2036	150,000
2037	155,000
2038	160,000
2039	165,000
2040*	170,000

* *Maturity*

This Bond is one of an issue in the aggregate principal amount of \$2,630,000, all of like original issue date and tenor, except as to number, maturity date, redemption privilege, and interest rate, all issued pursuant to a resolution adopted by the City Council on November 18, 2019 (the "Resolution"), for the purpose of providing money to aid in financing various housing improvements within a housing improvement area in the City, pursuant to and in full conformity with the home rule charter of the City and the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Chapter 475, as amended, and Sections 428A.11 through 428A.21, as amended, and the principal hereof and interest hereon are payable primarily from certain housing improvement fees levied or to be levied on property within the housing improvement area in which the housing improvements are located, 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 ad valorem taxes on all taxable property in the City in the event of any deficiency in revenues of housing improvement fees pledged, which 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 Bond 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 Bond 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.

The City and the Bond 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 Bond Registrar shall 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 and the City's home rule charter 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 as so required, and that the issuance of this Bond does not cause the indebtedness of the City to exceed any constitutional, statutory or charter 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 Bond Registrar by manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, the City of Minnetonka, Hennepin County, Minnesota, by its City Council, has caused this Bond to be executed on its behalf by the facsimile or manual signatures of the Mayor and the City Manager and has caused this Bond to be dated as of the date set forth below.

Dated: December 5, 2019

CITY OF MINNETONKA, MINNESOTA

(Facsimile)
Mayor

(Facsimile)
City Manager

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned within.

**BOND TRUST SERVICES
CORPORATION**

By _____
Authorized Representative

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, will be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF GIFT MIN ACT
_____ Custodian _____
(Cust) (Minor)

TEN ENT -- as tenants by entireties

under Uniform Gifts or Transfers to
Minors Act, State of

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

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 Bond 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 Officer of Registrar</u>
_____	Cede & Co. Federal ID #13-2555119	_____

November 18, 2019

Sale Day Report for

City of Minnetonka, Minnesota
\$2,630,000 Taxable General Obligation Housing
Improvement Bonds, Series 2019A



Prepared by:

Jason Aarsvold, CIPMA
Senior Municipal Advisor

Stacie Kvilvang, CIPMA
Senior Municipal Advisor

Keith Dahl,
Financial Specialist

Sale Day Report – November 18, 2019

City of Minnetonka, Minnesota

\$2,630,000 Taxable General Obligation Housing Improvement Bonds,
Series 2019A

Purpose: To finance housing improvements within the Cloud 9 Sky Flats Housing Improvement Area.

Rating: **Rating: Moody's Investor's Service "Aaa"**

Number of Bids: 3

Low Bidder: Piper Jaffray, Minneapolis, Minnesota

Comparison from Lowest to Highest Bid: (TIC as bid)	Low Bid	High Bid	Interest Difference
	2.8479%	2.9022%	\$22,311

Summary of Sale Results:	
Principal Amount*:	\$2,630,000
Underwriter's Discount:	\$12,846
True Interest Cost:	2.8435%
Costs of Issuance:	\$43,952
Yield:	1.70%-3.05%
Total Net P&I	\$3,482,789

Notes: Bond Trust Services Corporation, Roseville, Minnesota will serve as Paying Agent on the Bonds.

The Bonds maturing February 1, 2030 and thereafter are callable February 1, 2029 or any date thereafter.

* Subsequent to bid opening, the issue size was decreased to \$2,630,000 to account for additional prepayment of Housing Improvement Area Fees.

Closing Date: December 5, 2019

City Council Action: Adopt a resolution awarding the sale of \$2,630,000 Taxable General Obligation Housing Improvement Bonds, Series 2019A.



Attachments:

- Bid Tabulation
- Sources and Uses of Funds
- Updated Debt Service Schedules
- Rating Report
- Bond Resolution (Distributed in City Council Packets)



BID TABULATION

\$2,690,000* Taxable General Obligation Housing Improvement Bonds, Series 2019A

City of Minnetonka, Minnesota

SALE: November 18, 2019

AWARD: PIPER JAFFRAY

Rating: Moody's Investor's Service "Aaa"

Taxable - Non-Bank Qualified

NAME OF BIDDER	MATURITY (February 1)	RATE	REOFFERING YIELD	PRICE	NET INTEREST COST	TRUE INTEREST RATE
PIPER JAFFRAY Minneapolis, Minnesota	2021	1.700%	1.700%	\$2,676,860.60	\$897,143.23	2.8479%
	2022	1.800%	1.800%			
	2023	1.850%	1.850%			
	2024	1.950%	1.950%			
	2025	2.050%	2.050%			
	2026	2.150%	2.150%			
	2027	2.250%	2.250%			
	2028	2.350%	2.350%			
	2029	2.450%	2.450%			
	2030	2.550%	2.550%			
	2031	2.650%	2.650%			
	2032	2.750%	2.750%			
	2033	2.800%	2.800%			
	2034	2.850%	2.850%			
	2035 ¹	3.050%	3.050%			
	2036 ¹	3.050%	3.050%			
	2037 ¹	3.050%	3.050%			
	2038 ¹	3.050%	3.050%			
	2039 ¹	3.050%	3.050%			
	2040 ¹	3.050%	3.050%			
NORTHLAND SECURITIES, INC. Minneapolis, Minnesota				\$2,671,059.70	\$902,196.02	2.8688%
BAIRD Milwaukee, Wisconsin				\$2,724,368.75	\$919,454.45	2.9022%

* Subsequent to bid opening the issue size was decreased to \$2,630,000.

Adjusted Price - \$2,617,153.67

Adjusted Net Interest Cost - \$865,635.27

Adjusted TIC - 2.8435%

¹ \$945,000 Term Bond due 2040 with mandatory redemption in 2035-2039.

City of Minnetonka, Minnesota

\$2,630,000 Taxable G.O. Housing Improvement Bonds, Series 2019A

Sources & Uses

Dated 12/05/2019 | Delivered 12/05/2019

Sources Of Funds

Par Amount of Bonds	\$2,630,000.00
Prepaid Assessments	620,338.31
Total Sources	\$3,250,338.31

Uses Of Funds

Total Underwriter's Discount (0.488%)	12,846.33
Costs of Issuance	43,952.00
Deposit to Project Construction Fund	3,193,539.98
Total Uses	\$3,250,338.31

City of Minnetonka, Minnesota

\$2,630,000 Taxable G.O. Housing Improvement Bonds, Series 2019A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/05/2019	-	-	-	-	-
08/01/2020	-	-	44,656.44	44,656.44	-
02/01/2021	100,000.00	1.700%	34,060.00	134,060.00	178,716.44
08/01/2021	-	-	33,210.00	33,210.00	-
02/01/2022	105,000.00	1.800%	33,210.00	138,210.00	171,420.00
08/01/2022	-	-	32,265.00	32,265.00	-
02/01/2023	110,000.00	1.850%	32,265.00	142,265.00	174,530.00
08/01/2023	-	-	31,247.50	31,247.50	-
02/01/2024	110,000.00	1.950%	31,247.50	141,247.50	172,495.00
08/01/2024	-	-	30,175.00	30,175.00	-
02/01/2025	115,000.00	2.050%	30,175.00	145,175.00	175,350.00
08/01/2025	-	-	28,996.25	28,996.25	-
02/01/2026	115,000.00	2.150%	28,996.25	143,996.25	172,992.50
08/01/2026	-	-	27,760.00	27,760.00	-
02/01/2027	120,000.00	2.250%	27,760.00	147,760.00	175,520.00
08/01/2027	-	-	26,410.00	26,410.00	-
02/01/2028	120,000.00	2.350%	26,410.00	146,410.00	172,820.00
08/01/2028	-	-	25,000.00	25,000.00	-
02/01/2029	125,000.00	2.450%	25,000.00	150,000.00	175,000.00
08/01/2029	-	-	23,468.75	23,468.75	-
02/01/2030	125,000.00	2.550%	23,468.75	148,468.75	171,937.50
08/01/2030	-	-	21,875.00	21,875.00	-
02/01/2031	130,000.00	2.650%	21,875.00	151,875.00	173,750.00
08/01/2031	-	-	20,152.50	20,152.50	-
02/01/2032	135,000.00	2.750%	20,152.50	155,152.50	175,305.00
08/01/2032	-	-	18,296.25	18,296.25	-
02/01/2033	135,000.00	2.800%	18,296.25	153,296.25	171,592.50
08/01/2033	-	-	16,406.25	16,406.25	-
02/01/2034	140,000.00	2.850%	16,406.25	156,406.25	172,812.50
08/01/2034	-	-	14,411.25	14,411.25	-
02/01/2035	145,000.00	3.050%	14,411.25	159,411.25	173,822.50
08/01/2035	-	-	12,200.00	12,200.00	-
02/01/2036	150,000.00	3.050%	12,200.00	162,200.00	174,400.00
08/01/2036	-	-	9,912.50	9,912.50	-
02/01/2037	155,000.00	3.050%	9,912.50	164,912.50	174,825.00
08/01/2037	-	-	7,548.75	7,548.75	-
02/01/2038	160,000.00	3.050%	7,548.75	167,548.75	175,097.50
08/01/2038	-	-	5,108.75	5,108.75	-
02/01/2039	165,000.00	3.050%	5,108.75	170,108.75	175,217.50
08/01/2039	-	-	2,592.50	2,592.50	-
02/01/2040	170,000.00	3.050%	2,592.50	172,592.50	175,185.00
Total	\$2,630,000.00	-	\$852,788.94	\$3,482,788.94	-

Yield Statistics

Bond Year Dollars	\$30,319.11
Average Life	11.528 Years
Average Coupon	2.8127109%
Net Interest Cost (NIC)	2.8550813%
True Interest Cost (TIC)	2.8435896%
Bond Yield for Arbitrage Purposes	2.7921650%
All Inclusive Cost (AIC)	3.0222583%

IRS Form 8038

Net Interest Cost	2.8127109%
Weighted Average Maturity	11.528 Years

Series 2019A TAX GO Housi | SINGLE PURPOSE | 11/18/2019 | 10:10 AM



City of Minnetonka, Minnesota

\$2,630,000 Taxable G.O. Housing Improvement Bonds, Series 2019A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	105% Overlevy
02/01/2020	-	-	-	-	-
02/01/2021	100,000.00	1.700%	78,716.44	178,716.44	187,652.26
02/01/2022	105,000.00	1.800%	66,420.00	171,420.00	179,991.00
02/01/2023	110,000.00	1.850%	64,530.00	174,530.00	183,256.50
02/01/2024	110,000.00	1.950%	62,495.00	172,495.00	181,119.75
02/01/2025	115,000.00	2.050%	60,350.00	175,350.00	184,117.50
02/01/2026	115,000.00	2.150%	57,992.50	172,992.50	181,642.13
02/01/2027	120,000.00	2.250%	55,520.00	175,520.00	184,296.00
02/01/2028	120,000.00	2.350%	52,820.00	172,820.00	181,461.00
02/01/2029	125,000.00	2.450%	50,000.00	175,000.00	183,750.00
02/01/2030	125,000.00	2.550%	46,937.50	171,937.50	180,534.38
02/01/2031	130,000.00	2.650%	43,750.00	173,750.00	182,437.50
02/01/2032	135,000.00	2.750%	40,305.00	175,305.00	184,070.25
02/01/2033	135,000.00	2.800%	36,592.50	171,592.50	180,172.13
02/01/2034	140,000.00	2.850%	32,812.50	172,812.50	181,453.13
02/01/2035	145,000.00	3.050%	28,822.50	173,822.50	182,513.63
02/01/2036	150,000.00	3.050%	24,400.00	174,400.00	183,120.00
02/01/2037	155,000.00	3.050%	19,825.00	174,825.00	183,566.25
02/01/2038	160,000.00	3.050%	15,097.50	175,097.50	183,852.38
02/01/2039	165,000.00	3.050%	10,217.50	175,217.50	183,978.38
02/01/2040	170,000.00	3.050%	5,185.00	175,185.00	183,944.25
Total	\$2,630,000.00	-	\$852,788.94	\$3,482,788.94	\$3,656,928.39

Significant Dates

Dated	12/05/2019
First Coupon Date	8/01/2020

Yield Statistics

Bond Year Dollars	\$30,319.11
Average Life	11.528 Years
Average Coupon	2.8127109%
Net Interest Cost (NIC)	2.8550813%
True Interest Cost (TIC)	2.8435896%
Bond Yield for Arbitrage Purposes	2.7921650%
All Inclusive Cost (AIC)	3.0222583%

IRS Form 8038

Net Interest Cost	2.8127109%
Weighted Average Maturity	11.528 Years

City of Minnetonka, Minnesota

\$2,630,000 Taxable G.O. Housing Improvement Bonds, Series 2019A

Detail Costs Of Issuance

Dated 12/05/2019 | Delivered 12/05/2019

COSTS OF ISSUANCE DETAIL

Municipal Advisor	\$24,415.00
Bond Counsel (Kennedy & Graven)	\$6,000.00
Rating Agency Fee (Moody's)	\$12,500.00
Paying Agent (Bond Trust Services)	\$762.00
Hennepin County Fee	\$275.00
TOTAL	\$43,952.00



CREDIT OPINION

12 November 2019

 Rate this Research

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Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

Minnetonka (City of) MN

Update to credit analysis

Summary

The [City of Minnetonka](#) (Aaa) is an inner-ring suburb of the economically strong Twin Cities ([Minneapolis](#), Aa1 negative; [St. Paul](#), Aa1 negative) metropolitan area. The city benefits from a large, diverse and affluent economic base. Additional credit strengths include well-managed finances reflected in a healthy operating trend and consistently strong reserves. The city has a low debt burden and a moderate pension burden.

Credit strengths

- » Wealthy and diverse tax base with economic ties to a large Twin Cities metropolitan area
- » Very strong operating reserves and liquidity
- » Modest fixed costs burden

Credit challenges

- » Exposure to unfunded pension liabilities associated with state-managed cost sharing plans

Rating outlook

Moody's does not typically assign outlooks to local governments with this amount of debt.

Factors that could lead to an upgrade

- » Not Applicable

Factors that could lead to a downgrade

- » Material narrowing of operating reserves or liquidity
- » Material growth in the city's leverage or fixed costs burden

Key indicators

Exhibit 1

Minnetonka (City of) MN	2014	2015	2016	2017	2018
Economy/Tax Base					
Total Full Value (\$000)	\$8,293,134	\$8,678,793	\$8,978,656	\$9,342,885	\$9,642,939
Population	50,897	51,249	51,651	52,102	52,102
Full Value Per Capita	\$162,940	\$169,346	\$173,833	\$179,319	\$185,078
Median Family Income (% of US Median)	164.1%	164.2%	164.4%	162.7%	162.8%
Finances					
Operating Revenue (\$000)	\$30,347	\$32,747	\$32,709	\$34,193	\$36,207
Fund Balance (\$000)	\$18,595	\$20,675	\$22,231	\$23,375	\$25,308
Cash Balance (\$000)	\$20,109	\$21,926	\$23,200	\$24,109	\$26,252
Fund Balance as a % of Revenues	61.3%	63.1%	68.0%	68.4%	69.9%
Cash Balance as a % of Revenues	66.3%	67.0%	70.9%	70.5%	72.5%
Debt/Pensions					
Net Direct Debt (\$000)	\$7,020	\$6,040	\$7,475	\$6,445	\$5,185
3-Year Average of Moody's ANPL (\$000)	\$70,171	\$65,516	\$73,425	\$75,475	\$76,897
Net Direct Debt / Full Value (%)	0.1%	0.1%	0.1%	0.1%	0.1%
Net Direct Debt / Operating Revenues (x)	0.2x (x)	0.2x	0.2x	0.2x	0.1x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.8%	0.8%	0.8%	0.8%	0.8%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	2.3x	2.0x	2.2x	2.2x	2.1x

Source: US Census Bureau, audited financial statements

Profile

The City of Minnetonka is located in [Hennepin County \(Aaa stable\)](#) in southeastern Minnesota and is a western suburb within the Twin Cities metro area. The city encompasses approximately 28 square miles and has an estimated population of approximately 52,000 residents.

Detailed credit considerations

Economy and tax base: affluent and mature Twin Cities suburb

Minnetonka's tax base is likely to remain stable in the long term because of its favorable location in the Twin Cities metropolitan area and healthy commercial presence that continues to attract development. Minnetonka's large tax base now exceeds \$10 billion and it has increased at an average annual rate of more than 4% over the last five years. Minnetonka is a mature suburb of the Twin Cities and is home to the headquarters of several large corporations including United Health Group, [Cargill Inc. \(A2 stable\)](#), and [Carlson Companies \(Carlson Travel Holdings, Inc. B2 stable\)](#). Construction within the city has averaged more than \$200 million annually during the last five years. The residential market continues expanding, with more than 1,500 housing units currently under construction. Continued development is expected surrounding the Southwest Light Rail Transit (LRT) Opus Station that will be located in Minnetonka, the construction of which is currently underway and city officials expect the line to open in 2023.

Minnetonka's income levels are strong with median family income at 163% of national figure. As of September 2019, the city's unemployment rate (2.3%) was below both the state's rate (2.5%) and the national rate (3.3%).

Financial operations and reserves: sound operating history support strong reserves

The city's financial operations are expected to remain healthy because of its strong operating history resulting in consistently healthy reserves. The city's policy is to maintain a general fund balance between 30% and 50% of next year's expenditures, with a goal of maintaining an undesignated fund balance at 40%. The city uses funds in excess of the 40% threshold for one-time capital projects.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

In fiscal 2018, the city's general fund recorded an operating surplus of more than \$1.7 million, which resulted in an available fund balance of \$23 million or a strong 65% of revenue. The operating surplus was net of a \$1.3 million transfer for capital projects and was largely driven by a combination of higher than budgeted permit fees on the revenue side and expenses coming in below budgeted figures. The city closed fiscal 2018 with a combined available fund balance of more than \$25 million, equal to 70% of revenue across the general fund and debt service fund. Current fiscal 2019 estimates reflect an additional surplus of about \$900,000 driven again by strong development related revenue. The city expects to adopt a balanced budget for fiscal 2020.

The city has one major enterprise fund to account for its water and sanitary sewer system and also maintains a few smaller enterprise funds to run stormwater management, recycling services, an ice arena, a fitness center and a marina. The city closed fiscal 2018 with a combined cash position across the enterprises totaling \$37 million, equal to more than 880 days cash on hand.

LIQUIDITY

The city's liquidity remains strong with a fiscal 2018 net cash position of \$26 million, or about 73% of revenue across the general fund and debt service fund. Across all governmental funds, the city's cash position cash totaled more than \$97 million.

Debt and pensions: low debt burden; moderate pension burden

The city has a low debt burden and a moderate pension burden. Inclusive of the city's 2019 bonds and net of the general obligation unlimited tax (GOULT) debt associated with its self-supporting enterprises, the city's net direct debt burden totals just under \$7 million, equal to a very low 0.1% of full value and 0.2x revenue. The city expects to issue approximately \$25 million in GOULT bonds during January 2020 for public safety improvements, which would increase the net direct debt burden to about 0.3% of full value and 0.9x revenue.

The city's adjusted net pension liability (ANPL), based on a 4.14% discount rate, totals \$69 million while the three year average totals \$77 million, equal to 0.8% of full value and 2.1x operating revenue. In comparison, the city's reported net pension liability, based on a 7.5% discount rate, totals about \$11 million.

The city's total fixed costs, inclusive of debt service, pension contributions and other post-employment benefit (OPEB) costs, typically hover around 9% of operating revenue

DEBT STRUCTURE

All of the city's debt is fixed rate, with about 53% of principal retired within 10 years.

DEBT-RELATED DERIVATIVES

The city has no debt-related derivatives

PENSIONS AND OPEB

The city participates in two multiple-employer cost-sharing plans, the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF). Minnesota statutes establish local government retirement contributions as a share of annual payroll. The 2018 employer contribution rates were set at 7.5% of payroll for GERF and at 16.2% of payroll for PEPFF. The city's total fiscal 2018 pension contribution totaled about 5% of operating revenue.

Statutory contribution levels have not kept pace with growing unfunded liabilities in statewide pension plans. Contributions to PEPFF from all participating governments in aggregate amounted to 90% of the plan's "tread water" indicator in 2018.¹The state of Minnesota approved legislation in 2018 that will modify benefits and modestly increase contributions for some pension plans. Employer contributions from cities to the police and fire plan, for example, will modestly increase to 17.7% by 2020 from the previous rate of 16.2% in 2018. Because employer contributions will not rise significantly, cities are unlikely to contend with material budget strain from the increases.

OPEB obligations do not represent a material cost for the city. The city does not offer explicit OPEB benefits, but allows retired employees to stay on its healthcare plan, creating an implicit rate subsidy. The city's pay-as-you-go OPEB contribution totaled less than \$100,000 in 2018. Both the city's reported net OPEB liability and our adjusted net OPEB liability for the city, based on the use of a different discount rate, total less than \$3 million.

Management and governance: strong institutional framework reflects easy ability to adjust revenue and expenditures

Minnesota cities have an Institutional Framework score of "Aa," which is strong. The sector has one or more major revenue sources that are not subject to any caps. Revenue tend to be predictable, as cities rely primarily on property taxes and state Local Government Aid (LGA), which is distributed based on demographic and tax base factors. Revenue-raising flexibility is moderate as cities generally benefit from unlimited levying authority, except during years in which the state has imposed limits. Levy limits are not currently in place for cities. Across the sector, fixed and mandated costs are relatively high. Expenditures mostly consist of personnel costs, which are highly predictable.

Minnetonka has a strong operating history and budgets conservatively for both revenue and expenditures, resulting in consecutive operating surpluses. Minnetonka has relatively little dependence on the state as its primary revenue drivers include property taxes (74%), licenses and permits (13%) and charges for services (5%). The little reliance on revenue from the [State of Minnesota \(Aa1 stable\)](#) limits the city's vulnerability to and potential state budgetary pressures.

Rating methodology and scorecard factors

Exhibit 2

Minnetonka (City of) MN

Rating Factors	Measure	Score
Economy/Tax Base (30%) ^[1]		
Tax Base Size: Full Value (in 000s)	\$10,167,513	Aa
Full Value Per Capita	\$195,146	Aaa
Median Family Income (% of US Median)	162.7%	Aaa
Finances (30%)		
Fund Balance as a % of Revenues	69.9%	Aaa
5-Year Dollar Change in Fund Balance as % of Revenues	18.7%	Aa
Cash Balance as a % of Revenues	72.5%	Aaa
5-Year Dollar Change in Cash Balance as % of Revenues	17.5%	Aa
Management (20%)		
Institutional Framework	Aa	Aa
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures (x)	1.0x	Aa
Debt and Pensions (20%)		
Net Direct Debt / Full Value (%)	0.1%	Aaa
Net Direct Debt / Operating Revenues (x)	0.2x	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Full Value (%)	0.8%	Aaa
3-Year Average of Moody's Adjusted Net Pension Liability / Operating Revenues (x)	2.1x	A
Notching Factors: ^[2]		
Standardized Adjustments ^[3] : Unusually Strong or Weak Security Features - Secured by Statute		Up
	Scorecard-Indicated Outcome	Aaa
	Assigned Rating	Aaa

[1] Economy measures are based on data from the most recent year available.

[2] Notching Factors are specifically defined in the US Local Government General Obligation Debt methodology.

[3] Standardized adjustments are outlined in the GO Methodology Scorecard Inputs publication.

Source: US Census Bureau, Moody's Investors Service

Endnotes

- Employer contributions that tread water equal the sum of current year service cost and interest on reported net pension liabilities at the start of the year, using reported assumptions. If plan assumptions are met exactly, contributions equal to the tread water indicator will prevent the reported net pension liabilities from growing.

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