

City of Hoyt Lakes Resolution 2024-019

A Resolution **AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A \$2,491,000 GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2024A.**

BE IT RESOLVED, by the City Council (the “City Council”) of the City of Hoyt Lakes, St. Louis County, Minnesota (the “Issuer”), as follows:

Section 1. Bonds Purpose and Authorization.

1.01 Authority. Pursuant to Minnesota Statutes, Sections 469.1812 through 469.1815 (the “Act”), the governing body of a political subdivision may grant an abatement of the taxes imposed by the political subdivision on a parcel of property, or defer payments of the taxes and abate the interest and penalty that otherwise would apply, subject to certain conditions set forth in the Act.

1.02 Abatement Recitals.

A. The Issuer intends to grant a property tax abatement (the “Abatement”) in order to finance improvements in the community to renovate the Hoyt Lakes Recreation & Wellness Facility located in the City (the “Project”), all pursuant to the Act.

B. The Issuer has identified property (the “Abatement Property”), which Abatement Property will be benefitted by the Project and from which the Issuer proposes to abate a portion of the Issuer’s share of taxes to help finance the Project, subject to the terms and conditions of the Abatement Resolution (as defined herein).

C. The Project is not within a tax increment financing district.

D. The City Council held on August 26, 2024, a public hearing on the Abatement.

E. The Abatement was approved by the City Council on August 26, 2024, after the public hearing pursuant to this resolution (the “Abatement Resolution”).

F. Upon approval of the Abatement Resolution following the properly noticed public hearing on the Abatement, all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to the issuance of the Bonds having been done, having happened and having been performed.

1.03 Authorization of Bonds.

A. Pursuant to the authority contained in Section 469.1814 of the Act and Minnesota Statutes, Chapter 475, the Issuer determines that it is necessary and expedient to issue a \$2,491,000 General Obligation Tax Abatement Bonds, Series 2024A (the “Bonds”).

B. The Bonds shall provide funds to finance the Project. The amount of the Abatement is equal to the part of the property tax amount payable to the Issuer on the Abatement Property during the term of the Abatement, which is presently estimated not to exceed \$124,550 per year. The total amount of property taxes abated by the Issuer in any year does not exceed the greater of (1) ten percent of the net tax capacity, or (2) \$200,000. Work on the Project shall proceed with due diligence to completion.

1.04 Municipal Advisor. The Issuer has retained David Drown Associates, Inc., as its municipal advisor, to assist the Issuer with the Project and the issuance of the Bonds.

1.05 Placement Agent. The Issuer has retained the services of D.A. Davidson & Co., as Placement Agent.

1.06 Sale of the Bonds. The Issuer has received a proposal for a loan evidenced by the Bonds from the Security Bank & Trust Co., located in Winsted, Minnesota (the “Lender”) in the amount of \$2,491,000, plus accrued interest on the total principal amount to the date of delivery of the Bonds, upon condition that the Bonds matures and bears interest at the times and annual rates set forth in Section 2. The Issuer, after due consideration, finds such offer reasonable and proper, and the offer of the Lender is accepted. The Mayor, and City Administrator are authorized to execute on the part of the Issuer a contract for the sale of the Bonds in accordance with the Lender’s proposal.

2.01 Interest Rate and Principal Maturities.

A. The Bonds shall be dated the date of its closing and delivery as the date of original issue, shall be issued in the denomination equal to the principal amount thereof, shall be issued in fully registered form and lettered and numbered R-1. The Bonds shall bear interest at the semi-annual rate of 4.63 percent and shall mature on the dates and in the installment amounts shown below.

Year	Principal
2/1/2026	\$78,000
2/1/2027	\$82,000
2/1/2028	\$86,000
2/1/2029	\$90,000
2/1/2030	\$94,000
2/1/2031	\$98,000
2/1/2032	\$103,000
2/1/2033	\$107,000
2/1/2034	\$112,000
2/1/2035	\$118,000
2/1/2036	\$123,000
2/1/2037	\$129,000
2/1/2038	\$135,000

2/1/2039	\$141,000
2/1/2040	\$148,000
2/1/2041	\$154,000
2/1/2042	\$162,000
2/1/2043	\$169,000
2/1/2044	\$177,000
2/1/2045	\$185,000

B. The maturities of the Bonds, together with the maturities of all other outstanding general obligation bonds of the Issuer, meet the requirements of Minnesota Statutes, Section 475.54.

2.02 Prepayment. The Bonds are prepayable, in whole or in part, at any time on or after February 1, 2032, at par plus accrued interest.

2.03 Interest Payment Dates.

A. Interest on the Bonds shall be payable semi-annually on February 1 and August 1 in each year (each referred to herein as an “Interest Payment Date”), commencing on February 1, 2025. Interest will be computed upon the basis of a 360-day year of twelve 30-day months.

B. The Registrar designated below shall make all interest payments with respect to the Bonds by check or draft mailed to the registered owners of the Bonds shown on the bond registration records maintained by the Registrar designated below at the close of business on the 15th day (whether or not a business day) of the month next preceding the Interest Payment Date at such owners’ addresses shown on such bond registration records.

2.04 Preparation.

A. The Bonds shall be prepared for execution in accordance with the approved form and shall be signed by the manual signature of the Mayor and attested by the manual signature of the City Administrator. The corporate seal of the Issuer may be omitted from the Bonds as permitted by law. In case any officer whose signature shall appear on the Bonds shall cease to be an officer before delivery of the Bonds, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

B. The City Administrator is authorized and directed to obtain a copy of the proposed approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A., Duluth, Minnesota, which is to be complete thereof and cause the opinion to be attached to the Bonds.

2.05 Appointment Registrar. The City Council appoints the City Administrator as registrar, authenticating agent, paying agent and transfer agent for the Bonds (the “Registrar”). The Issuer

reserves the right to name a substitute, successor Registrar upon giving prompt written notice to each registered bond holder.

2.06 Registered Owner. The Bonds shall be registered in the name of the Lender.

2.07 Register. The Issuer shall cause to be kept by the Registrar a bond register in which, subject to such reasonable regulations as the Registrar may prescribe, the Issuer shall provide for the registration of the Bonds and the registration of transfers of the Bonds entitled to be registered or transferred as herein provided. In the event of the resignation or removal of the Registrar or its incapability of acting as such, the bond registration records shall be maintained at the office of the successor Registrar as may be appointed by the City Council.

2.08 Payment.

A. The Issuer and the Registrar may treat the person in whose name any Bonds are registered as the owner of such Bonds for the purpose of receiving payment of principal of and interest on such Bonds and for all other purposes whatsoever, whether or not such Bonds be overdue, and neither the Issuer nor the Registrar shall be affected by notice to the contrary.

B. The principal of and interest on the Bonds shall be payable by the Registrar in such funds as are legal tender for the payment of debts due the United States of America. The Issuer shall pay the reasonable and customary charges of the Registrar for the disbursement of principal and interest.

2.09 Delivery. Delivery of the Bonds and payment of the purchase price shall be made at a place mutually satisfactory to the Issuer and the Lender. The printed and executed Bonds shall be furnished by the Issuer without cost to the Lender. The Bonds, when prepared in accordance with this resolution and executed, shall be delivered by or under the direction of the City Administrator to the Lender thereof upon receipt of the purchase price plus accrued interest.

Section 3. Form of Bonds. The Bonds shall be typewritten or printed in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
ST. LOUIS COUNTY

R-1

\$2,491,000

CITY OF HOYT LAKES
GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2024A

Rate
4.63%

Maturity Date
February 1, 2045

Date of Original Issue
September 9, 2024

REGISTERED OWNER: SECURITY BANK & TRUST CO.

PRINCIPAL AMOUNT: TWO MILLION FOUR HUNDRED NINETY-ONE
THOUSAND DOLLARS

The City of Hoyt Lakes in the St. Louis County, Minnesota (the “Issuer”), for value received, promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, on the maturity date specified above, and to pay interest on said principal amount to the registered owner hereof from the date of original issue set forth above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, said interest being at the rate per annum specified above.

Interest is payable semi-annually on February 1 and August 1 of each year (each referred to herein as an “Interest Payment Date”) commencing on February 1, 2025. This Bonds are payable in the principal installment amounts and at the times described below. Payments shall be applied first to interest due on the outstanding principal balance and thereafter to reduction of the principal balance.

Year	Principal
2/1/2026	\$78,000
2/1/2027	\$82,000
2/1/2028	\$86,000
2/1/2029	\$90,000
2/1/2030	\$94,000
2/1/2031	\$98,000
2/1/2032	\$103,000
2/1/2033	\$107,000
2/1/2034	\$112,000
2/1/2035	\$118,000
2/1/2036	\$123,000
2/1/2037	\$129,000
2/1/2038	\$135,000
2/1/2039	\$141,000
2/1/2040	\$148,000
2/1/2041	\$154,000
2/1/2042	\$162,000
2/1/2043	\$169,000
2/1/2044	\$177,000
2/1/2045	\$185,000

Both principal of and interest hereon are payable in lawful money of the United States of America by check or draft at the office of the City Administrator, as Registrar, paying agent, transfer agent and authenticating agent (the “Registrar”), or at the office of such successor Registrar as may be designated by the City Council. The Registrar shall make all interest payments with respect to the Bonds directly to the registered owner hereof shown on the bond registration records maintained

on behalf of the Issuer by the Registrar at the close of business on the 15th day (whether or not a business day) of the month next preceding the Interest Payment Date at such owner's address shown on said bond registration records, without, except for payment of principal on the Bonds, the presentation or surrender of the Bonds, and all such payments shall discharge the obligations of the Issuer to the extent of the payments so made. Payment of principal shall be made upon presentation and surrender of the Bonds to the Registrar when due. For the prompt and full payment of such principal and interest as they become due, the full faith and credit of the Issuer are irrevocably pledged.

For the prompt and full payment of such principal and interest as they become due, the full faith and credit and taxing power of the Issuer are irrevocably pledged. The Issuer has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds comprise the entire amount of this series issued by the Issuer as one fully registered Bonds without coupons, in the aggregate amount of \$2,491,000, pursuant to the authority contained in Minnesota Statutes, Chapter 475, Section 469.1814, and all other laws thereunto enabling, and pursuant to a resolution adopted by the governing body of the Issuer on August 26, 2024 (the "Resolution"), for the purpose of financing improvements in the community to renovate the Hoyt Lakes Recreation & Wellness Facility located in the City (the "Project"), and for payment of part of the interest cost of said bond issue and costs of issuance. The principal hereof and interest hereon are payable from an abatement of taxes, pursuant to Minnesota Statutes, Sections 469.1812 to 469.1815, imposed by the Issuer on certain property as set forth in the Resolution, and ad valorem taxes pledged in the Resolution to which reference is made for a full statement of rights and powers thereby conferred.

The principal amount evidenced by the Bonds was drawn upon by Issuer in accordance with the Loan Agreement between Issuer and Lender dated as of the date of the date hereof.

The Bonds are prepayable, in whole or in part, at any time on or after February 1, 2032, at par plus accrued interest.

IT IS CERTIFIED AND RECITED that all acts and conditions required by the laws and the Constitution of the State of Minnesota to be done and to exist precedent to and in the issuance of the Bonds, in order to make it a valid and binding general obligation of the Issuer in accordance with its terms, have been done and do exist in form, time and manner as so required; that all taxable property within the corporate limits of the Issuer is subject to the levy of ad valorem taxes to the extent needed to pay the principal hereof and the interest hereon when due, without limitation as to rate or amount; and that the issuance of the Bonds does not cause the indebtedness of the Issuer to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City of Hoyt Lakes, St. Louis County, Minnesota, by its governing body, has caused the Bonds to be executed in its name by the manual signature of the Mayor and attested by the manual signature of the City Administrator, the Issuer having no seal or said seal having been intentionally omitted as permitted by law.

ATTEST:

(form-no signature required) _____

City Administrator

(form-no signature required) _____

Mayor

REGISTRATION CERTIFICATE

The Bonds must be registered as to both principal and interest in the name of the owner on the books to be kept by the City Administrator, as Registrar. No transfer of the Bonds shall be valid unless made on said books by the registered owner or the owner's attorney thereunto duly authorized and similarly noted on the registration books. The ownership of the unpaid principal balance of the Bonds and the interest accruing thereon is registered on the books of the City Administrator in the name of the registered owner last noted below.

<u>Date</u>	<u>Registered Owner</u>	<u>Signature of City Administrator</u>
9/9/2024	Security Bank & Trust Co. 110 First Street North Winsted, MN 55395 Federal Tax I.D. No.: 41-0531690	<i>(form-no signature required)</i>

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Name and Address of Assignee)

Social Security or Other

Identifying Number of Assignee

the within Bonds and all rights thereunder and does irrevocably constitute and appoint _____ attorney to transfer the said Bonds on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bonds in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

(Bank, Trust Company, member of
National Securities Exchange)

THIS INSTRUMENT HAS NOT BEEN REGISTERED UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF FOR VALUE, OR TRANSFERRED, WITHOUT (i) AN OPINION OF COUNSEL THAT SUCH SALE, DISPOSITION OR TRANSFER MAY LAWFULLY BE MADE WITHOUT REGISTRATION UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED AND UNDER APPLICABLE STATE SECURITIES LAWS, OR (ii) SUCH REGISTRATION. THE TRANSFERABILITY OF THIS INSTRUMENT IS SUBJECT TO RESTRICTIONS REQUIRED BY (1) FEDERAL AND STATE SECURITIES LAWS GOVERNING UNREGISTERED SECURITIES; AND (2) THE RULES, REGULATIONS, AND INTERPRETATIONS OF THE GOVERNMENTAL AGENCIES ADMINISTERING SUCH LAWS. THIS INSTRUMENT HAS NOT BEEN REGISTERED UNDER CHAPTER 80A OF MINNESOTA STATUTES OR OTHER APPLICABLE STATE BLUE SKY LAWS AND MAY NOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF FOR VALUE EXCEPT PURSUANT TO REGISTRATION OR OPERATION OF LAW.

Section 4. Revenues, Accounts and Covenants.

4.01 The Fund. There is created a special fund to be designated the "2024A Tax Abatement Bonds Fund" (the "Fund") to be administered and maintained by the City Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Issuer. The Fund shall be maintained in the manner herein specified until all of the Bonds and the interest thereon have been fully paid. There shall be maintained in the Fund two (2) separate accounts, to be designated the "Construction Account" and "Debt Service Account," respectively:

A. Construction Account. On receipt of the purchase price of the Bonds, the Issuer shall credit proceeds from the sale of the Bonds, less (a) any capitalized interest funded from the proceeds of the Bonds (“Capitalized Interest”); and (b) less the rounding amount (the “Rounding Amount”), to the Construction Fund. Proceeds from the Bonds on deposit in the Construction Fund, along with other monies of the Issuer available therefor, shall be used from time to time to pay, or reimburse the Issuer for payment of, the capital costs of the Project and costs of legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Bonds and interest due on the Bonds prior to completion of the Project, as such become due. Any funds remaining in the Construction Account after completion of the Project shall be transferred to the Debt Service Account.

B. Debt Service Account. To the Debt Service Account there is hereby pledged and irrevocably appropriated and there shall be credited: 1) Abatement received from the Abatement Property pursuant to the Resolution Approving Property Tax Abatement for Certain Property Located in the City of Hoyt Lakes, adopted August 26, 2024, regarding the Abatement Property (the “Abatement Resolution”) and ratified by this resolution; 2) the Rounding Amount; 3) all Capitalized Interest funded from Bonds proceeds; 4) any funds remaining in the Construction Account after completion of the Project; 5) ad valorem taxes levied hereinafter; and 6) all investment earnings on funds in the Debt Service Account. The money in the Debt Service Account shall be used for no purpose other than the payment of principal and interest on the Bonds; provided, however, that if any payment of principal or interest shall become due when there is not sufficient money in the Debt Service Account, the City Administrator shall pay the same from any other fund of the Issuer, which fund shall be reimbursed from the Debt Service Account when the balance therein is sufficient.

4.02 Covenants.

A. Notwithstanding anything in this resolution to the contrary, the Issuer warrants, represents and covenants that the Abatement will be spent only in accordance with this Resolution. The Issuer further warrants, represents and covenants that unless otherwise provided in this resolution, the Abatement shall be deposited, as received, in the Debt Service Account and shall only be spent for payment of the principal of and interest on the Bonds.

B. It is recognized, however, that the Issuer’s liability on the Bonds is not limited to the Abatement so pledged, and the City Council covenants and agrees that it will levy upon all taxable property within the Issuer, and cause to be extended, levied and collected, any taxes found necessary for full payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

4.03 Tax Levy.

A. For the prompt and full payment of the principal and interest on the Bonds when due, the full faith and credit and taxing power of the Issuer are irrevocably

pledged. There is levied a direct annual ad valorem tax upon all taxable property in the Issuer which shall be spread upon the tax rolls and collected with and as part of other general property taxes in the Issuer. Said levies are for the years and in the amounts set forth below:

Levy Year	Collection Year	Amount
2024	2025	\$68,783
2025	2026	\$78,858
2026	2027	\$79,072
2027	2028	\$79,091
2028	2029	\$78,915
2029	2030	\$78,546
2030	2031	\$79,031
2031	2032	\$78,224
2032	2033	\$78,272
2033	2034	\$79,127
2034	2035	\$78,641
2035	2036	\$78,961
2036	2037	\$78,990
2037	2038	\$78,727
2038	2039	\$79,222
2039	2040	\$87,988
2040	2041	\$88,944
2041	2042	\$88,394
2042	2043	\$88,587
2043	2044	\$88,372

B. The tax levies are such that if collected in full they, together with estimated collection of Abatement, investment earnings, and other funds herein pledged and appropriated for payment of the Bonds, will produce at least 5% in excess of the amount needed to meet when due the principal and interest payments on the Bonds.

C. The tax levies shall be irrevocable so long as the Bonds are outstanding and unpaid; provided, however, that on November 30 of each year, while any Bonds issued hereunder remains outstanding, the Issuer shall reduce or cancel the above levies to the extent of funds available in the Debt Service Account to pay principal and interest due during the ensuing year, and shall direct the County Auditor to reduce the levy for such calendar year by that amount.

4.04 Investments. Monies on deposit in the Construction Account and the Debt Service Account may, at the discretion of the City Administrator, be invested in securities permitted by Minnesota Statutes, Chapter 118A; provided, that any such investments shall mature at such times and in such amounts as will permit payment of the principal and interest on the Bonds when due.

Section 5. Tax Covenants.

5.01 General.

A. The Issuer covenants and agrees with the holder of the Bonds that the Issuer will (i) take all action on its part necessary to cause the interest on the Bonds to be exempt from federal income taxes including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Bonds and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Bonds to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Bonds and investment earnings thereon on certain specified purposes.

B. For purposes of qualifying for the small issuer exception to the federal arbitrage rebate requirements, the Issuer finds, determines and declares:

- (1) the Issuer is a governmental unit with general taxing powers;
- (2) the Bonds are not a “private activity bond” as defined in Section 141 of the Internal Revenue Code of 1986, as amended (the “Code”);
- (3) 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer; and
- (4) the aggregate face amount of the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Bonds are issued is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

C. In order to qualify the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, the Issuer makes the following factual statements and representations:

- (i) the Bonds are not “private activity bonds” as defined in Section 141 of the Code;
- (ii) the Issuer designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code;
- (iii) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the Issuer (and all entities whose obligations will be aggregated with those of the Issuer) during the calendar year in which the Bonds are being issued will not exceed \$10,000,000; and

(iv) not more than \$10,000,000 of obligations issued by the Issuer during the calendar year in which the Bonds are being issued have been designated for purposes of Section 265(b)(3) of the Code.

Section 6. Miscellaneous.

6.01 Filing with County Auditor. The City Administrator is directed to file with the County Auditor a certified copy of this resolution and such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Bonds herein authorized have been duly entered on the County Auditor's register.

6.02 Offering Materials. The Mayor and City Administrator are hereby authorized and directed to certify that no official statement or prospectus has been prepared or circulated by the Issuer in connection with the sale of the Note and the Purchaser has made its own investigation concerning the Issuer as set forth in a purchaser's certificate.

6.03 Absent or Disabled Officers. In the event of the absence or disability of the Mayor or City Administrator, such officers or members of the City Council as in the opinion of the Issuer's attorney, may act in their behalf, shall without further act or authorization, execute and deliver the Bonds, and do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers.


Section 7. Loan Agreement. The proceeds of the Bonds will be advanced to the Issuer in accordance with the terms of this Resolution and with a Loan Agreement between the Issuer and the Lender (the "Loan Agreement"). The Mayor and City Administrator of the Issuer are hereby authorized and directed to execute the Loan Agreement substantially in the form currently on file in the office of the Issuer.

Section 8. Pre- and Post-Issuance Compliance Policy and Procedures. The Issuer has previously approved a Pre- and Post-Issuance Compliance Policy and Procedures which applies to qualifying obligations to provide for compliance with all applicable federal regulations for tax-exempt obligations or tax-advantaged obligations (collectively, the "Policy and Procedures"). The Issuer hereby ratifies the Policy and Procedures for the Bond. The City Administrator continues to be designated to be responsible for post-issuance compliance in accordance with the Policy and Procedures.


Adopted by the Hoyt Lakes City Council this 26th day of August 2024.

Ayes: Jarvela, Scott, Beauregard, Kramar, Grams

Nays: None



Becky Lammi, City Administrator



Cherie Grams, Mayor