

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 11, 2019

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming compliance with certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and, to the same extent, from taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. Such interest is subject to Minnesota franchise taxes on corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "Tax Exemption" herein.

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: S&P Global Ratings

CITY OF TRACY, MINNESOTA (Lyon County)

(Minnesota City Credit Enhancement Program)

\$5,365,000* GENERAL OBLIGATION BONDS, SERIES 2019B

PROPOSAL OPENING: April 22, 2019, 10:30 A.M., C.T. **CONSIDERATION:** April 22, 2019, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$5,365,000* General Obligation Bonds, Series 2019B (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 115.46, by the City of Tracy, Minnesota (the "City") to provide financing for the construction of the ineligible costs of the Phase 3 Infrastructure Improvements to the City's current water, wastewater and storm sewer systems being financed by the United States Department of Agriculture, Rural Development. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: May 15, 2019

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$225,000	2030	\$265,000	2037	\$325,000
2024	230,000	2031	270,000	2038	250,000
2025	235,000	2032	280,000	2039	260,000
2026	240,000	2033	285,000	2040	270,000
2027	245,000	2034	295,000	2041	275,000
2028	250,000	2035	305,000	2042	290,000
2029	255,000	2036	315,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2020 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing February 1, 2029 and thereafter are subject to call for prior redemption on February 1, 2028 and any date thereafter, at a price of par plus accrued interest.

MINIMUM PROPOSAL: \$5,300,620.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$107,300 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation

BOND COUNSEL: Kennedy & Graven, Chartered

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the City, is contingent upon the sale of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the City is exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY OF TRACY CITY COUNCIL

		<u>Term Expires</u>
Anthony Dimmers	Mayor	January 2023
Tony Peterson	Council Member	January 2021
Jeri Schons	Council Member	January 2023
Kou Thao	Council Member	January 2021
David Tiegs	Council Member	January 2021

ADMINISTRATION

Kristopher Ambuehl, City Administrator

Peggy Zwach, Finance Clerk

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(Other offices located in Waukesha, Wisconsin and Denver, Colorado)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of Tracy, Minnesota (the "City") and the issuance of its \$5,365,000* General Obligation Bonds, Series 2019B (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the City Council on April 22, 2019.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Municipal Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of May 15, 2019. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2020, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%).**All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

* Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. 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 interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 115.46, by the City to provide financing for the construction of the ineligible costs of the Phase 3 Infrastructure Improvements to the City's current water, wastewater and storm sewer systems being financed by the United States Department of Agriculture, Rural Development.

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$5,365,000	
USDA, RD Grant	4,458,000	
PFA WIF Sewer Grant	3,400,000	
USDA, RD Loan	<u>8,399,000</u>	
Total Sources		\$21,622,000

Uses

Total Underwriter's Discount (1.200%)	\$64,380	
Costs of Issuance	61,500	
Deposit to Capitalized Interest (CIF) Fund	433,707	
Deposit to Project Construction Fund	21,059,905	
Deposit to Project Fund	<u>2,509</u>	
Total Uses		\$21,622,000

*Preliminary, subject to change.

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City will use bond proceeds deposited in the capitalized interest fund to pay the interest due February 1, 2020 to February 1, 2022. The City anticipates that the debt service will be paid from a combination of special assessments levied against properties benefitted by improvements financed by the Bonds, and from net utility revenues of the utility systems which are owned and operated by the City. Receipt of special assessments and revenues will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

Nothing shall preclude the City from levying taxes for the payment of the sewage disposal portion of the Bonds as permitted by Minnesota Statutes, Section 115.46.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the City will be issuing its General Obligation Temporary Bonds, Series 2019A (the "Concurrent Obligations" or the "Series 2019A Bonds") which are scheduled to close on May 15, 2019.

RATING

The City will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from S&P Global Ratings ("S&P"). S&P has a policy which assigns a minimum rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA" rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM" for further details.

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated "A" by S&P. The City has requested a rating on this issue from S&P, and bidders will be notified as to the assigned rating prior to the sale. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the City nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM

By resolution adopted for this issue on March 25, 2019 (the "Resolution"), the City has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the "Act"), which provides for payment by the State of Minnesota in the event of a potential default of certain obligations. The City has entered into a Credit Enhancement Program Agreement (the "Agreement") with the Minnesota Public Facilities Authority (the "Authority"), which is acting on behalf of the State of Minnesota. The provisions of the Agreement shall be binding on the City as long as any obligations of the issue remain outstanding.

The City covenants in the Agreement to deposit with the paying agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment. Under the Agreement, if the City believes it may be unable to make a principal or interest payment for this issue on the due date, it must notify the Authority not less than 15 business days prior to the date a payment is due on the Bonds if the City will be unable to make all or a portion of the payment. The City's agreement with the Paying Agent for the Bonds requires the Paying Agent to immediately inform the Minnesota Commissioner of Management and Budget, with a copy to the Authority, if the Paying Agent becomes aware of a default or potential default in the payment of principal or interest on the Bonds, or if, on the day two business days before the date a payment is due on the Bonds, there are insufficient funds on deposit with the Paying Agent to make the payment.

If the City is unable to make any portion of the payment on the Bonds on or before the date due, the State of Minnesota, acting through the Authority, shall make such payment in its place pursuant to the Act, provided that funds are available in the State General Fund. The obligation to make a payment under the Act is not a general obligation of the State of Minnesota. The Act does not obligate the Minnesota legislature to provide for the availability of funds in the General Fund for this purpose.

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the City shall agree to provide certain information to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the City shall execute and deliver a Continuing Disclosure Certificate, under which the City will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the City are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City did not timely file notice of the S&P downgrade of the general obligation debt from an "A" to an "A-" on August 5, 2014, the notice was filed on November 3, 2014. The fiscal year end December 31, 2014 Budget was to be filed on or before December 31, 2014 and was not filed until July 23, 2015. The City did not timely file notice of certain bond insurer rating changes during the previous five years. In the interest of full disclosure, the City notes the following: Prior continuing disclosure undertakings entered into by the City included language stating that an Annual Report including the City's audited financial statements and operating data would be filed "as soon as available." Although the City did not always comply with this requirement, the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent that the preceding are deemed to be material, the City believes it has not failed to comply in the previous five years in all material respects with its prior undertakings under the Rule. The City has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the City.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and is excluded from taxable net income of individuals, estates or trusts for purposes of State of Minnesota income taxation, but is subject to State of Minnesota franchise taxes measured by income that are imposed upon corporations, including financial institutions.

Noncompliance following the issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income. Adjusted current earnings include income received that is otherwise exempt from taxation such as interest on the Bonds.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year. For purposes hereof, the applicable percentage is 5.25% divided by the highest rate in effect under Section 11(b) of the Code.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a Municipal Advisor.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the City, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the City under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the City for the fiscal year ended December 31, 2017, have been audited by Abdo, Eick & Meyers, LLP, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (utility revenues and special assessments) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the City in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the state may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the City or the taxing authority of the City.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the City, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the City may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The City is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the City will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2016/17	2017/18	2018/19
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,050,000 - 0.50% ² Over \$2,050,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,940,000 - 0.50% ² Over \$1,940,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,900,000 - 0.50% ² Over \$1,900,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$115,000 - .75% Over \$115,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$121,000 - .75% Over \$121,000 - .25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$139,000 - .75% Over \$139,000 - .25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2017/18 Economic Market Value¹ \$72,921,579²

	2018/19 Assessor's Estimated Market Value	2018/19 Net Tax Capacity
Real Estate	\$65,307,000	\$603,235
Personal Property	<u>3,719,400</u>	<u>63,566</u>
Total Valuation	<u><u>\$69,026,400</u></u>	<u><u>\$666,801</u></u>

2018/19 NET TAX CAPACITY BY CLASSIFICATION

	2018/19 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$297,619	44.63%
Agricultural	12,998	1.95%
Commercial/industrial	162,927	24.43%
Public utility	25,422	3.81%
Railroad operating property	11,776	1.77%
Non-homestead residential	91,930	13.79%
Commercial & residential seasonal/rec.	563	0.08%
Personal property	<u>63,566</u>	<u>9.53%</u>
Total	<u><u>\$666,801</u></u>	<u><u>100.00%</u></u>

¹ The most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the City of Tracy is about 92.07% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the City of \$72,921,579.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent +/- in Estimated Market Value
2014/15	\$63,147,200	\$49,812,100	\$589,966	\$589,966	+3.45%
2015/16	62,536,200	49,186,164	573,922	573,922	-0.97%
2016/17	66,371,300	52,840,347	620,230	620,230	+6.13%
2017/18	67,401,000	53,822,347	634,088	634,088	+1.55%
2018/19	69,026,400	55,463,935	666,801	666,801	+2.41%

LARGER TAXPAYERS

Taxpayer	Type of Property	2018/19 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Xcel Energy	Utility	\$ 46,238	6.93%
Minnesota Energy Resources Corp.	Utility	31,188	4.68%
Tracy Farmers Elevator	Commercial	29,221	4.38%
Dakota, Minnesota & Eastern Railroad Corp.	Commercial	11,776	1.77%
Individual	Agriculture	9,038	1.36%
Individual	Commercial	8,582	1.29%
Individual	Residential	8,023	1.20%
Minnwest Bank South	Commercial	7,442	1.12%
Tracy Realty, LLC	Commercial	7,198	1.08%
R&M Commercial Properties, LLC	Commercial	6,980	1.05%
Total		<u>\$165,686</u>	<u>24.85%</u>

City's Total 2018/19 Net Tax Capacity \$666,801

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Lyon County.

¹ Net Tax Capacity includes tax increment, if any.

² Taxable Net Tax Capacity does not include tax increment, if any.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total g.o. debt being paid from special assessments and taxes	\$ 3,435,000
Total g.o. debt being paid from tax abatement revenues	260,000
Total g.o. debt being paid from utility revenues	845,000
Total g.o. debt being paid from utility revenues and special assessments (includes the Series 2019B Bonds)*	5,835,000
Total g.o. debt being paid from water revenues	176,000
Total General Obligation Debt*	<u><u>\$ 10,551,000</u></u>

Temporary General Obligation Debt

Date of Issue	Name of Issue	Final Maturity	Principal Outstanding
12/8/2016	G.O. Temporary Bonds, Series 2016C	12/1/2019	\$8,315,000
4/13/2017	G.O. Temporary Bonds, Series 2017A	12/1/2019	1,415,000
5/15/2019	G.O. Temporary Bonds, Series 2019A (includes the Series 2019A Bonds)*	5/01/2022	8,395,000

Revenue Debt (see schedules following)

Total revenue debt being paid from housing revenues (EDA)	\$ <u><u>1,045,000</u></u>
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Other Obligations

Name of Issue	Issue Date	Final Maturity	Amount Outstanding
League of Minnesota Cities Insurance Trust Loan (LMCIT)	8/1/2018	8/1/2023	\$250,000

*Preliminary, subject to change.

¹ Outstanding debt is as of the dated date of the Bonds.

**City of Tracy, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Special Assessments & Taxes
(As of 05/30/2019)**

Dated Amount	Improvement Bonds Series 2009A		Improvement Bonds Series 2014A		2007A Refunding 1) Series 2015A		Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	08/19/2009 \$1,080,000	02/01	12/04/2014 \$2,400,000	02/01	04/15/2015 \$1,060,000	02/01				
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Total Principal	Total Interest		
2019	0	10,268	0	27,313	0	13,525	0	51,105	.00%	2019
2020	75,000	19,260	145,000	53,175	30,000	26,750	250,000	99,185	7.28%	2020
2021	80,000	16,425	145,000	50,275	35,000	26,100	260,000	92,800	14.85%	2021
2022	85,000	13,208	145,000	47,230	35,000	25,400	265,000	85,838	22.56%	2022
2023	90,000	9,660	155,000	43,930	140,000	22,950	385,000	76,540	33.77%	2023
2024	90,000	5,880	155,000	39,900	135,000	18,825	380,000	64,605	44.83%	2024
2025	95,000	1,995	165,000	35,100	140,000	14,700	400,000	51,795	56.48%	2025
2026			170,000	30,075	140,000	10,500	310,000	40,575	65.50%	2026
2027			175,000	24,900	140,000	6,300	315,000	31,200	74.67%	2027
2028			175,000	19,650	140,000	2,100	315,000	21,750	83.84%	2028
2029			180,000	14,325	180,000	14,325	180,000	14,325	89.08%	2029
2030			185,000	8,758	185,000	8,758	185,000	8,758	94.47%	2030
2031			190,000	2,945	190,000	2,945	190,000	2,945	100.00%	2031
	515,000	76,695	1,985,000	397,575	935,000	167,150	3,435,000	641,420		
							3,435,000	641,420		4,076,420

1) This issue refunded the 2017 through 2028 maturities of the City's \$3,155,000 General Obligation Bonds, Series 2007 dated August 21, 2007, and provided permanent financing for the City's Temporary General Obligation Tax Abatement Bond, Series 2005A, dated April 21, 2005. This portion represents the \$1,060,000 Improvement Portion of the \$1,895,000 General Obligation Refunding Bonds, Series 2015A.

**City of Tracy, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 05/30/2019)**

**Tax Abatement Ref 1)
Series 2015A**

Dated Amount	04/15/2015 \$435,000	Maturity	02/01					
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2019	0	2,600	0	2,600	2,600	260,000	.00%	2019
2020	85,000	4,350	85,000	4,350	89,350	175,000	32.69%	2020
2021	90,000	2,600	90,000	2,600	92,600	85,000	67.31%	2021
2022	85,000	850	85,000	850	85,850	0	100.00%	2022
	260,000	10,400	260,000	10,400	270,400			

1) This issue refunded the 2017 through 2028 maturities of the City's \$3,155,000 General Obligation Bonds, Series 2007 dated August 21, 2007, and provided permanent financing for the City's Temporary General Obligation Tax Abatement Bond, Series 2005A, dated April 21, 2005. This portion represents \$435,000 Tax Abatement Refunding portion of the \$1,895,000 General Obligation Refunding Bonds, Series 2015A.

**City of Tracy, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues
(As of 05/30/2019)**

Dated Amount	Utility Revenue Ref 1) Series 2015A		2008A Ref Bonds 2) Series 2016B		Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	04/15/2015 \$400,000	02/01	04/01/2016 \$1,120,000	02/01				
Maturity	02/01	02/01	02/01	02/01				
Calendar Year Ending	Principal	Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding
2019	0	4,325	0	6,275	0	10,600	10,600	845,000
2020	35,000	8,300	205,000	9,475	240,000	17,775	257,775	605,000
2021	30,000	7,650	210,000	4,300	240,000	11,950	251,950	365,000
2022	30,000	7,050	110,000	1,100	140,000	8,150	148,150	225,000
2023	35,000	6,225	35,000	6,225	35,000	6,225	41,225	190,000
2024	35,000	5,175	35,000	5,175	35,000	5,175	40,175	155,000
2025	35,000	4,125	35,000	4,125	35,000	4,125	39,125	120,000
2026	40,000	3,000	40,000	3,000	40,000	3,000	43,000	80,000
2027	40,000	1,800	40,000	1,800	40,000	1,800	41,800	40,000
2028	40,000	600	40,000	600	40,000	600	40,600	0
	320,000	48,250	525,000	21,150	845,000	69,400	914,400	

1) This issue refunded the 2017 through 2028 maturities of the City's \$3,155,000 General Obligation Bonds, Series 2007 dated August 21, 2007, and provided permanent financing for the City's Temporary General Obligation Tax Abatement Bond, Series 2005A, dated April 21, 2005. This portion represents the \$400,000 Utility Revenue portion of the \$1,895,000 General Obligation Refunding Bonds, Series 2015A.

2) This issue refunded the 2017 through 2022 maturities of the City's \$2,290,000 General Obligation Refunding Bonds, Series 2008A. The Aquatic Center Refunding portion is payable entirely from taxes and is subject to the debt limit (\$325,000 current principal outstanding).

City of Tracy, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Utility Revenues & Special Assessments
(As of 05/30/2019)

Dated Amount	G.O. Bonds Series 2016D		G.O. Bonds Series 2019B		Estimated Interest	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
	12/08/2016 \$530,000	02/01	05/15/2019 \$5,365,000*	02/01									
Maturity	02/01	02/01	02/01	02/01									
Calendar Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Outstanding	% Paid	Calendar Year Ending
2019	0	5,273	0	0	0	0	0	5,273	5,273	5,273	5,835,000	.00%	2019
2020	35,000	10,309	0	189,747	0	189,747	35,000	200,055	235,055	235,055	5,800,000	.60%	2020
2021	35,000	9,836	0	162,640	0	162,640	35,000	172,476	207,476	207,476	5,765,000	1.20%	2021
2022	35,000	9,250	0	162,640	0	162,640	35,000	171,890	206,890	206,890	5,730,000	1.80%	2022
2023	35,000	8,550	225,000	160,390	225,000	160,390	260,000	168,940	428,940	428,940	5,470,000	6.26%	2023
2024	35,000	7,850	230,000	155,725	230,000	155,725	265,000	163,575	428,575	428,575	5,205,000	10.80%	2024
2025	35,000	7,150	235,000	150,784	235,000	150,784	270,000	157,934	427,934	427,934	4,935,000	15.42%	2025
2026	35,000	6,363	240,000	145,558	240,000	145,558	275,000	151,920	426,920	426,920	4,660,000	20.14%	2026
2027	35,000	5,488	245,000	139,979	245,000	139,979	280,000	145,466	425,466	425,466	4,380,000	24.94%	2027
2028	35,000	4,613	250,000	134,038	250,000	134,038	285,000	138,650	423,650	423,650	4,095,000	29.82%	2028
2029	35,000	3,738	255,000	127,533	255,000	127,533	290,000	131,270	421,270	421,270	3,805,000	34.79%	2029
2030	40,000	2,750	265,000	120,380	265,000	120,380	305,000	123,130	428,130	428,130	3,500,000	40.02%	2030
2031	40,000	1,650	270,000	112,688	270,000	112,688	310,000	114,338	424,338	424,338	3,190,000	45.33%	2031
2032	40,000	550	280,000	104,435	280,000	104,435	320,000	104,985	424,985	424,985	2,870,000	50.81%	2032
2033			285,000	95,676	285,000	95,676	285,000	95,676	380,676	380,676	2,585,000	55.70%	2033
2034			295,000	86,394	295,000	86,394	295,000	86,394	381,394	381,394	2,290,000	60.75%	2034
2035			305,000	76,491	305,000	76,491	305,000	76,491	381,491	381,491	1,985,000	65.98%	2035
2036			315,000	65,949	315,000	65,949	315,000	65,949	380,949	380,949	1,670,000	71.38%	2036
2037			325,000	54,828	325,000	54,828	325,000	54,828	379,828	379,828	1,345,000	76.95%	2037
2038			250,000	44,703	250,000	44,703	250,000	44,703	294,703	294,703	1,095,000	81.23%	2038
2039			260,000	35,585	260,000	35,585	260,000	35,585	295,585	295,585	835,000	85.69%	2039
2040			270,000	25,978	270,000	25,978	270,000	25,978	295,978	295,978	565,000	90.32%	2040
2041			275,000	15,963	275,000	15,963	275,000	15,963	290,963	290,963	290,000	95.03%	2041
2042			290,000	5,438	290,000	5,438	290,000	5,438	295,438	295,438	0	100.00%	2042
	470,000	83,368	5,365,000	2,373,537	5,365,000	2,373,537	5,835,000	2,456,904	8,291,904	8,291,904			

* Preliminary, subject to change.

**City of Tracy, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Water Revenues
(As of 05/30/2019)**

**Clean Water Fund
MPFA Loan 98-0086-R-FY00**

Dated Amount	06/30/2000 \$1,434,769	Maturity	08/20					
Calendar Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
2019	87,000	1,857	87,000	1,857	88,857	89,000	49.43%	2019
2020	89,000	1,878	89,000	1,878	90,878	0	100.00%	2020
	176,000	3,735	176,000	3,735	179,735			

**Tracy Economic Development Authority, Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Housing Revenues
(As of 05/30/2019)**

Hsg Dev Ref Bonds 1)
Series 2016A

Dated Amount	Maturity	Calendar Year Ending	Principal		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Calendar Year Ending
			04/01/2016 \$1,140,000	02/01						
		2019	0	19,000	0	19,000	1,045,000	.00%	2019	
		2020	35,000	37,650	35,000	37,650	1,010,000	3.35%	2020	
		2021	35,000	36,950	35,000	36,950	975,000	6.70%	2021	
		2022	30,000	36,150	30,000	36,150	945,000	9.57%	2022	
		2023	30,000	35,250	30,000	35,250	915,000	12.44%	2023	
		2024	35,000	34,275	35,000	34,275	880,000	15.79%	2024	
		2025	35,000	33,225	35,000	33,225	845,000	19.14%	2025	
		2026	35,000	32,175	35,000	32,175	810,000	22.49%	2026	
		2027	35,000	31,125	35,000	31,125	775,000	25.84%	2027	
		2028	40,000	30,000	40,000	30,000	735,000	29.67%	2028	
		2029	40,000	28,600	40,000	28,600	695,000	33.49%	2029	
		2030	40,000	27,000	40,000	27,000	655,000	37.32%	2030	
		2031	45,000	25,300	45,000	25,300	610,000	41.63%	2031	
		2032	50,000	23,500	50,000	23,500	565,000	45.93%	2032	
		2033	50,000	21,600	50,000	21,600	515,000	50.72%	2033	
		2034	50,000	19,600	50,000	19,600	465,000	55.50%	2034	
		2035	50,000	17,600	50,000	17,600	415,000	60.29%	2035	
		2036	55,000	15,500	55,000	15,500	360,000	65.55%	2036	
		2037	55,000	13,300	55,000	13,300	305,000	70.81%	2037	
		2038	60,000	11,000	60,000	11,000	245,000	76.56%	2038	
		2039	60,000	8,600	60,000	8,600	185,000	82.30%	2039	
		2040	60,000	6,200	60,000	6,200	125,000	88.04%	2040	
		2041	60,000	3,800	60,000	3,800	65,000	93.78%	2041	
		2042	65,000	1,300	65,000	1,300	0	100.00%	2042	
			1,045,000	548,700	1,045,000	548,700	1,593,700			

1) This issue refunded the 2017 through 2042 maturities of the Authority's \$1,235,000.00 Taxable Housing Development Bonds, Series 2010A (City of Tracy, General Obligation), (Build America Bonds-Direct Pav), dated July 1, 2010.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property (includes the Series 2019B Bonds); (2) warrants or orders having no definite or fixed maturity; (3) obligations payable wholly from the income of revenue producing conveniences; (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) obligations issued to finance any public revenue producing convenience; (6) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (7) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

2018/19 Assessor's Estimated Market Value	\$69,026,400
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 2,070,792
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes ¹	<u>(325,000)</u>
Unused Debt Limit	<u><u>\$ 1,745,792</u></u>

OVERLAPPING DEBT²

Taxing District	2018/19 Taxable Net Tax Capacity	% In City	Total G.O. Debt ³	City's Proportionate Share
Lyon County	\$39,522,388	1.6871%	\$14,850,000	\$250,534
I.S.D. No. 2904 (Tracy Area Schools)	6,558,809	10.1665%	1,075,000	<u>109,290</u>
City's Share of Total Overlapping Debt				<u><u>\$359,824</u></u>

¹ Includes a portion of the City's \$1,120,000 General Obligation Refunding Bonds, Series 2016B (\$325,000 Aquatic Center Refunding portion principal outstanding).

² Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

³ Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$72,921,579)	Debt/ Current Population Estimate (2,142)
Direct G.O. Debt Being Paid From:			
Special Assessments & Taxes	\$ 3,435,000		
Tax Abatement Revenues	260,000		
Utility Revenues	845,000		
Utility Revenues & Special Assessments*	5,835,000		
Water Revenues	<u>176,000</u>		
Total General Obligation Debt (includes the Series 2019B Bonds)*	\$ 10,551,000		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(696,000)</u>		
Tax Supported General Obligation Debt*	\$ 9,855,000	13.51%	\$4,600.84
 City's Share of Total Overlapping Debt	 <u>\$ 359,824</u>	 <u>0.49%</u>	 <u>\$167.99</u>
 Total*	 <u><u>\$ 10,214,824</u></u>	 <u><u>14.01%</u></u>	 <u><u>\$4,768.83</u></u>

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

The City has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

In addition to the Concurrent Obligations, the City has no current plans for additional financing in the next 12 months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2014/15	\$ 1,022,060	\$ 984,636	\$ 1,019,588	99.76%
2015/16	1,049,435	1,014,528	1,043,761	99.46%
2016/17	1,094,739	1,053,563	1,087,249	99.32%
2017/18	1,111,789	1,074,575	1,074,575	96.65%
2018/19	1,157,833	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.³ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES⁴

	2014/15	2015/16	2016/17	2017/18	2018/19
Lyon County	32.132%	35.221%	35.984%	37.500%	37.768%
City of Tracy	177.463%	187.347%	180.224%	181.647%	176.394%
I.S.D. No. 2904 (Tracy Area Schools)	5.385%	6.933%	7.428%	7.330%	7.694%
Southwest Regional Development	0.120%	0.127%	0.139%	0.146%	0.147%

Referendum Market Value Rates:

I.S.D. No. 2904 (Tracy Area Schools)	0.19388%	0.19713%	0.19441%	0.22856%	0.21813%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Lyon County.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2018.

³ Second half tax payments on agricultural property are due on November 15th of each year.

⁴ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. While these limitations have expired, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers and Associates.

THE ISSUER

CITY GOVERNMENT

The City of Tracy was organized as a municipality in 1893. The City operates under a home rule charter form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator and Finance Clerk are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 17 full-time and 11 part-time employees, and 1 seasonal employee. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Law Enforcement Labor Services Local 140	December 31, 2019
AFSCME Council 65 Local Union 1687D	December 31, 2019

POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds and the Concurrent Obligations or otherwise questioning the validity of the Bonds and the Concurrent Obligations.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Minnesota Statutes, 471.831, authorizes municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code. A municipality is defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under Chapter 469, a home rule charter or special law.

FUNDS ON HAND (As of January 31, 2019)

Fund	Total Cash and Investments
General	\$ 1,222,537
Debt Service	<u>2,772,680</u>
Total Funds on Hand	<u><u>\$ 3,995,217</u></u>

ENTERPRISE FUNDS

Revenues available for debt service on the City's enterprise funds have been as follows as of December 31 each year:

	2015	2016	2017
Deputy Registrar and License			
Total Operating Revenues	\$ 55,193	\$ 54,199	\$ 53,320
Less: Operating Expenses	<u>(50,862)</u>	<u>(59,680)</u>	<u>(57,488)</u>
Operating Income	\$ 4,331	\$ (5,481)	\$ (4,168)
Plus: Depreciation	<u>805</u>	<u>473</u>	<u>355</u>
Revenues Available for Debt Service	<u><u>\$ 5,136</u></u>	<u><u>\$ (5,008)</u></u>	<u><u>\$ (3,813)</u></u>
Liquor			
Total Operating Revenues	\$346,695	\$273,551	\$181,366
Less: Operating Expenses	<u>(345,928)</u>	<u>(314,165)</u>	<u>(202,945)</u>
Operating Income	\$ 767	\$ (40,614)	\$ (21,579)
Plus: Depreciation	<u>8,136</u>	<u>7,678</u>	<u>7,678</u>
Revenues Available for Debt Service	<u><u>\$ 8,903</u></u>	<u><u>\$ (32,936)</u></u>	<u><u>\$ (13,901)</u></u>
O'Brien Court			
Total Operating Revenues	\$ 50,400	\$ 45,750	\$ 43,500
Less: Operating Expenses	<u>(38,462)</u>	<u>(47,538)</u>	<u>(42,879)</u>
Operating Income	\$ 11,938	\$ (1,788)	\$ 621
Plus: Depreciation	<u>38,462</u>	<u>38,935</u>	<u>40,831</u>
Revenues Available for Debt Service	<u><u>\$ 50,400</u></u>	<u><u>\$ 37,147</u></u>	<u><u>\$ 41,452</u></u>
Tracy Medical Center¹			
Total Operating Revenues	\$ 43,088	\$ 10,772	N/A
Less: Operating Expenses	<u>(102,246)</u>	<u>(25,495)</u>	<u>N/A</u>
Operating Income	\$ (59,158)	\$ (14,723)	N/A
Plus: Depreciation	<u>102,246</u>	<u>25,495</u>	<u>N/A</u>
Revenues Available for Debt Service	<u><u>\$ 43,088</u></u>	<u><u>\$ 10,772</u></u>	<u><u>N/A</u></u>

¹ Tracy Medical Center Capital fund accounts for the lease revenue resources was sold in 2017.

ENTERPRISE FUNDS - continued

	2015	2016	2017
Orchard Lane Townhomes			
Total Operating Revenues	\$ 83,725	\$ 72,830	\$ 78,800
Less: Operating Expenses	<u>(72,120)</u>	<u>(93,731)</u>	<u>(79,041)</u>
Operating Income	\$ 11,605	\$ (20,901)	\$ (241)
Plus: Depreciation	<u>42,283</u>	<u>42,283</u>	<u>42,283</u>
Revenues Available for Debt Service	<u><u>\$ 53,888</u></u>	<u><u>\$ 21,382</u></u>	<u><u>\$ 42,042</u></u>
Water Utility			
Total Operating Revenues	\$397,914	\$403,387	\$432,386
Less: Operating Expenses	<u>(440,983)</u>	<u>(436,103)</u>	<u>(488,063)</u>
Operating Income	\$ (43,069)	\$ (32,716)	\$ (55,677)
Plus: Depreciation	<u>120,908</u>	<u>116,841</u>	<u>131,218</u>
Revenues Available for Debt Service	<u><u>\$ 77,839</u></u>	<u><u>\$ 84,125</u></u>	<u><u>\$ 75,541</u></u>
Sewer Utility			
Total Operating Revenues	\$417,850	\$ 397,262	\$425,716
Less: Operating Expenses	<u>(144,043)</u>	<u>(189,262)</u>	<u>(186,565)</u>
Operating Income	\$273,807	\$ 208,000	\$239,151
Plus: Depreciation	<u>57,358</u>	<u>55,025</u>	<u>69,181</u>
Revenues Available for Debt Service	<u><u>\$331,165</u></u>	<u><u>\$ 263,025</u></u>	<u><u>\$308,332</u></u>

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund. These summaries are not purported to be the complete audited financial statements of the City, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the City. Copies of the complete statements are available upon request. Appendix A includes the City's 2017 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2015 Audited	2016 Audited	2017 Audited	2018 Unaudited ¹	2019 Adopted Budget ²
Revenues					
Property taxes	\$ 768,548	\$ 775,292	\$ 790,608	\$ 620,987	\$ 746,003
Special assessments	1,330	6,595	4,048	40,685	50,000
Fees, licenses and permits	16,875	21,735	26,317	19,168	19,900
Intergovernmental	1,004,940	1,004,274	1,024,510	1,371,662	1,180,108
Charges for services	72,642	52,990	69,375	22,910	18,450
Fines and forfeits	12,363	6,598	10,602	5,342	8,000
Investment earnings	4,182	2,870	8,893	20,169	15,000
Other miscellaneous revenues	88,847	87,057	78,075	313,508	63,507
Total Revenues	<u>\$ 1,969,727</u>	<u>\$ 1,957,411</u>	<u>\$ 2,012,428</u>	<u>\$ 2,414,430</u>	<u>\$ 2,100,968</u>
Expenditures					
Current:					
General government	\$ 447,363	\$ 451,714	\$ 422,277	\$ 311,413	\$ 324,379
Public safety	508,415	529,789	577,327	602,738	662,848
Streets and highways	403,531	422,158	402,877	468,326	485,132
Culture and recreation	95,857	115,454	114,403	208,450	221,023
Economic development	29,969	46,590	56,034	69,430	105,532
Miscellaneous	134,929	144,320	130,265	692,438	344,231
Capital outlay	37,018	99,872	26,721	0	0
Total Expenditures	<u>\$ 1,657,082</u>	<u>\$ 1,809,897</u>	<u>\$ 1,729,904</u>	<u>\$ 2,352,794</u>	<u>\$ 2,143,146</u>
Excess of revenues over (under) expenditures	\$ 312,645	\$ 147,514	\$ 282,524	\$ 61,636	\$ (42,178)
Other Financing Sources (Uses)					
Sale of capital assets	\$ 1,600	\$ 175	\$ 2,609	\$ 0	
Operating transfers in	119,515	100,057	41,118	63,507	
Operating transfers out	(214,330)	(211,403)	(260,744)	(272,991)	
Total Other Financing Sources (Uses)	<u>\$ (93,215)</u>	<u>\$ (111,171)</u>	<u>\$ (217,017)</u>	<u>\$ (209,484)</u>	
Net Changes in Fund Balances	\$ 219,430	\$ 36,343	\$ 65,507	(\$147,848)	
General Fund Balance January 1	447,086	666,516	702,859	768,366	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance December 31	<u>\$ 666,516</u>	<u>\$ 702,859</u>	<u>\$ 768,366</u>	<u>\$ 620,518</u>	
DETAILS OF DECEMBER 31 FUND BALANCE					
Nonspendable	\$ 27,241	\$ 25,813	\$ 17,903	\$ 8,035	
Unassigned	639,275	677,046	750,463	612,483	
Total	<u>\$ 666,516</u>	<u>\$ 702,859</u>	<u>\$ 768,366</u>	<u>\$ 620,518</u>	

¹ Unaudited data is as of March 12, 2019. The miscellaneous expenditures increased in 2018 due to flooding that occurred in 2017. The total cost in loss is around \$1.3M to \$1.4M and will be reimbursed 75% by FEMA and 25% by State of MN in 2019.

² The 2019 budget was adopted on December 10, 2018.

GENERAL INFORMATION

LOCATION

The City of Tracy, with a 2010 U.S. Census population of 2,163 and a current population estimate of 2,142, and comprising an area of 1.8 square miles, is located approximately 150 miles southwest of the Minneapolis-St. Paul metropolitan area.

LARGER EMPLOYERS¹

Larger employers in the City of Tracy include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 2904 (Tracy Area Schools)	Elementary and secondary education	159
Sanford Tracy Medical Center	Hospital and clinic	101
Prairie View Health Center ²	Nursing home and rehabilitation services	80
Tracy Food Pride	Grocery store	30
Shetek Home Care	Home health services	30
City of Tracy	Municipal government and services	29
Premium Plant Services	Industrial cleaning services	25
Minnwest Bank South	Bank	24
C & B Operations, LLC ³	Farm equipment dealership	24
Tracy Ambulance Services, Inc.	Emergency services	18
Casey's General Store	Convenience store	18

Source: *ReferenceUSA, written and telephone survey (March 2019), and the Minnesota Department of Employment and Economic Development.*

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above. Some employers do not respond to inquiries for employment data.

² Managed by Tealwood Care Center, Inc.

³ Tracy Equipment, Inc. was purchased by C & B Operations, a John Deere Company, in May of 2013.

BUILDING PERMITS

	2015	2016	2017	2018	2019 ¹
<u>New Single Family Homes</u>					
No. of building permits	0	0	1	0	0
Valuation	\$0	\$0	\$162,000	\$0	\$0
<u>New Commercial/Industrial</u>					
No. of building permits	1	1	1	0	0
Valuation	\$50,000	\$88,000	\$188,000	\$0	\$0
<u>All Building Permits</u> <i>(including additions and remodelings)</i>					
No. of building permits	71	76	74	77	0
Valuation	\$277,192	\$846,158	\$912,134	\$491,800	\$0

Source: The City.

¹ As of March 12, 2019.

U.S. CENSUS DATA

Population Trend: City of Tracy, Minnesota

2000 U.S. Census population	2,268
2010 U.S. Census population	2,163
2017 State Demographer's Estimate	2,142
Percent of Change 2000 - 2010	-4.63%

Income and Age Statistics

	City of Tracy	Lyon County	State of Minnesota	United States
2017 per capita income	\$21,097	\$30,203	\$34,712	\$31,177
2017 median household income	\$43,482	\$54,181	\$65,699	\$57,652
2017 median family income	\$61,500	\$73,912	\$82,785	\$70,850
2017 median gross rent	\$457	\$621	\$906	\$982
2017 median value owner occupied units	\$69,800	\$135,900	\$199,700	\$193,500
2017 median age	37.6 yrs.	35.6 yrs.	37.9 yrs.	37.8 yrs.

	State of Minnesota	United States
City % of 2017 per capita income	60.78%	67.67%
City % of 2017 median family income	74.29%	86.80%

Housing Statistics

	<u>City of Tracy</u>		
	2000	2017	Percent of Change
All Housing Units	1,013	1,058	4.44%

Source: 2000 and 2010 Census of Population and Housing, and 2017 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Lyon County	Lyon County	State of Minnesota	State of Minnesota
2015	14,678	3.2%	3.7%	
2016	14,548	3.6%	3.9%	
2017	14,664	3.3%	3.4%	
2018	14,523	2.9%	2.9%	
2019, February	14,054	4.1%	3.9%	

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the City's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The City has not requested the Auditor to perform any additional examination, assessments or evaluation with respect to such financial statements since the date thereof, nor has the City requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the City since the date of the financial statements, in connection with the issuance of the Bonds, the City represents that there have been no material adverse change in the financial position or results of operations of the City, nor has the City incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

FORM OF LEGAL OPINION

(See following page)

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following page)

APPENDIX E

TERMS OF PROPOSAL

\$5,365,000* GENERAL OBLIGATION BONDS, SERIES 2019B CITY OF TRACY, MINNESOTA

Proposals for the purchase of \$5,365,000* General Obligation Bonds, Series 2019B (the "Bonds") of the City of Tracy, Minnesota (the "City") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Municipal Advisors to the City, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on April 22, 2019, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 6:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 444 and 475, and Section 115.46, by the City to provide financing for the construction of the ineligible costs of the Phase 3 Infrastructure Improvements to the City's current water, wastewater and storm sewer systems being financed by the United States Department of Agriculture, Rural Development. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated May 15, 2019, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2023	\$225,000	2030	\$265,000	2037	\$325,000
2024	230,000	2031	270,000	2038	250,000
2025	235,000	2032	280,000	2039	260,000
2026	240,000	2033	285,000	2040	270,000
2027	245,000	2034	295,000	2041	275,000
2028	250,000	2035	305,000	2042	290,000
2029	255,000	2036	315,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2020, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota, to act as paying agent (the "Paying Agent"). Bond Trust Services Corporation and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, the Bonds maturing on or after February 1, 2029 shall be subject to optional redemption prior to maturity on February 1, 2028 or any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. 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 interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about May 15, 2019, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the City, and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the City; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$5,300,620 plus accrued interest on the principal sum of \$5,365,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$107,300 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn 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.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the City under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The City shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the City shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the Underwriter. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the City agrees to use the rule selected by the Underwriter on its proposal form to determine the issue price for the Bonds. On its proposal form, each Underwriter must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the City promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The City acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the Underwriter selects the 10% test, the Underwriter agrees to promptly report to the City, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the City to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Syndicate Manager will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of Tracy, Minnesota

PROPOSAL FORM

The City Council
City of Tracy, Minnesota

April 22, 2019

RE: \$5,365,000* General Obligation Bonds, Series 2019B
DATED: May 15, 2019

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$5,300,620) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2023	_____	% due	2030	_____	% due	2037
_____	% due	2024	_____	% due	2031	_____	% due	2038
_____	% due	2025	_____	% due	2032	_____	% due	2039
_____	% due	2026	_____	% due	2033	_____	% due	2040
_____	% due	2027	_____	% due	2034	_____	% due	2041
_____	% due	2028	_____	% due	2035	_____	% due	2042
_____	% due	2029	_____	% due	2036	_____	% due	

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$107,300 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about May 15, 2019.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an Underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: NO: .

If the competitive sale requirements are not met, we elect to use the (circle one): 10% test / hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from May 15, 2019 of the above proposal is \$ _____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Tracy, Minnesota, on April 22, 2019.

By: _____ By: _____
Title: _____ Title: _____