

**PUBLIC HEARING OF THE DASSEL CITY COUNCIL
OCTOBER 15, 2018, 7:00 P.M.
DASSEL CITY HALL**

The Public Hearing of the Dassel City Council was called to order by Mayor Hungerford at 7:00 p.m. on October 15, 2018 at the Dassel City Hall.

Present: Council members Bemenderfer, Carlson, Hallquist, Weseloh and Mayor Hungerford (5)
Absent: None (0)

The purpose of the hearing was to receive public input on a proposal to adopt a Street Reconstruction Plan; approve the issuance of General Obligation Street Reconstruction Bonds; and provide for the sale of \$431,000 bond and Utility Revenue Note 2018A.

No public input was received.

The public input portion of the meeting was closed at 7:02 p.m.

Motion by Bemenderfer, seconded by Hallquist to Adopt Resolution 2018-020 Adopting Street Reconstruction Plan and Approving the Issuance of General Obligation Street Reconstruction Bonds as follows.

RESOLUTION ADOPTING A STREET RECONSTRUCTION PLAN AND APPROVING THE ISSUANCE OF GENERAL OBLIGATION STREET RECONSTRUCTION BONDS

WHEREAS, the City of Dassel, Minnesota (the "City"), has determined that it is in the best interest of the City to authorize the issuance and sale of general obligation street reconstruction bonds pursuant to Minnesota Statutes, Section 475.58, subdivision 3b, as amended (the "Act"), to finance the cost of street reconstruction projects, as described in the proposed street reconstruction plan described below, a copy of which is on file in the City Clerk/Treasurer's office; and

WHEREAS, pursuant to the Act, the City is authorized to issue and sell general obligation street reconstruction bonds for street reconstruction under the circumstances and within the limitations set forth in the Act. The Act provides that a street reconstruction plan may be financed with general obligation street reconstruction bonds, following adoption of a street reconstruction plan, after a public hearing on the street reconstruction plan and on the issuance of general obligation street reconstruction bonds and other proceedings conducted in accordance with the requirements of the Act; and

WHEREAS, pursuant to the Act, the City has prepared a five-year street reconstruction plan, which describes the streets to be reconstructed, the estimated costs and any planned reconstruction of other streets in the City, including the issuance of general obligation street reconstruction bonds under the Act (the "Plan"), to determine the funding strategy for street reconstruction projects; and

WHEREAS, on October 15, 2018, the City Council held a public hearing on the adoption of the Plan and the issuance of debt not to exceed \$323,000 in general obligation street reconstruction bonds (the "Bonds") under the Plan for street reconstruction improvements to those streets described in the Plan (the "Street Reconstruction Projects") after publication of the notice of public hearing not less than 10 days nor more than 28 days prior to the date thereof in the City's official newspaper; and

WHEREAS, all parties who appeared at the public hearing were given an opportunity to express their views with respect to the proposal to adopt the Plan and to undertake and finance

the Street Reconstruction Projects by the issuance of Bonds and any written comments submitted prior to the public hearing were considered.

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

1. City Policies and Goals. The financing of the Street Reconstruction Projects and the issuance and sale of the Bonds would further the policies and goals of the City as set forth in the Plan, herein adopted by the City Council in connection with the issuance of the Bonds.

2. Adoption of Street Reconstruction Plan. Based on information received at the public hearing, such written comments (if any) and such other facts and circumstances as the City Council deems relevant, it is hereby found, determined and declared that:

- (a) the Street Reconstruction Projects proposed in the Plan will allow the City to upgrade its transportation infrastructure to accommodate anticipated residential and commercial development; and
- (b) the Plan is hereby approved and adopted in the form presently on file with the City.

3. Authorization and Approval of Bonds. The City is hereby authorized to issue the Bonds, the proceeds of which will be used, together with any additional funds of the City which might be required, to finance certain costs of the Street Reconstruction Projects and to pay costs of issuance of the Bonds.

4. Execution of Documents. The Mayor and City Clerk/Treasurer are authorized and directed to execute such other documents and instruments as may be required to give effect to the transactions herein contemplated.

5. Voter Referendum Contingency. Pursuant to the Act, a petition requesting a vote on the question of issuing the Bonds, signed by voters equal to five percent of the votes cast in the last municipal general election, may be filed within thirty days of the public hearing. Upon receipt of such petition within the prescribed time period, the City may issue the Bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the Bonds. The authorizations and approvals contained herein are subject to and contingent upon not receiving such a petition, or, in the event such a petition is filed, the approving vote of a majority of the voters voting on the question of the issuance of the Bonds.

Motion carried unanimously.

Motion by Weseloh, seconded by Bemenderfer to Adopt Resolution 2018-021 Providing for the Issuance and Sale of \$413,000 General Obligation Street Reconstruction and Utility Revenue Note, 2018A as follows.

**RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF A \$413,000
GENERAL OBLIGATION STREET RECONSTRUCTION AND UTILITY REVENUE
NOTE, SERIES 2018A, PLEDGING FOR THE SECURITY THEREOF NET REVENUES
AND LEVYING A TAX FOR THE PAYMENT THEREOF**

A. **WHEREAS**, the City Council of the City of Dassel, Minnesota (the "City") has heretofore determined and declared that it is necessary and expedient to issue a \$413,000 General Obligation Street Reconstruction and Utility Revenue Note, Series 2018A (the "Note"), pursuant to Minnesota Statutes, Chapter 475 and Section 475.58, Subdivision 3b, to finance street reconstruction improvement projects under the City's Street Reconstruction Plan 2018 – 2022 adopted on the date hereof (the "Street Improvements"), and pursuant to Minnesota Statutes, Chapter 475 and Section 444.075, to finance improvements to the municipal storm sewer system (the "Utility Improvements," together with the Street Improvements, the "Improvements"); and

B. **WHEREAS**, on October 15, 2018, following duly published notice thereof, the Council held a public hearing on the adoption of the City's Street Reconstruction Plan 2018– 2022 and on the issuance of obligations not to exceed \$323,000 to finance the Street Improvements and all persons who wished to speak or provide written information relative to the public hearing were afforded an opportunity to do so; and

C. **WHEREAS**, the City hereby ratifies the actions of the Clerk/Treasurer in causing the publication of the Notice of Public Hearing as to the Street Reconstruction Plan to be published in the City's legal newspaper as required by law; and

D. **WHEREAS**, the Street Portion of the Note, together with any outstanding bonds of the City that are subject to the City's net debt limit, do not exceed the City's net debt limit; and

E. **WHEREAS**, the City owns and operates a municipal storm water system as a separate revenue producing public utility (the "System") and there are no outstanding obligations of the City which are payable from the net revenues of the System; and

F. **WHEREAS**, the City has retained David Drown Associates, Inc., in Minneapolis, Minnesota ("David Drown"), as its independent municipal advisor for the sale of the Note and was therefore authorized to sell the Note by private negotiation in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9); and

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

1. Acceptance of Offer. The offer of First Independent Bank, in Russell, Minnesota (the "Purchaser"), to purchase the Note at the rate of interest hereinafter set forth, and to pay therefor the sum of par, plus interest accrued to settlement, is hereby accepted.

2. Note Terms.

(a) Original Issue Date; Denominations; Maturities; Interest and Redemption. The City shall forthwith issue the Note, which shall be in fully registered form without interest coupons, shall be dated, mature, bear interest, be subject to redemption and be payable as provided in the form of the Note.

(b) Allocation. The aggregate principal amount of \$323,000 maturing in each of the years and amounts hereinafter set forth are issued to finance the Street Improvements (the "Street Portion"); and the aggregate principal amount of \$90,000 maturing in each of the years and

amounts hereinafter set forth are issued to finance the Utility Improvements (the "Utility Portion"):

| <u>Year</u> | <u>Street Portion</u> | <u>Utility Portion</u> | <u>Total Amount</u> |
|-------------|-----------------------|------------------------|---------------------|
| 2020 | \$ 0 | \$ 6,000 | \$ 6,000 |
| 2021 | 27,000 | 7,000 | 34,000 |
| 2022 | 28,000 | 7,000 | 35,000 |
| 2023 | 29,000 | 8,000 | 37,000 |
| 2024 | 30,000 | 8,000 | 38,000 |
| 2025 | 32,000 | 8,000 | 40,000 |
| 2026 | 33,000 | 8,000 | 41,000 |
| 2027 | 34,000 | 9,000 | 43,000 |
| 2028 | 35,000 | 9,000 | 44,000 |
| 2029 | 37,000 | 10,000 | 47,000 |
| 2030 | 38,000 | 10,000 | 48,000 |

If the Note is prepaid, the prepayments shall be allocated to the portions of debt service (and hence allocated to the payment of the Note treated as relating to a particular portion of debt service) as provided in this paragraph. If the source of prepayment moneys is the general fund of the City, or other generally available source, including the levy of taxes, the prepayment may be allocated to any of the portions of debt service in such amounts as the City shall determine. If the source of the prepayment is excess net revenues of the System pledged for the Utility Improvements, the prepayment shall be allocated to the Utility Portion of debt service.

3. Purpose. The Street Portion of the Note shall provide funds to finance the Street Improvements and the Utility Portion of the Note shall provide funds to finance the Utility Improvements. The Street Improvements and the Utility Improvements are sometimes referred to herein together as the "Project". The total cost of the Project, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the Note. Work on the Project shall proceed with due diligence to completion. The City covenants that it shall do all things and perform all acts required of it to assure that work on the Project proceeds with due diligence to completion and that any and all permits and studies required under law for the Project are obtained.

4. Registrar. The Clerk/Treasurer of the City of Dassel, Minnesota, is appointed to act as registrar and transfer agent with respect to the Note (the "Registrar"), and shall do so unless and until a successor Registrar is duly appointed, all pursuant to any contract the City and Registrar shall execute which is consistent herewith. The Registrar shall also serve as paying agent unless and until a successor paying agent is duly appointed. Principal and interest on the Note shall be paid to the registered holders (or record holders) of the Note in the manner set forth in the form of Note.

5. Form of Note. The Note, together with the Certificate of Registration, shall be in substantially the following form:

[Remainder of page left intentionally blank.]

UNITED STATES OF AMERICA
STATE OF MINNESOTA
MEEKER COUNTY
CITY OF DASSEL

R-1

\$413,000

GENERAL OBLIGATION STREET RECONSTRUCTION AND
UTILITY REVENUE NOTE, SERIES 2018A

| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issue</u> |
|----------------------|----------------------|-------------------------------|
| 4.00% | February 1, 2030 | November 15, 2018 |

REGISTERED OWNER: FIRST INDEPENDENT BANK, RUSSELL, MINNESOTA

PRINCIPAL AMOUNT: FOUR HUNDRED THIRTEEN THOUSAND DOLLARS

The City of Dassel, Meeker County, Minnesota (the "Issuer"), certifies that it is indebted and for value received promises to pay to the registered owner specified above, or assigns duly certified on the Certificate of Registration attached to and made a part of this Note (the "Owner"), in the manner hereinafter set forth, the \$413,000 principal amount of this Note in the principal installments due on February 1 of the years and in the amounts, respectively, as follows, with each such principal installment bearing interest until paid at the interest rate of 4.00% per annum:

| <u>Principal Installments Due February 1</u> | <u>Amount</u> | <u>Principal Installments Due February 1</u> | <u>Amount</u> |
|--|---------------|--|---------------|
| 2020 | \$ 6,000 | 2026 | \$ 41,000 |
| 2021 | 34,000 | 2027 | 43,000 |
| 2022 | 35,000 | 2028 | 44,000 |
| 2023 | 37,000 | 2029 | 47,000 |
| 2024 | 38,000 | 2030 | 48,000 |
| 2025 | 40,000 | | |

Interest. Interest shall be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019, and shall be calculated on the basis of a 360 day year consisting of twelve thirty day months.

Payment. Principal installments and interest shall be paid by check, ACH debit, wire transfer or draft mailed to the Owner at the address listed on the Certificate of Registration attached to and made a part of this Note. The payment of all principal and interest on this Note shall be made by the Clerk/Treasurer of the City of Dassel, Minnesota (the "Registrar"). At the time of final payment of all principal and interest on this Note, the Owner shall surrender this Note to the Registrar.

Redemption. This Note is subject to redemption and prepayment at the option of the Issuer on February 1, 2020 and on any payment date thereafter. If redeemed prior to February 1,

2024 the Issuer shall pay a penalty of 1.00% on prepaid principal. Redemption may be in whole or in part. If redemption is in part, the principal amount to be redeemed shall be determined by the Issuer, and the Issuer shall pay a \$200 processing fee.

Date of Payment Not a Business Day. If the nominal date for payment of any principal of or interest on this Note shall not be a business day of the Issuer or of the Owner, then the date for such payment shall be the next such business day and payment on such business day shall have the same force and effect as if made on the nominal date of payment.

Fees upon Loss. The Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with any legal or unusual costs regarding a lost Note.

Treatment of Registered Owners. The Issuer and Registrar may treat the person in whose name this Note is registered as the holder hereof for the purpose of receiving payment as herein provided (except as otherwise provided herein with respect to the Record Date) and for all other purposes, whether or not this Note shall be overdue, and neither the Issuer nor the Registrar shall be affected by notice to the contrary.

Issuance; Purpose; General Obligation. This Note is issued as a single instrument in the total principal amount of \$413,000, pursuant to and in full conformity with the Constitution and laws of the State of Minnesota and pursuant to a resolution adopted by the City Council on October 15, 2018 (the "Resolution") for the purpose of providing funds to finance the construction of street improvements and improvements to the municipal storm water system (the "System") within the jurisdiction of the Issuer. This Note is payable out of the General Obligation Street Reconstruction and Utility Revenue Note, Series 2018A Fund of the Issuer. This Note constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of its principal, premium, if any, and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged.

Transfer. This Note is transferable, as provided in the Resolution, upon the Register kept by the Registrar upon surrender of this Note together with a written instrument of transfer duly executed by the Owner or the Owner's attorney duly authorized in writing, and thereupon a new, fully registered Note in the same aggregate principal amount shall be issued to the transferee in exchange therefor (or the transfer shall be duly recorded on the Register and the Certificate of Registration hereof), upon the payment of charges and satisfaction of applicable conditions, if any, as therein prescribed. The Issuer may treat and consider the person in whose name this Note is registered as the absolute Owner hereof for the purpose of receiving payment of or on account of the principal of and interest on this Note and for all other purposes whatsoever.

Authentication. This Note shall not be valid or become obligatory for any purpose or be entitled to any security unless the Certificate of Registration hereon shall have been executed by the Registrar.

Qualified Tax-Exempt Obligation. This Note has been designated by the Issuer as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed, precedent to and in the issuance of this Note, have been done, have happened and have been performed, in regular and due form, time and manner as required by law; that the Issuer has covenanted and agreed with the Owner of the Note that it will impose and collect charges for the service, use and availability of its System at the times and in amounts necessary to produce net revenues, together with other sums pledged to the payment of the Utility Portion of the Note, as defined in the Resolution, adequate to pay all principal and interest when due on the Utility Portion of the Note; and that the Issuer will levy a direct, annual, irrevocable ad valorem tax upon all of the taxable property of the Issuer, without limitation as to rate or amount, for the years and in amounts sufficient to pay the principal and interest on the Utility Portion of the Note as they respectively become due, if the net revenues from the System, and any other sums irrevocably appropriated to the Debt Service Account are insufficient therefor; and that this Note, together with all other debts of the Issuer outstanding on the date of original issue hereof and the date of its issuance and delivery to the original purchaser, does not exceed any constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City of Dassel, Meeker County, Minnesota, by its City Council has caused this Note to be executed on its behalf by the manual signatures of its Mayor and its City Clerk/Treasurer, the corporate seal of the City having been intentionally omitted as permitted by law.

Date of Registration:

CITY OF DASSEL,
MEEKER COUNTY, MINNESOTA

November 15, 2018

REGISTRABLE BY AND
PAYABLE AT:

Mayor

Office of the Clerk/Treasurer
City of Dassel, Minnesota

Clerk/Treasurer

REGISTER OF PARTIAL PAYMENTS

The installment of principal amount of the attached Note has been prepaid on the dates and in the amounts noted below:

| <u>DATE</u> | <u>AMOUNT</u> | <u>SIGNATURE OF OWNER</u> | <u>SIGNATURE OF REGISTRAR</u> |
|-------------|---------------|-------------------------------|-----------------------------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
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| _____ | _____ | _____ | _____ |

If a notation is made on this register, such notation has the effect stated in the attached Note. Partial payments do not require the presentation of the attached Note to the Registrar, and an Owner could fail to note the partial payment here.

6. Execution. The Note shall be executed on behalf of the City by the manual signatures of its Mayor and Clerk/Treasurer, the seal having been omitted as permitted by law. In the event of disability or resignation or other absence of either such officer, the Note may be signed by the signature of that officer who may act on behalf of such absent or disabled officer. In case either such officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery.

7. Delivery; Application of Proceeds. The Note when so prepared and executed shall be delivered by the Clerk/Treasurer to the Purchaser upon receipt of the purchase price, and the Purchaser shall not be obliged to see to the proper application thereof.

8. Fund and Accounts. There is hereby established a special fund to be designated "General Obligation Street Reconstruction and Utility Revenue Note, Series 2018A Fund" (the "Fund") to be administered and maintained by the Clerk/Treasurer as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. The Operation and Maintenance Account for the System (the "Operation and Maintenance Account") heretofore established by the City shall continue to be maintained in the manner heretofore and herein provided by the City. All moneys remaining after paying or providing for the items set forth in the resolution establishing the Operation and Maintenance Account shall constitute and are referred to as "net revenues" until the Utility Portion of the Note has been paid. There shall be maintained in the Fund the following separate accounts to which shall be credited and debited all income and disbursements of the System as hereinafter set forth. The Clerk/Treasurer of the City and all officials and employees concerned therewith shall establish and maintain financial records of the receipts and disbursements of the System in accordance with this resolution. In such records there shall be established accounts or accounts shall continue to be maintained as the case may be, of the Fund for the purposes and in the amounts as follows:

Construction Account. To the Construction Account shall be credited the proceeds of the sale of the Note. From the Construction Account there shall be paid all costs and expenses of the Improvements, including the cost of any construction contracts heretofore let and all other costs incurred and to be incurred of the kind authorized in Minnesota Statutes, Section 475.65. Moneys in the Construction Account shall be used for no other purpose except as otherwise provided by law; provided that the proceeds of the Note may also be used to the extent necessary to pay interest on the Note due prior to the anticipated date of commencement of the collection of taxes herein levied or covenanted to be levied; and provided further that if upon completion of the Improvements there shall remain any unexpended balance in the Construction Account, the balance shall be transferred by the Council to the Debt Service Account.

(a) Debt Service Account. There shall be maintained two separate subaccounts in the Debt Service Account to be designated the "Street Improvements Debt Service Subaccount," and the "Utility Improvements Debt Service Subaccount." There are hereby irrevocably appropriated and pledged to, and there shall be credited to the separate subaccounts of the Debt Service Account:

(i) Street Improvements Debt Service Subaccount. To the Street Improvements Debt Service Subaccount there shall be credited: (A) all collections of all taxes herein

or hereinafter levied for the payment of the Street Portion and interest thereon; (B) available City funds in the amount of \$15,647.56, together with interest earnings thereon and subject to such other adjustments as are appropriate to provide sufficient funds to pay interest due on the Note on or before August 1, 2019; (C) a pro rata share of all funds remaining in the Construction Account after completion of the Street Improvements and payment of the costs thereof; (D) all investment earnings on funds held in the Street Improvements Debt Service Subaccount; and (E) any and all other moneys which are properly available and are appropriated by the governing body of the City to the Street Improvements Debt Service Subaccount. The Street Improvements Debt Service Subaccount shall be used solely to pay the principal and interest and any premium for redemption of the Street Portion of the Note and any other general obligation bonds of the City hereafter issued by the City and made payable from said subaccount as provided by law.

- (ii) Utility Improvements Debt Service Subaccount. To the Utility Improvements Debt Service Subaccount there shall be credited: (A) the net revenues of the System not otherwise pledged and applied to the payment of other obligations of the City, in an amount, together with other funds which may herein or hereafter from time to time be irrevocably appropriated to the Utility Improvements Debt Service Subaccount, sufficient to meet the requirements of Minnesota Statutes, Section 475.61 for the payment of the principal and interest of the Utility Portion of the Note; (B) any collections of all taxes which may hereafter be levied in the event that the net revenues of the System and other funds herein pledged to the payment of the principal and interest on the Utility Portion of the Note is insufficient therefore; (C) a pro rata share of all funds remaining in the Construction Account after completion of the Utility Improvements and payment of the costs thereof; (D) all investment earnings on funds held in the Utility Improvements Debt Service Subaccount; and (E) any and all other moneys which are properly available and are appropriated by the governing body of the City to the Utility Improvements Debt Service Subaccount. The Utility Improvements Debt Service Subaccount shall be used solely to pay the principal and interest and any premium for redemption of the Utility Portion of the Note and any other general obligation bonds of the City hereafter issued by the City and made payable from said subaccount as provided by law.

No portion of the proceeds of the Note shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (1) for a reasonable temporary period until such proceeds are needed for the purpose for which the Note was issued and (2) in addition to the above in an amount not greater than the lesser of five percent of the proceeds of the Note or \$100,000. To this effect, any proceeds of the Note and any sums from time to time held in the Construction Account or Debt Service Account (or any other City account which will be used to pay principal or interest to become due on the Note payable therefrom) in excess of amounts which under then applicable federal arbitrage regulations may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by the arbitrage regulations on such investments after taking into account any applicable "temporary periods" or "minor portion" made available under the federal arbitrage regulations. Money in the Fund shall

not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Note to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Covenants Relating to the Street Portion of the Note.

(a) Tax Levy. To provide moneys for payment of principal and interest on the Street Portion of the Note, there is hereby levied upon all of the taxable property in the City a direct annual ad valorem tax which shall be spread upon the tax rolls and collected with and as part of other general property taxes in the City for the years and in the amounts as follows:

| <u>Year of Tax Levy</u> | <u>Year of Tax Collection</u> | <u>Amount</u> |
|-------------------------|-------------------------------|---------------|
|-------------------------|-------------------------------|---------------|

See attached schedule in Exhibit A

(b) Coverage Test. The tax levies are such that if collected in full they, together with and other revenues herein pledged for the payment of the Street Portion of the Note, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Street Portion of the Note. The tax levies shall be irrevocable so long as the Street Portion of the Note is outstanding and unpaid, provided that the City reserves the right and power to reduce the levies in the manner and to the extent permitted by Minnesota Statutes, Section 475.61, Subdivision 3.

10. Covenants Relating to the Utility Portion of the Note.

(a) Sufficiency of Net Revenues. It is hereby found, determined and declared that the net revenues of the System are sufficient in amount to pay when due the principal of and interest on the Utility Portion of the Note and the Outstanding Bonds a sum at least five percent in excess thereof. The net revenues of the System are hereby pledged on a parity with the Outstanding Bonds for the payment of the Utility Portion of the Note and shall be applied for that purpose, but solely to the extent required to meet the principal and interest requirements of the Utility Portion of the Note as the same become due.

Nothing contained herein shall be deemed to preclude the City from making further pledges and appropriations of the net revenues of the System for the payment of other or additional obligations of the City, provided that it has first been determined by the City Council that the estimated net revenues of the System will be sufficient in addition to all other sources, for the payment of the Utility Portion of the Note and such additional obligations and any such pledge and appropriation of the net revenues of the System may be made superior or subordinate to, or on a parity with the pledge and appropriation herein.

(b) Excess Net Revenues. Net revenues in excess of those required for the foregoing may be used for any proper purpose.

(c) Covenant to Maintain Rates and Charges. In accordance with Minnesota Statutes, Section 444.075, the City hereby covenants and agrees with the Owner of the Note that it will impose and collect charges for the service, use, availability and connection to the System at the times and in the amounts required to produce net revenues adequate to pay all principal and

interest when due on the Utility Portion of the Note. Minnesota Statutes, Section 444.075, Subdivision 2, provides as follows: "Real estate tax revenues should be used only, and then on a temporary basis, to pay general or special obligations when the other revenues are insufficient to meet the obligations."

11. General Obligation Pledge. For the prompt and full payment of the principal and interest on the Note, as the same respectively become due, the full faith, credit and taxing powers of the City shall be and are hereby irrevocably pledged. If the net revenues of the System appropriated and pledged to the payment of principal and interest on the Utility Portion of the Note, together with other funds irrevocably appropriated to the Utility Improvements Debt Service Subaccount herein established, shall at any time be insufficient to pay such principal and interest when due, the City covenants and agrees to levy, without limitation as to rate or amount an ad valorem tax upon all taxable property in the City sufficient to pay such principal and interest as it becomes due. If the balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Note and any other the bonds payable therefrom, the deficiency shall be promptly paid out of any other funds of the City which are available for such purpose, and such other funds may be reimbursed with or without interest from the Debt Service Account when a sufficient balance is available therein.

12. Defeasance. When the Note has been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered owners of the Note shall, to the extent permitted by law, cease. The City may discharge its obligations with respect to the Note which is due on any date by irrevocably depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or if any Note should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The City may also discharge its obligations with respect to principal installments of the Note called for redemption on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full, provided that notice of redemption thereof has been duly given. The City may also at any time discharge its obligations with respect to the Note, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a suitable banking institution qualified by law as an escrow agent for this purpose, cash or securities described in Minnesota Statutes, Section 475.67, Subdivision 8, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without regard to sale and/or reinvestment, to pay all amounts to become due thereon to maturity or, if notice of redemption as herein required has been duly provided for, to such earlier redemption date.

13. Compliance With Reimbursement Bond Regulations. The provisions of this paragraph are intended to establish and provide for the City's compliance with United States Treasury Regulations Section 1.150-2 (the "Reimbursement Regulations") applicable to the "reimbursement proceeds" of the Note, being those portions thereof which will be used by the City to reimburse itself for any expenditure which the City paid or will have paid prior to the Closing Date (a "Reimbursement Expenditure").

The City hereby certifies and/or covenants as follows:

(a) Not later than sixty days after the date of payment of a Reimbursement Expenditure, the City (or person designated to do so on behalf of the City) has made or will have made a written declaration of the City's official intent (a "Declaration") which effectively (i) states the City's reasonable expectation to reimburse itself for the payment of the Reimbursement Expenditure out of the proceeds of a subsequent borrowing; (ii) gives a general and functional description of the property, project or program to which the Declaration relates and for which the Reimbursement Expenditure is paid, or identifies a specific fund or account of the City and the general functional purpose thereof from which the Reimbursement Expenditure was to be paid (collectively the "Program"); and (iii) states the maximum principal amount of debt expected to be issued by the City for the purpose of financing the Program; provided, however, that no such Declaration shall necessarily have been made with respect to: (i) "preliminary expenditures" for the Program, defined in the Reimbursement Regulations to include engineering or architectural, surveying and soil testing expenses and similar prefatory costs, which in the aggregate do not exceed twenty percent of the "issue price" of the Note, and (ii) a de minimis amount of Reimbursement Expenditures not in excess of the lesser of \$100,000 or five percent of the proceeds of the Note.

(b) Each Reimbursement Expenditure is a capital expenditure or a cost of issuance of the Note or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Reimbursement Regulations.

(c) The "reimbursement allocation" described in the Reimbursement Regulations for each Reimbursement Expenditure shall and will be made forthwith following (but not prior to) the issuance of the Note and in all events within the period ending on the date which is the later of three years after payment of the Reimbursement Expenditure or one year after the date on which the Project to which the Reimbursement Expenditure relates is first placed in service.

(d) Each such reimbursement allocation will be made in a writing that evidences the City's use of Note proceeds to reimburse the Reimbursement Expenditure and, if made within 30 days after the Note is issued, shall be treated as made on the day the Note is issued.

Provided, however, that the City may take action contrary to any of the foregoing covenants in this paragraph upon receipt of an opinion of its bond counsel for the Note stating in effect that such action will not impair the tax-exempt status of the Note.

14. Certificate of Registration. The Clerk/Treasurer is hereby directed to file a certified copy of this resolution with the County Auditor of Meeker County, Minnesota, together with such other information as the Auditor shall require, and to obtain the County Auditor's certificate that the Note has been entered in the County Auditor's Bond Register and that the tax levy required by law has been made.

15. Records and Certificates. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser, and to the attorneys approving the legality of the issuance of the Note, certified copies of all proceedings and records of the City relating to the Note and to the financial condition and affairs of the City, and such other affidavits, certificates and information as are required to show the facts relating to the legality and marketability of the Note as the same appear from the books and records under their custody and control or as

otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

16. Negative Covenant as to Use of Proceeds and Project. The City hereby covenants not to use the proceeds of the Note or to use the Project financed by the Note or to cause or permit them to be used, or to enter into any deferred payment arrangements for the cost of the Project, in such a manner as to cause the Note to be "private activity bonds" within the meaning of Sections 103 and 141 through 150 of the Code.

17. Tax-Exempt Status of the Note; Rebate. The City shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Note, including without limitation (1) requirements relating to temporary periods for investments, (2) limitations on amounts invested at a yield greater than the yield on the Note, and (3) the rebate of excess investment earnings to the United States, if the Note (together with other obligations reasonably expected to be issued and outstanding at one time in this calendar year) exceeds the small-issuer exception amount of \$5,000,000. For purposes of qualifying for the exception to the federal arbitrage rebate requirements for governmental units issuing \$5,000,000 or less of bonds, the City hereby finds, determines and declares that:

- (a) the Note is issued by a governmental unit with general taxing powers;
- (b) the Note is not a private activity bond;
- (c) ninety-five percent or more of the net proceeds of the Note is to be used for local governmental activities of the City (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the City); and
- (d) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the City (and all subordinate entities thereof, and all entities treated as one issuer with the City) during the calendar year in which the Note is issued and outstanding at one time is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

18. Designation of Qualified Tax-Exempt Obligations. In order to qualify the Note as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the City hereby makes the following factual statements and representations:

- (a) the Note is issued after August 7, 1986;
- (b) the Note is not "private activity bonds" as defined in Section 141 of the Code;
- (c) the City hereby designates the Note as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;
- (d) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the City (and all entities treated as one issuer with the City, and all subordinate

entities whose obligations are treated as issued by the City) during this calendar year 2018 will not exceed \$10,000,000;

(e) not more than \$10,000,000 of obligations issued by the City during this calendar year 2018 have been designated for purposes of Section 265(b)(3) of the Code; and

(f) the aggregate face amount of the Note does not exceed \$10,000,000.

The City shall use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate the designation made by this paragraph.

19. Severability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

20. Headings. Headings in this resolution are included for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof.

Motion carried unanimously.

Motion by Bemenderfer, seconded by Carlson to adjourn the meeting at 7:03 p.m. Motion carried unanimously.

ATTEST:

Ronald Hungerford
Mayor

Terri Boese
Clerk/Treasurer