

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
MONDAY, OCTOBER 24, 2022
10:00 A.M. – CITY HALL

The Council for the City of Crosslake met in a Special Session on Monday, October 24, 2022. The following Council Members were present: Mayor Dave Nevin, Aaron Herzog, John Andrews and Dave Schrupp. Marcia Seibert-Volz was absent. Also present were City Administrator Mike Lyonais, City Clerk Char Nelson, Park Director TJ Graumann, Fire Chief Chip Lohmiller, Zoning Administrator Pete Gansen, and Jason Murray from David Drown Associates, Inc. There were two people in the audience.

Dave Nevin called the meeting to order at 10:00 A.M. Mike Lyonais introduced Jason Murray and stated that Mr. Murray was here to discuss the financing related to bonds and answer any questions from the Council.

Jason Murray stated that normally the City would consider a competitive sale for the bond issue, which could take 30 to 45 days to close. Because the market is unstable and rates are increasing, Mr. Murray suggested placing the bond in a private sale which eliminates the risk of rate increases and locks the interest rate in when the Council approves the transaction. If approved today, the interest rate will be 4.12%. Mr. Murray stated that the bond issue is \$3,069,000 and composed of multiple parts, including equipment certificate for the fire truck, disposal system bonds for the sewer extension project and clarifiers, and general obligation bonds for the road improvements. The estimated amount of interest is \$1,250,000.

John Andrews stated that he was impressed with the interest rate of 4.12%. Aaron Herzog stated that the feds are considering an additional ¾% rate increase this week and asked if that could affect this issue. Mr. Murray replied that it will remain at 4.12% if approved today. Dave Nevin asked what would happen if interest rates went down. Jason Murray replied that there is a 1% penalty if the Council were to refund the bonds before the early call period in 2033. Dave Nevin stated that there are many people included on the Distribution List and asked if they were all necessary. Mr. Murray replied that they were.

MOTION 10SP1-01-22 WAS MADE BY AARON HERZOG AND SECONDED BY DAVE SCHRUPP TO APPROVE RESOLUTION NO. 22-33 PROVIDING FOR THE ISSUANCE AND SALE OF A \$3,069,000 GENERAL OBLIGATION BOND, SERIES 2022A, PLEDGING FOR THE SECURITY THEREOF SEPCIAL ASESSMENTS AND LEVYING A TAX FOR THE PAYMENT THEREOF. MOTION CARRIED WITH ALL AYES.

MOTION 10SP1-02-22 WAS MADE BY AARON HERZOG AND SECONDED BY DAVE SCHRUPP TO ADJOURN THE MEETING AT 10:20 A.M. MOTION CARRIED WITH ALL AYES.

Respectfully Submitted,



Charlene Nelson
City Clerk

EXTRACT OF MINUTES OF A MEETING
OF THE CITY COUNCIL
CITY OF CROSSLAKE, MINNESOTA

HELD: OCTOBER 24, 2022

Pursuant to due call and notice thereof, a special meeting of the City Council of the City of Crosslake, Crow Wing County, Minnesota, was duly called and held at the City Hall on October 24, 2022, at 10:00 A.M., for the purpose, in part, of authorizing the issuance and awarding the sale of a \$3,069,000 General Obligation Bond, Series 2022A.

The following members were present: Dave Nevin, Aaron Herzog, Dave Schrupp, John Andrews

and the following were absent: Marcia Seibert-Volz

Member Aaron Herzog introduced the following resolution and moved its adoption:

RESOLUTION NO. 22-33

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF A \$3,069,000
GENERAL OBLIGATION BOND, SERIES 2022A, PLEDGING FOR THE SECURITY
THEREOF SPECIAL ASSESSMENTS AND LEVYING A TAX FOR THE PAYMENT
THEREOF

A. WHEREAS, the City Council (the "Council") of the City of Crosslake, Minnesota (the "City") has heretofore determined and declared that it is necessary and expedient to issue a \$3,069,000 General Obligation Bond, Series 2022A (the "Bond"), pursuant to Minnesota Statutes, Chapters 475; and Minnesota Statutes,

1. Chapter 429 to finance the construction of various public improvements within the City (the "Improvements") and the portion of the Bond issued to finance the Improvements is herein referred to as the "Improvement Portion";

2. Section 115.46 to finance improvements to the municipal sanitary sewer system (the "Disposal System Project") and the portion of the Bond issued to finance the Disposal System Project is herein referred to as the "Disposal System Portion";

3. Section 412.301 to finance acquisition of a fire truck for the City (the "Equipment") and the portion of the Bond issued to finance the Equipment is herein referred to as the "Equipment Portion" (together with the Improvements, the Disposal System Project and the Equipment, the "Project"); and

B. WHEREAS, the Improvements and all their components have been ordered prior to the date hereof, after a hearing thereon for which notice was given describing the Improvements or all their components by general nature, estimated cost, and area to be assessed; and

C. WHEREAS, each item of Equipment to be financed by the Equipment Portion of the Bond, as hereinafter defined, has an expected useful life at least as long as the term of the Equipment Portion of the Bond; and

D. WHEREAS, the principal amount of the Equipment Portion of the Bond does not exceed one-quarter of one percent (0.25%) of the estimated market value of the taxable property in the City (\$1,507,366,300 times 0.25% is \$3,765,416); and

E. WHEREAS, the City has retained David Drown Associates, Inc., in Minneapolis, Minnesota ("David Drown"), as its independent municipal adviser for the sale of the Bond and was therefore authorized to sell the Bond by private negotiation in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9) and proposals to purchase the Bond have been solicited by Robert W. Baird & Co., Incorporated, as placement agent; and

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

1. Acceptance of Offer. The offer of Truist Bank, a North Carolina banking corporation of Charlotte, North Carolina (the "Purchaser"), to purchase the Bond and to pay therefor the sum of \$3,069,000, all in accordance with the terms and at the rate of interest hereinafter set forth, is hereby accepted.

2. Terms; Original Issue Date; Denominations; Maturities; Interest and Redemption. The City shall forthwith issue the Bond, 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 Bond.

3. Allocation. The aggregate principal amount of \$816,000 maturing in each of the years and amounts hereinafter set forth are issued to finance the Improvements. The aggregate principal amount of \$1,726,000 maturing in each of the years and amounts hereinafter set forth are issued to finance the Disposal System Project. The aggregate principal amount of \$527,000 maturing in each of the years and amounts hereinafter set forth are issued to finance acquisition of the Equipment:

<u>Year</u>	<u>Improvement Portion (Amount)</u>	<u>Disposal System Portion (Amount)</u>	<u>Equipment Portion (Amount)</u>	<u>Total Amount</u>
2024	\$ 33,000	\$ 41,000	\$ 93,000	\$ 167,000
2025	42,000	60,000	102,000	204,000
2026	44,000	63,000	106,000	213,000
2027	46,000	65,000	111,000	222,000
2028	48,000	68,000	115,000	231,000
2029	50,000	71,000		121,000
2030	52,000	74,000		126,000
2031	54,000	77,000		131,000
2032	56,000	80,000		136,000
2033	59,000	83,000		142,000
2034	61,000	86,000		147,000

2035	64,000	90,000	154,000
2036	66,000	94,000	160,000
2037	69,000	98,000	167,000
2038	72,000	102,000	174,000
2039	33,000	106,000	106,000
2040	42,000	110,000	110,000
2041	44,000	115,000	115,000
2042	46,000	119,000	119,000
2043	48,000	124,000	124,000

If the Bond is prepaid, the prepayment shall be allocated to the portions of debt service (and hence allocated to the payment of Bond 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, the prepayment may be allocated to any portions of debt service in such amounts as the City shall determine. If the source of the prepayment is special assessments pledged to the Improvements, the prepayment shall be allocated to the Improvement Portion of debt service. If the source of the prepayment is taxes pledged to the Disposal System Project, the prepayment shall be allocated to the Disposal System Portion of debt service. If the source of the prepayment is taxes pledged to the Equipment, the prepayment shall be allocated to the Equipment Portion of debt service.

4. Purpose. The Improvement Portion of the Bond, the Disposal System Portion of the Bond, and the Equipment Portion of the Bond shall provide funds to finance 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 amount of the Bond. 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.

5. Registrar. The City Administrator-Treasurer of the City of Crosslake, Minnesota, is appointed to act as registrar and transfer agent with respect to the Bond (the "Registrar"), and shall do so unless and until a successor registrar is duly appointed, all pursuant to any contract the City and the successor 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 Bond shall be paid to the registered owner (or record holder) of the Bond in the manner set forth in the form of Bond.

6. Form of Bond. The Bond, together with the Registrar's Certificate of Registration, shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
CROW WING COUNTY
CITY OF CROSSLAKE

R-1

\$3,069,000

GENERAL OBLIGATION BOND, SERIES 2022A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
4.12%	February 1, 2043	November 7, 2022

REGISTERED OWNER: TRUIST BANK, CHARLOTTE, NORTH CAROLINA

PRINCIPAL AMOUNT: THREE MILLION SIXTY NINE THOUSAND DOLLARS

THE CITY OF CROSSLAKE, CROW WING COUNTY, MINNESOTA (the "City" or "Issuer"), acknowledges that it is indebted and, for value received, hereby 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 Bond (the "Registered Owner"), unless called for earlier redemption, in the manner hereinafter set forth, the \$3,069,000 principal amount of this Bond shall be subject to mandatory sinking fund 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 4.12% per annum:

<u>Principal Installments Due February 1</u>	<u>Principal Amount</u>	<u>Principal Installments Due February 1</u>	<u>Principal Amount</u>
2024	\$ 167,000	2034	\$ 147,000
2025	204,000	2035	154,000
2026	213,000	2036	160,000
2027	222,000	2037	167,000
2028	231,000	2038	174,000
2029	121,000	2039	106,000
2030	126,000	2040	110,000
2031	131,000	2041	115,000
2032	136,000	2042	119,000
2033	142,000	2043	124,000

In the event that the City shall fail to observe any covenant, agreement or representation in the Resolution (as hereinafter defined), which failure results in the interest on the Bond determined not to be exempt from Federal income tax, the interest rate shall increase to a rate equal to the current tax-exempt rate of interest set forth in this Bond (4.12%) divided by 67.5%. In addition, the Issuer shall pay an amount equal to the difference between the interest paid at the tax-exempt rate and the interest which would have been paid if the interest rate would have been the taxable rate from the date that this Bond was determined to be taxable, plus any penalties, interest, assessments and additions to tax payable by the owner as a result of the loss of the tax-exempt status of interest on this Bond.

Interest. Interest shall be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2023 (each a "Payment Date"), 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 ACH debit, wire transfer or other electronic means to the Registered Owner at the address listed on the Certificate of

Registration attached to and made a part of this Bond. The payment of all principal and interest on this Bond shall be made by the City Administrator-Treasurer of the City of Crosslake, Minnesota (the "Registrar"). The Registered Owner of the Bond shall not have to present the physical Bond to receive any payment, including any final payment or any mandatory sinking fund redemption.

Date of Payment Not a Business Day. If the nominal date for payment of any principal of or interest on this Bond shall not be a business day of the Issuer or of the Registered 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.

Redemption. This Bond is subject to redemption and prepayment, in whole, and not in part, at the option of the Issuer, on (i) any Payment Date prior to February 1, 2033, at a redemption price equal to par, plus accrued interest, plus a premium of 1.00%, and (ii) February 1, 2033, and any Payment Date thereafter, at a redemption price equal to par, plus accrued interest to such date. Mailed notice of redemption shall be given to the Registered Owner at least thirty (30) days prior to prepayment or redemption.

Transfer. This Bond is transferable, as provided in the Resolution, upon the Register kept by the City Administrator-Treasurer upon surrender of this Bond together with a written instrument of transfer duly executed by the Registered Owner or the Registered Owner's attorney duly authorized in writing, and thereupon a new, fully registered Bond in the same 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; provided that such transfer may occur only with respect to the entire Bond. The Issuer may treat and consider the person in whose name this Bond is registered as the absolute Registered Owner hereof for the purpose of receiving payment of or on account of the principal of and interest on this Bond and for all other purposes whatsoever.

Issuance; Purpose; General Obligation. This Bond is issued as a single instrument in the total principal amount of \$3,069,000, pursuant to and in full conformity with the Constitution and laws of the State of Minnesota and a resolution adopted by the City Council on October 24, 2022 (the "Resolution"), for the purpose of providing money to finance various public improvements within the jurisdiction of the Issuer, improvements to the municipal sanitary sewer system of the Issuer, and the purchase of a fire truck. This Bond is payable out of the General Obligation Bond, Series 2022A Fund of the Issuer. This Bond 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.

Fees upon Transfer or Loss. The Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Bond and any legal or unusual costs regarding transfers and lost Bond.

Registration. This Bond 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 Bond 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 Bond, have been done, have happened and have been performed, in regular and due form, time and manner as required by law; and that this Bond, 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 Crosslake, Crow Wing County, Minnesota, by its City Council has caused this Bond to be executed on its behalf by the facsimile signatures of its Mayor and its City Administrator-Treasurer, the corporate seal of the Issuer having been intentionally omitted as permitted by law.

Date of Registration:

CITY OF CROSSLAKE
CROW WING COUNTY, MINNESOTA

November 7, 2022

REGISTRABLE BY AND
PAYABLE AT:

/s/ Facsimile
Mayor

OFFICE OF THE CITY
ADMINISTRATOR-TREASURER
City of Crosslake, Minnesota

/s/ Facsimile
City Administrator-Treasurer

CERTIFICATE OF REGISTRATION

The transfer of ownership of the principal amount of the attached Bond may be made only by the registered owner or the registered owner's legal representative last noted below:

[illegible]

7. Execution. The Bond shall be in typewritten form, shall be executed on behalf of the City by the facsimile signatures of its Mayor and City Administrator-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 Bond 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 Bond shall cease to be such officer before the delivery of the Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery.

8. Delivery; Application of Proceeds. The Bond when so prepared and executed shall be delivered by the City Administrator-Treasurer to the Purchaser upon receipt of the purchase price and the Purchaser shall not be obliged to see to the proper application thereof.

9. Funds and Accounts. There is hereby established a special fund to be designated the "General Obligation Bond, Series 2022A Fund" (the "Fund") to be administered and maintained by the City Administrator-Treasurer as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. The Fund shall be maintained in the manner herein specified until all of the Bond and the interest thereon have been fully paid. In such records there shall be established accounts of the Fund for the purposes and in the amounts as follows:

(a) Construction Account. To the Construction Account there shall be credited the proceeds of the sale of the Bond, plus any special assessments levied with respect to the Improvements and collected prior to completion of the Improvements and payment of the costs thereof. From the Construction Account there shall be paid all costs and expenses of constructing and acquiring the Project, 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 Bond may also be used to the extent necessary to pay interest on the Bond due prior to the anticipated date of commencement of the collection of taxes, special assessments herein levied or covenanted to be levied; and provided further that if upon completion of the Project there shall remain any unexpended balance in the Construction Account, the balance (other than any special assessments) may be transferred to the Debt Service Account provided that any funds attributable to the Improvement Portion of the Bond may be transferred to the fund of any other improvement instituted pursuant to Minnesota Statutes, Chapter 429, and provided further that any special assessments credited to the Construction Account shall only be applied towards payment of the costs of the Improvements upon adoption of a resolution by the City Council determining that the application of the special assessments for such purpose will not cause the City to no longer be in compliance with Minnesota Statutes, Section 475.61, Subdivision 1.

(b) Debt Service Account. There shall be maintained three separate subaccounts in the Debt Service Account to be designated the "Improvement Debt Service Subaccount", the "Disposal System Project Debt Service Subaccount", and the "Equipment 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) Improvement Debt Service Subaccount. To the Improvement Debt Service Subaccount there shall be credited: (A) all collections of special assessments

herein covenanted to be levied with respect to the Improvements and either initially credited to the Construction Account and not already spent as permitted above and required to pay any principal and interest due on the Improvement Portion of the Bond or collected subsequent to the completion of the Improvements and payment of the costs thereof; (B) available City funds in the amount of \$0.00 to provide sufficient funds to pay interest due on the Bond on or before August 1, 2023; (C) any collections of all taxes herein or hereinafter levied for the payment of the Improvement Portion of the Bond and interest thereon; (D) a pro rata share of all funds remaining in the Construction Account after completion of the Improvement and payment of the costs thereof; (E) all investment earnings on funds held in the Improvement Debt Service Subaccount; and (F) any and all other moneys which are properly available and are appropriated by the governing body of the City to the Improvement Debt Service Subaccount. The Improvement Debt Service Subaccount shall be used solely to pay the principal and interest and any premium for redemption of the Improvement Portion of the Bond and any other general obligation bonds of the City hereafter issued by the City and made payable from the account as provided by law.

- (ii) Disposal System Project Debt Service Subaccount. To the Disposal System Project Debt Service Subaccount there shall be credited: (A) any collections of all taxes which herein or hereafter levied for the payment of the principal and interest on the Disposal System Portion of the Bond; (B) available City funds in the amount of \$0.00 to provide sufficient funds to pay interest due on the Bond on or before August 1, 2023; (C) a pro rata share of all funds remaining in the Construction Account after completion of the Project and payment of the costs thereof; (D) all investment earnings on funds held in the Disposal System Project 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 Disposal System Project Debt Service Subaccount. The Disposal System Project Debt Service Subaccount shall be used solely to pay the principal and interest and any premium for redemption of the Disposal System Portion of the Bond and any other general obligation bonds of the City hereafter issued by the City and made payable from said subaccount as provided by law
- (iii) Equipment Debt Service Subaccount. To the Equipment Debt Service Subaccount there shall be credited: (A) all collections of taxes herein or hereinafter levied for the payment of the Equipment Portion of the Bonds and interest thereon; (B) available City funds in the amount of \$0.00 to provide sufficient funds to pay interest due on the Bond on or before August 1, 2023; (C) a pro rata share of all funds remaining in the Construction Account after completion of the Project and payment of the costs thereof; (D) all investment earnings on funds held in the Equipment 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 Equipment Debt Service Subaccount. The Equipment Debt Service Subaccount shall be used solely to pay the principal and interest and any premium for redemption of the Equipment Portion of the Bond 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 Bond 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 Bond 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 Bond or \$100,000. To this effect, any proceeds of the Bond and any sums from time to time held in the Debt Service Account (or any other City account which will be used to pay principal or interest to become due on the bonds 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 said 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 Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code").

10. Covenants Relating to the Improvement Portion of the Bond.

(a) Assessments. It is hereby determined that no less than twenty percent of the cost to the City of each Improvement financed hereunder within the meaning of Minnesota Statutes, Section 475.58, Subdivision 1(3), shall be paid by special assessments to be levied against every assessable lot, piece and parcel of land benefited by any of the Improvements. The City hereby covenants and agrees that it will let all construction contracts not heretofore let within one year after ordering each Improvement financed hereunder unless the resolution ordering the Improvement specifies a different time limit for the letting of construction contracts. The City hereby further covenants and agrees that it will do and perform as soon as they may be done all acts and things necessary for the final and valid levy of such special assessments, and in the event that any such assessment be at any time held invalid with respect to any lot, piece or parcel of land due to any error, defect, or irregularity in any action or proceedings taken or to be taken by the City or the City Council or any of the City officers or employees, either in the making of the assessments or in the performance of any condition precedent thereto, the City and the City Council will forthwith do all further acts and take all further proceedings as may be required by law to make the assessments a valid and binding lien upon such property. It is hereby determined that the assessments shall be payable in equal, consecutive, annual installments, with general taxes for the years shown below and with interest on the declining balance of all such assessments at a rate per annum not greater than the maximum permitted by law and not less than the rates per annum shown opposite their collection years specified below:

<u>Improvement Designation</u>	<u>Levy Years</u>	<u>Collection Years</u>	<u>Amount</u>	<u>Rate</u>
2022 Road Improvements	2022-2036	2023-2037	\$386,000	5.00%

At the time the assessments are in fact levied the City Council shall, based on the then-current estimated collections of the assessments, make any adjustments in any ad valorem taxes required to be levied in order to assure that the City continues to be in compliance with Minnesota Statutes, Section 475.61, Subdivision 1.

(b) Tax Levy. To provide moneys for payment of the principal and interest on the Improvement Portion of the Bond 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>
2022	2023	\$40,999
2023	2024	40,784
2024	2025	41,068
2025	2026	41,264
2026	2027	41,374
2027	2028	41,398
2028	2029	41,335
2029	2030	41,185
2030	2031	40,949
2031	2032	41,677
2032	2033	41,224
2033	2034	41,735
2034	2035	41,067
2035	2036	41,362
2036	2037	41,527

(c) Coverage Test. The tax levies are such that if collected in full they, together with estimated collections of special assessments and other revenues herein pledged for the payment of the Improvement Portion of the Bond, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Improvement Portion of the Bond. The tax levies shall be irrevocable so long as any of the Improvement Portion of the Bond are 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.

11. Covenants Relating to the Disposal System Portion of the Bond.

Tax Levy; Coverage Test. To provide moneys for payment of the principal and interest on the Disposal System Portion of the Bond 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>
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2022	2023	\$135,139
2023	2024	135,893
2024	2025	136,448
2025	2026	135,822
2026	2027	136,160
2027	2028	136,369
2028	2029	136,447
2029	2030	136,396
2030	2031	136,215
2031	2032	135,904
2032	2033	135,463
2033	2034	135,943
2034	2035	136,250
2035	2036	136,383
2036	2037	136,344
2037	2038	136,131
2038	2039	135,746
2039	2040	136,237
2040	2041	135,462
2041	2042	135,564

The tax levies are such that if collected in full they will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Disposal System Portion of the Bond. The tax levies shall be irrevocable so long as any of the Disposal System Portion of the Bond 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.

12. Covenants Relating to the Equipment Portion of the Bond.

Tax Levy. To provide moneys for payment of the principal and interest on the Equipment Portion of the Bond 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>
2022	2023	\$125,768
2023	2024	125,875
2024	2025	125,662
2025	2026	126,327
2026	2027	125,725

The tax levies are such that if collected in full they, together with other revenues herein pledged for the payment of the Equipment Portion of the Bond, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Equipment Portion of the Bond. The tax levies shall be irrevocable so long as any of the Equipment Portion of the Bond 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.

13. General Obligation Pledge. For the prompt and full payment of the principal and interest on the Bond, 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 balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Bond and any other 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.

14. Defeasance. When the Bond has been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered owner of the Bond shall, to the extent permitted by law, cease. The City may also discharge its obligations with respect to principal installments of the Bond which is due on any date by irrevocably depositing with the Bond Registrar on or before that date a sum sufficient for the payment thereof in full; or if the Bond should not be paid when due, it may nevertheless be discharged by depositing with the Bond Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The City may also at any time discharge its obligations with respect to the Bond, subject to the provisions called for redemption on any date when they are prepayable according to their terms, by depositing with the Bond 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 Bond, 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.

15. Certificate of Registration. The City Administrator-Treasurer is hereby directed to file a certified copy of this resolution with the County Auditor of Crow Wing County, Minnesota, together with such other information as the County Auditor shall require, and to obtain from the County Auditor a certificate that the Bond has been entered in the County Auditor's Bond Register and that the tax levy required by law has been made.

16. 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 Bond, certified copies of all proceedings and records of the City relating to the Bond 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 Bond 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.

17. 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 Bond, 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 "Project"); and (iii) states the maximum principal amount of debt expected to be issued by the City for the purpose of financing the Project; provided, however, that no such Declaration shall necessarily have been made with respect to: (i) "preliminary expenditures" for the Project, 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 Bond, 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 Bond.

(b) Each Reimbursement Expenditure is a capital expenditure or a cost of issuance of the Bond 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 Bond, and not later than three years after the later of (i) the date of the payment of the Reimbursement Expenditure, or (ii) 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 Bond proceeds to reimburse the Reimbursement Expenditure and, if made within thirty days after the Bond is issued, shall be treated as made on the day the Bond 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 Bond stating in effect that such action will not impair the tax-exempt status of the Bond.

18. Negative Covenant as to Use of Proceeds and Project. The City hereby covenants not to use the proceeds of the Bond or to use the Project, 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 Bond to be a "private activity bond" within the meaning of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986 as amended (the "Code").

19. Tax-Exempt Status of the Bond; 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 Bond, including without limitation (i) requirements

relating to temporary periods for investments, (ii) limitations on amounts invested at a yield greater than the yield on the Bond, and (iii) the rebate of excess investment earnings to the United States if the Bond (together with other obligations reasonably expected to be issued and outstanding at one time in this calendar year) exceed the small-issuer exception amount of \$5,000,000.

For purposes of qualifying for the small issuer 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 (i) the Bond is issued by a governmental unit with general taxing powers; (ii) no Bond is a private activity bond; (iii) 95% or more of the net proceeds of the Bond are 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 (iv) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the City (and all entities subordinate to, or treated as one issuer with the City) during the calendar year in which the Bond 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.

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

- (a) the Bond is issued after August 7, 1986;
- (b) the Bond is not a "private activity bond" as defined in Section 141 of the Code;
- (c) the City hereby designates the Bond as a "qualified tax-exempt obligation" 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 2022 will not exceed \$10,000,000;
- (e) not more than \$10,000,000 of obligations issued by the City during this calendar year 2022 have been designated for purposes of Section 265(b)(3) of the Code; and
- (f) the aggregate face amount of the Bond 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.

21. Financial Statements. As soon as available, but in no event within 270 days of fiscal year end, the City shall provide audited fiscal year-end financial statements to the Purchaser. The City shall also provide relevant financing information as requested by the Purchaser. The City's obligation to provide annual audited financial information to the Purchaser commences with the current fiscal year to end on December 31, 2022.

22. 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.

23. 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.

The motion for the adoption of the foregoing resolution was duly seconded by member Dave Schrupp and, after a full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof: Nevin, Herzog, Schrupp, Andrews

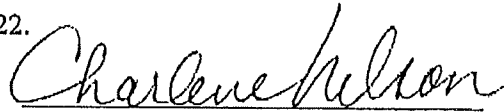
and the following voted against the same: None

Whereupon the resolution was declared duly passed and adopted.

STATE OF MINNESOTA
COUNTY OF CROW WING
CITY OF CROSSLAKE

I, the undersigned, being the duly qualified and acting City Clerk of the City of Crosslake, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council duly called and held on the date therein indicated, insofar as such minutes relate to providing for the issuance and sale of a \$3,069,000 General Obligation Bond, Series 2022A.

WITNESS my hand on October 24, 2022.


City Clerk