

**DDA****David Drown Associates, Inc.**
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October 19, 2022

RECOMMENDATIONSMr. David Nevin, Mayor
Mr. Mike Lyonais, City Administrator
City of Crosslake
13888 Daggett Bay Road
Crosslake, MN 56442**RE: General Obligation Bonds, 2022A**

Honorable Mayor Nevin, Members of the City Council, and Mr. Lyonais:

The purpose of this letter is to provide information regarding our financing recommendations for the 2022 road improvement, sanitary sewer extension and the financing of a new fire truck for the City of Crosslake.

Overview of Project and Component Costs

The major component costs and sources of funds are detailed below:

Road Improvement Portion	800,000
Sanitary Sewer Extension	2,593,513
Sanitary Sewer Clarifiers	566,000
New Fire Truck	658,000
Total Project Costs	4,617,513
Plus Issuance Costs (including Placement Fee)	\$ 61,037.00
Less: Soil and Water Funds	\$ (450,000.00)
Less: COVID funds	\$ (257,250.00)
Less: City Contribution (Proceeds from old fire truck sale)	\$ (139,000.00)
Less: City Contribution - Connection Charges	\$ (259,300.00)
Less: County Contribution	\$ (504,000.00)
RECOMMENDED SIZE OF BOND ISSUE	\$ 3,069,000.00

Statutory Authority

Cities must cite the specific statutory authority they intend to use before issuing general obligation bonds. In this instance, we are advising the utilization of three separate authorities as described below:

We recommend \$816,000 will be issued as General Obligation Improvement Bonds utilizing authority provided Minnesota Statutes Chapters 429 and 475. This statute requires at least 20% of city project costs to be assessed to benefitted properties. This debt does not count against any statutory net debt limits.

We recommend \$1,726,000 be issued utilizing authority provided in Minnesota Statutes Chapters 115 and 475. These types of bonds are referred to as "Disposal System Bonds". This authority allows us to issue general obligation bonds to fund sanitary sewer costs without public hearings, special assessments and valuation challenges. Further, it allows us to pledge tax levies to the repayment of the bonds. This debt also does not count against any statutory net debt limits.

And finally, we recommend \$527,000 will be issued utilizing Minnesota Statutes, Section 412.301 authorizing the issuance of equipment certificates within existing debt limits for purchasing of a new fire truck for the City. The statute requires that if the amount of the equipment certificates to be issued exceeds 0.25% of the market value of taxable property in the city, excluding money and credits, the equipment certificates shall not be issued for at least ten days after publication in the official newspaper of the city of a council resolution determining to issue the equipment certificates; and, if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election.

The calculation is as follows:

2021/Pay 2022 Est. Market Value	\$1,507,366,300
Multiplier:	X .0025
Statutory Limit	\$ 3,768,416
Certificate Amount	\$ 527,000

This issuance does not require publication for the equipment certificates. Equipment Certificates also count against the City's net debt limits.

Payment and Revenue Requirements

Due to the size and structure of each authority, the annual principal payments will vary over the 20-year term. For this proposed issue, primary repayment sources will be funded by tax levies and special assessments.

Please note that the collection of special assessment revenue can be volatile for a variety of reasons. There may be a large sum of pre-paid assessments leading to less interest earnings available to the cash flow. There could also be delinquent payments in any given year. David Drown Associates is available to assist in the proper management of the cash flow should things like this occur.

Please refer to the attached exhibit for bond details.

\$3,069,000 General Obligation Bonds, 2022A

I generally would recommend the City entertain a rated, competitive sale for this issue. However, due to the rising interest rate environment, I am concerned rates would move significantly before the City is able to finalize this borrowing. In working with a local underwriter, I found a negotiated sale that would allow the City to lock in quickly due to this rate environment. Attached is a rate analysis highlighting a rated, competitive sale versus a negotiation bank placement. Based on the confirmed rate of 4.12%, the bank placement does slightly better based on our analysis.

We recommend this bond be sold through an unrated, negotiated sale with R.W. Baird. Why unrated? We can lock in quickly without the uncertainty of rate movement during the time we would be securing the rating. It also saves an additional \$13,000 for rating fee.

Schedule and Issuance


The proposed schedule for putting the project financing in place is as follows:

October 24, 2022	Award Resolution (Special Meeting)
November 7, 2022	Closing

If the Council determines that it is appropriate to proceed with the proposed project financing, it would be appropriate to act upon the enclosed resolution awarding the sale.

Thank you for your time and consideration of this material. Please feel free to contact me with any questions.

Respectfully,

A handwritten signature in black ink, appearing to read "J. Murray", written in a cursive style.

Jason Murray, Associate
David Drown Associates, Inc.

City of Crosslake, Minnesota
COMPARISON OF A CONVENTIONAL SALE vs Private Placement

Conventional-Assumed AA+ Rating

4,617,513	Project Cost
30,900	Discount
18,000	Financial Advisor
17,000	Bond Attorney
13,750	Rating
750	Pay Agent
1,500	OS / Misc
(504,000)	County Contribution
(656,550)	City Contribution
(450,000)	Soil and Water Contribution
-	Capitalized Interest
-	Premium
1,137	Rounding
3,090,000	BORROWING AMOUNT

PMT DATE	PRIN	RATE	INT	P&I	Pay Agent	TOTAL PMTS
10/24/2022 Dated Date						
2/1/2024	165,000	3.450%	152,971	317,971	495	318,466
2/1/2025	205,000	3.480%	114,810	319,810	495	320,305
2/1/2026	215,000	3.490%	107,676	322,676	495	323,171
2/1/2027	220,000	3.510%	100,173	320,173	495	320,668
2/1/2028	225,000	3.530%	92,451	317,451	495	317,946
2/1/2029	125,000	3.570%	84,508	209,508	495	210,003
2/1/2030	130,000	3.600%	80,046	210,046	495	210,541
2/1/2031	135,000	3.630%	75,366	210,366	495	210,861
2/1/2032	140,000	3.700%	70,485	210,485	495	210,960
2/1/2033	145,000	3.800%	65,285	210,285	495	210,780
2/1/2034	150,000	3.900%	59,775	209,775	495	210,270
2/1/2035	155,000	4.000%	53,925	208,925	495	209,420
2/1/2036	160,000	4.100%	47,725	207,725	495	208,220
2/1/2037	170,000	4.200%	41,165	211,165	495	211,660
2/1/2038	175,000	4.300%	34,025	209,025	495	209,520
2/1/2039	105,000	4.400%	26,500	131,500	495	131,995
2/1/2040	110,000	4.500%	21,880	131,880	495	132,375
2/1/2041	115,000	4.600%	16,930	131,930	495	132,425
2/1/2042	120,000	4.700%	11,640	131,640	495	132,135
2/1/2043	125,000	4.800%	6,000	131,000	-	131,000
3,090,000			1,263,314	4,353,314	9,405	4,362,719
				Plus Contribution >>		656,550
				Less Rounding >>		(1,137)
				NET PAYMENTS >>		5,018,132

Private Placement

4,617,513	Project Cost
23,037	Placement Fee
18,000	Financial Advisor
17,000	Bond Attorney
-	Rating
3,000	Bank Fees
-	OS / Misc
(504,000)	County Contribution
(655,550)	City Contribution
(450,000)	Soil and Water Contribution
-	Capitalized Interest
-	Premium
-	Rounding
3,069,000	BORROWING AMOUNT

PMT DATE	PRIN	RATE	INT	P&I	Pay Agent	TOTAL PMTS
10/24/2022 Dated Date						
2/1/2024	167,000	4.120%	160,512	327,512	-	327,512
2/1/2025	204,000	4.120%	119,562	323,562	-	323,562
2/1/2026	213,000	4.120%	111,158	324,158	-	324,158
2/1/2027	222,000	4.120%	102,382	324,382	-	324,382
2/1/2028	231,000	4.120%	93,236	324,236	-	324,236
2/1/2029	121,000	4.120%	83,718	204,718	-	204,718
2/1/2030	125,000	4.120%	78,733	204,733	-	204,733
2/1/2031	131,000	4.120%	73,542	204,542	-	204,542
2/1/2032	136,000	4.120%	68,145	204,145	-	204,145
2/1/2033	142,000	4.120%	62,542	204,542	-	204,542
2/1/2034	147,000	4.120%	56,691	203,691	-	203,691
2/1/2035	154,000	4.120%	50,635	204,635	-	204,635
2/1/2036	160,000	4.120%	44,290	204,290	-	204,290
2/1/2037	167,000	4.120%	37,698	204,698	-	204,698
2/1/2038	174,000	4.120%	30,818	204,818	-	204,818
2/1/2039	106,000	4.120%	23,649	129,649	-	129,649
2/1/2040	110,000	4.120%	19,282	129,282	-	129,282
2/1/2041	115,000	4.120%	14,750	129,750	-	129,750
2/1/2042	119,000	4.120%	10,012	129,012	-	129,012
2/1/2043	124,000	4.120%	5,109	129,109	-	129,109
3,069,000			1,246,462	4,315,462	-	4,315,462
				Plus Contribution >>		655,550
				Less Rounding >>		-
				NET PAYMENTS >>		4,971,012

City of Crosslake, Minnesota

\$3,069,000
General Obligation Bonds, Series 2022A

Master

Uses of Funds		
Road Improvement Project (Wildwin Ranch Drive, Birch Narrows, Rushmoor)		800,000.00
Sewer Extension		2,593,513.00
Sewer Clarifiers		566,000.00
New Firetruck		658,000.00
Total Project Costs		4,617,513.00
Underwriter's Discount Allowance	0.00%	-
Fiscal Fee	Verified	18,000.00
Bond Counsel	Verified	17,000.00
Pay Agent/Registrar		-
Printing & Misc		-
Bank Processing Fee		3,000.00
Capitalized Interest		-
Placement Fee		23,037.00
Surplus (Rounding)		-
		4,678,550.00

Sources of Funds		
Bond Issue		3,069,000.00
City Contribution - Budget Funds		-
Soil and Water Contribution		450,000.00
COVID Funds		257,250.00
City Contribution (sale proceeds from old truck)		139,000.00
City Contribution (Connection Charges)		259,300.00
County Contribution		504,000.00
		4,678,550.00

Bond Details	
Award Date	10/24/2022
Dated Date	11/7/2022
Closing Date	11/7/2022
1st Interest Payment	8/1/2023
Proceeds spent by:	12/31/2023
	to Dated Date
Purchase Price	3,069,000.00
Net Interest Cost	1,241,895.72
Net Effective Rate	4.120%
Average Coupon	4.120%
Average Life	9.822
Yield	
Call Option	1% penalty if called before 2/1/2033. Payable in whole only on a payment dates only
Purchaser	Truist Financial Corporation
Bond Counsel	Taft Law Firm
Pay Agent	City of Crosslake
Tax Status	Tax exempt, Bank Qualified
Continuing Disclosure	Annual Audit Report
Rebate	\$5 million Small Issuer Exemption
Statutory Authority	MS 115, 412.301, 429, 475
Placement Agent	R.W. Baird Inc

Payment Schedule & Cashflow

Payment Schedule											
12-Month Period ending	Principal	Interest Rate	Interest	Payment Total	plus 5% Coverage						
11/7/2022											
2/1/2024	167,000	4.120%	155,946	322,946	339,093						
2/1/2025	204,000	4.120%	119,562	323,562	339,741						
2/1/2026	213,000	4.120%	111,158	324,158	340,365						
2/1/2027	222,000	4.120%	102,382	324,382	340,601						
2/1/2028	231,000	4.120%	93,236	324,236	340,447						
2/1/2029	121,000	4.120%	83,718	204,718	214,954						
2/1/2030	126,000	4.120%	78,733	204,733	214,970						
2/1/2031	131,000	4.120%	73,542	204,542	214,769						
2/1/2032	136,000	4.120%	68,145	204,145	214,352						
2/1/2033	142,000	4.120%	62,542	204,542	214,769						
2/1/2034	147,000	4.120%	56,691	203,691	213,876						
2/1/2035	154,000	4.120%	50,635	204,635	214,867						
2/1/2036	160,000	4.120%	44,290	204,290	214,505						
2/1/2037	167,000	4.120%	37,698	204,698	214,933						
2/1/2038	174,000	4.120%	30,818	204,818	215,058						
2/1/2039	106,000	4.120%	23,649	129,649	136,131						
2/1/2040	110,000	4.120%	19,282	129,282	135,746						
2/1/2041	115,000	4.120%	14,750	129,750	136,237						
2/1/2042	119,000	4.120%	10,012	129,012	135,462						
2/1/2043	124,000	4.120%	5,109	129,109	135,564						
3,069,000			1,241,896	4,310,896	4,526,441						

Planned Revenues		Tax		Account Balances	
Collection		Special		Surplus	
Year		Assessments		(deficit)	
		Levies		Balance	
				Deposit to Debt Service at Closing >	
2023	37,188	301,905	-	-	-
2024	37,188	302,552	-	-	-
2025	37,188	303,177	-	-	-
2026	37,188	303,413	-	-	-
2027	37,188	303,259	-	-	-
2028	37,188	177,766	-	-	-
2029	37,188	177,782	-	-	-
2030	37,188	177,581	-	-	-
2031	37,188	177,164	-	-	-
2032	37,188	177,581	-	-	-
2033	37,188	176,688	-	-	-
2034	37,188	177,678	-	-	-
2035	37,188	177,316	-	-	-
2036	37,188	177,745	-	-	-
2037	37,188	177,870	-	-	-
2038	-	136,131	-	-	-
2039	-	135,746	-	-	-
2040	-	136,237	-	-	-
2041	-	135,462	-	-	-
2042	-	135,564	-	-	-
557,822		3,963,619			

City of Crosslake, Minnesota

\$816,000

General Obligation Bonds, Series 2022A

Improvement Portion

Uses of Funds

Road Improvement Project (Wildwin Ranch Drive, Birch Narrows, Rushmore)	800,000.00
Sewer Extension	-
Sewer Clarifiers	-
New Firetruck	-

Total Project Costs

Underwriter's Discount Allowance	-
Unused Underwriter's Discount Allowance	-
Share of Issuance Costs	10,000.00
Bond Counsel	-
Pay Agent/Registrar	-
Printing & Misc	-
Rating Agency	-
Capitalized Interest	-
Placement Fee	6,000.00
Rounding	-
	<u>816,000.00</u>

Sources of Funds

Bond Issue	816,000.00
City Contribution	-
	<u>816,000.00</u>

Payment Schedule & Cashflow

12-Month Period ending	Payment Schedule			Payment Total	plus 5% Coverage
	Principal	Interest Rate	Interest		
11/17/2022					
2/1/2024	33,000	4.120%	41,464	74,464	78,187
2/1/2025	42,000	4.120%	32,260	74,260	77,973
2/1/2026	44,000	4.120%	30,529	74,529	78,256
2/1/2027	46,000	4.120%	28,716	74,716	78,452
2/1/2028	48,000	4.120%	26,821	74,821	78,562
2/1/2029	50,000	4.120%	24,844	74,844	78,586
2/1/2030	52,000	4.120%	22,784	74,784	78,523
2/1/2031	54,000	4.120%	20,641	74,641	78,373
2/1/2032	56,000	4.120%	18,416	74,416	78,137
2/1/2033	59,000	4.120%	16,109	75,109	78,865
2/1/2034	61,000	4.120%	13,678	74,678	78,412
2/1/2035	64,000	4.120%	11,165	75,165	78,923
2/1/2036	66,000	4.120%	8,528	74,528	78,255
2/1/2037	69,000	4.120%	5,809	74,809	78,550
2/1/2038	72,000	4.120%	2,966	74,966	78,715
	816,000		304,732	1,120,732	1,176,768

Collection Year	Pledged Revenues			Account Balances Surplus (deficit)	Account Balance
	Tax Levies	Special Assessment	Deposit to Debt Service at Closing >		
2023	-	37,188	-	-	-
2024	40,999	37,188	-	-	-
2025	40,784	37,188	-	-	-
2026	41,068	37,188	-	-	-
2027	41,264	37,188	-	-	-
2028	41,374	37,188	-	-	-
2029	41,398	37,188	-	-	-
2030	41,335	37,188	-	-	-
2031	41,185	37,188	-	-	-
2032	40,949	37,188	-	-	-
2033	41,677	37,188	-	-	-
2034	41,224	37,188	-	-	-
2035	41,735	37,188	-	-	-
2036	41,067	37,188	-	-	-
2037	41,362	37,188	-	-	-
	41,527	37,188	-	-	-
	618,946	557,822	-	-	-

The City will special assess \$386,000 over 15 year term at a proposed rate of 5%.

City of Crosslake, Minnesota

\$1,726,000

General Obligation Bonds, Series 2022A

Sewer Portion

Uses of Funds	
Road Improvement Project (Wildwin Ranch Drive, Birch Narrows, Rushmore)	-
Sewer Extension	2,593,513.00
Sewer Clarifiers	596,000.00
New Firetruck	-
Total Project Costs	
Underwriter's Discount Allowance	0.00%
Unused Underwriter's Discount Allowance	-
Share of Issuance Costs	23,000.00
Bond Counsel	-
Pay Agent/Registrar	-
Printing & Misc	-
Rating Agency	-
Capitalized Interest	-
Placement Fee	14,037.00
Rounding	-
	3,196,550.00

Sources of Funds

Bond Issue	1,726,000.00
City Contribution (Connection Charges)	259,300.00
Soil and Water Contribution	450,000.00
COVID Funds	257,250.00
County Contribution	504,000.00
	3,196,550.00

Payment Schedule & Cashflow

12-Month Period ending	Payment Schedule		Interest	Rate	Interest	Payment Total	plus 5% Coverage
	Principal						
11/17/2022							
2/1/2024	41,000		87,704	4.120%	87,704	128,704	135,139
2/1/2025	60,000		69,422	4.120%	69,422	129,422	135,893
2/1/2026	63,000		66,950	4.120%	66,950	129,950	136,448
2/1/2027	65,000		64,354	4.120%	64,354	129,354	135,822
2/1/2028	68,000		61,676	4.120%	61,676	129,676	136,160
2/1/2029	71,000		58,875	4.120%	58,875	129,875	136,369
2/1/2030	74,000		55,950	4.120%	55,950	129,950	136,447
2/1/2031	77,000		52,901	4.120%	52,901	129,901	136,396
2/1/2032	80,000		49,728	4.120%	49,728	129,728	136,215
2/1/2033	83,000		46,432	4.120%	46,432	129,432	135,904
2/1/2034	86,000		43,013	4.120%	43,013	129,013	135,463
2/1/2035	90,000		39,470	4.120%	39,470	129,470	135,943
2/1/2036	94,000		35,762	4.120%	35,762	129,762	136,250
2/1/2037	98,000		31,889	4.120%	31,889	129,889	136,383
2/1/2038	102,000		27,851	4.120%	27,851	129,851	136,344
2/1/2039	106,000		23,649	4.120%	23,649	129,649	136,131
2/1/2040	110,000		19,282	4.120%	19,282	129,282	135,746
2/1/2041	115,000		14,750	4.120%	14,750	129,750	136,237
2/1/2042	119,000		10,012	4.120%	10,012	129,012	135,462
2/1/2043	124,000		5,109	4.120%	5,109	129,109	135,564
	1,726,000		884,777		884,777	2,590,777	2,720,316

Collection Year	Pledged Revenues		Deposit to Debt Service at Closing >	Account Balances Surplus (deficit)	Account Balance
	Tax	Levies			
2023	-	135,139	-	-	-
2024	-	135,893	-	-	-
2025	-	136,448	-	-	-
2026	-	135,822	-	-	-
2027	-	136,160	-	-	-
2028	-	136,369	-	-	-
2029	-	136,447	-	-	-
2030	-	136,396	-	-	-
2031	-	136,215	-	-	-
2032	-	135,904	-	-	-
2033	-	135,463	-	-	-
2034	-	135,943	-	-	-
2035	-	136,250	-	-	-
2036	-	136,383	-	-	-
2037	-	136,344	-	-	-
2038	-	136,131	-	-	-
2039	-	135,746	-	-	-
2040	-	136,237	-	-	-
2041	-	135,462	-	-	-
2042	-	135,564	-	-	-
	-	2,720,316	-	-	-

City of Crosslake, Minnesota

\$527,000

General Obligation Bonds, Series 2022A

Equipment Certificate Portion

Uses of Funds	
Road Improvement Project (Wildwin Ranch Drive, Birch Narrows, Rushmo	-
Sewer Extension	-
Sewer Clarifiers	-
New Firetruck	658,000.00
	<u>658,000.00</u>
Total Project Costs	658,000.00
Undervriter's Discount Allowance	-
Unused Undervriter's Discount Allowance	-
Share of Issuance Costs	5,000.00
Bond Counsel	-
Pay Agent/Registrar	-
Printing & Misc	-
Rating Agency	-
Capitalized Interest	-
Placement Fee	3,000.00
Rounding	-
	<u>666,000.00</u>
	<u>666,000.00</u>
Sources of Funds	
Bond Issue	527,000.00
City Contribution - Budget Funds	-
City Contribution (sale proceeds from old truck)	139,000.00
	<u>666,000.00</u>
	<u>666,000.00</u>

Payment Schedule & Cashflow

12-Month Period ending	Principal	Payment Schedule		Interest	Payment Total	plus 5% Coverage
		Rate	Rate			
11/7/2022						
2/1/2024	93,000	4.120%	26,779	119,779	125,768	125,768
2/1/2025	102,000	4.120%	17,881	119,881	125,875	125,875
2/1/2026	106,000	4.120%	13,678	119,678	125,662	125,662
2/1/2027	111,000	4.120%	9,311	120,311	126,327	126,327
2/1/2028	115,000	4.120%	4,738	119,738	125,725	125,725
2/1/2029	-	4.120%	-	-	-	-
2/1/2030	-	4.120%	-	-	-	-
2/1/2031	-	4.120%	-	-	-	-
2/1/2032	-	4.120%	-	-	-	-
2/1/2033	-	4.120%	-	-	-	-
2/1/2034	-	4.120%	-	-	-	-
2/1/2035	-	4.120%	-	-	-	-
2/1/2036	-	4.120%	-	-	-	-
2/1/2037	-	4.120%	-	-	-	-
2/1/2038	-	4.120%	-	-	-	-
2/1/2039	-	4.120%	-	-	-	-
2/1/2040	-	4.120%	-	-	-	-
2/1/2041	-	4.120%	-	-	-	-
2/1/2042	-	4.120%	-	-	-	-
2/1/2043	-	4.120%	-	-	-	-
	<u>527,000</u>		<u>72,387</u>	<u>599,387</u>	<u>629,356</u>	<u>629,356</u>

Collection Year	Pledged Revenues		Account Balances Surplus (deficit)	Account Balance
	Tax	Levies		
2023	-	125,768	-	-
2024	-	125,875	-	-
2025	-	125,662	-	-
2026	-	126,327	-	-
2027	-	125,725	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
	-	<u>629,356</u>	-	-

City of Pequot Lakes, Minnesota
\$0
General Obligation Revenue Bonds, Series 2020A

BOND PAYMENT SCHEDULE

Paying Agent: City Administrator/Clerk-Treasurer

Day	Principal	Interest Rates	Semi-annual Interest	Semi-Annual Payment	Payment Notation
November 7, 2022					
August 1, 2023			92,724.72	92,724.72	
February 1, 2024	167,000	4.12%	63,221.40	230,221.40	
August 1, 2024			59,781.20	59,781.20	
February 1, 2025	204,000	4.12%	59,781.20	263,781.20	
August 1, 2025			55,578.80	55,578.80	
February 1, 2026	213,000	4.12%	55,578.80	268,578.80	
August 1, 2026			51,191.00	51,191.00	
February 1, 2027	222,000	4.12%	51,191.00	273,191.00	
August 1, 2027			46,617.80	46,617.80	
February 1, 2028	231,000	4.12%	46,617.80	277,617.80	
August 1, 2028			41,859.20	41,859.20	
February 1, 2029	121,000	4.12%	41,859.20	162,859.20	
August 1, 2029			39,366.60	39,366.60	
February 1, 2030	126,000	4.12%	39,366.60	165,366.60	
August 1, 2030			36,771.00	36,771.00	
February 1, 2031	131,000	4.12%	36,771.00	167,771.00	
August 1, 2031			34,072.40	34,072.40	
February 1, 2032	136,000	4.12%	34,072.40	170,072.40	
August 1, 2032			31,270.80	31,270.80	
February 1, 2033	142,000	4.12%	31,270.80	173,270.80	
August 1, 2033			28,345.60	28,345.60	
February 1, 2034	147,000	4.12%	28,345.60	175,345.60	
August 1, 2034			25,317.40	25,317.40	
February 1, 2035	154,000	4.12%	25,317.40	179,317.40	
August 1, 2035			22,145.00	22,145.00	
February 1, 2036	160,000	4.12%	22,145.00	182,145.00	
August 1, 2036			18,849.00	18,849.00	
February 1, 2037	167,000	4.12%	18,849.00	185,849.00	
August 1, 2037			15,408.80	15,408.80	
February 1, 2038	174,000	4.12%	15,408.80	189,409	
August 1, 2038			11,824.40	11,824	
February 1, 2039	106,000	4.12%	11,824.40	117,824	
August 1, 2039			9,640.80	9,641	
February 1, 2040	110,000	4.12%	9,640.80	119,641	
August 1, 2040			7,374.80	7,375	
February 1, 2041	115,000	4.12%	7,374.80	122,375	
August 1, 2041			5,005.80	5,006	
February 1, 2042	119,000	4.12%	5,005.80	124,006	
August 1, 2042			2,554.40	2,554	
February 1, 2043	124,000	4.12%	2,554.40	126,554	
	3,069,000		1,241,895.72	4,310,895.72	

Call Option: 1% penalty if c at par
Bonds Dated: 11/7/2022

This payment schedule assumes no bonds are redeemed early. Refunds, if they are done, will alter this payment schedule. David Drown Associates, Inc. (612-920-3320) is available at any time to review the feasibility of refunding this issue.

DISTRIBUTION LIST

City of Crosslake, Minnesota

\$3,069,000

General Obligation Bonds, Series 2022A

Issuer:	City of Crosslake 13888 Daggett Bay Road Crosslake, MN 56442 218-692-2688 fax 218-692-2687 Tax ID #: 41-6005624	
	Mike Lyonais, City Administrator/Treasurer Charlene Nelson, City Clerk	mlyonais@crosslake.net cityclerk@crosslake.net
Municipal Advisor:	David Drown Associates, Inc. 5029 Upton Avenue South Minneapolis, MN 55410 612-920-3320 fax: 612-605-2375	
	Jason Murray, Associate 612-920-3320x110 cell: 320-760-0722 Sue Goodspeed, closing coordinator	jason@daviddrown.com sue@daviddrown.com
Bond Counsel:	Taft Stettinius & Hollister LLP 2200 IDS Center 80 South Eighth Street Minneapolis, MN 55402 612-977-8185 fax 612-977-8650	
	Mary Ippel, Counsel Mary Webster, Paralegal	mippel@taftlaw.com mwebster@taftlaw.com
Purchaser:	Truist 214 N. Tryon Street, 19 th Floor Charlotte, North Carolina 28202 704-526-4540 fax: 704-954-1799	
	William B. DaSilva, Director, Gov't Finance Jack Yeager, Vice President, Gov't Finance	William.DaSilva@truist.com james.yeager@truist.com
Purchaser's Counsel:	Ballard Spahr LLP 2000 IDS Center, 80 South 8 th Street Minneapolis, MN 55402-2119 612-371-6223	
	Ben Johnson, Counsel Leslie Lundeen, Paralegal	johnsonbw@ballardspahr.com lundeenl@ballardspahr.com
Placement Agent:	Robert W Baird & Co., Inc. Baird Public Finance 7755 3rd Street North, Suite 400 Saint Paul, MN 55128 651-426-8533	
	Paul Donna, Managing Director Katie Morrow, Public Finance Coordinator	pdonna@rwbaird.com kmorrow@rwbaird.com
Pay Agent/Registrar:	City of Crosslake	

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:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. _____

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:

DATE OF REGISTRATION	REGISTERED OWNER	SIGNATURE OF REGISTRAR (CITY ADMINISTRATOR- TREASURER)
November 7, 2022	Truist Bank 5130 Parkway Plaza Boulevard Charlotte, NC 28217	[do not sign]

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 \$0-0 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- 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- 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>
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 _____ and, after a full discussion thereof and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

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

