

**July 8, 2019  
Regular Meeting**

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Halstad was duly called and held at the Halstad Telephone Company Meeting Room in said City on July 8, 2019 at 5:15 pm.

Mayor Lori DeLong called the regular meeting to order at 5:16 p.m.

The following council members were present: Veronica Dye and Jeremy Melting

The following council members were absent: Darin Johnson and Brandon Mickelson

Others in attendance: Wayne Cameron, Jon Pauna (Moore Engineering), Andrea Weleski (MnDOT), Cynthia Julin, Dr. Joy Hollingshead and Jim Suda, Michael Trigg

Motion by Veronica Dye and second by Jeremy Melting to approve the agenda as presented. Motion carried.

Motion by Jeremy Melting and second by Lori DeLong to approve the minutes from the regular meeting held on June 10, 2019 and special meeting held on June 12, 2019. Motion carried.

Individuals present for the public forum: Wayne Cameron was wondering where Wimmer Home residents go in times of severe weather.

Motion by Jeremy Melting and second by Lori DeLong to approve the consent agenda as presented. Motion carried. The following items were on the consent agenda:

- a. Monthly claims for June 2019
- b. General checking bank reconciliation for June 2019

Jon Pauna, Moore Engineering, provided an update on the status of the city road resurface project. Contractor will be working on concrete removals in July and will begin milling and paving the end of August. Contracts were signed with R.J. Zavoral & Sons, Inc.

An update on the Hwy 75 Urban Reconstruction Project was provided by Andrea Weleski (MnDOT). Phase one is almost complete. Encountered a slight delay with the road raise requirements, but now almost on schedule.

Phone call with Jason Murray (David Drowns Associates) who spoke about the general obligation note process and the City's next steps to receive the funding. The City was approved for a note through the MN Rural Water Association. Interest rates had dropped since initial projections and due to the delay in funding, the City does not require any capitalized interest. City will receive funds on August 1, 2019.

Motion by Veronica Dye and second by Jeremy Melting to approve the following resolution:

**RESOLUTION NO. 2019-07-08A**

**RESOLUTION APPROVING  
PROPERTY TAX ABATEMENT FOR CERTAIN PROPERTY  
LOCATED IN THE CITY OF HALSTAD**

BE IT RESOLVED By the City Council (the "Council") of the City of Halstad, Norman County, Minnesota (the "City") as follows:

Section 1. Recitals.

1.01. The City proposes to finance certain public infrastructure improvements, including the reconstruction of Highway 75 and the Safe Routes to School Project (the "Project"). The City proposes to use abatement for the purposes provided for in Minnesota Statutes, Sections 469.1812 through 469.1815, as amended (the "Act"). The proposed term of the abatement will be for up to 15 years in an amount not to exceed \$360,000. The abatement will apply to the City's share of the property taxes (the "Abatement") derived from the property described by property identification numbers on the attached Exhibit A (the "Abatement Property").

1.02. On March 11, 2019, this Council conducted a duly noticed public hearing on the Abatement at which the views of all interested persons were heard, and said hearing was preceded by at least 10 days but not more than 30 days prior published notice.

1.03 The Abatement is authorized under the Act.

Section 2. Findings.

2.01. This Council finds and determines that the benefits to the City from the Abatement will be at least equal to the costs to the City of the Abatement because (a) the Abatement will help develop and provide routes for walking and bicycling safely to school for residents of the political subdivision, and (b) the Project will increase or preserve the tax base.

2.02. This Council finds and determines that the Abatement is in the public interest and confers public benefits for the reasons described in Section 2.01 hereof and because it will finance public infrastructure.

2.03. The Abatement Property will not be located in a tax increment financing district during the term of the Abatement.

2.04. In accordance with Section 469.1813, Subdivision 8 of the Act, in no year shall the Abatement, together with all other abatements approved by the City under the Act and paid in that year, exceed the greater of 10% of the City's net tax capacity for the taxes payable year to which the Abatement applies or \$200,000.

Section 3. Actions Ratified; Abatement Approved.

3.01. This Council ratifies all actions of the City's staff and consultants in arranging for approval of this Resolution in accordance with the Act.

3.02. Subject to the provisions of the Act, the Abatement is approved and adopted subject to the following terms and conditions:

- (a) The Abatement shall be up to 15 years commencing with real estate taxes payable in 2020 and continuing through 2035, inclusive.
- (b) The aggregate Abatement paid by the City shall not exceed \$360,000.
- (c) The Abatement shall at all times be subject to the Act.
- (d) In accordance with Section 469.1815 of the Act, the City will add to its levy in each year during the term of the Abatement the total estimated amount of current year Abatement granted under this Resolution.

3.03. The Mayor and the City Clerk-Treasurer are authorized and directed to execute and deliver any agreements, certificates or other documents that the City determines are necessary to implement this Resolution.

Upon a roll call vote, the following voted aye: Veronica Dye, Jeremy Melting, and Lori DeLong. The following voted nay: none. Motion carried.

Motion by Jeremy Melting and second by Lori DeLong to approve the following resolution:

**RESOLUTION NO. 2019-07-08B**

**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF A \$1,349,000 GENERAL OBLIGATION NOTE, SERIES 2019A AND AWARDED THE SALE THEREOF**

BE IT RESOLVED, by the City Council of the City of Halstad, Norman County, Minnesota (the "Issuer"), as follows:

Section 1. Note Purpose, Authorization, and Award.

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

B. Pursuant to authority contained in Minnesota Statutes, Chapters 429, 469 and 475, the City Council directs the issuance and sale of a \$1,349,000 General Obligation Note, Series 2019A of the Issuer dated as of the date of closing and delivery thereof (the "Note"), for the purpose of financing (i) a portion of the costs of local public improvements, including improvements to Issuer's mill and overlay, as described in Minnesota Statutes, Chapter 429 (the "Improvement Project"); (ii) public infrastructure improvements, including the reconstruction of Highway 75 and the Safe Routes to School project (the "Abatement Project"); (iii) a part of the interest cost of the Note; and (iv) a part of the issuance costs of the Note. (The Improvement Project and the Abatement Project are collectively referred to as the "Projects.") The Improvement Project is ordered as required by Minnesota Statutes, Section 429.091, Subdivision 1.

C. The portion of the Note to be used to finance the Improvement Project, along with a *pro rata* portion of the costs of issuance of the Note is referred to herein as the "Improvement Portion." The portion of the Note to be used to finance the Abatement Project, along with a *pro rata* portion of the costs of issuance of the Note is referred to herein as the "Abatement Portion."

D. The principal of and interest on the Note shall be paid: (i) with respect to the Improvement Portion, from (a) special assessments levied upon property specially benefitted by the Improvement Project (the "Special Assessments") and

(b) from ad valorem taxes hereinafter levied in this Resolution (the "Taxes"); and (ii) with respect to the Abatement Portion, from an Abatement (defined below) of taxes of the properties described below and a portion of the Taxes (the Special Assessments, Taxes and Abatement are collectively referred to as the "Pledged Revenues").

E. The Note shall provide funds to finance the Projects. The total cost of the Projects, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the amount of the Note. Work on the Projects shall proceed with due diligence to completion. The Issuer covenants that it shall do all things and perform all acts required of it to assure that work on the Projects proceed with due diligence to completion and that any and all permits and studies required under law for the Projects are obtained.

1.02 Abatement Recitals.

A. The Issuer has previously granted a property tax abatement (the "Abatement") in order to help finance the Abatement Project, all pursuant to the Act.

B. The Issuer has identified the property described on Exhibit A hereto (the "Abatement Properties") from which the Issuer proposes to abate a portion of the Issuer's share of taxes to help finance the Abatement Project, subject to the terms and conditions of this resolution.

C. The Abatement Properties are not within a tax increment financing district.

D. On March 11, 2019, the City Council held a public hearing on the Abatement, at which all those wishing to speak were heard.

E. The Abatement has been approved.

F. The amount of the Abatement is equal to the part of the property tax amount payable to the Issuer on the Abatement Properties during the term of the Abatement, which is presently estimated to be not less than \$360,000. The total amount of property taxes abated by the Issuer in any year does not exceed the greater of (1) ten percent of the net tax capacity, or (2) \$200,000.

1.03 Municipal Advisor. The Issuer has retained the services of David Drown Associates, as its municipal advisor.

1.04 Award of Sale. The Issuer has received a proposal for a loan to be evidenced by the Note from First Independent Bank, located in Russell, Minnesota (the "Lender"), in the amount of \$1,349,000, plus accrued interest to the date of delivery of the Note, upon the condition that the Note matures and bears interest at the times and rate set forth in Section 2. The Issuer, after due consideration, finds such offer reasonable and proper and the offer of the Lender is accepted. All actions of the Mayor and Clerk-Treasurer taken with regard to the sale of the Note are ratified and approved.

Section 2. Terms of the Note.

2.01 Date and Maturities. The Note shall be dated the date of its closing and delivery as the date of original issue, shall be issued in the denomination equal to the principal amount thereof, shall be issued in fully registered form and lettered and numbered R-1. The Note shall bear interest at the annual rate of 2.80 percent and shall mature on the dates and in the installment amounts shown below:

Year	Improvement Portion	Abatement Portion	Total Amount
2/1/2021	\$42,000	\$15,000	\$57,000
2/1/2022	\$57,000	\$20,000	\$77,000
2/1/2023	\$58,000	\$21,000	\$79,000
2/1/2024	\$59,000	\$22,000	\$81,000
2/1/2025	\$61,000	\$22,000	\$83,000
2/1/2026	\$62,000	\$23,000	\$85,000
2/1/2027	\$65,000	\$24,000	\$89,000
2/1/2028	\$66,000	\$24,000	\$90,000
2/1/2029	\$68,000	\$25,000	\$93,000
2/1/2030	\$70,000	\$25,000	\$95,000
2/1/2031	\$72,000	\$26,000	\$98,000
2/1/2032	\$74,000	\$27,000	\$101,000
2/1/2033	\$76,000	\$28,000	\$104,000
2/1/2034	\$78,000	\$29,000	\$107,000
2/1/2035	\$81,000	\$29,000	\$110,000

2.02 Prepayment. The Note will be subject to prepayment, in whole or in part, at the discretion of the Issuer on February 1, 2029, or any date thereafter, at par plus accrued interest to the date of prepayment.

2.03 Interest Payment Dates. A. The interest on the Note shall be payable semiannually on February 1 and August 1 of each year (each referred to herein as an "Interest Payment Date") commencing on August 1, 2020. Interest will be computed upon the basis of a 360-day year of twelve 30-day months.

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

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

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

2.05 Registrar. The Issuer hereby appoints the Clerk-Treasurer, as registrar, authenticating agent, paying agent and transfer agent for the Note (the "Registrar"). The Issuer reserves the right to name a substitute, successor Registrar upon giving prompt written notice to each registered bond holder.

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

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

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

2.09 Delivery. Delivery of the Note and payment of the purchase price shall be made at a place mutually satisfactory to the Issuer and the Lender. A typewritten and executed Note shall be furnished by the Issuer without cost to the Lender. The Note, when prepared in accordance with this resolution and executed, shall be delivered by or under the direction of the Clerk-Treasurer to the Lender upon receipt of the purchase price plus accrued interest.

Section 3. Form of the Note.

3.01 The Note shall be printed or typewritten in substantially the following form:

UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
COUNTY OF NORMAN

R-1 \$1,349,000

CITY OF HALSTAD  
GENERAL OBLIGATION NOTE, SERIES 2019A

<u>Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>
2.80%	February 1, 2035	August 1, 2019

REGISTERED OWNER: FIRST INDEPENDENT BANK

PRINCIPAL AMOUNT: ONE MILLION THREE HUNDRED FORTY-NINE THOUSAND DOLLARS

The City of Halstad, Norman County, Minnesota (the "Issuer"), for value received, promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, and to pay interest on said principal amount to the registered owner hereof from the date of original issue set forth above, or from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for, until the principal amount is paid, said interest being at the rate per annum specified above.

Interest is payable semiannually on February 1 and August 1 of each year (each referred to herein as an "Interest Payment Date") commencing on August 1, 2020. This Note is payable in the principal installment amounts and at the times described below. Payments shall be applied first to interest due on the outstanding principal balance and thereafter to reduction of the principal balance.

The principal amount of this Note shall mature on the dates and in the installment amounts shown below:

Year	Improvement Portion	Abatement Portion	Total Amount
2/1/2021	\$42,000	\$15,000	\$57,000
2/1/2022	\$57,000	\$20,000	\$77,000
2/1/2023	\$58,000	\$21,000	\$79,000
2/1/2024	\$59,000	\$22,000	\$81,000
2/1/2025	\$61,000	\$22,000	\$83,000
2/1/2026	\$62,000	\$23,000	\$85,000
2/1/2027	\$65,000	\$24,000	\$89,000
2/1/2028	\$66,000	\$24,000	\$90,000
2/1/2029	\$68,000	\$25,000	\$93,000
2/1/2030	\$70,000	\$25,000	\$95,000
2/1/2031	\$72,000	\$26,000	\$98,000
2/1/2032	\$74,000	\$27,000	\$101,000
2/1/2033	\$76,000	\$28,000	\$104,000
2/1/2034	\$78,000	\$29,000	\$107,000
2/1/2035	\$81,000	\$29,000	\$110,000

Both principal hereof and interest hereon are payable in lawful money of the United States of America by check or draft at the main office of the Clerk-Treasurer, as registrar, authenticating agent, paying agent and transfer agent (the "Registrar"), or at the office of such successor Registrar as may be designated by the governing body of the Issuer. The Registrar shall make all payments with respect to this Note directly to the registered owner hereof shown on the Note registration records maintained on behalf of the Issuer by the Registrar at the close of business on the 15th day of the month next preceding the Interest Payment Date (whether or not a business day) at such owners' addresses shown on said Note registration records, without, except for final payment of principal of this Note, the presentation or surrender of this Note, and all such payments shall discharge the obligation of the Issuer to the extent of the payments so made. The final payment of principal of this Note shall be made upon presentation and surrender of this Note to the Registrar when due.

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

The Note comprises the entire amount of this series issued by the Issuer in the total aggregate amount of \$1,349,000, pursuant to: (i) the authority contained in Minnesota Statutes, Chapters 429, 469 and 475; (ii) the Constitution of the State of Minnesota and all other laws thereunto enabling; and (iii) an authorizing resolution adopted by the governing body of the Issuer on July 8, 2019 (the "Resolution"). The Note is issued for the purpose of financing (i) a portion of the costs of local public improvements, including improvements to Issuer's mill and overlay, as described in Minnesota Statutes, Chapter 429 (the "Improvement Portion"); (ii) public infrastructure improvements, including the reconstruction of Highway 75 and the Safe Routes to School project (the "Abatement Portion"). The principal of and interest on the Note shall be paid: (i) with respect to the Improvement Portion, from special assessments levied upon property specially benefitted by the Improvement Project and ad valorem taxes; and (ii) with respect to the Abatement Portion, from an abatement of taxes, pursuant to Minnesota Statutes, Sections 469.1812 to 469.1815, imposed by the Issuer on certain property and a portion of the Taxes, as set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred.

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

The Note will be subject to prepayment, in whole or in part, at the discretion of the Issuer on February 1, 2029, or any date thereafter, at par plus accrued interest to the date of prepayment.

The Note constitutes a general obligation of the Issuer, and to provide moneys for the prompt and full payment of the principal and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are irrevocably pledged.

The Issuer will, at the request of the registered owner, issue one new fully registered note in the name of the registered owner in the aggregate principal amount equal to the unpaid principal balance of this Note, of like tenor except as to number and principal amount. This Note is transferable by the registered owner hereof upon surrender of this Note for transfer at the principal corporate office of the Registrar, duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Registrar and executed by the registered owner hereof or the owner's attorney duly authorized in writing. Thereupon the Issuer shall execute and the Registrar shall authenticate, if required by law or the Resolution, and deliver, in exchange for this Note, one new fully registered note in the name of the transferee, in an aggregate principal amount equal to the unpaid principal amount of this Note, of the same maturity, and bearing interest at the same rate. No service charge shall be made for any transfer or exchange hereinbefore referred to, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

IT IS CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to and in the issuance of this Note in order to make it a valid and binding general obligation of the Issuer enforceable in accordance with its terms, have been done, have happened and have been performed in regular and due form, time and manner as so required; that, if necessary for payment of principal of and interest on the Note of this issue, ad valorem taxes may be levied upon all taxable property in the Issuer without limitation as to rate or amount; and that the issuance of this Note on the date of original issue hereof and the date of its actual original issuance and delivery, does not exceed any charter, constitutional or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the City of Halstad, Norman County, Minnesota, by its governing body, has caused this Note to be executed in its name by the manual signature of the Mayor and attested by the manual signature of the Clerk-Treasurer, the Issuer having no seal or said seal having been intentionally omitted as permitted by law.

ATTEST:

(Form - No signature required)  
Clerk-Treasurer

(Form - No signature required)  
Mayor

**REGISTRATION CERTIFICATE**

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

<u>Date</u>	<u>Registered Owner</u>	<u>Signature of Clerk-Treasurer</u>
8/1/2019	First Independent Bank 300 Front Street P.O. Box 360 Russell, MN 56169 Federal Tax I.D. No.: 41-0680294	<u>(no signature required)</u>

**ASSIGNMENT**

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

\_\_\_\_\_  
\_\_\_\_\_  
(Name and Address of Assignee)

\_\_\_\_\_  
\_\_\_\_\_  
Social Security or Other  
Identifying Number of Assignee

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

Dated: \_\_\_\_\_

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

Signature Guaranteed:

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

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

Section 4. Covenants and Funds.

4.01 Improvement Covenants. A. The Issuer covenants and agrees with the holders of the Note and with its taxpayers as follows:

(i) It is determined that the Improvement Project will directly and indirectly benefit abutting property.

(ii) The Issuer has caused or will cause the Special Assessments to be promptly levied so that the first installment will be collectible not later than 2019 and will take all steps necessary to assure prompt collection, and the levy of the Special Assessments is authorized for purposes of Minnesota Statutes, Section 475.55, Subdivision 3. The City Council will cause all further actions and proceedings to be taken with due diligence that are required for the construction of each portion of the Improvement Project financed wholly or partly from the proceeds of the Note, and for the final and valid levy of the Special Assessments and the appropriation of any other funds needed to pay the Improvement Portion and interest thereon when due.

(iii) The Issuer will keep complete and accurate books and records showing: receipts and disbursements in connection with the Improvement Project and Special Assessments levied therefor and other funds appropriated for their payment, collections and disbursements thereof, moneys on hand and the balance of unpaid Special Assessments.

(iv) The Issuer covenants and agrees with the holders of the Note and with its taxpayers that it will assess against benefited property not less than 20% of the cost of the Improvement Project to the Issuer.

(v) The Issuer covenants and agrees that it will let all construction contracts not heretofore let within one year after ordering each portion of the Improvement Project unless the resolution ordering the Improvement Project specifies a different time limit for the letting of construction contracts.

(vi) The Issuer 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 Issuer or the City Council, or any of the Issuer officers or employees, either in the making of the Special Assessments or in the performance of any condition precedent thereto, the Issuer 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.

4.02 Tax Abatement Covenants. A. Notwithstanding anything in this resolution to the contrary, the Issuer warrants, represents and covenants that the Abatement will be spent only in accordance with this resolution. The Issuer further warrants, represents and covenants that unless otherwise provided in this resolution, the Abatement shall be

deposited, as received, in the Debt Service Account and shall only be spent for payment of the principal of and interest on the Note.

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

4.03 The Fund. There is created a special fund to be designated the "2019A General Obligation Note Fund" (the "Fund") to be administered and maintained by the Clerk-Treasurer as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Issuer. The Fund shall be maintained in the manner herein specified until the Note and the interest thereon have been fully paid. There shall be maintained in the Fund two separate accounts, to be designated the "Construction Account," and the "Debt Service Account," respectively:

A. Construction Account. On receipt of the purchase price of the Note, the Issuer shall credit proceeds from the sale of the Improvement Portion and Abatement Portion, less amounts allocated as capitalized interest funded from Note proceeds, if any (the "Capitalized Interest"); less amounts used to pay part of the interest cost of the issue as allowed by Section 475.56 of the Act (the "Additional Interest"); and less amounts allocated to accrued interest paid by the Lender upon closing and delivery of the Note (the "Accrued Interest"), to the Construction Account. Proceeds of the Note on deposit in the Construction Account shall be used to pay construction costs of the Project. Other costs for which payment from the Construction Account is authorized shall include costs of legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Note.

B. Debt Service Account. The Debt Service Account shall be maintained in the manner herein specified until all of the Note and the interest thereon have been fully paid:

(i) There is pledged and appropriated and there shall be credited to the Debt Service Account: (A) the Accrued Interest and surplus funds; (B) the Additional Interest; (C) the Capitalized Interest (if any); (D) for payment of the Abatement Portion, the Abatement received from the Abatement Properties pursuant to the *Resolution Approving Property Tax Abatement for Certain Property located in the City of Halstad*, adopted the date hereof, regarding the Abatement Properties; (E) for payment of the Improvement Portion, the Special Assessments levied or to be levied for the Improvement Project 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 Note or collected subsequent to the completion of the Improvement Project and payment of the costs thereof; (F) for payment of the Improvement Portion and the Abatement Portion, the Taxes; (G) all funds remaining in the Construction Account after completion of the Projects and payment of the costs thereof; (H) any and all other monies which are properly available and are appropriated by the governing body of the Issuer to the Debt Service Account; and (I) investment earnings on the monies identified in the foregoing clauses (A) through (H). The proceeds of the Note described in clauses (A) through (C) of the preceding sentence shall be used for payment of interest on the Note.

(ii) The money in such account shall be used for no purpose other than the payment of principal and interest and redemption premium, if any, on the Note and any other note of the Issuer hereafter issued by the Issuer and made payable from said account as provided by law; provided, however, that if any payment of principal or interest shall become due when there is not sufficient money in the Debt Service Account, the Clerk-Treasurer shall pay the same from any other fund of the Issuer, which fund shall be reimbursed from the Debt Service Account when the balance therein is sufficient.

4.04 Tax Levy. A. For the prompt and full payment of the principal and interest on the Note when due, the full faith and credit and taxing power of the Issuer are irrevocably pledged. There is levied a direct annual ad valorem tax upon all taxable property in the Issuer which shall be spread upon the tax rolls and collected with and as part of other general property taxes in the Issuer. Said levies are for the years and in the amounts set forth below:

<u>Levy Year</u>	<u>Collection Year</u>	<u>Improvement Portion</u>	<u>Abatement Portion</u>	<u>Total Amount</u>
2019	2020	\$59,260	\$6,644	\$65,904
2020	2021	\$59,237	\$7,143	\$66,380
2021	2022	\$58,611	\$7,605	\$66,216
2022	2023	\$57,956	\$8,038	\$65,994
2023	2024	\$58,322	\$7,391	\$65,712
2024	2025	\$57,578	\$7,794	\$65,372
2025	2026	\$58,905	\$8,168	\$67,073
2026	2027	\$58,044	\$7,462	\$65,507
2027	2028	\$58,204	\$7,807	\$66,011
2028	2029	\$58,305	\$7,072	\$65,376
2029	2030	\$58,347	\$7,387	\$65,733

<u>Levy Year</u>	<u>Collection Year</u>	<u>Improvement Portion</u>	<u>Abatement Portion</u>	<u>Total Amount</u>
2030	2031	\$58,330	\$7,672	\$66,002
2031	2032	\$58,254	\$7,928	\$66,183
2032	2033	\$58,120	\$8,155	\$66,275
2033	2034	\$58,977	\$7,303	\$66,279

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

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

4.05 Investments. Monies on deposit in the Construction Account and in the Debt Service Account may, at the discretion of the Clerk-Treasurer, be invested in securities permitted by Minnesota Statutes, Chapter 118A, that any such investments shall mature at such times and in such amounts as will permit for payment of project costs and/or payment of the principal and interest on the Note when due.

Section 5. Tax Covenants.

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

B. The Issuer covenants with the Holders from time to time of the Note that it will not take, or permit to be taken by any of its officers, employees or agents, any action which would cause the interest payable on the Note to become subject to taxation under the Internal Revenue Code; and that it will take, or it will cause its officers, employees or agents to take, all affirmative actions within its powers which may be necessary to insure that such interest will not become subject to taxation under the Code. The term "Internal Revenue Code" or "Code" as used herein includes the Internal Revenue Code of 1986, as amended, and all regulations, amended regulations and proposed regulations issued thereunder, as now existing, or as hereafter amended or proposed.

C. No portion of the proceeds of the Note shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (i) for a reasonable temporary period until such proceeds are needed for the purpose for which the Note were issued and (ii) in addition to the above in an amount not greater than the lesser of five percent (5%) of the proceeds of the Note or \$100,000. To this effect any proceeds of the Note and any sums from time to time held in the Debt Service Account (or any other Issuer account which will be used to pay principal or interest to become due on the Note payable therefrom) in excess of amounts which under then applicable federal arbitrage restrictions 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 those funds shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

5.02. Small-Issuer Rebate Exception. For purposes of qualifying for the small-issuer exception to the federal arbitrage rebate requirements, the Issuer finds, determines and declares:

- A. the Issuer is a governmental unit with general taxing powers;
  - B. the Note is not a "private activity bond" as defined in Section 141 of the Code;
  - C. 95% or more of the net proceeds of the Note are to be used for local governmental activities of the Issuer;
- and

D. the aggregate face amount of the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Note are issued is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

5.03. Bank Qualification. In order to qualify the Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code, the Issuer makes the following factual statements and representations:

- A. the Note is not a "private activity bond" as defined in Section 141 of the Code;
- B. the Issuer designates the Note as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code;
- C. the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the Issuer (and all entities whose obligations will be aggregated with those of the Issuer) during the calendar year in which the Note are being issued will not exceed \$10,000,000; and
- D. not more than \$10,000,000 of obligations issued by the Issuer during the calendar year in which the Note is being issued have been designated for purposes of Section 265(b)(3) of the Code.

Section 6. Certificates of Proceedings: Miscellaneous.

6.01 Filing of Resolution: County Auditor Certificate. The Clerk-Treasurer or designee is directed to file a copy of this Resolution in the office of the County Auditor, along with such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Note herein authorized have been duly entered on the Auditor's register and that the tax required by law for the payment of said Note has been levied.

6.02 Authentication of Transcript. The officers of the Issuer are authorized and directed to prepare and furnish to the Lender and to Bond Counsel certified copies of all proceedings and records of the Issuer relating to the authorization and issuance of the Note and to the financial condition and affairs of the Issuer and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Note as such facts appear from the official books and records of the officers' custody or otherwise known to them. All of such certified copies, certificates and affidavits, including any heretofore furnished, constitute representations of the Issuer as to the correctness of facts recited therein and the actions stated therein to have been taken.

6.03 Offering Materials. The Mayor and Clerk-Treasurer are hereby authorized and directed to certify that they have examined the Offering Circular prepared and circulated in connection with the issuance and sale of the Note and that to the best of their knowledge and belief the Offering Circular is a complete and accurate representation of the facts and representations made therein as of the date of the Offering Circular.

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

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

Section 8. Post-Issuance Compliance Policy and Procedures. The City Council has been provided with a Post-Issuance Compliance Policy and Procedures which shall apply to qualifying obligations to provide for compliance with all applicable federal regulations for tax-exempt obligations or tax-advantaged obligations (collectively, the "Policy and Procedures"). The City Council hereby approves the Policy and Procedures which have been presented to the City Council. The Clerk-Treasurer is designated to be responsible for post-issuance compliance in accordance with the Policy and Procedures.

Upon a roll call vote, the following voted aye: Jeremy Melting, Lori DeLong, and Veronica Dye. The following voted nay: none. Motion carried.

Discussion ensued regarding the TIF District No. 2. no longer collecting property taxes. Dr. Joy Hollingshead was in attendance for the meeting, along with her husband Jim Suda. They had various questions and concerns; specifically what the TIF funds were used for and why the balance is larger than their initial request of \$150,000. They were unaware that they would be responsible for repaying these funds. Mayor DeLong indicated that their decision to sell to a non-profit has had a negative impact on the City financially. Clerk Dye will research to see if any documentation exists on the exact City expenditures from when the TIF was first created. No action.

Planning Committee Chair Mike Trigg was present to provide an update on the newly formed Planning Committee. Danielle Harless is the Vice Chair; Lori Rufsvold is the Secretary; Jeremy Melting is City Council representative; and Jackie Arneson is the remaining at large member. This Committee will meet on the 2nd Tuesday of each month. This Committee is currently working on a comprehensive plan for the City. The Committee will also work on various zoning projects and provide planning for City needs.

Motion by Veronica Dye to approve the zoning application from John Hinkley for a new commercial building to house a grocery store and hardware store near the Southwest corner of Hwy 75 and Hwy 200; due to the size and complexity of funding for the building the zoning permit will be conditional upon property ownership. Second by Lori DeLong. Motion carried.

Councilmember Darin Johnson arrived.

Mayor DeLong closed the meeting at 6:47 p.m. to discuss confidential litigation strategy with the City's Attorney Cynthia Julin under state statute 13D.05, subd. 3(b).

Closed meeting ended and regular meeting resumed by Mayor Lori DeLong at 7:08 p.m.

Update was provided on recent letters received from FEMA regarding the new flood rate maps and actions the City must take. Clerk Dye will be working with Ceil Strauss from the DNR on making sure the City is in compliance with required floodplain management regulations

Lori DeLong moved to approve the land purchase proposal from Emily Finney; an additional 20 feet north of their current property line (parcel 28-3557005) to add a larger garage to their property for \$15 per foot (\$300); conditional upon a new zoning application and all legal fees paid for by purchaser. The adjacent lot would still be 121 feet. Seconded by Darin Johnson. Motion carried with Jeremy Melting abstaining from vote.

Discussion ensued regarding the upcoming meeting at the former High School building regarding the building and grounds to be held on July 16, 2019. City is currently interested in the green space and someone will attend the meeting for more information.

Department reports were provided for the Sunrise Apartments, Wimmer Homes, and Utilities. No action.

Motion by Lori DeLong to adjourn at 7:58 p.m. and second by Darin Johnson. Motion carried. The next regular meeting of the City Council will be Monday, August 12, 2019 at 5:15 pm.

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Veronica L. Dye, Clerk/Treasurer