

Mountain Lake City Council
Regular Council Meeting
Mountain Lake City Hall
Monday, Aug. 3 2015
6:30 p.m.

AGENDA

1. Meeting called to order by Mayor Mike Nelson
 - * Further information on agenda item is attached
2. Approval of Agenda and Consent Agenda
 - a. Bills: Check #'s will be provided prior to the meeting
 - b. Approval of Payroll Checks #'s 61925-961940
 - c. Approval of July 20 Council Minutes*(1-5)
 - d. Adoption of Resolutions #20-15, #21-15 & #22-15 *Attaching Private Sewer Line Replacement Costs*(6-8)*
3. Public – A total of ten (10) minutes is allotted for individuals to briefly discuss a topic of concern with the Council.
4. 2015A G. O. Refunding Bonds, Rusty Fifield, Northland Securities
 - a. Standard & Poor's Rating*(9-13a)
 - b. Bond Sale Summary*(14-15)
 - c. Resolution #23-15 *Providing for the Issuance and Sale of \$885,000 General Obligation Refunding Bonds, Series 2015A, Pledging for the Security Thereof Net Revenues and Special and Assessments and Levying a Tax for the Payment thereof*(16-44)*
5. Public Nuisance, 1701 3rd Ave.
6. 2015 Budget Review – separate packet
7. 2016 Budget Discussion
 - a. Small Cities Assistance *(43-44)
 - b. Street Lights*(44-44)
 - c. Copier
 - d. Other
8. Administrator
 - a. Mt. Lake Public School Pool – 2nd Quarter*(46-47)
9. Adjourn

DRAFT
Mountain Lake City Council
Regular Council Meeting
Mountain Lake City Hall
Monday, July 20, 2015
6:30 p.m.

Members Present: Mike Nelson, Darla Kruser, Dana Kass, David Savage, Andrew Ysker

Members Absent: None

Staff Present: Wendy Meyer, Clerk/Administrator; Maryellen Suhrhoff, City Attorney; Doug Bristol, Chief of Police; Rob Anderson, EDA Director; Brian Janzen, Fire Chief

Others Present: Cheryl Hiebert, Observer/Advocate; Rusty Fifield, Jessica Green, Northland Securities; Mark Hanson, Jerry Haberman, Steve Syverson, Vern Peterson, Economic Development Authority (EDA) Board Members; Clara Johnson, EDA Board Advisory Member; Tom Appel, Cottonwood County Commissioner; Clifford Netsch; Shirley Netsch; Cassandra Harder; Diane Harder; Betty Lou Ratzloff; Linda Heltemes; Curt Fast; Adam Sayles, Brian Dodge, Kelly Nelson

Call to Order

Mayor Nelson called the meeting to order at 6:30 p.m.

Agenda and Consent Agenda

Motion by Kass, seconded by Kruser, to add 6e. 1701 3rd Ave. to the agenda. Motion carried unanimously. Clifford and Shirley Netsch discussed the attachment of a renter's unpaid utility bill to the property taxes of one of their properties. Motion by Ysker, seconded by Savage, to approve the consent agenda as presented and adopt the agenda as amended. Motion carried unanimously.

Bills: Check #'s 9917607 – 9917682, E395, E396, E397

Payroll Checks #61906 - 61924

July 6 Council Minutes

June 5 EDA Minutes

June 8 Lake Commission Minutes

June 10 Library Board Minutes, June Library Report and June Expenditures

June 11 Utility Commission Minutes

June 18 Police Commission Minutes

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Resolution #19-15 *Certification of Unpaid Utility Charges*

Public

No one addressed the council during this portion of the meeting.

Tax Increment Financing (TIF) District #1-8, (Downtown) Redevelopment Public Hearing

Mayor Nelson opened the public hearing at 6:55 p.m. The EDA intends to redevelop properties Parcel Identification Number 22.520.1020, 20.520.1000, 22.520.0990 and 22.520.1010 in downtown Mt. Lake by demolishing the existing buildings and constructing a new building.

Rusty Fifield, Northland Securities, explained that the council was only being asked to establish a TIF district. The TIF district is a tool that the EDA could use to recoup the costs of acquiring the properties and demolishing the existing buildings. Working with a private developer, or selling TIF bonds to fund construction would be determined at future meetings.

Adam Sayles asked if the four property owners could opt-out of the purchase agreements. He also asked for a public vote on the project. There is a private investor interested in rehabilitating the existing buildings. The buildings are historic. The costs of demolition and removal of any hazardous waste could be avoided with rehab.

Curt Fast stated he wanted to see the four properties rehabilitated and not demolished and replaced. Prospective business owners have expressed an interest in purchasing individual buildings and rehabilitating them themselves.

Adam Sayles again requested a public vote.

Diane Harder spoke in support of keeping the existing buildings and remodeling them.

Cassandra Harder stated that a new building would have rents not affordable for prospective business owners.

Diane Harder questioned the ability of the city to assume more debt.

Rusty Fifield explained that the city's debt limit is higher than average but the city continues to have the ability to bond.

Adam Sayles expressed concern about the debt and the impact on property taxes if the TIF increment and leases are insufficient for bond payments.

Cassandra Harder asked that other options beside demolition and construction be considered.

David Savage noted that the existing structures were found to be in sub-standard condition by the city's building official. The estimated cost to correct code deficiencies is \$560,000.

Adam Sayles said that Curt Fast would rehab the four structures for \$250,000.

Diane Harder asked if some of the existing structures could be saved and others demolished.

Mike Nelson said that the closing for the four parcels would be held on Tues. July 21. Turning the redevelopment project over to a private developer is a possibility. The TIF district should be established and in place for whatever happens. Two of the buildings have not been

used for years; the buildings on 10th St. have deteriorating for years. There was no interest in them until the EDA took steps to acquire and redevelop them.

Rusty Fifield reminded those present that the creation of the TIF district would give the EDA a tool to fund only acquisition and demolition, and the clean-up of any pollution on the premises.

Darla Kruser reminded those present that the creation of the TIF district was the only item being acted upon at the council meeting. The details of the project would be determined at future EDA and city council meetings.

Rusty Fifield stated that in his professional experience hazardous waste clean-ups require some governmental assistance.

Adam Sayles said that at least one property owner no longer wants to sell their property to the EDA. The property owners were not required by the purchase agreement to sell their property to the city.

City Attorney Maryellen Suhrhoff explained that the purchase agreement was a legally binding contract and the city could take action against the owners if the sales were not completed.

Cassandra Harder asked the council to wait to establish the TIF district until private development and ownership had been explored.

Mike Nelson explained establishing the TIF district did not prevent the EDA from working with a private developer or rehabbing the existing structures. The EDA could sell all four properties to a private developer if there was a work plan and timetable.

Diane Harder asked if the EDA would sell the properties at a profit.

Mark Hanson said that the EDA would want to recoup their costs. It is the EDA's mission to assist businesses and create jobs. The EDA met earlier in the day and took action recommending the council approve the creation of TIF District #1-8. The details of the redevelopment project would be worked out at future EDA board meetings. He invited potential developers to attend EDA meetings.

Cheryl Hiebert encouraged the two sides of the discussion to work together.

Diane Harder agreed.

Vern Peterson asked if TIF could be used by a private developer or for rehab.

Rusty Fifield said that TIF can be used by a private developer. Rehabilitation generally does not raise property values enough to generate an increment sufficient to cover rehab costs so use of TIF in rehab project is limited.

David Savage said that the council was being asked to establish the TIF district. On Tuesday the purchases would occur and then the EDA should consider private developer proposals.

Steve Syverson reminded the group that the Phase I Environmental Study had been completed and had triggered the need for a Phase II study; Phase II has not been started. The results of the study could have an effect on the redevelopment project.

Andy Ysker said the clean-up costs need to be known before the project can move ahead.

Curt Fast asked if the EDA would consider selling 322 10th St. PIN 22.520.0990.

Mike Nelson responded that the decision to sell any property would be determined by the EDA at a later date.

Sharron Hanson discussed the current conditions and estimated costs to repair that building.

Mark Hanson asked to the council to approve the district and encouraged those interested in the project to attend an EDA meeting to discuss their ideas.

The public hearing was closed at 7:45 p.m. Motion by Savage, seconded by Kass, to adopt Resolution #18-15 Approving Modified Redevelopment Project #1 & Establishing TIF District #1-8 within Redevelopment Project #1 and Approving the adoption of the Modified Redevelopment Plan and the TIF Plan. Motion carried unanimously.

Public Nuisance- 736 9th St. N.

Several nuisances have appeared on the property.

Public Nuisance - 1406 3rd Ave.

Photographs of the property taken in the earlier in the day and the progress of clean-up were reviewed. Motion by Savage, seconded by Kass, to waive the fine. Motion carried unanimously.

Public Nuisance – 1701 3rd Ave.

The property owner had not been notified. The matter was tabled to the August 3 council meeting.

805 Basinger Memorial Dr.

A well was discovered on the property. The owner was notified but has not taken action to seal it. Motion by Kruser, seconded by Ysker, directing the Clerk/Administrator to have the well sealed. Motion carried unanimously.

Demolition of 412 7th St

Motion by Kass, seconded by Savage, to award the bid to Lohrenz Construction at a cost of \$8,750. Motion carried unanimously.

Adoption of the Mt. Lake Active Living Plan

Project rankings were discussed. Motion by Ysker, seconded by Kass, to adopt the plan. Motion carried unanimously.

Statewide Health Improvement Plan (SHIP) Grant Award

Items to be funded by the grant were reviewed. Motion by Kass, seconded by Kruser, to accept the \$8,000 grant award. Motion carried unanimously.

Fire Department Personnel Matter

Nelson closed the public meeting at 8:10 p.m. for a personnel matter. The closed meeting was closed at 8:15 p.m. Motion by Kass, seconded by Ysker, to dismiss Jamie Boldt from the Mt. Lake Fire Dept. Motion carried unanimously.

2015A Refunding Bonds

The reserves in several debt service funds were reviewed. Motion by Kruser, seconded by Ysker to use \$120,000 in the 2009A fund to reduce the size of the 2015 refunding bonds. Motion carried unanimously.

Sale of PIN 22.290.0010

Motion by Ysker, seconded by Savage to sell the parcel to Calvin Rempel for \$5. Motion carried unanimously.

Police Officer Opening Update

Interviews were held July 11 and the position has been offered to one of the candidates. Psychological testing and background checking are underway.

2016 Capital Improvement Plan Adoption

The plan has been reviewed by department heads. Staff is requesting that the Public Works dump truck purchased be moved from 2018 to sometime during the years 2016 to 2018 depending upon the availability of funding. Motion by Savage, seconded by Kass, to adopt the plan including the change requested by Public Works. Motion carried unanimously.

Expansion of the Small Cities Development Program (SCDP) Housing Rehabilitation Grant

The target area for the grant now includes the entire city. A flyer notifying the public of the change will be in the next utility bill.

Adjourn

Nelson adjourned the meeting at 8:45 PM.

ATTEST:

Wendy Meyer, Clerk/Administrator

Resolution #20-15

Mountain Lake City Council

Mountain Lake, Minnesota

**A RESOLUTION ATTACHING PRIVATE SEWER LINE REPLACEMENT COSTS
TO PROPERTY TAXES FOR COLLECTION FOR 807 4th AVENUE; PIN 22.520.1560;
LOT 1, BLOCK 19, ORIGINAL TOWNSITE, CITY OF MOUNTAIN LAKE**

Whereas, Tiengkham Manivong is the owner of 807 4th Ave. (PIN 22.520.1560), and

Whereas, the City of Mt. Lake undertook a three (3) year utility and street project to reduce the inflow and infiltration (I & I) which including the inspection by camera of private sewer lines, and

Whereas, the private sewer line at 807 4th Ave. was inspected by camera on July 25 2013, and

Whereas, the owner of 807 4th Ave. was notified by a letter dated Aug. 9, 2013 that the private sewer line on the property did not meet city code and needed to be replaced by Aug. 9, 2014, and

Whereas, the private sewer line at 807 4th Ave. was not replaced by Aug. 9, 2014, and

Whereas, the City of Mt. Lake notified the owner of 807 4th Ave. by a letter dated Feb. 20, 2015 that if the owner did not hire a contractor by March 6, 2015 the city would hire a contractor, order the replacement, and certify the bill for collection, and

Whereas, the owner of 807 4th Ave. did not hire a contractor by March 6, 2015 and was notified by a letter dated April 15, 2015 that Lohrenz Construction had been hired to replace the private sewer line, and

Whereas, the City of Mountain Lake did hire Lohrenz Construction to replace the private sewer line at 807 4th Ave. at a cost of \$1367.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Mt. Lake that it approve the certification as listed above, payable in five installments at an annual rate of 2% interest.

BE IT FURTHER RESOLVED that the City Clerk is hereby authorized and directed to certify the same to the County Auditor.

Adopted by the Council this 3rd day of August 2015.

Mike Nelson, Mayor

ATTEST: _____
Wendy Meyer, Administrator/Clerk

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Resolution #21-15

Mountain Lake City Council

Mountain Lake, Minnesota

**A RESOLUTION ATTACHING PRIVATE SEWER LINE REPLACEMENT COSTS
TO PROPERTY TAXES FOR COLLECTION FOR 1401 5th AVENUE; PIN 22.611.0160;
LOT 1, BLOCK 1, PRINCE'S SECOND ADDITION, CITY OF MOUNTAIN LAKE**

Whereas, San Juanita Pesqueda is the owner of 1401 5th Ave., (PIN 22.611.0160) and

Whereas, the City of Mt. Lake undertook a three (3) year utility and street project to reduce the inflow and infiltration (I & I) which including the inspection by camera of private sewer lines, and

Whereas, the private sewer line at 1401 5th Ave. was inspected by camera in 2012, and

Whereas, the owner of 1401 5th Ave. was notified by a letter dated Sept. 16, 2013 that the private sewer line on the property did not meet city code and needed to be replaced by Sept. 16, 2014, and

Whereas, the private sewer line at 1401 5th Ave. was not replaced by Sept, 16, 2014, and

Whereas, the City of Mt. Lake notified the owner of 1401 5th Ave. by a letter dated Feb. 20, 2015 that if the owner did not hire a contractor by March 6, 2015 the city would hire a contractor, order the replacement, and certify the bill for collection, and

Whereas, the owner of 1401 5th Ave. did not hire a contractor by March 6, 2015, and

Whereas, the City of Mountain Lake did hire Quad Bros Trucking & Excavating LLC to replace the private sewer line at 1401 5th Ave. at a cost of \$3,990.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Mt. Lake that it approve the certification as listed above, payable in five installments at an annual rate of 2% interest.

BE IT FURTHER RESOLVED that the City Clerk is hereby authorized and directed to certify the same to the County Auditor.

Adopted by the Council this 3rd day of August 2015.

Mike Nelson, Mayor

ATTEST: _____
Wendy Meyer, Administrator/Clerk

Resolution #22-15

Mountain Lake City Council

Mountain Lake, Minnesota

A RESOLUTION ATTACHING PRIVATE SEWER LINE REPLACEMENT COSTS
TO PROPERTY TAXES FOR COLLECTION FOR 911 4th AVENUE; PIN 22.520.1500;
LOT 17, BLOCK 18, ORIGINAL TOWNSITE; CITY OF MOUNTAIN LAKE

Whereas, James B. Johnson is the owner of 911 4th Ave. (PIN 22.520.1500), and

Whereas, the City of Mt. Lake undertook a three (3) year utility and street project to reduce the inflow and infiltration (I & I) which including the inspection by camera of private sewer lines, and

Whereas, the private sewer line at 911 4th Ave. was inspected by camera in 2013, and

Whereas, the owner of 911 4th Ave. was notified by a letter dated Sept. 5, 2013 that the private sewer line on the property did not meet city code and needed to be replaced by Sept. 5, 2014, and

Whereas, the private sewer line at 911 4th Ave. was not replaced by Sept. 5, 2014, and

Whereas, the City of Mt. Lake notified the owner of 911 4th Ave. by a letter dated Feb. 20, 2015 that if the owner did not hire a contractor by March 6, 2015 the city would hire a contractor, order the replacement, and certify the bill for collection, and

Whereas, the owner of 911 4th Ave. did not hire a contractor by March 6, 2015, and

Whereas, the City of Mountain Lake did hire Quad Bros Trucking and Excavating LLC to replace the private sewer line at 911 4th Ave. at a cost of \$1,865.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Mt. Lake that it approve the certification as listed above, payable in five installments at an annual rate of 2% interest.

BE IT FURTHER RESOLVED that the City Clerk is hereby authorized and directed to certify the same to the County Auditor.

Adopted by the Council this 3rd day of August 2015.

Mike Nelson, Mayor

ATTEST: _____
Wendy Meyer, Administrator/Clerk

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RatingsDirect®

Summary:

Mountain Lake, Minnesota; General Obligation

Primary Credit Analyst:

Benjamin D Gallovic, Chicago (312) 233-7070; benjamin.gallovic@standardandpoors.com

Secondary Contact:

Anna Uboytseva, Chicago (1) 312-233-7067; anna.uboytseva@standardandpoors.com

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Rationale

Outlook

Related Criteria And Research

Summary:

Mountain Lake, Minnesota; General Obligation

Credit Profile

US\$0.905 mil GO rfdg bnds ser 2015A dtd 09/01/2015 due 02/01/2029		
<i>Long Term Rating</i>	A+/Stable	New
Mountain Lake taxable GO tax increment bnds ser 2014A dtd 05/01/2014 due 02/01/2016-2021 2023 2025 2027 2019		
<i>Long Term Rating</i>	A+/Stable	Upgraded
Mountain Lake GO		
<i>Long Term Rating</i>	A+/Stable	Upgraded
Mountain Lake GO corp purp crossover rfdg bnds ser 2011A dtd 08/01/2011 due 02/01/2014-2022		
<i>Long Term Rating</i>	A+/Stable	Upgraded
Mountain Lake GO tax increment bnds ser 2012B dtd 06/01/2012 due 02/01/2015-2020 2023 2026 2029 2032 2035 2039		
<i>Long Term Rating</i>	A+/Stable	Upgraded
Mountain Lake GO tax incre bnds ser 2013B dtd 09/01/2013 due 02/01/2029		
<i>Long Term Rating</i>	A+/Stable	Upgraded
Mountain Lake Econ Dev Auth, Minnesota		
Mountain Lake, Minnesota		
Mountain Lake Economic Development Authority (Mountain Lake) GO		
<i>Long Term Rating</i>	A+/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services raised its long-term rating to 'A+' from 'A' on Mountain Lake, Minn.'s general obligation (GO) bonds. At the same time, we assigned our 'A+' long-term rating to the city's series 2015A unlimited-tax GO refunding bonds. The outlook is stable.

The rating action is based on our view of the city's strengthened property tax base and increased available fund balance, which is close to 150% of expenditures.

The city's unlimited-tax full faith and credit GO pledge secures the series 2015A bonds. The city is also pledging special assessment and sewer utility revenue to a portion of the bonds, but we rate the bonds based on the GO pledge. Officials will use bond proceeds to current refund the city's series 2001 and 2007C GO bonds, and crossover refund its series 2009A GO bonds, all for interest cost savings.

Several of the city's bond issues that we rate have multiple revenue pledges. A pledge of the city's unlimited-tax GO ultimately secures its series 2012A, 2012B, 2013A, 2013B, and 2014A bonds. The city is also pledging housing revenue to the series 2012A bonds, special assessments and water utility revenue to the series 2013A bonds, and tax increment financing (TIF) revenue to the series 2012B, 2013B, and 2014A bonds. However, we rate all series of bonds based on the GO pledge.

The 'A+' rating reflects our assessment of the following factors for the city, specifically its:

- Weak economy, with market value per capita of \$31,380 and projected per capita effective buying income (EBI) at 90.7% of the national level;
- Adequate management, with "standard" financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with an operating deficit in the general fund but an operating surplus at the total governmental fund level;
- Very strong budgetary flexibility, with a high available fund balance in fiscal 2014 of 146% of operating expenditures;
- Very strong liquidity, with total government available cash of 3.3x total governmental fund expenditures and 19.3x governmental debt service, and access to external liquidity we consider strong;
- Very weak debt and contingent liability position, with debt service carrying charges of 17.3% of expenditures and net direct debt that is 457.0% of total governmental fund revenue, as well as high overall net debt at greater than 10% of market value; and
- Adequate institutional framework score.

Weak economy

We consider Mountain Lake's economy weak. The city, with an estimated population of 2,081, is located in Cottonwood County. The city has a projected per capita EBI of 90.7% of the national level and per capita market value of \$31,380. Overall, the city's market value grew by 12.6% over the past year to \$65.3 million in 2015. The county unemployment rate was 5.1% in 2014.

Mountain Lake is in southwestern Minnesota, approximately 12 miles northeast of Windom and 150 miles southwest of the Twin Cities. Officials report that the leading employers and taxpayers are stable. According to management, recovery in the local housing market contributed to the increase in market value in 2015 and offset a reduction in agricultural values. The top 10 property taxpayers account for 25.4% of the city's total net tax capacity. The county lost 3% of its population over the past 10 years, and is projected to lose another 5% over the next 10 years, but we don't view this as a credit concern because the city's population has been increasing.

Adequate management

We view the city's management as adequate, with "standard" financial policies and practices under our FMA methodology, indicating the finance department maintains adequate policies in some but not all key areas.

We revised our assessment to "standard" from "good" because of our view of the city's long-term capital planning and investment reporting has changed.

Management uses several years of historical data when formulating revenue and expenditure assumptions, and monitors budget-to-actual revenue and expenditures monthly. City council receives a quarterly financial report with budget-to-actual results. Mountain Lake updates its formal rolling five-year capital plan at a yearly project planning session. The plan does not identify funding sources for future projects, but the city plans to fund many of the projects using reserves. The city follows state statute investing guidelines, but also has a formal investment policy that management reviews annually. There is no formal investment reporting to council, but management typically provides reports three or four times a year. The council has an adopted formal fund balance policy to keep 50% of annual

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expenditures in general fund reserves. The city does not engage in financial forecasting or have a debt management policy.

Adequate budgetary performance

Mountain Lake's budgetary performance is adequate in our opinion. The city had deficit operating results in the general fund of 1.8% of expenditures, but a surplus result across all governmental funds of 22.3% in fiscal 2014.

The city had originally budgeted for a small general fund surplus in 2014, but ended with a \$24,000 deficit as a result of several unanticipated expenditures. As part of our analysis, we removed bond-financed capital projects from total governmental fund expenditures.

The city's fiscal 2015 budget reflects break-even operating results for both the general fund and total governmental funds, and officials report that the city is on target with the budget. Officials anticipate approving a balanced budget for fiscal 2016 as well. Intergovernmental revenue (primarily local government aid) accounted for 70% of general fund revenue in 2014, with property taxes accounting for a majority of the remainder at 22%. The city has had mixed operating results over the past several years, but has always maintained reserves well in excess of its 50% fund balance policy.

Very strong budgetary flexibility

Mountain Lake's budgetary flexibility is very strong, in our view, with a high available fund balance in fiscal 2014 of 146% of operating expenditures, or \$1.9 million. We expect the available fund balance will remain above 75% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

The operating expenditures were adjusted to include recurring transfers out to other nonmajor governmental funds for operating purposes. We understand that the city has no plans to spend down its reserves, and with break-even results projected in fiscal years 2015 and 2016, we anticipate the available fund balance will remain close to 150%.

Very strong liquidity

In our opinion, Mountain Lake's liquidity is very strong, with total government available cash of 3.3x total governmental fund expenditures and 19.3x governmental debt service in 2014. In our view, the city has strong access to external liquidity if necessary.

The city had \$7.45 million in available cash and equivalents at the end of 2014 (which excludes unspent bond proceeds). We believe the city has strong access to external liquidity, given its frequent issuance of GO bonds over the past 15 years. A majority of the city's investments are U.S. Treasuries and investment-grade municipal bonds, so do we not view the city's use of investments as aggressive. Based on projections, we believe the city will maintain very strong liquidity during the next two years.

Very weak debt and contingent liability profile

In our view, Mountain Lake's debt and contingent liability profile is very weak. Total governmental fund debt service is 17.3% of total governmental fund expenditures, and net direct debt is 457.0% of total governmental fund revenue. Negatively affecting our view of the city's debt profile is its high overall net debt of 18.5% of market value.

We have given self-support for the city's enterprise revenue bonds, and GO debt supported by enterprise revenue.

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The city's series 2013B and 2014A GO tax increment bonds were issued to grant funds to the Mountain Lake Economic Development Authority to purchase land and construct manufacturing facilities for two private corporations (Krienke Foods International Inc. and Mountain Power Hydraulic LLC). In addition to the GO pledge, the bonds are secured by TIF revenue as well as lease rental payments from the private corporations. The city is not levying for debt service, as lease rental payments are intended to cover full debt service on the bonds. To date, management reports that both corporations have been making full rental payments to the city.

We anticipate debt service carrying charges to rise significantly in fiscal years 2016 and 2017 as principal payments on the series 2013B and 2014A GO TIF bonds begin. Based on debt service schedules, we anticipate that governmental fund carrying charges will increase to close to 40% of expenditures. If lease rental payments are not received from the private entities, we believe that levying for the full debt service would put a significant burden on the local tax base.

We anticipate that the debt burden will pressure the rating over the long term, and that debt issuances for nonessential purposes could worsen this. Given the significant debt burden, any improvement in the debt and contingent liability profile in the near term is highly unlikely. In addition, we understand that the city is considering issuing debt in the future to upgrade its water treatment plant, but project costs and timing are currently unknown.

Mountain Lake participates in the Public Employees Retirement Assn. of Minnesota (PERA). PERA administers the General Employees Retirement Fund and the Public Employees Police and Fire Fund. The city has fulfilled its annual required contribution in each of the past three years. For other postemployment benefits (OPEB), the premium is a blended rate determined on the active and retiree population; the retirees are receiving an implicit rate subsidy and the city is funding this liability on a pay-as-you-go basis. We do not anticipate that the pension and OPEB obligation will cause budgetary stress in the medium term.

Adequate institutional framework

The institutional framework score for Minnesota cities with a population of 1,000 to 2,500 and an audit required by state statute is adequate.

Outlook

The stable outlook reflects our anticipation that Mountain Lake will maintain very strong budgetary flexibility, with reserves above 75% of expenditures, and very strong liquidity during the two-year outlook horizon. Stabilization in the city's property tax base also supports the outlook. In our opinion, the city's very strong reserves and liquidity mitigate pressures from the city's very weak economy and debt profile, and as such, we don't anticipate lowering the rating in the next two years.

However, we could lower the rating if the city were to stop receiving lease payments from the private corporations to support debt service, and if the city's budgetary performance weakens as a result, leading to reserves falling to less than 75% of expenditures.

We may also lower the rating if the city's debt service carrying charges were to approach 50% of expenditures, therefore putting significant pressure on the city's budget and tax base.

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Within the two-year outlook horizon, we do not anticipate raising the rating, given our view of the city's weak economy and very weak debt burden.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Minnesota Local Governments

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

City of Mountain Lake, Minnesota

\$885,000

General Obligation Refunding Bonds, Series 2015A

Bond Sale Summary

July 29, 2015

PURPOSE: To (i) current refund on September 1, 2015 the remaining maturities of the City's 2001 USDA Loan (the "2001 USDA Loan", (ii) the February 1, 2016 through 2020 maturities of the City's GO Improvement Bonds, Series 2007C (the "Series 2007C Bonds"), (iii) crossover refund on February 1, 2016 the February 1, 2017 through 2021 maturities of the City's GO Improvement Refunding Bonds, Series 2009A (the "2009A Bonds")

FINANCE PLAN: To maximize debt service cost savings and eliminate future interest rate exposure. See attached Debt Service Comparison for savings.

RESULTS:

- The City's credit rating was upgraded by S&P to "A+"
- Bonds were underwritten by Northland Securities, Inc., Minneapolis, Minnesota

Summary	Final on <u>07/29/2015</u>	Finance Plan <u>07/07/2015</u>
Par Amount	\$885,000*	\$990,000
Average Interest Rate	2.36%	2.24%
True Interest Cost (TIC)	2.77%	2.20%
All Inclusive Cost (AIC)	3.34%	2.89%
Net Present Value Savings(\$)	\$41,864	\$59,250
Net Present Value Savings (%)	4.730%	5.659%

**Par amount was reduced when issuer equity contribution was used to downsize the Bonds.*



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Debt Service Comparison

Date	Total P+	PCF	Existing D/S	Net New D/S	Old Net D/S	Savings
02/01/2016	91,908.34	(306,262.50)	366,105.00	147,749.31	28,070.00	(119,679.31)
02/01/2017	125,730.00	-	-	125,730.00	156,317.50	30,587.50
02/01/2018	124,630.00	-	-	124,630.00	161,910.00	37,280.00
02/01/2019	137,870.00	-	-	137,870.00	162,845.00	24,975.00
02/01/2020	140,870.00	-	-	140,870.00	168,440.00	27,570.00
02/01/2021	78,465.00	-	-	78,465.00	103,340.00	24,875.00
02/01/2022	37,170.00	-	-	37,170.00	35,835.00	(1,335.00)
02/01/2023	36,390.00	-	-	36,390.00	35,755.00	(635.00)
02/01/2024	35,610.00	-	-	35,610.00	36,630.00	1,020.00
02/01/2025	34,830.00	-	-	34,830.00	36,415.00	1,585.00
02/01/2026	34,050.00	-	-	34,050.00	36,155.00	2,105.00
02/01/2027	38,150.00	-	-	38,150.00	35,850.00	(2,300.00)
02/01/2028	37,100.00	-	-	37,100.00	36,500.00	(600.00)
02/01/2029	36,050.00	-	-	36,050.00	36,060.00	10.00
02/01/2030	-	-	-	-	36,575.00	36,575.00
Total	\$988,823.34	(306,262.50)	\$366,105.00	\$1,044,664.31	\$1,106,697.50	\$62,033.19

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	157,862.27
Net PV Cashflow Savings @ 2.332%(Bond Yield).....	157,862.27
Transfers from Prior Issue Debt Service Fund.....	(120,000.00)
Contingency or Rounding Amount.....	4,001.53
Net Present Value Benefit	\$41,863.80
Net PV Benefit / \$1,041,611.91 PV Refunded Debt Service	4.019%
Net PV Benefit / \$290,000 Refunded Principal..	14.436%
Net PV Benefit / \$885,000 Refunding Principal..	4.730%

Refunding Bond Information

Refunding Dated Date	9/01/2015
Refunding Delivery Date	9/01/2015

EXTRACT OF MINUTES OF A MEETING
OF THE CITY COUNCIL
CITY OF MOUNTAIN LAKE, MINNESOTA

HELD: August 3, 2015

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of Mountain Lake, Cottonwood County, Minnesota, was duly called and held at the City Hall on August 3, 2015, at 7:00 P.M., for the purpose, in part, of authorizing the issuance and awarding the sale of \$885,000 General Obligation Refunding Bonds, Series 2015A.

The following members were present:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. 23-15

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF \$885,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A, PLEDGING FOR THE SECURITY THEREOF NET REVENUES AND SPECIAL ASSESSMENTS AND LEVYING A TAX FOR THE PAYMENT THEREOF

A. WHEREAS, the City Council of the City of Mountain Lake, Minnesota (the "City"), hereby determines and declares that it is necessary and expedient to provide moneys for a current refunding of the City's (i) \$570,000 original principal amount of General Obligation Sewer Revenue Bond of 2001, dated December 18, 2001 (the "Prior 2001 Bonds") and (ii) \$455,000 original principal amount of General Obligation Improvement Bonds, Series 2007C, dated September 1, 2007 (the "Prior 2007C Bonds") and a crossover advance refunding of the City's \$670,000 original principal amount of General Obligation Refunding Improvement Bonds, Series 2009A, dated May 7, 2009 (the "Prior 2009A Bonds"); and

B. WHEREAS, \$388,000 of the principal amount of the Prior 2001 Bonds which matures on and after January 1, 2016 (the "Refunded 2001 Bonds"), is callable on September 2, 2015 (the "Call Date"), at a price of par plus accrued interest, as provided in the resolution of the City Council, adopted on November 5, 2001 (the "Prior 2001 Resolution"), authorizing the issuance of the Prior 2001 Bonds; and

C. WHEREAS, \$255,000 of the principal amount of the Prior 2007C Bonds which matures on and after February 1, 2016 (the "Refunded 2007C Bonds"), is callable on the Call Date, at a price of par plus accrued interest, as provided in the resolution of the City Council, adopted on August 20, 2007 (the "Prior 2007C Resolution"), authorizing the issuance of the Prior 2007C Bonds; and

D. WHEREAS, \$305,000 of the principal amount of the Prior 2009A Bonds which matures on and after February 1, 2017 (the "Refunded 2009A Bonds"), is callable on February 1, 2016 (the "Crossover Date"), at a price of par plus accrued interest, as provided in the resolution

of the City Council, adopted on April 20, 2009, authorizing the issuance of the Prior 2009A Bonds (the "Prior 2009A Resolution"); and

E. WHEREAS, the refunding, on the Call Date, of the Refunded 2001 Bonds and the Refunded 2007C Bonds and the refunding, on the Crossover Date, of the Refunded 2009A Bonds, is consistent with covenants made with the holders thereof; and

F. WHEREAS, the City Council has heretofore determined and declared that it is necessary and expedient to issue \$885,000 General Obligation Refunding Bonds, Series 2015A (the "Bonds" or individually, a "Bond"), pursuant to Minnesota Statutes, Chapter 475, to provide moneys for current refundings of the Refunded 2001 Bonds and Refunded 2007C Bonds and a crossover advance refunding of the Refunded 2009A Bonds; and

G. WHEREAS, the City owns and operates a municipal sanitary sewer system (the "System") and a municipal water utility system (the "Water System") as separate revenue producing public utilities and the net revenues of the System are pledged to the payment of the City's outstanding (i) \$7,754,480 original principal amount of General Obligation Sewer Revenue Note of 2012, dated September 28, 2012; (ii) and together with the net revenues of the Water System the portion of the \$1,695,000 original principal amount of General Obligation Corporate Purpose Bonds, Series 2006A, dated June 1, 2006, designated as the "System Portion"; and (iii) and together with the net revenues of the Water System \$1,215,000 original principal amount of Corporate Purpose Crossover Refunding Bonds, Series 2011A, dated August 1, 2011, designated as the "System Refunding Portion" (the bonds described in (i) are referred to herein as the "Sewer Bonds" and the bonds described in (ii) and (iii) are referred herein as the "Outstanding Bonds"); and

H. WHEREAS, the Prior 2001 Bonds, the Prior 2007C Bonds and the Prior 2009A Bonds are sometimes referred to herein together as the "Prior Bonds"; the Refunded 2001 Bonds, the Refunded 2007C Bonds and the Refunded 2009A Bonds are sometimes referred to herein together as the "Refunded Bonds"; the Prior 2001 Resolution, the Prior 2007C Resolution and the Prior 2009A Resolution are sometimes referred to herein together as the "Prior Resolutions"; and

I. WHEREAS, no other obligations have been sold pursuant to a private sale within the last twelve calendar months of the date hereof which when combined with this issue would exceed the \$1,200,000 limitations on negotiated sales as required by Minnesota Statutes, Section 475.60, Subdivision 2(2); and

J. WHEREAS, it is in the best interests of the City that the Bonds be issued in book-entry form as hereinafter provided; and

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

1. Acceptance of Offer. The offer of Northland Securities, Inc. (the "Purchaser"), to purchase the Bonds of the City (or individually, a "Bond"), in accordance with the terms and at the rates of interest hereinafter set forth, and to pay therefor the sum of \$867,654.00, plus interest accrued to settlement, is hereby accepted.

2. Bond Terms.

(a) Original Issue Date; Denominations; Maturities. The Bonds shall be dated September 1, 2015, as the date of original issue and shall be issued forthwith on or after such date in fully registered form. The Bonds shall be numbered from R-1 upward in the denomination of \$5,000 each or in any integral multiple thereof of a single maturity (the "Authorized Denominations"). The Bonds shall mature on February 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2016	\$ 85,000	2023	\$30,000
2017	110,000	2024	30,000
2018	110,000	2025	30,000
2019	125,000	2026	30,000
2020	130,000	2027	35,000
2021	70,000	2028	35,000
2022	30,000	2029	35,000

As may be requested by the Purchaser, one or more term Bonds may be issued having mandatory sinking fund redemption and final maturity amounts conforming to the foregoing principal repayment schedule, and corresponding additions may be made to the provisions of the applicable Bond(s).

(b) Book Entry Only System. The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or any of its successors or its successors to its functions hereunder (the "Depository") will act as securities depository for the Bonds, and to this end:

(i) The Bonds shall be initially issued and, so long as they remain in book entry form only (the "Book Entry Only Period"), shall at all times be in the form of a separate single fully registered Bond for each maturity of the Bonds; and for purposes of complying with this requirement under paragraphs 6 and 11 Authorized Denominations for any Bond shall be deemed to be limited during the Book Entry Only Period to the outstanding principal amount of that Bond.

(ii) Upon initial issuance, ownership of the Bonds shall be registered in a bond register maintained by the Bond Registrar (as hereinafter defined) in the name of CEDE & CO., as the nominee (it or any nominee of the existing or a successor Depository, the "Nominee").

(iii) With respect to the Bonds neither the City nor the Bond Registrar shall have any responsibility or obligation to any broker, dealer, bank, or any other financial institution for which the Depository holds Bonds as securities depository (the "Participant") or the person for which a Participant holds an interest in the Bonds shown on the books and records of the Participant (the "Beneficial Owner"). Without limiting the immediately preceding sentence, neither the City, nor the Bond Registrar, shall have

any such responsibility or obligation with respect to (A) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in the Bonds, or (B) the delivery to any Participant, any Owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any notice of redemption, or (C) the payment to any Participant, any Beneficial Owner or any other person, other than the Depository, of any amount with respect to the principal of or premium, if any, or interest on the Bonds, or (D) the consent given or other action taken by the Depository as the Registered Holder of any Bonds (the "Holder"). For purposes of securing the vote or consent of any Holder under this Resolution, the City may, however, rely upon an omnibus proxy under which the Depository assigns its consenting or voting rights to certain Participants to whose accounts the Bonds are credited on the record date identified in a listing attached to the omnibus proxy.

(iv) The City and the Bond Registrar may treat as and deem the Depository to be the absolute owner of the Bonds for the purpose of payment of the principal of and premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to the Bonds, for the purpose of obtaining any consent or other action to be taken by Holders for the purpose of registering transfers with respect to such Bonds, and for all purpose whatsoever. The Bond Registrar, as paying agent hereunder, shall pay all principal of and premium, if any, and interest on the Bonds only to the Holder or the Holders of the Bonds as shown on the bond register, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and premium, if any, and interest on the Bonds to the extent of the sum or sums so paid.

(v) Upon delivery by the Depository to the Bond Registrar of written notice to the effect that the Depository has determined to substitute a new Nominee in place of the existing Nominee, and subject to the transfer provisions in paragraph 11, references to the Nominee hereunder shall refer to such new Nominee.

(vi) So long as any Bond is registered in the name of a Nominee, all payments with respect to the principal of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, by the Bond Registrar or City, as the case may be, to the Depository as provided in the Letter of Representations to the Depository required by the Depository as a condition to its acting as book-entry Depository for the Bonds (said Letter of Representations, together with any replacement thereof or amendment or substitute thereto, including any standard procedures or policies referenced therein or applicable thereto respecting the procedures and other matters relating to the Depository's role as book-entry Depository for the Bonds, collectively hereinafter referred to as the "Letter of Representations").

(vii) All transfers of beneficial ownership interests in each Bond issued in book-entry form shall be limited in principal amount to Authorized Denominations and shall be effected by procedures by the Depository with the Participants for recording and transferring the ownership of beneficial interests in such Bonds.

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(viii) In connection with any notice or other communication to be provided to the Holders pursuant to this Resolution by the City or Bond Registrar with respect to any consent or other action to be taken by Holders, the Depository shall consider the date of receipt of notice requesting such consent or other action as the record date for such consent or other action; provided, that the City or the Bond Registrar may establish a special record date for such consent or other action. The City or the Bond Registrar shall, to the extent possible, give the Depository notice of such special record date not less than 15 calendar days in advance of such special record date to the extent possible.

(ix) Any successor Bond Registrar in its written acceptance of its duties under this Resolution and any paying agency/bond registrar agreement, shall agree to take any actions necessary from time to time to comply with the requirements of the Letter of Representations.

(x) In the case of a partial prepayment of a Bond, the Holder may, in lieu of surrendering the Bonds for a Bond of a lesser denomination as provided in paragraph 6 hereof, make a notation of the reduction in principal amount on the panel provided on the Bond stating the amount so redeemed.

(c) Termination of Book-Entry Only System. Discontinuance of a particular Depository's services and termination of the book-entry only system may be effected as follows:

(i) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the City and discharging its responsibilities with respect thereto under applicable law. The City may terminate the services of the Depository with respect to the Bond if it determines that the Depository is no longer able to carry out its functions as securities depository or the continuation of the system of book-entry transfers through the Depository is not in the best interests of the City or the Beneficial Owners.

(ii) Upon termination of the services of the Depository as provided in the preceding paragraph, and if no substitute securities depository is willing to undertake the functions of the Depository hereunder can be found which, in the opinion of the City, is willing and able to assume such functions upon reasonable or customary terms, or if the City determines that it is in the best interests of the City or the Beneficial Owners of the Bond that the Beneficial Owners be able to obtain certificates for the Bonds, the Bonds shall no longer be registered as being registered in the bond register in the name of the Nominee, but may be registered in whatever name or names the Holder of the Bonds shall designate at that time, in accordance with paragraph 11. To the extent that the Beneficial Owners are designated as the transferee by the Holders, in accordance with paragraph 11, the Bonds will be delivered to the Beneficial Owners.

(iii) Nothing in this subparagraph (c) shall limit or restrict the provisions of paragraph 11.

(d) Letter of Representations. The provisions in the Letter of Representations are incorporated herein by reference and made a part of the resolution, and if and to the extent any

such provisions are inconsistent with the other provisions of this resolution, the provisions in the Letter of Representations shall control.

3. Allocation of Bonds to 2001 Bonds Refunding Portion; 2007C Bonds Refunding Portion and 2009A Bonds Refunding Portion. The aggregate principal amount of \$430,000 maturing in each of the years and amounts hereinafter set forth are issued to refund the Refunded 2001 Bonds (the "2001 Bonds Refunding Portion"). The aggregate principal amount of \$265,000 maturing in each of the years and amounts hereinafter set forth are issued to refund the Refunded 2007C Bonds (the "2007C Bonds Refunding Portion", and together with the 2001 Bonds Refunding Portion, the "Current Refunding Portion"). The aggregate principal amount of \$190,000 maturing in each of the years and amounts hereinafter set forth are issued to refund the Refunded 2009A Bonds (the "2009A Bonds Refunding Portion" or the "Crossover Refunding Portion"):

<u>Year</u>	<u>2001 Bonds Refunding Portion</u>	<u>2007C Bonds Refunding Portion</u>	<u>2009A Bonds Refunding Portion</u>	<u>Total</u>
2016	\$35,000	\$50,000		\$ 85,000
2017	25,000	50,000	\$35,000	110,000
2018	25,000	50,000	35,000	110,000
2019	30,000	55,000	40,000	125,000
2020	30,000	60,000	40,000	130,000
2021	30,000		40,000	70,000
2022	30,000			30,000
2023	30,000			30,000
2024	30,000			30,000
2025	30,000			30,000
2026	30,000			35,000
2027	35,000			35,000
2028	35,000			35,000
2029	35,000			35,000

If Bonds are prepaid, the prepayments shall be allocated to the portions of debt service (and hence allocated to the payment of Bonds treated as relating to a particular portion of debt service) as provided in this paragraph. If the source of prepayment is the general fund of the City, or other generally available source, the prepayment may be allocated to any of the portions of debt service in such amounts as the City shall determine. If the source of a prepayment is net revenues of the System pledged to the Prior 2001 Bonds, the prepayment shall be allocated to the debt service of the Prior 2001 Bonds Refunding Portion. If the source of a prepayment is special assessments or taxes pledged to the Prior 2007C Bonds or the Prior 2009A Bonds, the prepayment shall be allocated to the Prior 2007C Bonds Refunding Portion or the Prior 2009A Bonds Refunding Portion, respectively, debt service.

4. Purpose; Refunding Findings. The Bonds shall provide funds for (i) current refundings of the Refunded 2001 Bonds and Refunded 2007C Bonds (together, the "Current Refunding") and (ii) a crossover refunding of the Refunded 2009A Bonds (the "Crossover Refunding" and collectively with the Current Refunding, the "Refunding"). It is hereby found,

determined and declared that the Refunding is pursuant to Minnesota Statutes, Section 475.67. Pursuant to Minnesota Statutes, Section 475.67, Subdivision 13, with respect to the crossover refunding of the Refunded 2009A Bonds, and as of the Crossover Date, shall result in a reduction of the present value of the dollar amount of the debt service to the City from a total dollar amount of \$322,164.68 for the Prior 2009A Bonds to a total dollar amount of \$313,461.18 for the 2009A Bonds Refunding Portion of the Bonds computed in accordance with the provisions of Minnesota Statutes, Section 475.67, Subdivision 12. Accordingly the dollar amount of such present value of the debt service for the 2009A Bonds Refunding Portion of the Bonds is lower by at least three percent than the dollar amount of such present value of the debt service for the Prior 2009A Bonds, as required by Minnesota Statutes, Section 475.67, Subdivision 12.

5. Interest. The Bonds shall bear interest payable semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2016, calculated on the basis of a 360-day year of twelve 30-day months, at the respective rates per annum set forth opposite the maturity years as follows:

<u>Maturity Year</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Interest Rate</u>
2016	1.00%	2023	2.60%
2017	1.00	2024	2.60
2018	1.60	2025	2.60
2019	1.60	2026	3.00
2020	1.85	2027	3.00
2021	1.85	2028	3.00
2022	2.60	2029	3.00

6. Optional Redemption. All Bonds maturing on February 1, 2023 and thereafter, shall be subject to redemption and prepayment at the option of the City on February 1, 2022, and on any date thereafter at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and the principal amounts within each maturity to be redeemed shall be determined by the City; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar. Bonds or portions thereof called for redemption shall be due and payable on the redemption date, and interest thereon shall cease to accrue from and after the redemption date. Mailed notice of redemption shall be given to the paying agent and to each affected registered holder of the Bonds at least thirty days prior to the date fixed for redemption.

To effect a partial redemption of Bonds having a common maturity date, the Bond Registrar prior to giving notice of redemption shall assign to each Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of such Bond. The Bond Registrar shall then select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers so assigned to such Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. If

a Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the City or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the City and Bond Registrar duly executed by the Holder thereof or the Holder's attorney duly authorized in writing) and the City shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the Holder of the Bond, without service charge, a new Bond or Bonds having the same stated maturity and interest rate and of any Authorized Denomination or Denominations, as requested by the Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

7. Bond Registrar. Northland Trust Services, Inc., in Minneapolis, Minnesota, is appointed to act as bond registrar and transfer agent with respect to the Bonds (the "Bond Registrar"), and shall do so unless and until a successor Bond Registrar is duly appointed, all pursuant to any contract the City and Bond Registrar shall execute which is consistent herewith. The Bond Registrar shall also serve as paying agent unless and until a successor paying agent is duly appointed. Principal and interest on the Bonds shall be paid to the registered holders (or record holders) of the Bonds in the manner set forth in the form of Bond and paragraph 13.

8. Form of Bond. The Bonds, together with the Bond Registrar's Certificate of Authentication, the form of Assignment and the registration information thereon, shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COTTONWOOD COUNTY
CITY OF MOUNTAIN LAKE

R- _____

\$ _____

GENERAL OBLIGATION REFUNDING BOND, SERIES 2015A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	February 1, _____	September 1, 2015	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The City of Mountain Lake, Cottonwood County, Minnesota (the "Issuer"), certifies that it is indebted and for value received promises to pay to the registered owner specified above, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, unless called for prior payment, and to pay interest thereon semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2016, at the rate per annum specified above (calculated on the basis of a 360-day year of twelve 30-day months) until the principal sum is paid or has been provided for. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or, if no interest has been paid, from the date of original issue hereof. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of Northland Trust Services, Inc., in Minneapolis, Minnesota (the "Bond Registrar"), acting as paying agent, or any successor paying agent duly appointed by the Issuer. Interest on this Bond will be paid on each Interest Payment Date by check or draft mailed to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder hereof at the close of business on a date (the "Special Record Date") fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given to Bondholders not less than ten days prior to the Special Record Date. The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America. So long as this Bond is registered in the name of the Depository or its Nominee as provided in the Resolution hereinafter described, and as those terms are defined therein, payment of principal of, premium, if any, and interest on this Bond and notice with respect thereto shall be made as provided in the Letter of Representations, as defined in the Resolution, and surrender of this Bond shall not be required for payment of the redemption price upon a partial redemption of this Bond. Until termination of the book-entry only system pursuant to the Resolution, Bonds may only be registered in the name of the Depository or its Nominee.

Optional Redemption. All Bonds of this issue (the "Bonds") maturing on February 1, 2023, and thereafter, are subject to redemption and prepayment at the option of the Issuer on February 1, 2022, and on any date thereafter at a price of par plus accrued interest. Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the maturities and the principal amounts within each maturity to be redeemed shall be determined by the Issuer; and if only part of the Bonds having a common maturity date are called for prepayment, the specific Bonds to be prepaid shall be chosen by lot by the Bond Registrar. Bonds or portions thereof called for redemption shall be due and payable on the redemption date, and interest thereon shall cease to accrue from and after the redemption date. Mailed notice of redemption shall be given to the paying agent and to each affected Holder of the Bonds at least thirty days prior to the date fixed for redemption.

Prior to the date on which any Bond or Bonds are directed by the Issuer to be redeemed in advance of maturity, the Issuer will cause notice of the call thereof for redemption identifying the Bonds to be redeemed to be mailed to the Bond Registrar and all Bondholders, at the addresses shown on the Bond Register. All Bonds so called for redemption will cease to bear interest on the specified redemption date, provided funds for their redemption have been duly deposited.

Selection of Bonds for Redemption; Partial Redemption. To effect a partial redemption of Bonds having a common maturity date, the Bond Registrar shall assign to each Bond having a common maturity date a distinctive number for each \$5,000 of the principal amount of such Bond. The Bond Registrar shall then select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to the Bonds, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Bonds to be redeemed. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. If a Bond is to be redeemed only in part, it shall be surrendered to the Bond Registrar (with, if the Issuer or Bond Registrar so requires, a written instrument of transfer in form satisfactory to the Issuer and Bond Registrar duly executed by the Holder thereof or the Holder's attorney duly authorized in writing) and the Issuer shall execute (if necessary) and the Bond Registrar shall authenticate and deliver to the Holder of the Bond, without service charge, a new Bond or Bonds having the same stated maturity and interest rate and of any Authorized Denomination or Denominations, as requested by the Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

Issuance; Purpose; General Obligation. This Bond is one of an issue in the total principal amount of \$885,000 (the "Bonds"), all of like date of original issue and tenor, except as to number, maturity, interest rate, denomination and redemption privilege, issued pursuant to and in full conformity with the Constitution and laws of the State of Minnesota and pursuant to a resolution adopted by the City Council on August 3, 2015 (the "Resolution"), for the purpose of providing funds sufficient for current and crossover refundings of certain outstanding general obligation bonds of the Issuer and is payable out of the Escrow Account and the Debt Service Account of the General Obligation Refunding Bonds, Series 2015A Fund. 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.

Denominations; Exchange; Resolution. The Bonds are issuable solely in fully registered form in Authorized Denominations (as defined in the Resolution) and are exchangeable for fully registered Bonds of other Authorized Denominations in equal aggregate principal amounts at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution. Reference is hereby made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the principal office of the Bond Registrar.

Transfer. This Bond is transferable by the Holder in person or by the Holder's attorney duly authorized in writing at the principal office of the Bond Registrar upon presentation and surrender hereof to the Bond Registrar, all subject to the terms and conditions provided in the Resolution and to reasonable regulations of the Issuer contained in any agreement with the Bond Registrar. Thereupon the Issuer shall execute and the Bond Registrar shall authenticate and deliver, in exchange for this Bond, one or more new fully registered Bonds in the name of the transferee (but not registered in blank or to "bearer" or similar designation), of an Authorized Denomination or Denominations, in aggregate principal amount equal to the principal amount of this Bond, of the same maturity and bearing interest at the same rate.

Fees upon Transfer or Loss. The Bond 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 Bonds.

Treatment of Registered Owners. The Issuer and Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

Authentication. This Bond shall not be valid or become obligatory for any purpose or be entitled to any security unless the Certificate of Authentication hereon shall have been executed by the Bond 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, that the Issuer has covenanted and agreed with the Holders of the Bonds that it will impose and collect charges for the service, use and availability of and connection to the municipal sanitary sewer system (the "System") at the times and in amounts necessary to produce net revenues adequate, together with other sums pledged to the payment of the Prior 2001 Bonds Refunding Portion of the Bonds, adequate to pay all principal and interest when due on the Prior 2001 Bonds

Refunding Portion of the Bonds; and that the Issuer will levy a direct, annual, irrevocable ad valorem tax upon all of the taxable property of the Issuer, without limitation as to rate or amount, for the years and in amounts sufficient to pay the principal and interest on the Prior 2001 Bonds Refunding Portion as they become due, if the net revenues of the System, and any other sums irrevocably appropriated to the Debt Service Account are insufficient therefor; 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 Mountain Lake, Cottonwood 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 Administrator-Clerk, the corporate seal of the Issuer having been intentionally omitted as permitted by law.

Date of Registration:

Registrable by: NORTHLAND TRUST SERVICES, INC.

Payable at: NORTHLAND TRUST SERVICES, INC.

BOND REGISTRAR'S
CERTIFICATE OF
AUTHENTICATION

CITY OF MOUNTAIN LAKE,
COTTONWOOD COUNTY, MINNESOTA

This Bond is one of the Bonds described in the Resolution mentioned within.

/s/ Facsimile
Mayor

NORTHLAND TRUST SERVICES,
INC.
Minneapolis, Minnesota
Bond Registrar

/s/ Facsimile
Administrator-Clerk

By _____
Authorized Signature

9. Execution. The Bonds shall be in typewritten form, shall be executed on behalf of the City by the signatures of its Mayor and Administrator-Clerk and be sealed with the seal of the City; provided, as permitted by law, both signatures may be photocopied facsimiles and the corporate seal has been omitted. In the event of disability or resignation or other absence of either officer, the Bonds may be signed by the manual or facsimile signature of the officer who may act on behalf of the absent or disabled officer. In case either officer whose signature or facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of the Bonds, the signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery.

10. Authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this resolution unless a Certificate of Authentication on such Bond, substantially in the form hereinabove set forth, shall have been duly executed by an authorized representative of the Bond Registrar. Certificates of Authentication on different Bonds need not be signed by the same person. The Bond Registrar shall authenticate the signatures of officers of the City on each Bond by execution of the Certificate of Authentication on the Bond and by inserting as the date of registration in the space provided the date on which the Bond is authenticated, except that for purposes of delivering the original Bonds to the Purchaser, the Bond Registrar shall insert as a date of registration the date of original issue of September 1, 2015. The Certificate of Authentication so executed on each Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution.

11. Registration; Transfer; Exchange. The City will cause to be kept at the principal office of the Bond Registrar a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Bond Registrar shall provide for the registration of Bonds and the registration of transfers of Bonds entitled to be registered or transferred as herein provided.

Upon surrender for transfer of any Bond at the principal office of the Bond Registrar, the City shall execute (if necessary), and the Bond Registrar shall authenticate, insert the date of registration (as provided in paragraph 10) of, and deliver, in the name of the designated transferee or transferees, one or more new Bonds of any Authorized Denomination or Denominations of a like aggregate principal amount, having the same stated maturity and interest rate, as requested by the transferor; provided, however, that no Bond may be registered in blank or in the name of "bearer" or similar designation.

At the option of the Holder, Bonds may be exchanged for Bonds of any Authorized Denomination or Denominations of a like aggregate principal amount and stated maturity, upon surrender of the Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Bonds are so surrendered for exchange, the City shall execute (if necessary), and the Bond Registrar shall authenticate, insert the date of registration of, and deliver the Bonds which the Holder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this resolution shall be promptly canceled by the Bond Registrar and thereafter disposed of as directed by the City.

All Bonds delivered in exchange for or upon transfer of Bonds shall be valid general obligations of the City evidencing the same debt, and entitled to the same benefits under this resolution, as the Bonds surrendered for such exchange or transfer.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the Holder thereof or his, her or its attorney duly authorized in writing.

The Bond 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 any Bond and any legal or unusual costs regarding transfers and lost Bonds.

Transfers shall also be subject to reasonable regulations of the City contained in any agreement with the Bond Registrar, including regulations which permit the Bond Registrar to close its transfer books between record dates and payment dates. The Administrator-Clerk is hereby authorized to negotiate and execute the terms of said agreement.

12. Rights Upon Transfer or Exchange. Each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

13. Interest Payment; Record Date. Interest on any Bond shall be paid on each Interest Payment Date by check or draft mailed to the person in whose name the Bond is registered (the "Holder") on the registration books of the City maintained by the Bond Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any such interest not so timely paid shall cease to be payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date (the "Special Record Date") fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten days prior to the Special Record Date.

14. Treatment of Registered Owner. The City and Bond Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of and premium, if any, and interest (subject to the payment provisions in paragraph 13) on, such Bond and for all other purposes whatsoever whether or not such Bond shall be overdue, and neither the City nor the Bond Registrar shall be affected by notice to the contrary.

15. Delivery; Application of Proceeds. The Bonds when so prepared and executed shall be delivered by the Administrator-Clerk to the Purchaser upon receipt of the purchase price, and the Purchaser shall not be obliged to see to the proper application thereof.

16. Fund, Accounts and Subaccounts. There is hereby created a special fund to be designated the "General Obligation Refunding Bonds, Series 2015A Fund" (the "Fund") to be administered and maintained by the Administrator-Clerk as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. The Operation

and Maintenance Account heretofore established by the City for the System shall continue to be maintained in the manner heretofore provided by the City. All moneys remaining after paying or providing for the items set forth in the resolutions establishing the Operation and Maintenance Account shall constitute or are referred to as "net revenues" until the 2001 Bonds Refunding Portion of the Bonds, the Sewer Bonds and the Outstanding Bonds have been paid. There shall be maintained in the Fund the following separate accounts to which shall be credited and debited all income and disbursements of the System as hereinafter set forth. The Administrator-Clerk and all officials and employees concerned therewith shall establish and maintain financial records of the receipts and disbursements of the System in accordance with this resolution. In such records there shall be established accounts or accounts shall continue to be maintained as the case may be, of the Fund for the purposes and in the amounts as follows:

(a) Payment Account. Proceeds of the sale of the 2001 Bonds Refunding Portion in the amount of \$399,671.89 shall be deposited in the Payment Account. On or prior to the Call Date, the Administrator-Clerk shall transfer \$399,671.89 of the 2001 Bonds Refunding Portion from the Payment Account to the United States of America, Department of Agriculture, Marshall, Minnesota, Rural Development Office, which sum is sufficient to pay the principal and interest due on the Refunded 2001 Bonds on the Call Date, including the principal of the Refunded 2001 Bonds called for redemption on the Call Date. Any proceeds of the sale of the 2001 Bonds Refunding Portion remaining in the Payment Account after payment of the Refunded 2001 Bonds shall be transferred to the 2001 Bonds Debt Service Subaccount. Proceeds of the sale of the 2007C Bonds Refunding Portion in the amount of \$255,948.08 shall be deposited in the Payment Account. On or prior to the Call Date, the Administrator-Clerk shall transfer \$255,948.08 of the 2007C Bonds Refunding Portion from the Payment Account to the paying agent for the Prior 2007C Bonds, which sum is sufficient to pay the principal and interest due on the 2007C Bonds Refunding Portion on the Call Date, including the principal of the Refunded 2007C Bonds called for redemption on the Call Date. Any proceeds of the sale of the 2007C Bonds Refunding Portion remaining in the Payment Account after payment of the Refunded 2007C Bonds shall be transferred to the 2007C Bonds Debt Service Subaccount.

(b) Escrow Account. The Escrow Account is established for the Refunded 2009A Bonds and shall be maintained as an escrow account with Northland Trust Services, Inc. (the "Escrow Agent"), in Minneapolis, Minnesota, which is a suitable financial institution within or without the State. \$306,276.00 in proceeds of the sale of the Prior 2009A Bonds Refunding and Portion, \$21,770.00 in proceeds of the sale of the Prior 2001 Bonds Refunding Portion and \$120,000 of sums held in the debt service account of the Prior 2009A Bonds shall be received by the Escrow Agent and applied to fund the Escrow Account or to pay costs of issuing the Bonds. Proceeds of the Prior 2009A Bonds Refunding Portion of the Bonds not used to pay costs of issuance or any Bond proceeds returned to the City are hereby irrevocably pledged and appropriated to the Escrow Account, together with all investment earnings thereon. The amounts deposited in the Escrow Account at closing shall be in an amount sufficient to provide funds to (i) to pay when due the interest to accrue on the Prior 2009A Bonds Refunding Portion of the Bonds to and including the Crossover Date; and (ii) to pay when called for redemption on the Crossover Date, the principal amount of the Refunded 2009A Bonds. The Escrow Account shall be irrevocably appropriated to the payment of (i) all interest on the Prior 2009A Bonds Refunding Portion of the Bonds to and including the Crossover Date; and (ii) the principal of the Refunded 2009A Bonds due by reason of their call for redemption on the Crossover Date. The

moneys in the Escrow Account shall be used solely for the purposes herein set forth and for no other purpose, except that any surplus in the Escrow Account may be remitted to the City, all in accordance with the Escrow Agreement, by and between the City and Escrow Agent (the "Escrow Agreement"), a form of which is on file in the office of the Administrator-Clerk. Any moneys remitted to the City upon termination of the Escrow Agreement shall be deposited in the Debt Service Account.

(c) Debt Service Account. There shall be maintained the following separate subaccounts in the Debt Service Account and there are hereby irrevocably appropriated and pledged to, and there shall be credited to the separate subaccounts of the Debt Service Account:

(i) 2001 Bonds Debt Service Subaccount. To the 2001 Bonds Debt Service Subaccount there shall be credited: (i) the net revenues of the System not otherwise pledged and applied to the payment of other obligations of the City, in an amount, together with other funds which may herein or hereafter from time to time be irrevocably appropriated to the account, sufficient to meet the requirements of Minnesota Statutes, Section 475.61 for the payment of the principal and interest of the 2001 Bonds Refunding Portion of the Bonds; (ii) any collections of all taxes which may hereafter be levied in the event the net revenues of the System and other funds herein pledged to the payment of the principal and interest on the Prior 2001 Bonds Refunding Portion of the Bonds are insufficient therefor; (iii) any funds remaining on deposit in the debt service account established by the Prior 2001 Resolution after the Prior 2001 Bonds have been paid and discharged; (iv) all investment earnings on funds held in the 2001 Bonds Debt Service Subaccount; and (v) any and all other moneys which are properly available and are appropriated by the governing body of the City to the 2001 Bonds Debt Service Subaccount. The 2001 Bonds Debt Service Subaccount shall be used solely to pay the principal and interest and any premiums for redemption of the 2001 Bonds Refunding Portion and any other general obligation bonds of the City hereafter issued by the City and made payable from said subaccount as provided by law.

(ii) 2007C Bonds Debt Service Subaccount. To the 2007C Bonds Debt Service Subaccount there shall be credited: (i) after the Call Date, all uncollected special assessments pledged to the payment of the Prior 2007C Bonds; (ii) any collections of all taxes heretofore levied for the payment of the Prior 2007C Bonds and interest thereon which are not needed to pay the Prior 2007C Bonds and that are on deposit in the Debt Service Account established by the Prior 2007C Resolution for the Prior 2007C Bonds after the Prior 2007C Bonds have been paid and discharged; (iii) any collections of all taxes herein or hereinafter levied for the payment of the 2007C Bonds Refunding Portion and interest thereon; (iv) any funds remaining on deposit in the debt service account established by the Prior 2007C Resolution for the Prior 2007C Bonds after the Prior 2007C Bonds have been paid and discharged; and (v) all investment earnings on funds held in the 2007C Bonds Debt Service Subaccount; and (vi) any and all other moneys which are properly available and are appropriated by the governing body of the City to the 2007C Bonds Debt Service Subaccount. The 2007C Bonds Debt Service Subaccount shall be used solely to pay the principal and interest and any premiums for redemption of the 2007C Bonds Refunding Portion of the Bonds.

(iii) 2009A Bonds Debt Service Subaccount. To the 2009A Bonds Debt Service Subaccount there shall be credited: (i) after the Crossover Date, all uncollected special assessments pledged to the payment of the Prior 2009A Bonds; (ii) any collections of all taxes heretofore levied for the payment of the Prior 2009A Bonds and interest thereon which are not needed to pay the Prior 2009A Bonds and that are on deposit in the Debt Service Account established by the Prior 2009A Resolution for the Prior 2009A Bonds after the Prior 2009A Bonds have been paid and discharged; (iii) any collections of all taxes herein or hereinafter levied for the payment of the 2009A Bonds Refunding Portion and interest thereon; (iv) any funds remaining in the Escrow Account after all costs of issuing the Bonds have been paid; (v) any funds remaining on deposit in the Debt Service Account established by the Prior 2009A Resolution for the Prior 2009A Bonds after the Prior 2009A Bonds have been paid and discharged; (vi) all investment earnings on funds held in the 2009A Bonds Debt Service Subaccount; and (vii) any and all other moneys which are properly available and are appropriated by the governing body of the City to the 2009A Bonds Debt Service Subaccount. The 2009A Bonds Debt Service Subaccount shall be used solely to pay the principal and interest and any premiums for redemption of the 2009A Bonds Refunding Portion of the Bonds.

No portion of the proceeds of the Bonds 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 Bonds were issued and (2) in addition to the above in an amount not greater than the lesser of five percent of the proceeds of the Bonds or \$100,000. To this effect, any proceeds of the Bonds 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 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code").

17. Covenants Relating to the 2001 Bonds Refunding Portion.

(a) Sufficiency of Net Revenues; Coverage Test. It is hereby found, determined and declared that the net revenues of the System are sufficient in amount to pay when due the principal of and interest on the 2001 Bonds Refunding Portion of the Bonds and the Sewer Bonds and a sum at least five percent in excess thereof. The net revenues of the System and the Water System are sufficient to pay the Outstanding Bonds and a sum at least five percent in excess thereof, and the net revenues of the System are hereby pledged on a parity lien with the Sewer Bonds and the Outstanding Bonds, but solely to the extent required to meet the principal and interest requirements of the 2001 Refunding Portion of the Bonds. Excess net revenues may be used for any proper purpose. Nothing contained herein shall be deemed to preclude the City from making further pledges and appropriations of the net revenues of the System for the

payment of other or additional obligations of the City, provided that it has first been determined by the City Council that the estimated net revenues of the System will be sufficient in addition to all other sources, for the payment of the 2001 Bonds Refunding Portion and such additional obligations and any such pledge and appropriation of the net revenues of the System may be made superior or subordinate to, or on a parity with the pledge and appropriation herein.

(b) Covenant to Maintain Rates and Charges. In accordance with Minnesota Statutes, Section 444.075, the City hereby covenants and agrees with the Holders of the 2001 Bonds Refunding Portion that it will impose and collect charges for the service, use, availability and connection to the System at the times and in the amounts required to produce net revenues adequate to pay all principal and interest when due on the 2001 Bonds Refunding Portion of the Bonds.

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

(d) General Obligation Pledge. For the prompt and full payment of the principal of and interest on the Prior 2001 Bonds Refunding Portion of the Bonds 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 2001 Bonds Debt Service Subaccount is ever insufficient to pay all principal and interest then due on the Prior 2001 Bonds Refunding Portion of the Bonds payable therefrom, the deficiency shall be promptly paid out of any other accounts of the City which are available for such purpose, and such other funds may be reimbursed without interest from the 2001 Bonds Debt Service Subaccount when a sufficient balance is available therein.

18. Covenants Relating to the 2007C Bonds Refunding Portion.

(a) Special Assessments. The City has heretofore levied special assessments pursuant to the Prior 2007C Bonds Resolution, which were pledged to the payment of the principal and interest on the Prior 2007C Bonds and, after the Call Date, the uncollected special assessments for the Prior 2007C Bonds are now pledged to the payment of principal and interest on the Prior 2007C Bonds Refunding Portion of the Bonds. The special assessments are such that if collected in full they, together with estimated collections of taxes herein pledged for the payment of the Prior 2007C Bonds Refunding Portion of the Bonds, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Prior 2007C Bonds Refunding Portion of the Bonds. The special assessments were levied as provided below, 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 the rate shown opposite such years:

<u>Improvement Designation</u>	<u>Amounts</u>	<u>Interest Rate</u>	<u>Collection Years</u>
2007 Lakeview Estates Project	\$240,000	4.50%	2010-2020

(b) Tax Levy; Coverage Test; Cancellation of Certain Tax Levies. To provide moneys for payment of the principal and interest on the 2007C Bonds Refunding Portion of the Bonds 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>Years of Tax Levy</u>	<u>Years of Tax Collection</u>	<u>Amount</u>
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See attached schedule

The tax levies are such that if collected in full they, together with estimated collections of special assessments and any other revenues herein pledged for the payment of the 2007C Bonds Refunding Portion of the Bonds, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the 2007C Bonds Refunding Portion of the Bonds. The tax levies shall be irrevocable so long as any of the 2007C Bonds Refunding Portion of the Bonds 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.

Upon payment of the Prior 2007C Bonds, the uncollected taxes levied in the Prior 2007C Bonds Resolution authorizing the issuance of the Prior 2007C Bonds which are not needed to pay the Prior 2007C Bonds as a result of the Refunding shall be canceled.

(c) General Obligation Pledge. For the prompt and full payment of the principal and interest on the Prior 2007C Bonds Refunding Portion, 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 2007C Bonds Debt Service Subaccount is ever insufficient to pay all principal and interest then due on the Prior 2007C Bonds Refunding Portion 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 Improvement Debt Service Subaccount when a sufficient balance is available therein.

19. Covenants Relating to the 2009A Bonds Refunding Portion.

(a) Special Assessments. The City has heretofore levied special assessments pursuant to the Prior 2009A Bonds Resolution, which were pledged to the payment of the principal and interest on the Prior 2009A Bonds and, after the Crossover Date, the uncollected special assessments for the Prior 2009A Bonds are now pledged to the payment of principal and interest on the Prior 2009A Bonds Refunding Portion of the Bonds. The special assessments are such that if collected in full they, together with estimated collections of taxes herein pledged for the payment of the Prior 2009A Bonds Refunding Portion of the Bonds, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Prior 2009A Bonds Refunding Portion of the Bonds. The special assessments were levied as provided below, 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 the rate shown opposite such years:

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<u>Improvement Designation</u>	<u>Amounts</u>	<u>Interest Rate</u>	<u>Collection Years</u>
Jenny's Subdivision	\$96,374.00	6.00%	2009-2019

(b) Tax Levy; Coverage Test; Cancellation of Certain Tax Levies. To provide moneys for payment of the principal and interest on the 2009A Bonds Refunding Portion of the Bonds 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>Years of Tax Levy</u>	<u>Years of Tax Collection</u>	<u>Amount</u>
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See attached schedule

The tax levies are such that if collected in full they, together with estimated collections of special assessments and any other revenues herein pledged for the payment of the 2009A Bonds Refunding Portion of the Bonds and sums held in the Escrow Account, will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the 2009A Bonds Refunding Portion of the Bonds. The tax levies shall be irrevocable so long as any of the 2009A Bonds Refunding Portion of the Bonds 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.

Upon payment of the Prior 2009A Bonds, the uncollected taxes levied in the Prior 2009A Bonds Resolution authorizing the issuance of the Prior 2009A Bonds which are not needed to pay the Prior 2009A Bonds as a result of the Refunding shall be canceled.

(c) General Obligation Pledge. For the prompt and full payment of the principal and interest on the Prior 2009A Bonds Refunding Portion, 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 2009A Bonds Debt Service Subaccount is ever insufficient to pay all principal and interest then due on the Prior 2009A Bonds Refunding Portion 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.

20. Prior Bonds; Security. Until retirement of the Prior Bonds, all provisions theretofore made for the security thereof shall be observed by the City and all of its officers and agents.

21. Defeasance. When all Bonds have been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered holders of the Bonds shall, to the extent permitted by law, cease. The City may discharge its obligations with respect to any Bonds which are 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 any 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 discharge its obligations with respect to any prepayable Bonds 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 any Bonds, 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.

22. Securities; Escrow Agent. Securities, if any, purchased from moneys in the Escrow Account shall be limited to securities set forth in Minnesota Statutes, Section 475.67, Subdivision 8, and any amendments or supplements thereto. The City Council has investigated the facts and hereby finds and determines that the Escrow Agent is a suitable financial institution to act as escrow agent.

23. Prior 2001 Bonds; Security and Prepayment. Until retirement of the Prior 2001 Bonds, all provisions theretofore made for the security thereof shall be observed by the City and all of its officers and agents. The actions taken on the City's behalf by Northland in notifying the holder of the Prior 2001 Bonds, the United States of America, Department of Agriculture, Marshall, Minnesota, Rural Development Office, of the prepayment of the Refunded 2001 Bonds on the Call Date, is hereby approved.

24. Redemption of Refunded 2007C Bonds and the Refunded 2009A Bonds. The Administrator-Clerk is hereby authorized and directed to give mailed notice of redemption prior to the Call Date, to the paying agent for the Refunded 2007C Bonds, in substantially the form attached hereto as Exhibit A. The Refunded 2009A Bonds shall be redeemed and prepaid on the Crossover Date in accordance with the terms and conditions set forth in the Notice of Call for Redemption, substantially in the form attached to the Escrow Agreement, which terms and conditions are hereby approved and incorporated herein by reference.

25. Escrow Agreement. On or prior to the delivery of the Bonds the Mayor and Administrator-Clerk shall, and are hereby authorized and directed to, execute on behalf of the City an Escrow Agreement. The Escrow Agreement is hereby approved and adopted and made a part of this resolution, and the City covenants that it will promptly enforce all provisions thereof in the event of default thereunder by the Escrow Agent.

26. Certificate of Registration. The Administrator-Clerk is hereby directed to file a certified copy of this resolution with the County Auditor of Cottonwood County, Minnesota, together with such other information as the County Auditor shall require, and to obtain the County Auditor's Certificate that the Bonds have been entered in the Bond Register.

27. 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 Bonds, certified copies of all proceedings and records of the City relating to the Bonds 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 Bonds 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 furnished, shall be deemed representations of the City as to the facts recited therein.

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

29. Tax-Exempt Status of the Bonds; 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 Bonds, including without limitation (1) requirements relating to temporary periods for investments, (2) limitations on amounts invested at a yield greater than the yield on the Bonds, and (3) the rebate of excess investment earnings to the United States if the Bonds (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 exception to the federal arbitrage rebate requirements for governmental units issuing \$5,000,000 or less of bonds, the City hereby finds, determines and declares that:

- (a) the Bonds are issued by a governmental unit with general taxing powers;
- (b) no Bond is a private activity bond;
- (c) ninety-five percent or more of the net proceeds of the Bonds 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);
- (d) the aggregate face amount of all tax exempt bonds (other than private activity bonds) issued by the City (and all subordinate entities thereof, and all entities treated as one issuer with the City) during the calendar year in which the Bonds are 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;
- (e) with respect to the Current Refunding Portion of the Bonds there shall not be taken into account for purposes of said \$5,000,000 limit any bond issued to refund (other than to advance refund) any bond to the extent the amount of the refunding bond does not exceed the outstanding amount of the refunded bond;
- (f) the aggregate face amount of the Bonds does not exceed \$5,000,000;

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(g) each of the Refunded Bonds was issued as part of an issue which was treated as meeting the rebate requirements by reason of the exception for governmental units issuing \$5,000,000 or less of bonds;

(h) the average maturity of the Current Refunding Portion of the Bonds does not exceed the average maturity of the Refunded 2001 Bonds and the Refunded 2007C Bonds;

(i) the average maturity of the Crossover Refunding Portion of the Bonds does not exceed the average maturity of the Refunded 2009A Bonds;

(j) no part of the Current Refunding Portion of the Bonds has a maturity date which is later than the date which is thirty years after the date the Prior 2001 Bonds and the Prior 2007C Bonds were issued; and

(k) no part of the Crossover Refunding Portion of the Bonds of the Bonds has a maturity date which is later than the date which is thirty years after the date the Prior 2009A Bonds were issued.

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

(a) the Bonds are issued after August 7, 1986;

(b) the Bonds are not "private activity bonds" as defined in Section 141 of the Code;

(c) the City hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;

(d) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the City (and all entities treated as one issuer with the City, and all subordinate entities whose obligations are treated as issued by the City) during this calendar year 2015 will not exceed \$10,000,000;

(e) not more than \$10,000,000 of obligations issued by the City during this calendar year 2015 have been designated for purposes of Section 265(b)(3) of the Code; and

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

Furthermore, with respect to the Current Refunding Portion of the Bonds:

(g) each of the Refunded 2001 Bonds and the Refunded 2007C Bonds were designated as a "qualified tax exempt obligation" for purposes of Section 265(b)(3) of the Code;

(h) the average maturity of the Current Refunding Portion does not exceed the remaining average maturity of the Refunded 2001 Bonds and the Refunded 2007C Bonds;

(i) no part of the Current Refunding Portion of the Bonds has a maturity date which is later than the date which is thirty years after the date the Refunded 2001 Bonds and the Refunded 2007C Bonds were issued; and

(j) the Current Refunding Portion is issued to refund, and not to "advance refund" the Refunded 2001 Bonds and the Refunded 2007C Bonds within the meaning of Section 149(d)(5) of the Code, and shall not be taken into account under the \$10,000,000 issuance limit to the extent the Current Refunding Portion does not exceed the outstanding amount of the Refunded 2001 Bonds and the Refunded 2007C Bonds.

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.

31. Official Statement. The Official Statement relating to the Bonds prepared and distributed by Northland is hereby approved and the officers of the City are authorized in connection with the delivery of the Bonds to sign such certificates as may be necessary with respect to the completeness and accuracy of the Official Statement.

32. Supplemental Resolution. The Prior Resolutions are hereby supplemented to the extent necessary to give effect to the provisions hereof.

33. Continuing Disclosure. The City is the sole obligated person with respect to the Bonds. The City hereby agrees, in accordance with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and a Continuing Disclosure Undertaking (the "Undertaking") hereinafter described to:

(a) Provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB") by filing at www.emma.msrb.org in accordance with the Rule, certain annual financial information and operating data in accordance with the Undertaking. The City reserves the right to modify from time to time the terms of the Undertaking as provided therein.

(b) Provide or cause to be provided to the MSRB notice of the occurrence of certain events with respect to the Bonds in not more than ten (10) business days after the occurrence of the event, in accordance with the Undertaking.

(c) Provide or cause to be provided to the MSRB notice of a failure by the City to provide the annual financial information with respect to the City described in the Undertaking, in not more than ten (10) business days following such occurrence.

(d) The City agrees that its covenants pursuant to the Rule set forth in this paragraph and in the Undertaking is intended to be for the benefit of the Holders of the Bonds and shall be enforceable on behalf of such Holders; provided that the right to enforce the provisions of these covenants shall be limited to a right to obtain specific enforcement of the City's obligations under the covenants.

The Mayor and Administrator-Clerk of the City, or any other officer of the City authorized to act in their place (the "Officers") are hereby authorized and directed to execute on

behalf of the City the Undertaking in substantially the form presented to the City Council subject to such modifications thereof or additions thereto as are (i) consistent with the requirements under the Rule, (ii) required by the Purchaser of the Bonds, and (iii) acceptable to the Officers.

34. 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.

35. 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.

FAQs: Small Cities Assistance Account Payments

The first of two state payments intended to help fund city street maintenance were made concurrently with July local government aid payments.

(Published Jul 23, 2015)

Many cities have contacted the League in recent days asking about a payment they received from the state's "Small Cities Assistance Account." This payment is the result of 2015 legislation aimed at helping cities that do not receive municipal state aid (MSA) because they do not meet the 5,000 population eligibility threshold for dedicated funds (gas tax, tab fee, and motor vehicle sales tax revenues) established in the state's constitution.

Language creating the Small Cities Assistance Account is tucked into the bare-bones transportation finance bill that was hurriedly drafted and passed after negotiations on a more comprehensive transportation finance bill failed. Gov. Dayton signed the bill, Chapter 75 (*Link to: <https://www.revisor.mn.gov/laws/?id=75&year=2015&type=0>*), on May 22. The Legislature funded the Small Cities Assistance Account with \$12.5 million in one-time money that is distributed through a formula to the 706 Minnesota cities with populations under 5,000.

Read more about the creation of the Small Cities Assistance Account (*Link to: <http://www.lmc.org/page/1/SmallCitiesFund15.jsp>*)

View the Small Cities Assistance Account city-by-city final amounts (pdf) (*Link to: <http://www.lmc.org/media/document/1/smallcitiesrunsf1647.pdf?inline=true>*)

Read the League's summary of the 2015 omnibus transportation bill (*Link to: <http://www.lmc.org/page/1/transportation15.jsp>*)

Frequently asked questions

Following are answers to some of the frequently asked questions about the Small Cities Assistance Account.

Q: Do I need to apply for funds from the Small Cities Assistance Account?

A: No. Cities with a population threshold under 5,000 automatically receive payments from the Small Cities Assistance Account. Funds are distributed on a formula basis and will be received concurrently from the Minnesota Department of Revenue (DOR) with July and December local government aid (LGA) payments.

Q: How much will my city receive from the Small Cities Assistance Account in FY 2016?

A: The DOR released the final amounts for each city on July 14.

View the Small Cities Assistance Account city-by-city final amounts (pdf) (*Link to: <http://www.lmc.org/media/document/1/smallcitiesrunsf1647.pdf?inline=true>*)

\$ 30,852

Q: Will this account be funded in future years?

A: The Legislature created the Small Cities Assistance Account as Minnesota Statutes, section 162.145. Although the account was created in statute and will remain there unless it is repealed by a future Legislature, it was funded only for the first year. The League will work to secure ongoing and increased funding for the account, but cities should not automatically build this revenue into their budgets for FY 2017 and beyond.

Q: It appears my city only received half of the appropriation we should expect for FY 2016. When will the other half be paid?

A: According to the DOR, Small Cities Assistance Account payments will be distributed concurrently with LGA payments. Cities should have received their first payment by July 20 and can expect to receive their second and final FY 2016 payment by Dec. 26.

Q: Are there restrictions on how my city can spend the money?

A: The law provides that funds distributed through the Small Cities Assistance Account are available only for construction and maintenance of roads located within the city, including:

Land acquisition, environmental analysis, design, engineering, construction, reconstruction, and maintenance.

Road projects partially located within the city.

Projects on county state-aid highways located within the city.

Cost participation on road projects under the jurisdiction of another unit of government.

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FAQs: Small Cities Assistance Account Payments

Q: Is my city required to document and report use of the Small Cities Assistance Account funds received?

A: The law currently does not contain a reporting requirement; however, the League advises cities, as a best practice, to keep careful records of their use of Small Cities Assistance Account funds. This documentation will be helpful to future efforts to secure new and dedicated funding for the Small Cities Assistance Account.

Q: Since the funds are coming from the state, do projects funded from the Small Cities Assistance Account have to meet MSA standards?

A: The law provides that projects funded with Small Cities Assistance Account dollars are not subject to state aid requirements unless the project is part of a county state aid highway project.

* **Q:** Is there a time limit on spending my city's appropriation from the Small Cities Assistance Account?

A: The law is silent on when cities must expend funds. That said, the League is recommending cities put the funds to good use during the current fiscal year if possible. The League understands cities have already budgeted for and planned projects for this construction season, and could not have anticipated this new revenue during their budgeting process; however, using the funds this year will demonstrate to the Legislature that funds were put to the intended use on a timely basis.

Q: How does the distribution formula work?

A: Below is the distribution formula as enacted:

(a) In each fiscal year in which funds are available under this section, the commissioner shall allocate funds to eligible cities.

(b) The preliminary aid to each city is calculated as follows:

5 percent of funds allocated equally among all eligible cities;

35 percent of funds allocated proportionally based on each city's share of lane miles of municipal streets compared to total lane miles of municipal streets of all eligible cities;

35 percent of funds allocated proportionally based on each city's share of population compared to total population of all eligible cities; and

25 percent of funds allocated proportionally based on each city's share of state aid adjustment factor compared to the sum of state aid adjustment factors of all eligible cities.

(c) The final aid to each city is calculated as the lesser of:

The preliminary aid to the city multiplied by an aid factor; or

The maximum aid.

(d) The commissioner shall set the aid factor under paragraph ©, which must be the same for all eligible cities, so that the total funds allocated under this subdivision equal the total amount available for the fiscal year.

Mt. Lake will receive \$30,852.

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ENERGY EFFICIENT LIGHTING MEASURES

EU - The city of Mt. Lake is planning on replacing the existing HID lighting to LED.

Select Utility: Mountain Lake Commercial Demand: \$0.00 per kW Rebate: \$200 per kW
 Customer Type: On-Peak: \$0.090 per kWh On-Peak: \$0.085 per kWh

AREA DESCRIPTION:	Existing System					Proposed System					Annual Energy Savings					
	Lighting Type	Lighting Size	Ballast Factor	# of Fixtures	Watts/ Fixture	Lighting Type	Lighting Size	Ballast Factor	# of Fixtures	Watts/ Fixture	Hours of Operation/ yr	Annual kW Reduced	Annual Energy Savings	Rebate	Cost	Payback (Years)
Farm Security Lights	HPS	HP5150		1	150	LED	64W NEMA Head		1	64	4,903	0.12	\$54.72	\$24.80	\$24	3.64
Cobra Heads	HPS	HP5250		1	250	LED	143W ATB2		1	143	4,903	0.15	\$67.07	\$30.40	\$51.8	7.27
Acoms - Replacement	Metal Halide	MH175		1	175	LED	80W Acrylic Washington		1	80	4,903	0.13	\$57.37	\$26.00	\$1,255	21.42
Acoms - Retrofit	Metal Halide	MH175		1	175	LED	100W WAURETRO		1	100	4,903	0.11	\$48.54	\$22.00	\$588	11.66

Please contact us at (952) 767-7455.

Disclaimer: All values are estimates based on information provided at the time. These values are not to be taken as fact and proof of installation is needed for rebates to be issued.



HOLOPHANE

An *Acuity Brands* Company
 Quoted To: Smith, Brandon W (Brandon)
 2515 WHITE BEAR AVE
 SUITE A8-415
 SAINT PAUL, MN 55109-5173

Job Name: Energy Insight, Inc.
 Quote #: 2043-15-11355-0
 Quote Label: Initial Version
 Job Location:
 Issue Date: 2/27/2015
 Bid Date: 2/27/2015

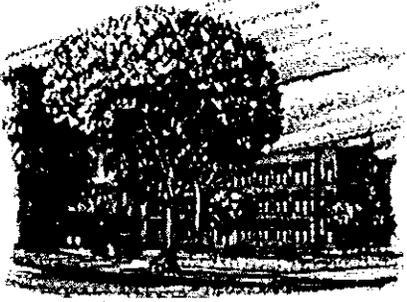
Quoted By: Brandon Smith

Type	Qty	Catalog #	Unit \$	Ext \$
<i>Farm Security</i>	350	LNH2 LUS MVOLT R5 BA PCL1 LED NEMA Head Series 2 Security Lighting (LNH2): LNH2, 6200 Lumens, 120-277V, Roadway Type 5, Open Bottom Acrylic, Unpainted, 3 Pin NEMA Photocontrol Receptacle, 5' of 14 Ga. Leads prewired, DTL DLL 120-277V Photocontrol	\$223.80	\$78,330.00
<i>Cobra heads</i>	40	ATB2 40BLEDE10 MVOLT R2 PCLL Autobahn LED Roadway - Large (ATB2): ATB2, 40B Chips, 1050mA Driver, Multi-Volt (120-277V), Roadway Type II, 4000K (Standard), Gray (Standard), Terminal Block (Standard), 3 Pin NEMA Photocontrol Receptacle (Standard), Solid-State Long Life Photocontrol	\$517.93	\$20,717.20
<i>Downtown Thrice Ave Acoms</i>	36	AWDE 80 4K AS M B 3 N S B Acrylic Washington Postlite II LED (AWDE): AWDE, 80W 400mA Driver, 4000 Series CCT, Auto-Sensing Voltage (120-277V), Modern Style - Swing Open Design, Black, Asymmetric Type III, None, Painted Cast Aluminum Standard, Black	\$1,254.60	\$45,165.60
	0	WAURETRO 100 4K AS B 3 N Utility Washington LED Retrofit Kit (WAURETRO): WAURETRO, 100W 525mA Driver, 4000 Series CCT, Auto-Sensing Voltage (120-277V), Black, Asymmetric Type III, No Trim, Finial Only, or, Band and Medallions (Trims 1,2,3,4,7, or, 8)	\$588.00	\$0.00

Grand Total: \$144,212.80

Estimated Lead Time: 20 days

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Mountain Lake Public Schools

450 12th Street, P. O. Box 400

Mountain Lake, MN 56159

Phone: (507) 427-2325 / Fax: (507) 427-3047

July 27, 2015

To: City of Mountain Lake
Wendy Meyer

From: Kim Naas – Business Manager

Re: 2nd Quarter Billing

The Mountain Lake Public School would like to thank the City of Mountain Lake for being willing to contribute to the indoor pool located in our school. This billing is for the 2nd Quarter of 2015.

Revenue Totals	\$ 8,957.36
Expenditure Totals	<u>\$ 12,237.80</u>
Net Loss	\$ 3,280.44

As per the Swimming Pool Agreement the Mountain Lake Public School and the City of Mountain Lake will share 50/50 of the swimming facility costs up to \$15,000.00/year for three years, ending in 2015 (due to another year extension). 50% of the 2nd Quarter's facility costs would be \$1,640.22. Once again I want to thank the City of Mountain Lake for this contribution. Your help allows our pool to stay open and meet the needs of those who live in and around Mountain Lake.

Please make check payable to: Independent School District #173
450 12th Street
PO Box 400
Mountain Lake, MN 56159

If you should have any questions regarding this invoice please feel free to contact either Bill Strom at 427-2325 Ext. 105 or Kim Naas at 427-2325 Ext. 101. Both of us would be happy to answer any questions or supply additional information that you may need.

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2nd Quarter, 2015

	Apr	May	Jun	Total
Revenues				
40 Water Ex and Deep Water Ex Class			\$60.75	\$60.75
Pool Passes				\$0.00
Water Ex Coupon Book	\$190.00	\$195.00	\$345.00	\$730.00
Swimming Lessons		\$2,160.00	\$4,765.00	\$6,925.00
Zumba Classes				\$0.00
50 Open Swimming	\$8.00		\$193.50	\$201.50
School Use - ECSE/Phy Ed Classes/Track/CC	\$42.00		\$68.00	\$110.00
Pool Party		\$70.00		\$70.00
Friends of Pool "free swim"		\$216.00		\$216.00
AM Swimming Coupon Book	\$45.00			\$45.00
AM Swimming		\$14.50	\$37.00	\$51.50
Annual Pool Passes				\$0.00
Healthways Reimbursement	\$12.50	\$17.50	\$37.50	\$67.50
96 Donation-			\$480.11	\$480.11
Total	\$297.50	\$2,673.00	\$5,986.86	\$8,957.36
City of Mountain Lake's 4th Quarters payment	\$0.00	\$0.00	\$5,842.64	\$5,842.64
Expenses				
110 Pool Coordinator Salary	\$744.50	\$818.95	\$818.95	\$2,382.40
170 Custodian	\$710.60	\$300.00	\$385.02	\$1,395.62
185 Zumba class				\$0.00
186 Life Guards	\$1,283.84	\$1,878.74	\$2,632.76	\$5,795.34
210 FICA	\$164.74	\$196.70	\$292.42	\$653.86
214 PERA	\$58.03	\$145.51	\$162.15	\$365.69
218 TRA				\$0.00
220 Health Insurance	\$125.00	\$125.00	\$125.00	\$375.00
250 TSA Match	\$18.75	\$18.75	\$18.75	\$56.25
350 Repairs	\$67.61			\$67.61
401 Supplies				\$0.00
Water Specialty of MN, Inc	\$651.08		\$494.95	\$1,146.03
KDOM - help wanted ad				\$0.00
820 Brown-Nicollet Comm. Health - license				\$0.00
Total	\$3,824.15	\$3,483.65	\$4,930.00	\$12,237.80
Income/Loss	(\$3,526.65)	(\$810.65)	\$1,056.86	(\$3,280.44)
Mountain Lake Public School Share	(\$1,640.22)			
Mountain Lake City Share	(\$1,640.22)			
1st Quarter	\$5,842.64			
2nd Quarter	\$1,640.22			
3rd Quarter				
4th Quarter				
	\$7,482.86			

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