A regular meeting of the City Council for the City of Canby, Minnesota was held on August 7, 2018 at 7:00 P.M. in the City Council Chambers.

Members: Nancy Bormann, Ryan Feiock, Eugene Bies and Jackie Paulsen

Absent: Denise Hanson

Visitors: Rebecca Schrupp, City Administrator   
 Gerald Boulton, City Attorney   
 Philip DeSchepper, Bolton & Menk

Todd Hagen, Ehlers

Jeff Harms

Jody Olson

The Pledge of Allegiance was recited and the meeting was called to order.

The minutes of July 24, 2018 were reviewed. A motion was made by Bies and seconded by Paulsen to approve the minutes. All voted in favor. None voted against. The motion was carried.

Todd Hagen presented the bond sale items. August 29th will be the bond closing. Resolution 2018-08-07-1 was reviewed. A motion was made by Feiock to approve Resolution 2018-08-07-1. The motion was seconded by Paulsen. All voted in favor. None voted against. The motion was carried.

**RESOLUTION NO. 2018-08-07-1**

**RESOLUTION PROVIDING FOR THE ISSUANCE, SALE AND DELIVERY OF $1,370,000 GENERAL OBLIGATION BONDS, SERIES 2018A**

BE IT RESOLVED, by the City Council of the City of Canby, Yellow Medicine County, Minnesota (the “Issuer”), as follows:

Section 1. Bond Purpose, Authorization, and Award.

1.01 Authority and Purpose.

A. Pursuant to authority contained in Minnesota Statutes, Chapters 429, 444 and 475, the City Council directs the issuance and sale of $1,370,000 General Obligation Bonds, Series 2018A of the Issuer dated August 29, 2018 (the “Bonds”), for the purpose of financing (i) a portion of the costs of local public improvements, including the Issuer’s Phase 2 and Phase 3 Infrastructure Replacement Project including minor utility connections, and the construction of the Lexington Avenue Improvements in the Issuer, as described in Minnesota Statutes, Chapter 429 (the “Improvement Project”); (ii) a portion of the costs of improvements to the Issuer’s storm sewer system (the “Sewer Project,” and together with the Improvement Project, the “Project”); and (iii) a part of the issuance costs of the Bonds. The Improvement Project is ordered as required by Minnesota Statutes, Section 429.091, Subdivision 1.

B. The portion of the Bonds to be used to finance the Improvement Project, along with a *pro rata* portion of the costs of issuance of the Bonds is referred to herein as the “Improvement Portion.” The portion of the Bonds to be used to finance the Sewer Project, along with a *pro rata* portion of the costs of issuance of the Bonds is referred to herein as the “Sewer Portion.”

C. The principal of and interest on the Bonds shall be paid: (i) with respect to the Improvement Portion, from (a) special assessments levied upon property specially benefitted by the Improvement Project (the “Special Assessments”) and (b) from ad valorem taxes hereinafter levied (the “Taxes”); and (ii) with respect to the Sewer Portion, from revenues of the Issuer’s storm sewer system (the “Utility”) in excess of amounts necessary to pay claims duly approved and allowed for payment of expenses which, under generally accepted accounting principles, constitute normal, reasonable, and current expenses of operating and maintaining the Utility, and to maintain such reasonable reserves for such expenses as the City Council shall determine to be necessary from time to time (the “Net Revenues”) (the Special Assessments, the Taxes, and Net Revenues are collectively referred to as the “Pledged Revenues”).

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

1.02 Municipal Advisor. The Issuer has retained the services of Ehlers & Associates, Inc. as its municipal advisor.

1.03 Award of Sale. The Issuer has received an offer from Robert W. Baird & Co., Inc. of Milwaukee, Wisconsin (the “Purchaser”), to purchase the Bonds at a cash price of $1,365,929.60, upon the terms and conditions hereafter specified in this Resolution. The City Council, after due consideration, finds such offer reasonable and proper and the offer of the Purchaser is accepted. The Mayor and the Administrator are authorized and directed to execute on the part of the Issuer a contract for the sale of the Bonds in accordance with the Purchaser’s proposal, and to acknowledge receipt of the security given for the proposal, if any.

Section 2. Terms of the Bonds.

2.01 Date and Maturities. A. The Bonds to be issued hereunder shall be issued as fully-registered bonds designated “$1,370,000 General Obligation Bonds, Series 2018A,” dated the date of closing and delivery as the date of original issue, issued in the denominations of $5,000, or any integral multiple thereof, in fully registered form and lettered and numbered R-1 and upward.

B. The Bonds shall mature on February 1 in the years and amounts stated below and shall bear interest from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, or, if no interest has been paid or provided for, from the date of original issue until paid at the rates per annum set forth below opposite such years and amounts:

| **Year** | **Improvement Portion** | **Sewer Portion** | **Total Amount** | **Interest Rate** |
| --- | --- | --- | --- | --- |
| 2020 | $10,000 | $20,000 | $30,000 | 4.000% |
| 2021 | $10,000 | $40,000 | $50,000 | 4.000% |
| 2022 | $10,000 | $40,000 | $50,000 | 4.000% |
| 2023 | $10,000 | $45,000 | $55,000 | 4.000% |
| 2024 | $10,000 | $45,000 | $55,000 | 4.000% |
| 2025 | $15,000 | $45,000 | $60,000 | 4.000% |
| 2026 | $15,000 | $50,000 | $65,000 | 4.000% |
| 2027 | $15,000 | $50,000 | $65,000 | 4.000% |
| 2030 | $50,000 | $160,000 | $210,000 | 3.250% |
| 2033 | $60,000 | $175,000 | $235,000 | 3.375% |
| 2036 | $40,000 | $200,000 | $240,000 | 3.500% |
| 2039 | $35,000 | $220,000 | $255,000 | 3.750% |

2.02 Interest Payment Dates; Record Date.

A. The Bonds shall bear interest at the annual rates stated therefor in Section 2.01. The interest shall be payable annually on February 1 in each year (each referred to herein as an “Interest Payment Date”) commencing on August 1, 2019. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to the rules of the Municipal Securities Rulemaking Board.

B. The Bond Registrar designated below shall make all interest payments with respect to the Bonds by check or draft mailed to the person in whose name each Bond is registered (the “Holder”) and in each case at the address shown on the bond registration records maintained by the Bond Registrar at the close of business on the 15th day (whether or not on a business day) of the calendar month next preceding the Interest Payment Date (the “Regular Record Date”). Any such interest not so timely paid or duly provided for 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 fixed for the payment of such defaulted interest (the “Special Record Date”). The Special Record Date shall be fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest and notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior thereto. The term “Holder” shall also include those lawfully entitled to take actions on behalf of the beneficial owners of the Bonds for purposes of any consent or approvals given by Holders.

C. If the date for payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

2.03 Redemption. A. The Bonds maturing on and prior to February 1, 2028 shall not be subject to redemption and prepayment before maturity, but those maturing after such date and in subsequent years shall each be subject to redemption and prepayment at the option of the Issuer on such date and on any day thereafter, in whole or in part and by lot as to the Bonds maturing in the same year, at a price equal to the principal amount thereof plus accrued interest to the redemption date.

B. The Bonds maturing on February 1 in the years 2030, 2033, 2036 and 2039 shall be subject to mandatory redemption prior to maturity pursuant to the requirements of this section at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Bond Registrar, as designated below, shall select for redemption, by lot or other manner deemed fair, on February 1 in each of the following years the following stated principal amounts:

For Bonds maturing on February 1, 2030:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Improvement Portion** | **Sewer Portion** | **Total Amount** |
| 2028 | $15,000 | $50,000 | $65,000 |
| 2029 | $15,000 | $55,000 | $70,000 |
| 2030 | $20,000 | $55,000 | $75,000 |

For Bonds maturing on February 1, 2033:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Improvement Portion** | **Sewer Portion** | **Total Amount** |
| 2031 | $20,000 | $55,000 | $75,000 |
| 2032 | $20,000 | $60,000 | $80,000 |
| 2033 | $20,000 | $60,000 | $80,000 |

For Bonds maturing on February 1, 2036:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Improvement Portion** | **Sewer Portion** | **Total Amount** |
| 2034 | $20,000 | $65,000 | $85,000 |
| 2035 | $10,000 | $65,000 | $75,000 |
| 2036 | $10,000 | $70,000 | $80,000 |

For Bonds maturing on February 1, 2039:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Improvement Portion** | **Sewer Portion** | **Total Amount** |
| 2037 | $10,000 | $70,000 | $80,000 |
| 2038 | $10,000 | $75,000 | $85,000 |
| 2039 | $15,000 | $75,000 | $90,000 |

C. In the event of mandatory redemption described above, notice thereof identifying the portion of the Bonds to be redeemed will be given by the Bond Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid) not more than 60 and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond or portion thereof to be redeemed at the address shown on the registration books kept by the Bond Registrar; provided however, that so long as the Bonds are registered in the name of Cede & Co., notice of redemption shall be given in accordance with the terms of the Representation Letter. Failure to give notice by mail to any registered owner, or any defect therein, will not affect the validity of any proceeding for the redemption of Bonds not affected by such defect or failure. Bonds or portion thereof so called for redemption will cease to bear interest after the specified redemption date, provided that the funds for the redemption are on deposit with the place of payment at that time.

D. If less than all the Bonds of a maturity are called for redemption while the Bonds are registered in the name of Cede & Co., the Issuer or the Bond Registrar designated below will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed. If less than all the Bonds of a maturity are called for redemption and the Bonds are not registered in the name of Cede & Co., the Bond Registrar will determine by lot or other manner deemed fair, the amount of each maturity to be redeemed. All prepayments shall be at a price equal to the principal amount thereof plus accrued interest.

Section 3. Registration; Global Book Entry System.

3.01 Designation of Bond Registrar. The City Council appoints Bond Trust Services Corporation, Roseville, Minnesota, as registrar, authenticating agent and transfer agent for the Bonds (such bank or its successors is herein referred to as the “Bond Registrar”), and shall do so until a successor Bond Registrar is duly appointed, all pursuant to a contract which the Issuer and the Bond Registrar shall execute which is consistent herewith and which the Mayor and Administrator are authorized to execute and deliver. A successor Bond Registrar shall be a bank or trust company eligible for designation as bond registrar pursuant to Minnesota Statutes, Chapter 475. The terms of the appointment of the successor Bond Registrar and its duties shall be specified in a contract between the Issuer and such successor Bond Registrar that is consistent herewith and that the Mayor and Administrator are authorized to execute and deliver. The Bond Registrar, which may act through an agent, shall also serve as paying agent until and unless a successor paying agent is duly appointed. The Bond Registrar shall pay principal and interest on the Bonds to the registered Holders (or record Holders) of the Bonds in the manner set forth herein. The Issuer agrees to pay the reasonable and customary charges for the services of such Bond Registrar.

3.02 Designation of Depository. DTC, a Securities and Exchange Commission designated depository, a limited purpose New York trust company, a member of the Federal Reserve System, and a “clearing corporation” within the meaning of the New York Uniform Commercial Code, is designated as the depository (the “Depository”) with respect to the Bonds.

3.03 Authentication of Bonds. No Bond shall be valid or obligatory for any purpose unless or until either (i) the Bond Registrar’s authentication certificate on such Bond, substantially set forth in Section 4.01 hereof, shall have been duly executed by an authorized representative of the Bond Registrar or (ii) the Bonds have been manually executed by at least one officer of the City Council. Authentication certificates on different Bonds need not be signed by the same representative. The Bond Registrar shall authenticate each Bond by execution of the Certificate of Authentication on the Bond and shall date each Bond in the space provided as of the date on which the Bond is registered. For purposes of delivering the original Bonds, the Bond Registrar shall insert as the date of registration the date of original issue. The executed Authentication Certificate or the manual signature of at least one officer of the City Council on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution.

3.04 Bond Register; Transfer; Exchange.

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

B. Upon surrender for transfer of any Bond at the principal corporate office of the Bond Registrar, the Issuer shall execute, if required by law or this Resolution, and the Bond Registrar shall authenticate, if required by law or this Resolution, date (in the space designated Date of Registration) and deliver, in the name(s) of the designated transferee or transferees, one or more new Bonds of the 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. Transfer of a Bond may be made on the Issuer’s books by the registered owner in person or by the registered owner’s attorney duly authorized in writing. Transfers shall be subject to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar, including regulations which permit the Bond Registrar to close its transfer books between record dates and payment dates. The Issuer and the Bond Registrar shall not be required to make any transfer or exchange of any Bonds called for redemption or to make any such exchange or transfer of the Bonds during the 15 days next preceding the date of the first publication or the mailing (if there is no publication) of notice of redemption in the case of a proposed redemption of the Bonds.

C. 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 registered owner thereof, with signature guaranteed, or by the registered Holder’s attorney duly authorized in writing, and shall include written instructions as to the details of the transfer of the Bond. When any Bond is presented to the Bond Registrar for transfer, the Bond Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Bond Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

D. At the option of the Holder, replacement 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 Issuer shall execute (if required by law or this Resolution), and the Bond Registrar shall authenticate (if required by law or this Resolution), date (in the space designated Date of Registration) and deliver the replacement Bonds which the Holder making the exchange is entitled to receive. Bonds registered in the name of Cede & Co. may not be exchanged for Bonds of smaller denominations.

E. 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 Issuer.

F. Each Bond delivered upon transfer of or in exchange for or in lieu of any other Bond shall carry all of the rights to interest, accrued and unpaid and to accrue, which are carried by such other Bond. All Bonds delivered in exchange for or upon transfer of Bonds shall be valid general obligations of the Issuer evidencing the same debt, shall be entitled to the same benefits under this Resolution as the Bonds surrendered for such exchange or transfer, and shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bonds.

G. 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.

H. Bonds registered in the name of Cede & Co. may not after their original delivery, be transferred or exchanged except in accordance with the terms and conditions of the Representation Letter and:

(i) upon exchange of a Bond after a partial redemption, if provided in Section 2.03 of this Resolution;

(ii) to any successor of the Depository (or its nominee) or any substitute depository (a “Substitute Depository”) designated pursuant to clause (iii) below; provided that any successor of the Depository or any Substitute Depository must be both a “clearing corporation” as defined in the Minnesota Uniform Commercial Code, Minnesota Statutes, Section 336.8-102, and a qualified and registered “clearing agency” as provided in Section 17A of the Securities Exchange Act of 1934, as amended;

(iii) to a Substitute Depository designated by and acceptable to the Issuer upon (a) the determination by the Depository that the Bonds shall no longer be eligible for its depository services or (b) a determination by the Issuer that the Depository is no longer able to carry out its functions; provided that any Substitute Depository must be qualified to act as such, as provided in subclause (ii) above; or

(iv) in the event that (a) the Depository shall resign or discontinue its services for the Bonds or be declared no longer able to carry out its functions and the Issuer is unable to locate a Substitute Depository within two months following the resignation or discontinuance or determination of noneligibility, or (b) the Issuer determines in its sole discretion that (1) the continuation of the book-entry system described herein might adversely affect the interests of the beneficial owners of the Bonds, or (2) it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, then the Issuer shall notify the Holders of its determination and of the availability of replacement Bonds to Holders. The Issuer, the Bond Registrar and the Depository shall cooperate in providing Replacement Bonds to Holders requesting the same and the registration, transfer and exchange of such Bonds shall thereafter be conducted as provided in Section 3 of this Resolution.

I. In the event of the designation of a Substitute Depository as authorized by clause H., the Bond Registrar, upon presentation of a Bond, shall register their transfer to the Substitute Depository, and the Substitute Depository shall be treated as the Depository for all purposes and functions under this Resolution. The Representation Letter shall not apply to the Substitute Depository unless the Issuer and the Substitute Depository so agree, and the execution of a similar agreement is authorized.

3.05 Persons Deemed Owners; Payment.

A. The Issuer and the 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 Section 2.02 above), on such Bond and for all other purposes whatsoever, whether or not such Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

B. For the purposes of all actions, consents and other matters affecting Holders of Bonds issued under this Resolution as from time to time supplemented, other than payments, redemptions, and purchases, the Issuer may (but shall not be obligated to) treat as the Holder of a Bond the beneficial owner of the Bond instead of the person in whose name the Bond is registered. For that purpose, the Issuer may ascertain the identity of the beneficial owner of the Bond by such means as the Bond Registrar in its sole discretion deems appropriate, including but not limited to a certificate from the Depository or other person in whose name the Bond is registered identifying such beneficial owner.

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

3.06 Use of Global Book-Entry System.

A. There has been submitted to this City Council a form of Blanket Issuer Letter of Representations (the “Representation Letter”) between the Issuer and the Depository setting forth various matters relating to the Depository and its role with respect to the Bonds. The Representation Letter is approved. The Mayor and the Administrator are authorized and directed to execute the Representation Letter in substantially the form presented to the City Council, if such a Representation Letter has not already been executed, with only such variations therein as may be required to complete the Representation Letter, or which are not, in the opinion of Bond Counsel, materially adverse to the interests of the Issuer.

B. All of the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on and principal of any Bond registered in the name of Cede & Co. shall be made by wire transfer or New York Clearing House or equivalent same day funds by 10:00 a.m. CT or as soon as possible thereafter following the Bond Registrar's receipt of funds from the Issuer on each Interest Payment Date to the account of Cede & Co. on each Interest Payment Date at the address indicated in or pursuant to the Letter of Representations.

C. So long as DTC is the Depository or it or its nominee is the Holder of any Bonds, the Issuer shall comply with the provisions of the Letter of Representations, as it may be amended or supplemented from time to time.

D. Additional matters with respect to, among other things, notices, consents and approvals by Holders and payments on the Bonds are set forth in the Letter of Representations.

3.07 Mutilated, Stolen or Destroyed Bonds. If a Bond becomes mutilated or is destroyed, stolen, or lost, the Bond Registrar will deliver a new Bond of like amount, number, maturity date, and tenor in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for any Bond destroyed, stolen, or lost, upon the payment of the reasonable expenses and charges of the Bond Registrar and the Issuer in connection therewith, including the cost of printing new Bonds; and, in the case of a Bond destroyed, stolen, or lost, upon filing with the Bond Registrar and the Issuer of evidence satisfactory to it and the Issuer that the Bond was destroyed, stolen, or lost, and of the ownership thereof, and upon furnishing to the Bond Registrar of an appropriate bond or indemnity in form, substance, and amount satisfactory to it and the Issuer and as provided by law, in which both the Issuer and the Bond Registrar must be named as obligees. Bonds so surrendered to the Bond Registrar will be canceled by the Bond Registrar and evidence of such cancellation must be given to the Issuer. If the mutilated, destroyed, stolen, or lost Bond has already matured or been called for redemption in accordance with its terms, it is not necessary to issue a new Bond prior to payment.

Section 4. Form of the Bonds.

4.01 The Bonds shall be printed or typewritten in substantially the following form:

UNITED STATES OF AMERICA

STATE OF MINNESOTA

COUNTY OF YELLOW MEDICINE

R-\_\_ $\_\_\_\_\_\_\_

CITY OF CANBY

GENERAL OBLIGATION BOND, SERIES 2018A

|  |  |  |  |
| --- | --- | --- | --- |
| Rate | Maturity Date | Date of Original Issue | CUSIP |
| \_\_\_\_% | February 1, 20\_\_ | August 29, 2018 |  |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

The City of Canby, Yellow Medicine County, Minnesota (the “Issuer”), certifies that it is indebted and for value received, promises to pay to the registered owner specified above or on the Registration Certificate attached hereto, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, and to pay interest thereon from the date of original issue set forth above, or from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for, until the principal amount is paid, said interest being at the rate per annum specified above. Interest is payable annually on February 1 of each year (each referred to herein as an “Interest Payment Date”) commencing on August 1, 2019, at the rate per annum specified above, calculated on the basis of a 360-day year of twelve 30-day months, until the principal amount 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 duly provided for, or, if no interest has been paid or provided for, from the date of original issue hereof set forth above.

**Payment.** The principal of and premium, if any, on this Bond are payable by wire transfer (or other agreed means of payment) on each payment date no later than 12:00 noon (New York, New York time) upon presentation and surrender hereof at the office of Bond Trust Services Corporation, Roseville, Minnesota, as registrar, paying agent, authenticating agent and transfer agent (the “Bond Registrar”), or at the office of such successor bond registrar as may be designated by the Issuer. Interest on this Bond will be paid on each Interest Payment Date (by 12:00 noon, New York, New York time) by wire transfer (or other agreed means of payment) 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 15th day of the calendar month next preceding such Interest Payment Date (the “Regular Record Date”). Any interest not so timely paid or duly provided for 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 thereof at the close of business on a date fixed for the payment of the defaulted interest, and notice of the special record date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior thereto. The Bond Registrar shall make all payments with respect to this Bond without, except for payment of principal on the Bond, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the Issuer to the extent of the payments so made. The principal of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America. For the prompt and full payment of such principal and interest as they become due, the full faith and credit of the Issuer are irrevocably pledged.

**Date of Payment Not Business Day**. If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the City of New York, New York, or the city where the principal office of the Bond Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

**Redemption**. The Bonds maturing on and prior to February 1, 2028 shall not be subject to redemption before maturity, but those maturing after such date are each subject to redemption and prepayment at the option of the Issuer on such date, and on any day thereafter, in whole or in part, and if in part at the option of the Issuer and in such manner as the Issuer shall determine and by lot as to Bonds maturing in the same year, at a price of par plus accrued interest to the date of redemption.

**Mandatory Redemption**. The Bonds maturing in the years 2030, 2033, 2036 and 2039 shall be subject to mandatory redemption prior to maturity pursuant to the requirements of the Resolution at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium.

**Notice of and Selection of Bonds for Redemption**. Not less than 30 nor more than 60 days prior to the date fixed for redemption and prepayment of any Bonds, notice of redemption shall be mailed to each registered owner of a Bond to be redeemed; provided, however, that so long as the Bonds are registered in the name of Cede & Co., as nominee for The Depository Trust Company, Jersey City, New Jersey (“DTC”), notice of redemption shall be given in accordance with the terms of the Blanket Issuer Letter of Representations which has been executed by the Issuer and DTC (the “Representation Letter”).

If less than all the Bonds of a maturity are called for redemption while the Bonds are registered in the name of Cede & Co., the Issuer or the Bond Registrar designated below will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant’s interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed. If less than all the Bonds of a maturity are called for redemption and the Bonds are not registered in the name of Cede & Co., the Bond Registrar will determine by lot or other manner deemed fair, the amount of each maturity to be redeemed. All prepayments shall be at a price equal to the principal amount thereof plus accrued interest. If any Bond is redeemed in part, upon surrender of the Bond being redeemed, the Issuer shall deliver or cause to be delivered to the registered owner of such Bond, a Bond in like form in the principal amount equal to that portion of the Bond so surrendered not being redeemed.

**Issuance; Purpose.** This Bond is one of a series issued by the Issuer in the total aggregate amount of $1,370,000, all of like original issue date and tenor, except as to number, maturity date, redemption privilege, denomination and interest rate, pursuant to: (i) the authority contained in Minnesota Statutes, Chapters 429, 444, and 475; (ii) the Constitution of the State of Minnesota and all other laws thereunto enabling; and (iii) an authorizing resolution adopted by the governing body of the Issuer on August 7, 2018 (the “Resolution”). The Bond is issued for the purpose of financing (i) a portion of the costs of local public improvements, including the Issuer’s Phase 2 and Phase 3 Infrastructure Replacement Project including minor utility connections, and the construction of the Lexington Avenue Improvements in the Issuer, as described in Minnesota Statutes, Chapter 429 (the “Improvement Portion”); (ii) a portion of the costs of improvements to the Issuer’s storm sewer system (the “Sewer Portion); and (iii) a part of the issuance costs of the Bonds. The principal of and interest on the Bonds shall be paid: (i) with respect to the Improvement Portion, from special assessments levied upon property specially benefitted by the Improvement Project (as defined in the Resolution) and from ad valorem taxes hereinafter levied; and (ii) with respect to the Sewer Portion, from revenues of the Issuer’s storm sewer system (the “Utility”) in excess of amounts necessary to pay claims duly approved and allowed for payment of expenses which, under generally accepted accounting principles, constitute normal, reasonable, and current expenses of operating and maintaining the Utility, and to maintain such reasonable reserves for such expenses as the City Council shall determine to be necessary from time to time, as set forth in the Resolution to which reference is made for a full statement of rights and powers thereby conferred.

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

**Denominations; Exchange**. The Bonds of this series are issued as fully registered bonds without coupons, in the denomination of $5,000 or any integral multiple thereof. The Issuer will, at the request of the registered owner, issue one or more new fully registered Bonds in the name of the registered owner in the aggregate principal amount equal to the unpaid principal balance of this Bond, and of like tenor except as to number and principal amount at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution and the Representation Letter. Reference is 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.

**Registration; Transfer.** This Bond shall be registered in the name of the payee on the books of the Issuer by presenting this Bond for registration to the Bond Registrar, whose representative will endorse his or her name and note the date of registration opposite the name of the payee in the Registration Certificate attached hereto. Thereafter this Bond may be transferred by delivery with an assignment duly executed by the Holder or the Holder’s legal representative, and the Issuer and Bond Registrar may treat the Holder as the person exclusively entitled to exercise all the rights and powers of an owner until this Bond is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted hereon by the Bond Registrar, all subject to the terms and conditions provided in the Resolution and the Representation Letter and to reasonable regulations of the Issuer contained in any agreement with, or notice to, the Bond Registrar. Thereupon the Issuer shall execute (if required by law or the Resolution) and the Bond Registrar shall authenticate (if required by law or the Resolution) and deliver, in exchange for this Bond, one or more new fully registered Bonds in the name of the transferee, of an authorized denomination, in an 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. No service charge shall be made by the Issuer for any transfer or exchange hereinbefore referred to but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

**Treatment of Registered Owner.** 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 whatsoever, 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 or benefit under the Resolution until either (i) the Bond Registrar’s Authentication Certificate hereon shall have been executed by the Bond Registrar by one of its authorized representatives or (ii) the Bond has been manually executed by at least one officer of the governing body of the Issuer.

**Qualified Tax-Exempt Obligations**. The Bonds of this issue have been designated by the Issuer as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the deduction of interest expenses allocable to the Bonds by financial institutions.

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

IN WITNESS WHEREOF, the City of Canby, Yellow Medicine County, Minnesota, by its governing body, has caused this Bond to be executed in its name by the facsimile or manual signature of the Mayor and attested by the facsimile or manual signature of the Administrator, the Issuer having no seal or said seal having been intentionally omitted as permitted by law.

ATTEST:

*(Form - No signature required) (Form - No signature required)*

Administrator Mayor

Date of Authentication: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BOND REGISTRAR’S AUTHENTICATION CERTIFICATE

The Bond Registrar confirms that the books reflect the ownership of the Bond registered in the name of the owner named above in the principal amount and maturing on the date stated above and this Bond is one of the Bonds of the series issued pursuant to the Resolution hereinabove described.

BOND TRUST SERVICES CORPORATION

ROSEVILLE, MINNESOTA

Bond Registrar

By

Authorized Representative

REGISTRATION CERTIFICATE

This Bond must be registered as to both principal and interest in the name of the owner on the books to be kept by Bond Trust Services Corporation of Roseville, Minnesota, as Bond Registrar. No transfer of this Bond shall be valid unless made on said books by the registered owner or the owner’s attorney thereunto duly authorized and similarly noted on the registration books. The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of Bond Trust Services Corporation in the name of the registered owner last noted below.

|  |  |  |
| --- | --- | --- |
| Date | Registered Owner | Signature of Bond Registrar |
| 8/29/18 | Cede & Co.  c/o The Depository Trust Company  570 Washington Blvd.  Jersey City, NJ 07310  Federal Taxpayer I.D. No.: 13-2555119 | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

ASSIGNMENT

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

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Name and Address of Assignee)

Social Security or Other

Identifying Number of Assignee

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

Dated:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

Signature Guaranteed:

(Bank, Trust Company, member of

National Securities Exchange)

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Issuer or its agent for registration of transfer, exchange, or payment, and any bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

4.02 Preparation and Execution. The Bonds shall be prepared for execution in accordance with the approved form and shall be signed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the Administrator. The legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A. shall be appended to each Bond. The corporate seal of the Issuer may be omitted from the Bonds as permitted by law. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be an officer before delivery of the Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

4.03 Delivery of the Bonds. Delivery of the Bonds and payment of the purchase price shall be made at a place mutually satisfactory to the Issuer and the Purchaser. Printed or typewritten, and executed Bonds shall be furnished by the Issuer without cost to the Purchaser. The Bonds, when prepared in accordance with this Resolution and executed, shall be delivered by or under the direction of the Administrator to the Purchaser upon receipt of the purchase price plus accrued interest.

Section 5. Covenants and Accounts.

5.01 Covenants.

A. The Issuer covenants and agrees with the holders of the Bonds and with its taxpayers as follows:

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

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

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

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

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

(6) The Issuer further covenants and agrees that it will do and perform as soon as they may be done all acts and things necessary for the final and valid levy of such Special Assessments, and in the event that any such assessment be at any time held invalid with respect to any lot, piece or parcel of land due to any error, defect, or irregularity in any action or proceedings taken or to be taken by the Issuer or the City Council, or any of the Issuer officers or employees, either in the making of the Special Assessments or in the performance of any condition precedent thereto, the Issuer and the City Council will forthwith do all further acts and take all further proceedings as may be required by law to make the assessments a valid and binding lien upon such property.

(7) It will impose and collect just and equitable charges for all use and for the availability of all facilities of the Utility at the times and in the amounts required to pay the normal, reasonable, and current expenses of operating and maintaining such Utility, and also to produce Net Revenues that will be at least adequate at all times to pay the principal and interest due on the Sewer Portion and on all other notes and bonds heretofore or hereafter issued and made payable from said Net Revenues, and will operate the Utility and segregate and account for the revenues thereof as provided in this section.

(8) It will place all such charges for the use and availability of the Utility, when collected, and all money received from the sale of any facilities or equipment of the Utility in the Sewer Fund (the “Sewer Fund”). Except as provided in this section, the Sewer Fund shall be used only to pay claims duly approved and allowed for payment of expenses which, under generally accepted accounting principles, constitute normal, reasonable, and current expenses of operating and maintaining the Utility, and to maintain such reasonable reserves for such expenses as the City Council shall determine to be necessary from time to time.

(9) Surplus Utility revenues from time to time received in the Sewer Fund, in excess of payments due from and reserves required to be maintained in the Sewer Fund and in the Debt Service Account, may be used for necessary capital expenditures for the improvement of the Utility, for the prepayment and redemption of notes and bonds constituting a lien on the Utility, and for any other proper municipal purpose consistent with policies established by resolution of the City Council.

B. It is recognized that the Issuer’s liability on the Bonds is not limited to the Pledged Revenues, and the City Council covenants and agrees that in the event of any current or anticipated deficiency in Pledged Revenues, it will levy upon all taxable property within the Issuer and cause to be extended, assessed, and collected, additional ad valorem taxes necessary for full payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

5.02 The Fund. There is created a special fund to be designated the “2018A General Obligation Bonds Fund” (the “Fund”) to be administered and maintained by the Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Issuer. The Fund shall be maintained in the manner herein specified until the Bonds and the interest thereon have been fully paid. There shall be maintained in the Fund four separate accounts, to be designated the “Improvement Project Account,” the “Sewer Project Account,” the “Costs of Issuance Account,” and the “Debt Service Account,” respectively (together, the “Accounts”):

A. Improvement Project Account. On receipt of the purchase price of the Bonds, the Issuer shall credit proceeds from the sale of the Improvement Portion less the amounts to be deposited in the Costs of Issuance Account; less amounts allocated as capitalized interest funded from Bond proceeds, if any (the “Capitalized Interest”); less amounts used to pay part of the interest cost of the issue as allowed by Section 475.56 of the Act (the “Additional Interest”); and less the Accrued Interest, to the Improvement Project Account. Proceeds of the Bonds on deposit in the Improvement Project Account shall be used to pay construction costs of the Improvement Project.

B. Sewer Project Account. The Sewer Project Account shall be maintained in the manner herein specified:

(i) On receipt of the purchase price of the Bonds, the Issuer shall credit proceeds from the sale of the Sewer Portion, less the amounts to be deposited in the Costs of Issuance Account; less amounts allocated as Capitalized Interest funded from Bond proceeds; less amounts used to pay the Additional Interest; and less the Accrued Interest, to the Sewer Project Account.

(ii) From the Sewer Project Account there shall be paid all costs and expenses of the Sewer Project, including the cost of any construction contracts heretofore let and all other costs incurred and to be incurred of the kind authorized in Section 475.65 of the Act; and the moneys in said account shall be used for no other purpose except as otherwise provided by law.

C. Costs of Issuance Account. On receipt of the purchase price of the Bonds, the Issuer shall credit to the Costs of Issuance Account the proceeds from the sale of the Bonds in an amount necessary to pay the costs of issuance of the Bonds. In the event the proceeds of the Bonds, after meeting the requirements for deposits to the other Accounts, are insufficient for payment of costs of issuance of the Bonds, the Issuer will appropriate available funds to meet any deficiency. Any balance remaining in the Costs of Issuance Account after payment in full of the costs of issuance of the Bonds shall be transferred to the Debt Service Account.

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

(i) There is pledged and appropriated and there shall be credited to the Debt Service Account: (A) the Accrued Interest; (B) the Additional Interest; (C) the Capitalized Interest; (D) Net Revenues in such amounts which will be sufficient to pay the principal of and interest on the Sewer Portion when due; (E) Special Assessments levied or to be levied for the Improvement Project and either initially credited to the Improvement Project Account and not already spent as permitted above and required to pay any principal and interest due on the Bonds or collected subsequent to the completion of the Project and payment of the costs thereof; (F) Taxes; (G) all funds remaining in the Sewer Project Account after completion of the Sewer Project and payment of the costs thereof; (H) all funds remaining in the Improvement Project Account after completion of the Improvement Project and payment of the costs thereof; (I) all funds remaining in the Costs of Issuance Account after payment of the costs of issuance of the Bonds; (J) any and all other monies which are properly available and are appropriated by the governing body of the Issuer to the Debt Service Account; and (K) investment earnings on the monies identified in the foregoing clauses (A) through (J). The proceeds of the Bonds described in clauses (A) through (C) of the preceding sentence shall be used for payment of interest on the Bonds.

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

(iii) Immediately prior to each Interest Payment Date, the Administrator shall transfer to the Debt Service Account amounts of Net Revenues which are sufficient for the payment of all interest and principal then due on the Sewer Portion.

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

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

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

5.04 Investments. Monies on deposit in the Improvement Project Account, Sewer Project Account, and in the Debt Service Account may, at the discretion of the Administrator, be invested in securities permitted by Minnesota Statutes, Chapter 118A, that any such investments shall mature at such times and in such amounts as will permit for payment of project costs and/or payment of the principal and interest on the Bonds when due.

Section 6. Tax Covenants.

6.01 General.

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

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

C. No portion of the proceeds of the 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 (i) for a reasonable temporary period until such proceeds are needed for the purpose for which the Bonds were issued and (ii) in addition to the above in an amount not greater than the lesser of five percent (5%) of the proceeds of the 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 Issuer 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 restrictions may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments after taking into account any applicable “temporary periods” or “minor portion” made available under the federal arbitrage regulations. Money in those funds shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

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

A. the Issuer is a governmental unit with general taxing powers;

B. the Bonds are not “private activity bonds” as defined in Section 141 of the Code;

C. 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer; and

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

6.03. Bank Qualification. In order to qualify the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, the Issuer makes the following factual statements and representations:

A. the Bonds are not “private activity bonds” as defined in Section 141 of the Code;

B. the Issuer designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code;

C. the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will by issued by the Issuer (and all entities whose obligations will be aggregated with those of the Issuer) during the calendar year in which the Bonds are being issued will not exceed $10,000,000; and

D. not more than $10,000,000 of obligations issued by the Issuer during the calendar year in which the Bonds are being issued have been designated for purposes of Section 265(b)(3) of the Code.

6.04 Arbitrage Certification. The Mayor and the Administrator, being the officers of the Issuer charged with the responsibility for issuing the Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser an arbitrage certification in order to satisfy the provisions of the Code and the regulations promulgated thereunder.

6.05 Opinion of Counsel. Notwithstanding any other provision of this section, any requirement imposed hereunder or under Section 5 hereof may be deemed inapplicable and of no force or effect if an opinion of counsel is rendered to the Issuer by nationally recognized Bond Counsel to the effect that the failure to impose such requirement will not adversely effect the tax exempt status of interest on the Bonds.

Section 7. Certificates of Proceedings; Miscellaneous.

7.01 Filing of Resolution; County Auditor Certificate. The Administrator is directed to file a certified copy of this Resolution in the office of the County Auditor of Yellow Medicine County, along with such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Bonds herein authorized have been duly entered on the Auditor’s register and that the tax required by law for the payment of said Bonds has been levied.

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

7.03 Offering Materials. The Official Statement relating to the Bonds, on file with the Administrator and presented to this meeting, is approved and deemed final, and the furnishing thereof to prospective purchasers of the Bonds is ratified and confirmed, insofar as the same relates to the Bonds and the sale thereof. The Mayor and the Administrator are authorized and directed to certify that they have examined the Official Statement prepared and circulated in connection with the issuance and sale of the Bonds and that to the best of their knowledge and belief the Official Statement is a complete and accurate representation of the facts and representations made therein as of the date of the Official Statement.

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

Section 8. 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 Issuer 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 Issuer 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 Issuer 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.

Section 9. Continuing Disclosure. The City Council acknowledges that the Bonds are subject to the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (the “Rule”). The Rule governs the obligations of certain underwriters to require that issuers of municipal bonds enter into agreements for the benefit of the Holders to provide continuing disclosure with respect to the Bonds. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit underwriters of the Bonds to comply with the Rule, which will enhance the marketability of the Bonds, the Mayor and the Administrator are authorized and directed to execute a Continuing Disclosure Certificate substantially in the form of the Certificate currently on file in the office of the Issuer.

Section 10. Post-Issuance Tax Compliance.  The Issuer has previously approved a Pre- and Post-Issuance Compliance Policy and Procedures which applies to qualifying obligations to provide for compliance with all applicable federal regulations for tax-exempt obligations or tax-advantaged obligations (collectively, the “Policy and Procedures”).  The Issuer hereby ratifies the Policy and Procedures for the Bonds.  The Administrator continues to be designated to be responsible for post-issuance compliance in accordance with the Policy and Procedures.

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Adopted: August 7, 2018

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Mayor

ATTEST:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Administrator

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Phillip DeSchepper discussed the LRIP grant and 200th Street Project. We have received another $75,000.00 for the project, putting the grant funds at $575.000.00. This will be taken to the County Board meeting on Tuesday, August 14. Resolution 2018-08-7-2 was reviewed. A motion was made by Feiock to approve Resolution 2018-08-7-2. The motion was seconded by Paulsen. All voted in favor. None voted against. The motion was carried.

**Resolution No. 2018-08-7-2**

**Exhibit E for Grant Agreement to State Transportation Fund   
(Local Road Improvement Program)**

**Grant Terms and Conditions**

**SAP 087-594-001**

*August 7, 2018*

WHEREAS, the City of Canby has applied to the Commissioner of Transportation for a grant from the Minnesota State Transportation Fund for Local Road Improvement and

WHEREAS, the Commissioner of Transportation has given notice that funding for this project is available; and

WHEREAS, the amount of the grant has been determined to be $575,000.00 by reason of the lowest responsible bid;

NOW THEREFORE, be it resolved that the City of Canby does hereby agree to the terms and conditions of the grant consistent with Minnesota Statutes, section 174.50, subdivision 5, and will pay any additional amount by which the cost exceeds the estimate, and will return to the Minnesota State Transportation Fund any amount appropriated for the bridge but not required. The proper county officers are authorized to execute a grant agreement with the Commissioner of Transportation concerning the above-referenced grant.

Adopted by the City Council this 7th day of August, 2018.

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Mayor

ATTEST:

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City Administrator

DeSchepper shared that there were some special assessments that were not sent out a notice of the public hearing for these improvements and special assessments. Resolution 2018-08-07-3 was presented. A motion was made by Feiock to approve Resolution 2018-08-07-3. The motion was seconded by Paulsen. All voted in favor. None voted against. The motion was carried.

**RESOLUTION**

**CALLING HEARING ON IMPROVEMENT**

**CITY OF CANBY, MINNESOTA**

**RESOLUTION NO. 2018-08-07-3**

WHEREAS, pursuant to Council direction on September 21, 2016, a report has been prepared by the City Engineer with reference to the Canby Infrastructure Replacement Project-Phase II & III. The project area is further described as follows:

Phase II – is the area is located along St. Olaf Avenue (US TH 75) from 1st Street South to 11th Street East and area located east of St. Olaf Avenue (US TH 75) from 5th Street East on the south to 11th Street on the north (except areas that were completed as part of Phase I project).

Phase III – is the area is located along Poplar Avenue (CSAH 13) from 1st Street South to Fairgrounds Road and area located west of Poplar Avenue (CSAH 13) to Pine Avenue from 1st Street West on the south to 4th Street on the north.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF CANBY, MINNESOTA:

1. The Council will consider the improvement of such street in accordance with the report and the assessment of abutting property for all or a part of the cost of the improvement pursuant to Minnesota Statutes Chapter 429 at an estimated total cost of the improvement of $10,254,392.70.
2. A public hearing shall be held on such proposed Canby Infrastructure Replacement Project-Phase II & III improvement on Tuesday the 4th day of September, 2018 in the Council Chambers of the Canby City Hall at 7:00 p.m. and the clerk shall give mailed and published notice of such hearing and improvement as required by law.

Adopted by the Council the 7th day of August, 2018.

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Nancy Bormann, Mayor

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Clerk

DeSchepper stated that the directional drilling is planning on starting on August 16. This is for the watermain from Poplar to Maple.

DeSchepper would like to award the project in accordance with MN DOT on award of the project and contingent on completion of the grant.

A motion was made by Feiock to once the County awards the contract we will start the contracts contingent on completion of the grant agreement in concurrence with MNDOT. The motion was seconded by Bies. All voted in favor. None voted against. The motion was carried.

The alley drainage on Haarfager Ave N and 8th St W was discussed. This would add a cost of $16,000.00 to the project. There was discussion on if during the last project assessments were added to owners that had work done in the alley for the additional work. DeSchepper will find this out, along with updating the plans with tile.

Jeff Harms addressed the Council on Lexington Avenue’s upcoming improvements. His concern is that the water will still sit there. He thinks that we need to make sure that the base is stabilized and is not sure if the gravel is going to help.

The last day to file for City Council is August 14th. As of today, only Ryan Feiock has filed. There are 2 positions open.

The meeting dates will change to Wednesdays for the 2nd meeting in September. The Council will start their meetings at 6pm.

The trap-neuter-release program was discussed. The Council would like a written out plan on how this will work. The thought is to have those who are having issues sign out the traps from the City. They would bring the cats to Minneota and bring the cat and trap back.

The small cities grant application is coming along. A letter of intent to participate will be sent out. It is important to get the word out and have people fill out the form and send it back.

The July vendor transactions were reviewed. A motion was made by Bies to approve the vendor transactions in the amount of $253,853.41. The motion was seconded by Feiock. All voted in favor. None voted against. The motion was carried.

There are 3 quotes that have come in for the street signs. They range from $12,000.00 to $13,000.00. The Council would like to know if the metal gauge for all 3 companies were the same and if there was a warranty.

There is a tar truck that is at the City Shop that has not moved in a number of years. There were questions on licensing and insuring this vehicle.

There was not a closed session.

A motion was made by Feiock and seconded by Bies to adjourn the meeting. All members present voted in favor. None voted against. The motion was carried.

Attest: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
 Mayor

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City Administrator