

CITY COUNCIL MINUTES

March 2, 2015

The regular meeting of the Underwood City Council was called to order at 7:05 p.m. Persons present were Marilyn Olson, Jim Erpelding and Rick Jacobson. Also present were Anna Kiser and Anita Gumphrey. Absent were Paul Hoff, Bert Kinzler and Paxton Lind.

Guests were Kent Mattson and Carter Peterson.

The agenda and minutes were approved by motion of Jacobson, second by Erpelding.

Rick Jacobson introduced Resolution #1315-1 and moved its adoption. The motion was duly seconded by Jim Erpelding and after discussion the vote being taken, the following voted in favor thereof:

Marilyn Olson, Jim Erpelding and Rick Jacobson;

And the following voted against:

None

RESOLUTION #0315-1
RESOLUTION APPROVING THE ISSUANCE AND SALE OF A
HEALTHCARE FACILITIES REVENUE NOTE, SERIES 2015 AND
AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO
(LAKE REGION HEALTHCARE CORPORATION PROJECT)

WHEREAS,

(a) One of the purposes set forth in Minnesota Statutes, Sections 469.152 to 469.1655, as amended (the "Act"), as found and determined by the legislature, is to promote the welfare of the state by providing necessary health care services so that adequate services are available to residents of the State at reasonable cost;

(b) Factors necessitating the active promotion and development of necessary health care services are the increasing concentration of population in the metropolitan areas, the rapidly rising increase in the amount and cost of governmental services required to meet the needs of the increased population, the need for development of land use which will provide an adequate tax base to finance these increased costs and access to employment opportunities;

(c) The City Council of the City of Underwood, Minnesota (the "City") has received from Lake Region Healthcare Corporation, a Minnesota nonprofit corporation (the "Borrower"), a proposal that the City assist in financing a Project hereinafter described through the issuance of a revenue note, referred to in this resolution as the "Note", pursuant to the Act;

(d) The City has determined that it is in the best interest of the community to facilitate the delivery of health care to residents of the City and the community served by the Borrower by providing the aid of tax exempt financing to the Project; and the Project will assist

the City in achieving those objectives and will enhance the image and reputation of the community;

(e) The Project to be financed by the Note is the financing a portion of the costs of (a) the design, development, construction, equipping and furnishing of (i) an approximately 81,000 square foot replacement medical office and clinic building and (ii) a same-day surgery facility; (b) related infrastructure improvements and parking lots, all to be located at 111 West Vernon Avenue in the City of Fergus Falls, Minnesota; (c) demolition of existing buildings and other surplus improvements; and (d) costs of issuance. The Project will be owned by Lake Region Medical Building, LLC ("LRMB") or a related entity and leased to the Borrower;

(f) At a public hearing, duly noticed and held on this date, in accordance with the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), on the proposal to undertake and finance the Project, all parties who appeared at the hearing were given an opportunity to express their views with respect to such proposal and interested persons were given the opportunity to submit written comments to the City Clerk-Treasurer before the date of the hearing;

(g) The City has been advised by representatives of the Borrower that comparable private permanent financing for the Project was not found by the Borrower to be reasonably available and, with the aid of municipal financing, and its resulting low borrowing cost, the Project is economically more feasible; and

(h) No public official of the City has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project.

BE IT RESOLVED by the City as follows:

SECTION 1. LEGAL AUTHORIZATION AND FINDINGS.

1.1 Findings. The City hereby finds, determines and declares as follows:

(a) The City is a political subdivision of the State of Minnesota and is authorized under the Act to assist the revenue producing project herein referred to, and to issue and sell the Note, as hereinafter defined, for the purpose, in the manner and upon the terms and conditions set forth in the Act and in this Resolution.

(b) The issuance and sale of the Healthcare Facilities Revenue Note, Series 2015 (Lake Region Healthcare Corporation Project) in a principal amount not to exceed \$10,000,000 (the "Note") by the City, pursuant to the Act, is in the best interest of the City, and the City hereby determines to issue the Note and to sell the Note to Bremer Bank, National Association, Fergus Falls, Minnesota (the "Lender"), as provided herein. The City will loan the proceeds of the Note (the "Loan") to the Borrower to assist the Borrower in financing the Project.

(c) Pursuant to a Loan Agreement (the "Loan Agreement") to be entered into between the City and the Borrower, the Borrower has agreed to repay the Note in specified amounts and at specified times sufficient to pay in full when due the principal of, premium, if any, and interest on the Note. In addition, the Loan Agreement contains provisions relating to the maintenance and operation of the Project, indemnification, insurance, and other agreements and covenants which are required or permitted by the Act and which the City and the Borrower deem necessary or desirable for the financing of the Project. A draft of the Loan Agreement has been submitted to the City Council.

(d) Pursuant to a Pledge Agreement (the "Pledge Agreement") to be entered into between the City and the Lender, the City has pledged and granted a security interest in all of its rights, title, and interest in the Loan Agreement to the Lender (except for certain rights of indemnification and to reimbursement for certain costs and expenses). A draft of the Pledge Agreement has been submitted to the City Council.

(e) The Note will be a special limited obligation of the City. The Note shall not be payable from or charged upon any funds other than the revenues pledged to the payment thereof, nor shall the City be subject to any liability thereon. No holder of the Note shall ever have the right to compel any exercise of the taxing power of the City to pay the Note or the interest thereon, nor to enforce payment thereof against any property of the City. The Note shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

(f) On the basis of information available to the City it appears, and the City hereby finds, that the Project constitutes properties, real and personal, used or useful in connection with one or more revenue producing enterprises, whether or not operated for profit, within the meaning of Subdivision 2(b) of Section 469.153 of the Act; that the Project furthers the purposes stated in Section 469.152; that the availability of the financing under the Act and the willingness of the City to furnish such financing will be a substantial inducement to the Borrower to undertake the Project, and that the effect of the Project, if undertaken, will be to assist in the prevention of the emergence of blighted and marginal land, to help prevent chronic unemployment, to help the surrounding area retain and eventually improve the tax base, to provide the range of service and employment opportunities required by the population, to help prevent the movement of talented and educated persons out of the state and to areas within the state where their services may not be as effectively used, to promote more intensive development and use of land within the City and surrounding communities, and to provide available adequate community and health care services to residents of the state at a reasonable cost.

(g) It is desirable, feasible and consistent with the objectives and purposes of the Act to issue the Note, for the purpose of financing the costs of the Project. A draft of the Note has been submitted to the City Council.

1.2 Authorization and Ratification of Project. Approval of the Project was previously granted by the Commissioner of the Department of Employment and Economic Development, State of Minnesota, on November 5, 2014. In anticipation of the approval of the Project by all other necessary entities and the issuance of the Note to finance all or a portion of the Project, and

in order that completion of the Project will not be unduly delayed when approved, the City hereby authorizes the Borrower, in accordance with the provisions of the Act and subject to the terms and conditions imposed by the Lender, to provide for the acquisition, construction and equipping of the Project by such means as shall be available to the Borrower and in the manner determined by the Borrower, and without advertisement for bids as may be required for the construction and acquisition of other municipal facilities; the City hereby ratifies, affirms, and approves all actions heretofore taken by the Borrower consistent with and in anticipation of such authority; and the Borrower is hereby authorized to make such expenditures and advances toward payment of that portion of the costs of the Project to be financed from the proceeds of the Note as the Borrower considers necessary, including the use of interim, short term financing, subject to reimbursement from the proceeds of the Note if and when delivered but otherwise without liability on the part of the City.

SECTION 2. THE NOTE.

2.1 Authorized Amount and Form of Note. The Note issued pursuant to this Resolution shall be in substantially the form submitted to the City Council with such appropriate variations, omissions and insertions as are permitted or required by this Resolution, and in accordance with the further provisions hereof; and the total aggregate principal amount of the Note that may be outstanding hereunder is expressly limited to \$10,000,000, unless a duplicate Note is issued pursuant to Section 2.7. The Note shall bear interest at a variable rate as set forth therein.

2.2 The Note. The Note shall be dated as of the date of delivery to the Lender, shall be payable at the times and in the manner, shall bear interest at a variable rate, and shall be subject to such other terms and conditions as are set forth therein at the time of execution by the Presiding Officer and City Clerk-Treasurer, whose execution of the Note shall constitute acceptance of the initial interest rate on the Note and provisions for adjustment thereof.

2.3 Execution. The Note shall be executed on behalf of the City by the signatures of its Presiding Officer and City Clerk-Treasurer and shall be sealed with the seal of the City; provided that the seal may be intentionally omitted as provided by law. In case any officer whose signature shall appear on the Note shall cease to be such officer before the delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if had remained in office until delivery. In the event of the absence or disability of the Presiding Officer or the City Clerk-Treasurer such officers of the City as, in the opinion of the City Attorney, may act in their behalf, shall without further act or authorization of the City Council execute and deliver the Note.

2.4 Delivery of Initial Note. Before delivery of the Note by the City there shall be filed with the Lender (except to the extent waived by the Lender) the following items:

- (a) an executed copy of each of the following documents:
 - (i) the Loan Agreement;
 - (ii) the Pledge Agreement;

(iii) a Mortgage, Security Agreement and Assignment of Leases and Rents and other security document dated as September 4, 2015 from the Borrower to the Lender (not executed by the City); and

(iv) a Control Agreement and Account Pledge Agreement-Investment Account;

(b) an opinion of Counsel for the Borrower as prescribed by the Lender and Bond Counsel;

(c) the opinion of Bond Counsel as to the validity and tax exempt status of the Note;

(d) a 501(c)(3) determination letter from the Internal Revenue Service evidencing that the Borrower is exempt from income taxation under Section 501(c)(3) of the Code;

(e) such other documents and opinions as Bond Counsel may reasonably require for purposes of rendering its opinion required in subsection (c) above or that the Lender may reasonably require for the closing.

2.5 Disposition of Proceeds of the Note. Upon delivery of the Note to Lender, the Lender shall, on behalf of the City, disburse the proceeds of the Note for construction and equipping of the Project and payment of Project Costs in accordance with the terms of the Loan Agreement.

2.6 Registration of Transfer. The City will cause to be kept at the office of the City Clerk-Treasurer a Note Register for the Note in which, subject to such reasonable regulations as it may prescribe, the City shall provide for the registration of transfers of ownership of the Note. The Note shall be initially registered in the name of the Lender and shall be transferable upon the Note Register by the Lender in person or by its agent duly authorized in writing, upon surrender of the Note together with a written instrument of transfer satisfactory to the City Clerk-Treasurer, duly executed by the Lender or its duly authorized agent. The following form of assignment shall be sufficient for this purpose.

For value received _____ hereby sells, assigns and transfers unto _____ the within Note of the City of Underwood, Minnesota, and does hereby irrevocably constitute and appoint _____ attorney to transfer such Note on the books of said City with full power of substitution in the premises. The undersigned certifies that the transfer is made in accordance with the provisions of Section 2.9 of the Resolution authorizing the issuance of the Note.

Dated: _____

Registered Owner

Upon such transfer the City Clerk-Treasurer shall note the date of registration and the name and address of the new Lender in the applicable Note Register and in the registration blank appearing on the Note.

2.7 Mutilated, Lost or Destroyed Note. In case any Note issued hereunder shall become mutilated or be destroyed or lost, the City shall, if not then prohibited by law, cause to be executed and delivered, a new Note of like outstanding principal amount, number and tenor in exchange and substitution for and upon cancellation of such mutilated Note, or in lieu of and in substitution for such Note destroyed or lost, upon the Lender's paying the reasonable expenses and charges of the City in connection therewith, and in the case of a Note destroyed or lost, the filing with the City of evidence satisfactory to the City with indemnity satisfactory to it. If the mutilated, destroyed or lost Note has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Note prior to payment.

2.8 Ownership of Note. The City may deem and treat the person in whose name the Note is last registered in the applicable Note Register and by notation on the applicable Note whether or not such Note shall be overdue, as the absolute owner of such Note for the purpose of receiving payment of or on account of the Principal Balance, redemption price or interest and for all other purposes whatsoever, and the City shall not be affected by any notice to the contrary.

2.9 Limitation on Note Transfers. The Note has been issued without registration under state or other securities laws, pursuant to an exemption for such issuance; and accordingly the Note may not be assigned or transferred in whole or part, nor may a participation interest in the Note be given pursuant to any participation agreement to any party other than another financial institution.

2.10 Issuance of New Note. Subject to the provisions of Section 2.9, the City shall, at the request and expense of the Lender, issue a new Note, in aggregate outstanding principal amount equal to that of the Note surrendered, and of like tenor except as to number, principal amount, and the amount of the monthly installments payable thereunder, and registered in the name of the Lender or such transferee as may be designated by the Lender.

SECTION 3. MISCELLANEOUS.

3.1 Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Resolution contained shall not affect the remaining portions of this Resolution or any part thereof.

3.2 Authentication of Transcript. The officers of the City are directed to furnish to Bond Counsel certified copies of this Resolution and all documents referred to herein, and affidavits or certificates as to all other matters which are reasonably necessary to evidence the

validity of the Note. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute recitals of the City as to the correctness of all statements contained therein.

3.3 Authorization to Execute Agreements. The forms of the proposed Note, Loan Agreement and Pledge Agreement are hereby approved in substantially the form heretofore presented to the City Council, together with such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by Bond Counsel prior to the execution of the documents, and the Mayor and City Clerk-Treasurer of the City are authorized to execute the Note, Loan Agreement and Pledge Agreement in the name of and on behalf of the City and such other documents as Bond Counsel considers appropriate in connection with the issuance of the Note. In the event of the absence or disability of the Mayor or the City Clerk-Treasurer such officers of the City as, in the opinion of the City Attorney, may act in their behalf, shall without further act or authorization of the City Council do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers. The execution of any instrument by the appropriate officer or officers of the City herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof.

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

- (a) the Note is not treated as a "private activity bond" under Section 265(b)(3) of the Code;
- (b) the City hereby designates the Note as a qualified tax-exempt obligation for purposes of Section 265(b)(3) of the Code;
- (c) the reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the City (and all entities whose obligations will be aggregated with those of the City) during the calendar year 2015 will not exceed \$10,000,000;
- (d) not more than \$10,000,000 of obligations issued by the City during the calendar year 2015 have been designated for purposes of Section 265(b)(3) of the Code; and
- (e) the aggregate face amount of the Note does not exceed \$10,000,000.

Adopted by the City Council of the City of Underwood, Minnesota this 2nd day of March, 2015.

Presiding Officer

ATTEST:

City Clerk-Treasurer

Marilyn asked Carter Peterson to address the council. Carter is a member of the Inter-Act Club. He is asking if the council would approve the installation of a Library Box at Centennial Park. The box would be placed in the grass or mulch near the caboose, whichever would be better. Carter had pictures of a similar box that he showed those present. The box would be installed on a post that would be dug in or cemented in and would be taken down during winter months. It would be maintained by the students. The box would be a book exchange and the students would donate books to start. They would plan on placing the unit around May 9. After some discussion and questions, the council approved the installation of the Library Box. Carter will send the clerk more information about the project for the newsletter and webpage.

CLERK/TREASURER REPORT

The following bills were approved by motion of Jacobson, second by Erpelding.

95281	EDA DEBT SERVICE	1128.35
95282	FARMERS STATE BANK	1128.35
95283	FARMERS STATE BANK	3042.00
19432	WIRTZ BEVERAGE MINNESOTA	3204.60
19433	FERGUS FALLS NEWSPAPERS INC.	42.00
19434	AMERICAN BOTTLING COMPANY	136.40
19435	SOUTHERN WINE & SPRITIS OF MN	577.10
19436	FERGUS TRANSPORTATION	48.30
19437	BEVERAGE WHOLESALERS INC.	3783.75
19438	PHILLIPS WINE * SPIRITS WINC.	1184.73
19439	JOHNSON BROTHERS LIQUOR CO.	1013.11
19440	H BOYD NELSON, INC.	8128.10
19441	BELLBOY CORP.	1822.45
95284	EDA OPERATING	653.00
1713	A-1 LOCK & KEY	118.72
1714	OTTER TAIL COUNTY AUDITOR	1176.71
1715	SVINGEN, CLINE & LARSON, P.A.	1076.00
19442	SVINGEN, CLINE & LARSON, P.A.	368.00
19443	UNDER-MART	100.00
19444	SOFTLINE DATAT, INC.	350.00
19445	UNDERWOOD RURAL FIRE ASSOCIATION	11,592.00
19446	HAWKINS, INC.	504.46
19447	OTTER TAIL COUNTY TREASURER	157.41
19448	UNDERWOOD FIRE DEPT.	1975.00
19449	LIBERTY BUSINESS SYSTEMS, INC.	10.45
19450	DATA WRANGLERS LLC.	100.00
19451	FERGUSON WATERWORKS	196.37
19452	LEAGUE OF MINNESOTA CITIES	880.00
19453	LEAGUE OF MN CITIES INS. TRUST	4585.00
19454	CARDMEMBER SERVICE	193.67
19455	PAYROLL	191.36
19456	PAYROLL	73.88
19457	PAYROLL	690.53
19458	PAYROLL	110.82
19459	PAYROLL	35.09
19460	PAYROLL	199.48
19461	PAYROLL	0.00
19462	PAYROLL	73.88
19463	PAYROLL	826.22
19464	PAYROLL	172.64
19465	PAYROLL	996.18
19466	PAYROLL	73.88
19467	PAYROLL	226.26
95285	CITY OF UNDERWOOD	73.88
95286	CITY OF UNDERWOOD	47.91
95287	CITY OF UNDERWOOD	42.95
9528	CITY OF UNDERWOOD	37.55
95288	PUBLIC EMPLOYEES RETIREMENT ASSN.	519.78
19468	PAYROLL	67.79
19469	PAYROLL	147.82
19470	PAYROLL	9.40
95290	PUBLIC EMPLOYEES RETIREMENT ASSN.	36.70

95291	GOHER STATE ONE-CALL INC.	102.90
95292	PARK REGION MUTUAL TELEPHONE CO.	344.20
95293	MN PUBLIC FACILITIES AUTHORITY	3418.10
95294	LAKE REGION ELECTRIC COOPERATIVE	166.89
95295	AT &T MOBILITY	63.17
19471	ANITA GUMPHREY	127.88
19472	SHELL PAYMENT CENTER	64.05
19473	MN DEPT OF HEALTH	303.00
19474	ALEX POWER EQUIPMENT	427.00
19475	LEAGUE OF MINNESOTA CITIES	60.00
19476	RDO EQUIPMENT CO.	31.34
19477	OTTER TAIL COUNTY TREASURER	392.10
19478	H BOYD NELSON, INC.	2975.65
19479	BEVERAGE WHOLESALERS INC.	1701.05
19480	PHILLIPS WINE & SPIRITS INC.	975.87
19481	JOHNSON BROTHERS LIQUOR CO.	7057.97
19482	WINE MERCHANTS	71.60
1716	CARDMEMBER SERVICE	14.97
1717	DENZELS REGION WASTE	71.37
1718	OTTER TAIL POWER COMPANY	52.27
19483	CARDMEMBER SERVICE	118.53
19484	DENZELS REGION WASTE	122.85
19485	OTTER TAIL POWER COMPAY	2754.26
95296	CITY OF UNDERWOOD	328.60
19486	PAYROLL	243.68
19487	PAYROLL	85.19
19488	PAYROLL	888.55
19489	PAYROLL	86.81
19490	PAYROLL	805.51
19491	PAYROLL	1010.23
19492	PAYROLL	258.96
95298	MN DEPT OF REVENUE	270.91
19493	POSTMASTER	204.00
95297	PUBLIC EMPLOYEES RETIREMENT ASSN.	563.53
95299	FARMERS STATE BANK	1989.68
19494	MN RURAL WATER ASSOCIATION	225.00
95300	CITY OF UNDERWOOD	47.91
95301	CITY OF UNDERWOOD	37.55
95302	CITY OF UNDERWOOD	42.95
95303	WATER SYSTEM DEBT FUND	3490.00
95304	RD LOAN FUND	925.00
95305	SEWER IMPROVEMENT FUND	4000.00
95306	FARMERS STATE BANK	409.23

Ann informed the council that there would be a Public Information meeting at 7:00 p.m. at the April 6 meeting. This will be in regard to the Wellhead Protection Plan, Part 2, revised and is required.

MANTENANCE REPORT

Marilyn inquired if the shop and maintenance office area had been cleaned up. She also asked when the Christmas decorations were going to be taken down. A note: The Christmas light located on the corner of 311 Main Street South is still lit.

Budget & Finance

Ann inquired which deductible the council wanted for the property, vehicle and liability insurance. After some discussion, a motion by Erpelding, second by Jacobson was approved to go with the \$1000 deductible.

Street, Lighting, Parks & Recreation

Ann informed those present that the Lions had donated \$10,000 towards the new playground equipment. Another inquiry was made as to how much the city was going to contribute. After some discussion, a motion by Erpelding, second by Jacobson was approved to a total donation of \$4000.00. The liquor store will contribute as much as needed to make the \$4000 depending on which CD would be used for the project.

NEW BUSINESS

Anita presented the estimate from Zabinski Business Services regarding the new POS system. The total of \$4,547.53 included all installation and training. This would also enable the store to be compliant with the credit cards regulations that are effective in August.

She also presented 3 estimates for new carpet. After some discussion, a motion by Jacobson, second by Erpelding was approved to purchase the POS system. It was decided to wait until a later date for the carpet.

As there was o further business, the meeting adjourned by motion of Jacobson, second by Erpelding at 7:30 p.m.

Presiding Council Person Marilyn Olson

ATTEST: _____
City Clerk Anna Kiser