

Crystal Falls, Michigan

June 22, 2009

A special meeting of the Council for the City of Crystal Falls was held in the Council Chambers at the City Hall on Monday, June 22, 2009 at 5:00 p.m. Central Time.

Present: Mayor Hendrickson, Councilors Burke, Smokevitch, Hagglund and Bicigo.

Absent: None

Also present were: City Manager Nordeman, City Attorney Lawrence, and City Clerk/Treasurer Olson.

Visitors in attendance included: Attorney Steve Girard, Tony Radjenovich - MERS Regional Manager, Larry Bicigo, Gerard Valesano, Jeff Sjoquist, and Auditor Scott Kenney.

The purpose of this special meeting was to:

1. Discuss and take action on the publishing of the 45 Day Notice of Referendum for the Water Project.
2. Consider hiring of a labor attorney to assist with union negotiations.
3. Consider strategy for union negotiations.

Mayor Hendrickson led the reciting of the Pledge of Allegiance.

Jeff Sjoquist reviewed the Notice of Intent requirements for the water supply system improvements.

Mayor Hendrickson seconded by Councilor Bicigo moved to adopt the following preamble and resolution:

WHEREAS, the City of Crystal Falls, County of Iron, State of Michigan (the "City") intends to issue and sell bonds, pursuant to Act 94, Public Acts of Michigan, 1933, as amended in an amount not to exceed Five Million Three Hundred Seven Thousand Dollars (\$5,307,000) in one or more series, for the purposes of paying all or part of the cost of improvements to the City's water supply system, including replacing and upgrading water mains and pipes, and replacing the existing water storage tank and/or upgrading the water supply system's water storage capacity, together with related structures, equipment and appurtenances (the "Project"); and refinancing a portion of the City's outstanding water supply system revenue bonds; and

WHEREAS, a notice of intent to issue bonds must be published before the issuance of the aforesaid bonds in order to comply with the requirements of Section 33 of Act 94, Public Acts of Michigan, 1933, as amended; and

WHEREAS, the City intends at this time to state its intentions to be reimbursed from proceeds of the bonds for any expenditures undertaken by the City prior to issuance of the bonds.

WHEREAS, the City must either be granted qualified status within

the meaning of Act 34, Public Acts of Michigan, 2001, as amended or receive prior approval from the Michigan Department of Treasury (the "Department") before the bonds may be issued.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Clerk of the City is hereby authorized and directed to publish a notice of intent to issue bonds in the *Reporter*, Iron River, Michigan, a newspaper of general circulation in the City.

2. Said notice of intent shall be published as a one-quarter (1/4) page display advertisement in substantially the following form:

NOTICE TO TAXPAYERS AND ELECTORS OF THE
CITY OF CRYSTAL FALLS, COUNTY OF IRON, MICHIGAN,
AND THE USERS OF THE CITY'S WATER SUPPLY SYSTEM OF
INTENT TO ISSUE BONDS AND THE
RIGHT OF REFERENDUM RELATING THERETO

PLEASE TAKE NOTICE that the City of Crystal Falls, County of Iron, State of Michigan (the "City"), intends to issue and sell revenue bonds pursuant to Act 94, Public Acts of Michigan, 1933, as amended, amended in an amount not to exceed Five Million Three Hundred Seven Thousand Dollars (\$5,307,000) in one or more series, for the purposes of paying all or part of the cost of improvements to the City's water supply system, including replacing and upgrading water mains and pipes, and replacing the existing water storage tank and/or upgrading the water supply system's water storage capacity, together with related structures, equipment and appurtenances; and refinancing a portion of the City's outstanding water supply system revenue bonds.

BOND DETAILS

SAID BONDS will be payable in annual installments not to exceed forty (40) in number and will bear interest at the rate or rates to be determined at a private sale to the U.S. Government but in no event to exceed six percent (6.00%) per annum on the balance of the bonds from time to time remaining unpaid.

SOURCE OF PAYMENT OF REVENUE BONDS

THE PRINCIPAL OF AND INTEREST ON SAID REVENUE BONDS SHALL BE PAYABLE from the revenues received by the City from the operations of said water supply system. Said revenues will consist of rates and charges that may from time to time be revised to provide sufficient revenues to provide for the expenses of operating and maintaining the system, to pay the principal of and interest on said bonds and to pay other obligations of the system.

ADDITIONAL SECURITY OF REVENUE BONDS

BECAUSE THE REVENUE BONDS WILL BE SOLD TO THE U.S. GOVERNMENT, THE CITY MAY ALSO PLEDGE ITS LIMITED TAX FULL FAITH AND CREDIT AS SECURITY FOR THE BONDS. IN SUCH CASE, IF REVENUES OF THE SYSTEM ARE INSUFFICIENT TO PAY DEBT SERVICE AT ANY TIME, THE CITY SHALL ADVANCE LEGALLY AVAILABLE FUNDS INCLUDING, IF NECESSARY, FUNDS FROM THE LEVY OF TAXES UPON ALL TAXABLE PROPERTY IN THE CITY, SUBJECT HOWEVER TO CONSTITUTIONAL, STATUTORY AND CHARTER TAX RATE LIMITATIONS.

RIGHT OF REFERENDUM

THE REVENUE BONDS WILL BE ISSUED WITHOUT A VOTE OF THE ELECTORS UNLESS A PETITION REQUESTING SUCH A VOTE SIGNED BY NOT LESS THAN 10% OF THE REGISTERED ELECTORS RESIDING WITHIN THE BOUNDARIES OF THE CITY IS FILED WITH THE CITY CLERK OF THE CITY, 401 SUPERIOR AVENUE, CRYSTAL FALLS, MICHIGAN 49920, WITHIN FORTY-FIVE (45) DAYS AFTER PUBLICATION OF THIS NOTICE. IF SUCH PETITION IS FILED, THE BONDS MAY NOT BE ISSUED WITHOUT AN APPROVING VOTE OF A MAJORITY OF THE QUALIFIED ELECTORS RESIDING WITHIN THE BOUNDARIES OF THE CITY VOTING THEREON.

THIS NOTICE is given pursuant to the requirements of Section 33, Act 94, Public Acts of Michigan, 1933, as amended.

Dorothea Olson, City Clerk
City of Crystal Falls

3. The City Council of the City does hereby determine that the foregoing form of Notice of Intent to Issue Bonds and the manner of publication directed is the method best calculated to give notice to the water supply system's users and the electors residing in the boundaries of the City of this City's intent to issue the bonds, the purpose of the bonds, the security for the bonds and the right of referendum relating thereto, and the newspaper named for publication is hereby determined to reach the largest number of persons to whom the notice is directed.

4. The City makes the following declarations for the purpose of complying with the reimbursement rules of Treas. Reg. § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended:

- (a) As of the date hereof, the City reasonably expects to reimburse itself for the expenditures described in (b) below with proceeds of debt to be incurred by the City.
- (b) The expenditures described in this paragraph (b) are for the costs of acquiring and constructing the Project which were paid subsequent to sixty (60) days prior to the date hereof or which will be paid prior to the issuance of the bonds from the water fund and/or the general fund of the City.
- (c) The maximum principal amount of debt expected to be issued for the Project, including issuance costs, is not to exceed \$5,307,000.
- (d) A reimbursement allocation of the expenditures described in (b) above with the proceeds of the borrowing described herein will occur not later than 18 months after the later of (i) the date on which the expenditure is paid, or (ii) the date the Project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid. A reimbursement allocation is an allocation in writing that evidences the City's use of the proceeds of the debt to be issued for the Project to reimburse the City for a capital expenditure made pursuant to this Resolution.
- (e) The expenditures described in (b) above are "capital expenditures" as defined in Treas. Reg. § 1.150-1(b), which are any costs of a type which are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Treas. Reg. § 1.150-2(c)) under general Federal income tax principles (as determined at the time the expenditure is paid).
- (f) No proceeds of the borrowing paid to the City in reimbursement pursuant to this Resolution will be used in a manner described in Treas. Reg. § 1.150-2(h) with respect to abusive uses of such proceeds, including, but not limited to, using funds corresponding to the proceeds of the borrowing in a manner that results in the creation of replacement proceeds (within Treas. Reg. § 1.148-1) within one year of the reimbursement allocation described in (d) above.
- (g) Expenditures for the Project to be reimbursed from the proceeds of the borrowing for purposes of this Resolution do not include (i) costs for the issuance of the debt, (ii) an amount not in excess of the lesser of \$100,000 or five percent (5%) of the proceeds of the borrowing, or (iii) preliminary expenditures not exceeding twenty percent (20%) of the issue price of the borrowing, within the meaning of Treas. Reg. § 1.150-2(f) (such preliminary expenditures include architectural, engineering, surveying, soil testing and similar costs incurred prior to construction of the Project, but do not include land acquisition, site preparation, and similar costs incident to commencement of construction).

6. Each of the officers of the City is hereby authorized and directed to execute and deliver such applications, documents, instruments and certificates with the Department in support of an application of the City for "qualified status" or, in the alternative, for prior approval to issue the bonds described in this Resolution, and to file for such waivers as may be necessary or advisable with respect to said bonds.

7. All resolutions and parts of resolutions insofar as they conflict with the provisions of this Resolution be and the same hereby are rescinded.

AYES: Mayor Hendrickson, Councilors Burke, Smokevitch, Hagglund, and Bicigo. NAYS: None

RESOLUTION DECLARED ADOPTED.

Mayor Hendrickson seconded by Councilor Hagglund moved to meet in closed session to consider strategy for negotiations with the WPPA and IBEW unions pursuant to P.A. 1976, No. 267, Open Meetings Act, 15.268, Section 8, (c), and further, to invite Attorney Steve Girard, MERS Regional Manager Tony Radjenovich, and Auditor Scott Kenney to participate in the closed session. Ayes: Mayor Hendrickson, Councilors Burke, Smokevitch, Hagglund, and Bicigo. Nays: None.

Motion carried.

Meeting temporarily adjourned at 5:12 p.m.

Meeting reconvened at 7:33 p.m.

Councilor Bicigo seconded by Councilor Hagglund moved to contract with Attorney Steve Girard for Labor and Employment Law Services relative to the upcoming union contract negotiations per the proposal dated May 30, 2009.

Ayes: Mayor Hendrickson, Councilors Burke, Smokevitch, Hagglund, and Bicigo. Nays: None

Motion carried.

Councilor Hagglund seconded by Councilor Smokevitch moved to adjourn this special meeting of the Crystal Falls City Council.

Motion carried.

Meeting adjourned at 7:37 p.m.

Presiding Officer

Presiding Clerk