Heron Lake Watershed District (HLWD)
Regular Meeting
August 20, 2019

1. Call to Order
   Bruce Leinen called the meeting to order at 8:01 p.m.
   Managers present: Harvey Kruger, Bruce Leinen, Jim Buschena, Wayne Rasche, and Mark Bartosh
   Staff: Jan Voit and Catherine Wegehaupt
   Others present: Emily Javens, Minnesota Association of Watershed Districts (MAWD); Justin Ahlers, Nobles County; Jim Eigenberg, Jackson County; Kevin Stevens, Cottonwood County; and George Eilertson, Northland Securities by telephone

2. Agenda
   Harvey Kruger made a motion to approve the agenda. Jim Buschena seconded this. Mark Bartosh asked about items related to short-term financing that were added to the packet. These items are related to listed action items on the agenda. In favor: Buschena, Kruger, Leinen, and Rasche.
   Opposed: Bartosh. Motion carried.

3. 2020 Levy for General Operating Purposes
   Harvey Kruger made the following motion.
   Whereas, the Board of Managers of the HLWD have had a hearing on its proposed budget for the year 2020, after publication thereof, and have heard all persons interested therein,
   Now, therefore, be it resolved that a mill rate sufficient to produce $250,000.00 be levied upon all taxable property in the Heron Lake Watershed District, situated in the Counties of Cottonwood, Jackson, Murray, and Nobles for the year 2020, for the purpose of the General Operating Levy pursuant to Minnesota Statutes § 103D.905 Subd. 3. The Secretary be and he here is advised and directed to certify this levy to the County Auditor of the said Counties.
   Wayne Rasche seconded the motion. Motion carried unanimously.

4. Jackson County Ditch (CD) 3 Short-Term Financing
   George Eilertson explained that the at the August 1 meeting, the Board of Managers (Board) of the HLWD directed Northland Securities to obtain proposals for short-term financing. The construction bids were approved pending securing financing. Information was sent to nine banks. Several conversations were held with two local banks that he thought would be submitting a bid. In the end, one bid was submitted from Bremer Bank at an interest rate of 2.4 percent. The loan has a three-year financing window with the drawdown of up to $9.3 million for project-related expenses.
   When George Eilertson met with the Board in July, his original financing estimates were based on an interest rate of 3.74 percent. In comparing that to the Bremer Bank bid, based upon the engineer’s draw schedule, the interest savings is estimated at $128,000 over the construction period. Capitalized interest is included in the $9.3 million. Unless project costs are over budget, the full amount will not have to be borrowed.
   If financing had been done through a bond issue, interest begins accruing on the full amount on the closing date. The interest rate, option to prepay at any date, and three full years to spend financing are all good features of this short-term financing.
   The Board will need to act on a resolution to lock in the interest rate and terms. The closing date for the financing is September 16.
   Discussion was held regarding several topics. Those included:
• Principal and interest payments. The construction timeline, with good conditions, is less than three years. Prepayments would be made before the assessments are certified to the benefitting properties, around October 2020. The goal is to reduce interest costs, so prepayments could be used to lower principal.

• Funds. After the loan agreement is in place, requests for funds can be made on a monthly basis. Once requested, the funds will be sent via wire transfer if not the same day, probably the next. Northland Securities will work with the District Administrator and Bremer Bank to make this an easy process.

The funds through Bremer Bank can be used to pay off the line of credit (LOC) at Security State Bank. If construction begins October 1, the HLWD will have access to funds to pay contractors.

• Costs for the financial consultant and bond counsel. The cost for Northland Securities is $22,500. Kutak Rock is estimated at $15,000.

• Collateral. The Basic Water Management (BWM) levy was not required as a backstop for short-term financing. The interest is built into the financing. Bremer Bank is aware that repayment will be 100 percent assessed to property owners. They didn’t ask for additional security.

• $2 million borrowing limit. The $2 million statutory borrowing limit for watershed districts does not apply to drainage projects, so that is not an issue.

• Short-term versus long-term financing. The short-term financing with Bremer Bank does not address the long-term financing situation. The HLWD does have the statutory authority to issue revenue bonds, but not general obligation bonds. The hope is to enhance the ability of watershed districts in greater Minnesota to have the opportunity to have the same statutory authority as those within the metro.

Until there is a change in the statute, the HLWD only has limited taxing authority through the BWM and revenue bonds. The HLWD cannot get a credit rating using that scenario. Having the ability to issue general obligation bonds would provide the opportunity to get a lower interest rate and a bond rating. Long-term financing is a work in progress.

The funds for the short-term financing will be available September 16. It is a Board decision when the first draw will be done.

Jim Buschena made a motion to approve the Financial Consulting Agreement by and between the HLWD and Northland Securities, Inc. and authorized the HLWD President to sign the agreement. Harvey Kruger seconded this. A question was asked whether the tax exemption has any effect on the HLWD. By adopting the resolution prepared by bond counsel, the HLWD is able to issue tax exempt debt. That is the true benefit of having a bond attorney, to cite statutory references and state the ability to issue tax exempt debt. A question was asked about assessing a drainage lien and filing it at the courthouse. The HLWD will have to certify liens to Jackson County, but that will not happen right away. In favor: Buschena, Kruger, Leinen, and Rasche. Opposed: Bartosh. Motion carried.

5. Bond Counsel Engagement

George Ellerton explained the agreement for the bond counsel. This is formally engaging them to provide the service to issue tax exempt debt and the legal opinion. No dollar amount was included in the engagement letter. George Ellerton said that Stephen Rosbolt had mentioned a not-to-exceed cost of $15,000 during a conversation. Discussion was held regarding the bond counsel fee. George Ellerton explained that if the HLWD was an established borrower, the fee would be less. The estimated cost is reflective of the HLWD’s coming to the market for the first time. If financing like this is sought again in a year or two, the amount would likely be less.
Harvey Kruger made a motion to approve bond counsel engagement and authorizing the District Administrator to sign contingent on confirmation from Kutak Rock LLP of a cost commitment not to exceed $15,000. Jim Buschena seconded this. In favor: Buschena, Kruger, Leinen, and Rasche. Opposed: Bartosh. Motion carried.

George Ellertson explained the resolution prepared by bond counsel. It cites the HLWD’s statutory authority to issue debt, rates, terms, funds created, tax covenant, how bonds are closed, and the form of the note. Part of the $9.3 million includes capitalized interest rates that provide for the semi-annual interest payments.

Jim Buschena made a motion to approve the Resolution Authorizing the Issuance, Sale, and Delivery of a $9,300,000 Drainage System Temporary Revenue Note, Series 2019A, and authorize the HLWD President and District Administrator to sign the resolution. Harvey Kruger seconded this. Discussion was held regarding the amount of time the Board had to review the documents and making decisions without a lot of time to digest the information. The LOC for Jackson County Ditch (CD) 3 will be paid off with these funds, but not the lines of credit for the other ditch systems. In favor: Buschena, Kruger, Leinen, and Rasche. Opposed: Bartosh. Motion carried.

George Ellertson explained the loan agreement between the HLWD and Bremer Bank. It states the interest rate, describes the process for proceeds advanced upon written requests, and contains a form created for draws. Northland Securities will work with the District Administrator and Bremer Bank for draws. The agreement also states that the lender agrees that they will not sell this note to another bank. The documents have been reviewed by HLWD legal counsel.

Harvey Kruger made a motion to approve the Loan Agreement between HLWD and Bremer Bank, National Association and authorize the HLWD President and District Administrator to sign the agreement. Jim Buschena seconded this. In favor: Buschena, Kruger, Leinen, and Rasche. Opposed: Bartosh. Motion carried.

George Ellertson stated that he understood that this is a lot of information coming in a very short time because of the situation with which the Board was faced. Action on the financial consulting agreement, bond counsel engagement, resolution for short-term financing, and loan agreement required action by the Board tonight to keep the process moving forward. He thanked the Board for the opportunity to work with them. He assured them that he will not lose sight of the fact that this financing needs to be taken out by long-term debt. He will work to get the best financing for that as well.

It was noted that the loan agreement allows for one draw per month. This is the same process that is used now. The District Administrator will coordinate with ISG.

6. Minutes
Harvey Kruger made a motion to approve the minutes of the July 23 regular meeting and August 1 special meeting. Bruce Leinen seconded this. Motion carried unanimously.

7. Treasurer’s Report and Bill Payment
Jan Voit presented the treasurer’s report and bills payable. A question was asked regarding whether H20over Viewers have done any on-the-ground work in the ditch system. The District Administrator was not aware that they have been onsite at Jackson County Judicial Ditch (JD) 3. They charge a flat rate of $4,400 per month. The payment for July could not be made until the petitioners’ increased bond was received. Harvey Kruger made a motion to approve the treasurer’s report and pay bills. Bruce Leinen seconded this. The CD 3 LOC and interest due are contained in the treasurer’s report. Because the $625,000 LOC was reached, the HLWD has been paying bills
through the general operating levy. These funds will be reimbursed on the first draw from Bremer Bank. Motion carried unanimously.

8. Petition and Order Appointing Engineer for the Improvement of Jackson County Judicial Ditch 36
Jan Voit reported that Louis Smith had reviewed the petition and bond and deemed them legally sufficient. Discussion was held regarding the appointment of ISG, whether the improvement would work given the flooding in that area, outlet capacity, landowner meeting, storage possibilities, and the length of the proposed improvement.

Jim Buschena made a motion to accept the petition. Harvey Kruger seconded this. Discussion was held regarding conversations with Jackson County regarding drainage authority and statutory requirements for the improvement process. The HLWD has the capability to do short-term financing and will need to keep working through the process for long-term financing. Nothing has changed regarding the HLWD’s statutory requirements as drainage authority. The petition is legally sufficient. It is the HLWD’s responsibility as drainage authority to accept it. Motion carried unanimously.

Wayne Rasche made a motion to approve the Order Appointing Engineer and authorize the HLWD President and District Administrator to sign it. Harvey Kruger seconded this. Motion carried unanimously.

The HLWD entered into an agreement with Houston Engineering, Inc. (HEI) in 2017 to provide professional services to update HLWD water quality restoration and protection strategies relative to state water quality standards, evaluate the water quality benefits of priority water storage sites using the Prioritize, Target, and Measure Application (PTMAp), and summarize the results as a HLWD implementation guidance document. Due to staff changes and HEIs involvement in writing the Total Maximum Daily Load Report for the West Fork Des Moines River (WFDMR) watershed, there was a delay in delivering the finished product.

Discussion was held regarding HLWD staff working on a WFDMR project. When the PTMAp grant was acquired, none of the project partners were willing to offer funding. The HLWD funded the project for the entire WFDMR. It is not possible to collect funds from partners for the time spent or the cash allocated for the development of the PTMAp.

Harvey Kruger made a motion to approve the HLWD Implementation Guidance Document and incorporate it into the HLWD WMP. Wayne Rasche seconded this. Motion carried unanimously.

10. Multipurpose Drainage Management Grant Application
Jan Voit explained that she is seeking permission to work with ISG staff to draft a multipurpose drainage management grant to install side inlets on Jackson CD 3, alternative side inlets on Jackson County JD 14, and complete another wetland restoration on Jackson County JD 3. Discussion was held regarding the possibility of including best management practices (BMPs) on Jackson County JD 36, too.

Jim Buschena made a motion to support installation of BMPs on Jackson CD 3, JD 3, JD 14, and JD 36 and authorize grant application submission. Harvey Kruger seconded this. The application would be for Clean Water Funds. Motion carried unanimously.

11. MAWD Resolutions
Jan Voit explained that two resolutions are being proposed. The first is for the general operating levy. Discussion was held regarding a levy cap versus inflation rate, the MAWD-supported efforts in
2018, that this would be a request for specific legislation for the HLWD similar to Sauk River Watershed District, the possibility of combining the language for statewide application, and the proposed cap.

Harvey Kruger made a motion to approve the HLWD General Operating Levy Adjustment resolution. Jim Buschena seconded this. A comment was made that the watershed residents would likely not be in favor of paying more for the HLWD to administer drainage projects. It was clarified that these funds are for general operations – everything that is not covered by grants or ditch assessments. The intent is not to double the levy, but have the ability to raise additional funds for general operations. The amount that would be in legislation would ultimately be up to the legislature. The managers are in control of the amount that gets levied. That would not change if the levy cap was raised. Funds saved from this year’s internship were pledged as match for the Lessard-Sams Outdoor Heritage (LSOHC) application. The HLWD is working with partners to secure additional funds for projects. The budget is very tight now. In favor: Buschena, Kruger, and Leinen. Opposed: Bartosh and Rasche. Motion carried.

The second resolution is for general obligation bonding. In the past, the HLWD has had a good working relationship with Jackson County regarding drainage system financing. Now we are faced with a dilemma. If the resolution is supported by MAWD and legislation is passed, the HLWD would have the same general obligation bonding authority as counties and metro watershed districts.

Harvey Kruger made a motion to approve the Resolution to Clarify County Financing Obligation and Authorize Watershed District General Obligation Bonds for Public Drainage Projects. Jim Buschena seconded this. Discussion was held regarding the two possible solutions that were identified in the background information: clarifying that an affected county must finance a watershed district drainage project or authorizing watershed districts adequate tax levy authority to issue debt for drainage projects. Clarification of the law would be ideal. If not, the HLWD would work to have the same levy authority as the county. Counties have to back general obligation bonding authority with credit from the entire county, not just the ditch system. In favor: Buschena, Kruger, Leinen, and Rasche. Opposed: Bartosh. Motion carried.

12. Reports

District Administrator
Jan Voigt reported on the Section 319 Small Watersheds Focus Program, HLWD financial newsletter, summer intern, Jackson County JD 36, MAWD resolutions, Minnesota Association of Drainage Inspectors and Minnesota Viewers’ Association meeting, Jackson CD 3, LSOHC hearing, and the upcoming MAWD Annual Convention Planning Session.

Watershed Technician
Catherine Wegehaupt provided an update on stream and lake sampling, Minnesota Department of Agriculture pesticide monitoring at Jack Creek and Beaver Creek, 2018 water quality data, soil and temperature information, a request to Murray County Water Planning Committee for the Schindler pond sediment removal project, Farm Bureau Family Picnic Night, and Minnesota Conservation Corps cedar revetment installation.

13. Adjournment

The meeting adjourned at 9:38 p.m.

[Signature]
Harvey Kruger
Secretary
HERON LAKE WATERSHED DISTRICT
Levy for General Operating Purposes

Harvey Kruger offered the following Resolution and moved its adoption:

Whereas, the Board of Managers of the Heron Lake Watershed District have had a hearing on its proposed budget for the year 2020, after publication thereof, and have heard all persons interested therein,

Now, therefore, be it resolved that a mill rate sufficient to produce $250,000.00 be levied upon all taxable property in the Heron Lake Watershed District, situated in the Counties of Cottonwood, Jackson, Murray, and Nobles for the year 2020, for the purpose of the General Operating Levy pursuant to Minnesota Statutes § 103D.905 Subd. 3. The Secretary be and he here is advised and directed to certify this levy to the County Auditor of the said Counties.

Wayne Rasche seconded the motion. Motion carried unanimously.

[Signature]
Harvey Kruger, Secretary
FINANCIAL CONSULTING AGREEMENT

BY AND BETWEEN
HERON LAKE WATERSHED DISTRICT, MINNESOTA
AND
NORTHLAND SECURITIES, INC.

This Agreement is made and entered into by and between the Heron Lake Watershed District, Minnesota (hereinafter "District") and Northland Securities, Inc., of Minneapolis, Minnesota (hereinafter "Northland").

WITNESSETH

WHEREAS, the District desires to use the financial consulting services of Northland (the "Services") related to a drawdown loan in an amount of approximately $9,300,000 to provide interim funds for the construction of drainage system improvements to County Ditch 3 (the "Loan") with a bank of their choosing.

WHEREAS, the Services are intended solely for consulting purposes and Northland is not providing advice on the timing, terms, structure or similar matters related to a specific bond issue or public security.

WHEREAS, Northland desires to furnish services to the District as hereinafter described.

NOW, THEREFORE, it is agreed by and between the parties as follows:

SERVICES TO BE PROVIDED BY NORTHLAND

The scope of work will undertake the process of assisting the District with securing a Loan from a bank. Legal services to review the Loan related documentation, bank qualification and the approving resolution are not provided by Northland and are not subject to this agreement.

Northland will provide the following services:

1. Consult with bond counsel on authority for issuance and proposed terms.
2. Prepare the preliminary and final bank term sheets.
3. Provide guidance on potential rate expectations.
4. Assist the District with reviewing the proposal from the bank and provide guidance on selection.

COMPENSATION

For providing consulting services in relation to the Loan, Northland shall be paid a consulting fee in an amount not to exceed $22,500. The compensation due to Northland will be invoiced at time of the Loan closing.

It is expressly understood that there is no obligation on the part of the District under the terms of this Agreement to undertake the Loan. If not closed, Northland agrees to pay its own expenses and receive no fee for any services it has rendered.

Agreement (Consulting Services)
ASSIGNED NORTHLAND EMPLOYEE

The Northland employee responsible for providing services pursuant to this agreement and for the services performed is George Eilertson, Managing Director.

ACKNOWLEDGMENT

By signing below, the District and Northland agree to the terms stated within this Consulting Agreement.

Dated this 20 day of August 2019.

Northland Securities, Inc.

By: [Signature]
Michael Hart, Managing Director

Heron Lake Watershed District, Minnesota

By: [Signature]
Title
August 13, 2019

Ms. Jan Voit  
District Administrator  
Heron Lake Watershed District  
1008 3rd Avenue  
Heron Lake, MN 56137

Re: Bond Financing for Jackson County Ditch No. 3

Dear Ms. Voit:

We would be pleased to serve as bond counsel for the financing of improvements to Jackson County Ditch No. 3. In that capacity we will be preparing all the necessary financing documents and providing a tax opinion to the lender. As bond counsel we will be working closely with your counsel Louis Smith and George Eilertson of Northland Securities.

1. I will be the lawyer primarily responsible for the work, and we will involve Justin Reppe, another attorney in our law firm, as appropriate.

2. Our fees will be based primarily on the actual hours worked at normal hourly rates for the lawyers involved. We understand that the District will agree to pay our fees regardless of whether the financing is completed.

3. We will provide a bill to you on completion of the financing or other termination of the transaction. The bill will include a description of the services performed and a description of any disbursements incurred by us on your behalf for which we expect reimbursement. Our bills are due on receipt. Please contact me if you have questions about any of our bills.

4. As you may know, we have numerous existing and prospective client relationships, and it is possible that a situation could arise in which your interests might conflict with those of some other clients. This confirms our agreement with you that we may (without further notice to you) represent any other present or future client in any matter that is not substantially related to our work for you, even if such client’s interests are directly adverse to your interests or result in litigation against you.

If you have any questions about these arrangements, please contact me as soon as possible. Otherwise, we will assume they are satisfactory to you.
We look forward to working with you on this transaction.

Very truly yours,

KUTAK ROCK LLP

By /s/ Stephen C. Rosholt

Stephen C. Rosholt

cc: Louis Smith

Approved:
HERON LAKE WATERSHED DISTRICT

By /s/ [Signature]
District Administrator
RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY
OF A $9,300,000 DRAINAGE SYSTEM TEMPORARY REVENUE NOTE,
SERIES 2019A

BE IT RESOLVED, by the Board of Managers of the Heron Lake Watershed District,
Minnesota (the "District"), as follows:

Section 1. Note Purpose, Authorization, and Award.

1.01 Statutory Authority. Pursuant to authority contained in Minnesota Statutes,
Sections 103D.335 and 475.61, Subdivision 6 (collectively, the "Act"), the District is authorized
to issue its Drainage System Temporary Revenue Note, Series 2019A to provide temporary
financing for the costs of the improvement of Jackson County Ditch No. 3 (the "Project").

1.02 Authorization. The Board of Managers directs the issuance and sale of the
$9,300,000 Drainage System Temporary Revenue Note, Series 2019A of the District dated as of
the date of closing and delivery thereof (the "Note"). The principal of and interest on the Note
shall be paid primarily from collections of special assessments levied with respect to the Project
and the proceeds of permanent bonds or additional temporary obligations which the District shall
offer for sale in advance of the maturity of the Note (the "Permanent Obligations").

1.03 Municipal Advisor. The District has retained the services of Northland Securities,
Inc., as its financial consultant in connection with the sale of the Note.

1.04 Award. The District has received a proposal for a loan to be evidenced by the Note
from Bremer Bank, National Association, located in St. Paul, Minnesota (the "Lender"), in the
amount of $9,300,000 to pay costs of the Project, upon condition that the Note matures and bears
interest at the time and annual rate set forth in Section 2. The District, after due consideration,
finds such offer reasonable and proper and the offer of the Lender is accepted. All actions of the
President and the District Administrator, taken with regard to the sale of the Note are ratified and
approved.

Section 2. Terms of the Note.

2.01 Interest Rate and Principal Maturities. The Note shall be dated the date of its
delivery as the date of original issue, shall be issued in the denomination equal to the principal
amount thereof, shall be issued in fully registered form and lettered and numbered R-1. The Note
shall bear interest on the outstanding balance from the respective dates of disbursement at the
annual rate of 2.40 percent and shall mature on September 1, 2022.

2.02 Prepayment. The Note is subject to prepayment at the option of the District, in
whole or in part, on any date at a price of par plus accrued interest to the prepayment date.

2.03 Interest Payment Dates. The interest on the Note shall be payable semi-annually
on March 1 and September 1 of each year, commencing September 1, 2020 (each referred to herein
as an "Interest Payment Date"). Interest will be computed upon the basis of a 360-day year of
twelve 30-day months.
2.04 Preparation and Execution. A. The Note shall be prepared for execution in accordance with the approved form and shall be signed by the manual signature of the President and by the manual signature of the District Administrator. The corporate seal of the District may be omitted from the Note as permitted by law. In case any officer whose signature shall appear on the Note shall cease to be an officer before delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

B. The issuance of the Note is subject to the approving legal opinion of Kutak Rock LLP, Minneapolis, Minnesota, as bond counsel.

2.05 Registrar. The District hereby appoints the District Administrator as registrar, authenticating agent, paying agent and transfer agent for the Note (the “Registrar”). The District reserves the right to name a substitute, successor Registrar upon giving prompt written notice to each registered Note holder.

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

2.07 Payment. A. The District and the Registrar may treat the person in whose name any Note is registered as the owner of such Note for the purpose of receiving payment of principal and interest on such Note and for all other purposes whatsoever, whether or not such Note be overdue, and neither the District nor the Registrar shall be affected by notice to the contrary.

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

2.08 Delivery. Delivery of the Note and payment of the purchase price shall be made at a place mutually satisfactory to the District and the Lender. A typewritten and executed Note shall be furnished by the District without cost to the Lender. The Note, when prepared in accordance with this resolution and executed, shall be delivered by or under the direction of the District Administrator to the Lender on or about September 16, 2019.

Section 3. Form of the Note.

3.01 The Note shall be printed or typewritten in substantially the form attached as Exhibit A.

Section 4. Covenants, Accounts and Tax Levies.

4.01 Project Completion and Special Assessments. The District covenants and agrees with the holder of the Note that it will complete the Project and cause special assessments to be
levied against property benefited in an amount equal to the costs of the Project, which are hereby pledged to the payment of the Note and any permanent or additional temporary obligations issued under Section 4.03 hereof (the “Pledged Special Assessments”). As permitted by Minnesota Statutes, Section 475.79, the District determines that Minnesota Statutes, Section 475.78 applies to the Pledged Special Assessments and the Funds created hereunder.

4.02 Fund. There is created a special fund to be designated the “2019A Drainage System Temporary Revenue Note Fund” (the “Fund”) to be administered and maintained by the District Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the District. The Fund shall be maintained in the manner herein specified until the Note and the interest thereon have been fully paid. There shall be maintained in the Fund two (2) separate accounts, to be designated the “Construction Fund” and “Debt Service Fund,” respectively:

A. Construction Fund. The District shall credit proceeds from the sale of the Note when advanced by the Lender to the Construction Fund. Proceeds from the Note on deposit in the Construction Fund, along with other monies of the District available therefor, shall be used from time to time to pay, or reimburse the District for payment of, the costs of the Project and costs of legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Note and interest due on the Note prior to completion of the Project, as such become due.

B. Debt Service Fund. The Debt Service Fund shall be administered and maintained by the District Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the District. The Debt Service Fund shall be maintained in the manner herein specified until all of the Note and the interest thereon have been fully paid:

(i) There is pledged and appropriated and there shall be credited to the Debt Service Fund: (A) all collections of the Pledged Special Assessments, which along with the proceeds of Permanent Obligations will be sufficient to pay the principal of and interest on the Note when due; (B) all funds remaining in the Construction Fund after completion of the Project and payment of the costs thereof; (C) any and all other moneys which are properly available and are appropriated by the governing body of the District to the Debt Service Fund; and (D) investment earnings on the monies identified in the foregoing clauses (A) through (C) (The funds and investments identified in clauses (A) through (C) are referred to herein as the “Pledged Revenues.”)

(ii) The money in such account shall be used for no purpose other than the payment of principal and interest on the Note.

C. Investments. Monies on deposit in the Construction Fund and in the Debt Service Fund may, at the discretion of the District, be invested in securities permitted by Minnesota Statutes, Chapter 118A; provided, that any such investments shall mature at such times and in such amounts as will permit for payment of the principal and interest on the Note when due.
4.03 Pledge of Proceeds of Definitive Note or Additional Temporary Note Definitive Obligations. In accordance with Minnesota Statutes, Section 475.61, Subdivision 6, the District covenants and agrees with the holder of the Note that if the Note cannot be paid at maturity from the Pledged Revenues or from other funds appropriated by the District, the Note shall be paid from the proceeds of permanent bonds or additional temporary obligations which shall be issued and sold by the District as provided in Minnesota Statutes, Section 475.61, Subdivision 6. The holder of the Note shall have and may enforce, by mandamus or other appropriate proceedings, all rights respecting the levy and collection of special assessments that are granted by law to holders of permanent bonds, except the right to require the levies to be collected prior to the maturity of the Note. If the Note is not paid in full at maturity, the holder may require the issuance in exchange for them, at par, of new temporary obligations maturing within one year from their date of issue but not subject to any other maturity limitation, and bearing interest at the maximum rate permitted by law.

Section 5. Tax Covenants. A. The District covenants and agrees with the holders of the Note that the District will (i) take all action on its part necessary to cause the interest on the Note to be exempt from federal income taxes including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Note and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Note to be subject to federal income taxes, including, without limitation, refraining from spending the proceeds of the Note and investment earnings thereon on certain specified purposes.

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

(i) the Note is not a “private activity bond” as defined in Section 141 of the Code;

(ii) the District designates the Note as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code;

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

(iv) not more than $10,000,000 of obligations issued by the District during the calendar year in which the Note is being issued have been designated for purposes of Section 265(b)(3) of the Code.

Section 6. Certificate of Proceedings; Miscellaneous.
6.01 The District Administrator or the designee thereof is directed to file with the Jackson County Auditor a certified copy of this Resolution and such other information as the County Auditor may require, and to obtain from the County Auditor a certificate stating that the Note herein authorized have been duly entered on its register.

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

6.03 In the event of the absence or disability of the President, the District Administrator, or such officers or members of the Board of Managers as in the opinion of the District’s attorney, may act in their behalf, shall without further act or authorization, execute and deliver the Note, and do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers.

Section 7. Offering Materials. No official statement or prospectus has been prepared or circulated by the District in connection with the sale of the Note, and the Lender has made its own investigation concerning the District as set forth in a Lender’s certificate.

Section 8. Loan Agreement. The proceeds of the Note will be advanced to the District in accordance with the terms of this Resolution and with a Loan Agreement between the District, and the Lender (the “Loan Agreement”). The President and District Administrator of the District are hereby authorized and directed to execute the Loan Agreement substantially in the form currently on file in the office of the District.

(remainder of page intentionally blank)
Adopted: August 20, 2019.

ATTEST:

District Administrator

President
EXHIBIT A
FORM OF NOTE

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTIES OF NOBLES, JACKSON, MURRAY AND COTTONWOOD

R-1 $9,300,000

HERON LAKE WATERSHED DISTRICT
DRAINAGE SYSTEM TEMPORARY REVENUE NOTE,
SERIES 2019A

<table>
<thead>
<tr>
<th>Rate</th>
<th>Maturity Date</th>
<th>Date of Original Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.40%</td>
<td>September 1, 2022</td>
<td>2019</td>
</tr>
</tbody>
</table>

REGISTERED OWNER: BREMER BANK, NATIONAL ASSOCIATION

PRINCIPAL AMOUNT: NINE MILLION THREE HUNDRED THOUSAND DOLLARS

The Heron Lake Watershed District, Minnesota (the “District”), for value received, promises to pay to the registered owner specified above, or registered assigns, the principal amount specified above, or a lesser amount which is advanced and outstanding hereunder pursuant to the terms of the Loan Agreement referred to below, on or before the Maturity Date, and to pay interest on said principal amount from the date of the respective disbursements under the Loan Agreement 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.

Advances of principal (each, an “Advance”) in an aggregate amount not to exceed the maximum principal sum set forth above may be made under this Note from time to time in accordance with the Loan Agreement dated the date hereof between the District and the Registered Holder. The amount and date of each Advance must be noted by the Registered Holder on Exhibit A attached hereto.

Interest is payable semi-annually on March 1 and September 1 of each year (each referred to herein as an “Interest Payment Date”) commencing on September 1, 2020. Interest will be computed upon the basis of a 360-day year of twelve 30-day months. This Note is payable as to principal on the maturity date set forth above. Payments shall be applied first to interest due on the outstanding principal balance and thereafter to reduction of the principal balance.

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

This Note comprises the entire series issued by the District in the aggregate amount of $9,300,000 pursuant to the authority contained in Minnesota Statutes, Sections 103D.355, Subd. 1 and 475.61, Subdivision 6, and all other laws thereunto enabling, and pursuant to an authorizing resolution adopted by the governing body of the District on August 20, 2019 (the "Resolution"), for the purpose of providing funds for the costs of improvements to Jackson County Ditch No. 3 (the "Project"). The principal of and interest on this Note shall be paid primarily from collections of special assessments levied and to be levied with respect to the Project and the proceeds of permanent bonds or additional temporary obligations covenanted by the District to be issued prior to or at maturity of the Note as further described below.

The Note is subject to prepayment at the option of the District in whole or in part on any date at a price of par plus accrued interest to the prepayment date.

In the Resolution the District has covenanted and agreed that, if not paid from pledged special assessments or other sources, this Note will be paid from the proceeds of permanent bonds or additional temporary obligations which will be issued and sold prior to the maturity date of this Note. If this Note is not paid in full at maturity, the holder hereof may require the issuance in exchange for it, at par, of a new temporary bond maturing within one year from its date of issue but not subject to any other maturity limitation, and bearing interest at the maximum rate permitted by law. Reference is made to the Resolution to which reference is made for a full statement of rights and powers thereby conferred.

The District has designated this Note as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IT IS CERTIFIED AND RECITED that all acts and conditions required by the laws and the Constitution of the State of Minnesota to be done and to exist precedent to and in the issuance of this Note, in order to make it a valid and binding obligation of the District in accordance with its terms, have been done and do exist in form, time and manner as so required; and that the issuance of this Note does not
cause the indebtedness of the District to exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the Heron Lake Watershed District, Minnesota, by its governing body, has caused this Note to be executed in its name by the signature of the President and by the signature of the District Administrator.

District Administrator

President

Date of Authentication: __________________________

REGISTRATION CERTIFICATE

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Registered Owner</th>
<th>Signature of District Administrator</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/27/2019</td>
<td>Bremer Bank, National Association</td>
<td></td>
</tr>
<tr>
<td></td>
<td>380 St. Peter Street</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Suite 500</td>
<td></td>
</tr>
<tr>
<td></td>
<td>St. Paul, MN 55102</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Federal Taxpayer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I.D. #41-0224890</td>
<td></td>
</tr>
</tbody>
</table>

ASSIGNMENT

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

_________________________ (Name and Address of Assignee)

_________________________ Social Security or Other

_________________________ Identifying Number of Assignee

the within Note and all rights thereunder and irrevocably constitutes and appoints

_________________________ attorney to transfer the said Note on
the books kept for registration thereof with full power of substitution in the premises.

Dated: ______________________

______________________________

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

Signature Guaranteed:

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

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

Advancement Table

<table>
<thead>
<tr>
<th>Date of Advance</th>
<th>Principal Amount of Advance</th>
<th>Remaining Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EXTRACT OF MINUTES OF A MEETING OF THE
BOARD OF MANAGERS OF THE
HERON LAKE WATERSHED DISTRICT, MINNESOTA
HELD: August 20, 2019

Pursuant to due call and notice thereof, a meeting of the Board of Managers of Heron Lake Watershed District, Minnesota, was duly held August 20, 2019 at Heron Lake Watershed District office at 8:00 pm.

The following Managers were present: Harvey Kruger, Bruce Leinen, Jim Buschena, Wayne Rasche, and Mark Bartosh and the following Managers were absent: none.

Manager Jim Buschena introduced the following resolution and moved its adoption:

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY
OF A $9,300,000 DRAINAGE SYSTEM TEMPORARY REVENUE NOTE,
SERIES 2019A

The motion for the adoption of the foregoing resolution was duly seconded by Manager Harvey Kruger and upon a vote being taken thereon, the following voted in favor thereof: Buschena, Kruger, Leinen, and Rasche and the following Manager voted against the same: Bartosh.

Whereupon the resolution was declared duly passed and adopted.
LOAN AGREEMENT

This Loan Agreement is made on September 16, 2019, by and between HERON LAKE WATERSHED DISTRICT, Minnesota (the "District") and BREMER BANK, NATIONAL ASSOCIATION, St. Paul, Minnesota (the "Lender").

RECITALS

WHEREAS, the District desires to obtain a loan from the Lender to be evidenced by the District’s $9,300,000 Drainage System Temporary Revenue Note, Series 2019A, dated September 16, 2019 (the "Note"). The proceeds of such loan shall be used for public purposes, including:

A. providing funds for the temporary financing of costs of improvements to Jackson County Ditch No.3 (the "Project"), as more fully described in the District’s resolution adopted on August 20, 2019 (the "Resolution"); and

B. providing for the costs of issuance of the Note.

WHEREAS, the parties hereto desire to set out the terms and conditions of such loan and the Note and the terms and conditions of advancing funds pursuant to the Note.

NOW, THEREFORE, it is hereby agreed as follows:

1. The District agrees to issue the Note to the Lender, and the Lender agrees that the loan evidenced thereby will be repaid with interest at the rate of 2.40% per annum in accordance with the terms and conditions of the Note set forth in the Resolution.

2. The proceeds of the Note shall be advanced by the Lender to the District upon receipt by the Lender of written request of the District, signed by the President or District Administrator. Advances of the proceeds of the Note will be made by the Lender within 48 hours of receipt of a request. The District may make one draw per month against the Note using the form of disbursement request attached as Exhibit A. The Lender shall fill in the date and amount of each advance on Exhibit A to the Note.

3. The Lender agrees to accept the Note for investment and not with a present view to the distribution, transfer or resale thereof. The Lender intends to hold and book the Note as a loan in its loan portfolio; the Lender acknowledges that the use of the word "Note" in the name of the debt instrument is for convenience only and is not intended to indicate that the instrument is a security within the meaning of the Securities Act of 1933.

4. The Lender intends to hold the Note for its own account until its maturity or early redemption, does not intend to dispose of all or any portion of such Note and understands that transfer of such Note is restricted pursuant to the terms of the Resolution, the Note and this Loan Agreement.

6. Up to the principal amount of the Note may be drawn as needed by the District for costs of the Project, for costs of issuance of the Note and for interest on the Note as provided for
6. Up to the principal amount of the Note may be drawn as needed by the District for costs of the Project, for costs of issuance of the Note and for interest on the Note as provided for in Section 3 of the Resolution upon submission of a draw request in the form of Exhibit A hereto. The District may draw only once per month prior to September 1, 2022, except for the purpose of paying interest due on the Note. Payment of a draw request (other than the initial advance) shall be made by the Lender to the District not more than seven days after receipt of the draw request. Draw requests may be submitted to the Lender via e-mail, fax or in person and shall be signed by the President or District Administrator. The proceeds of the Note drawn under a draw request shall be credited to the District’s checking account # [redacted] at [redacted]

6. All capitalized terms not defined herein shall have the meaning, as defined, in the Resolution.

This Agreement is dated as of the date and year first above written.

HERON LAKE WATERSHED DISTRICT,
MINNESOTA

By [Signature]
President

By [Signature]
District Administrator

[Signature page to Loan Agreement by and between Heron Lake Watershed District, Minnesota and Bremer Bank, National Association]
BREMER BANK, NATIONAL ASSOCIATION

By
Its

[Signature page to Loan Agreement by and between Heron Lake Watershed District, Minnesota and Bremer Bank, National Association]
EXHIBIT A
DISBURSEMENT REQUEST NO. _____
DATED: ________________

To: Bremer Bank, National Association
380 Saint Peter St.
Suite 500
St. Paul, MN 55102

From: Heron Lake Watershed District, Minnesota
P.O. Box 345
Heron Lake, MN 56137

Heron Lake Watershed District, Minnesota (the "District") requests a disbursement of the proceeds of its $9,300,000 Drainage System Temporary Revenue Note, Series 2019A (the "Note") pursuant to the Loan Agreement dated September 16, 2019 (the "Agreement"), between the District and Bremer Bank, National Association (the "Lender"). The requested disbursement will be used to pay or reimburse the District for payment of costs incurred by the District with respect to the improvement of Jackson County Ditch No. 3 (the "Project"). The undersigned certifies as follows:

1. The total amount requested to be disbursed herein is $___________.

2. The amounts requested to be disbursed herein were properly incurred in connection with the Project; such costs have not been previously paid or reimbursed to the District; no default by District has occurred and is existing under the Agreement or the Note.

3. The amounts requested to be disbursed are [check one]:
   □ presently due and owing; or
   □ have been previously paid by District, in which case District requests reimbursement.

Funds requested to be disbursed herein are to be advanced directly to the District.

4. This (is) (is not) the final Draw Request.

Dated: ________________, 20__

HERON LAKE WATERSHED DISTRICT,
MINNESOTA

By ____________________________
Its ____________________________
ORDER OF THE BOARD OF MANAGERS OF
THE HERON LAKE WATERSHED DISTRICT
ACTING AS A DRAINAGE AUTHORITY
UNDER MINNESOTA STATUTES, CHAPTER 103E

WHEREAS, a petition for the improvement of Jackson County Judicial Ditch (JD) No. 36 has been filed with the Board of Managers of the Heron Lake Watershed District (HLWD); and,

WHEREAS, the Board of Managers of the HLWD, sitting as a drainage authority, on August 20, 2019, determined by voice vote that the petition is facially adequate, and that an engineer should be appointed to prepare the preliminary engineering survey and report required by Minn.Stat. § 103.241.

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. That the board of managers shall, and hereby do, appoint the firm of I+S Group as engineers to examine said drainage system and to make an improvement report within 120 days immediately following the date of this order, as required by Minn.Stat. § 103E.241 and Minn.Stat. § 103E.245. The engineer shall make determinations as to the necessity and feasibility of the proposed improvement to JD 36 and shall also include determinations as to whether there are Clean Water Act jurisdictional issues, whether there are wetland replacement requirements, whether public waters permits may be required, and whether an environmental impact statement is required. Pursuant to Minn.Stat. § 103E.245, Subd. 4, the Engineer shall also consider and recommend other practical alternatives to the proposed project which would increase the capacity of the drainage system, specifically including alternative outlets and the incorporation of water storage/retention systems. The Engineer shall also make a recommendation as to whether any portion of the drainage system would be eligible for separable maintenance pursuant to Minn.Stat. § 103E.215, Subd. 6.

2. That upon acceptance of appointment as engineer, said engineer shall subscribe to an oath to faithfully perform the assigned duties in the best manner possible as required by Minn.Stat. § 103E.241, Subd. 2, and file a bond in the amount of $10,000.00 with the HLWD within ten days after being appointed. The bond must have adequate surety and be payable to the HLWD. The bond must be conditioned to pay any person or the drainage authority for damages and injuries resulting from negligence of the engineer while the engineer is acting in the proceedings or construction and provide that the engineer will diligently and honestly perform the engineer’s duties. The bond is subject to approval by the HLWD. The aggregate liability of the surety for all damages may not exceed the amount of the bond.
3. The engineer may appoint assistant engineers and hire help necessary to complete the engineer's duties. The engineer is responsible for the assistant engineers and may remove them.

4. The engineer shall make an expense report every two weeks after the beginning of the engineer’s work until the construction contract is awarded. The report must show costs incurred by the engineer and expenses incurred under the engineer's direction relating to the proceeding, and include the names of the engineer, engineer assistants, and employees and the time each was employed, and every item of expense incurred by the engineer. The engineer must file this report with the HLWD as soon as possible and may not incur expenses for the proceeding greater than the petitioners' bond.

5. At the same time that the engineer files the oath and bond with the HLWD, the engineer shall provide proof of liability insurance to the HLWD with coverage amounts of at least one million dollars per incident.

6. At the same time that the engineer files the oath and bond with the HLWD, the engineer shall provide an executed original of the contract attached hereto as Exhibit A, which is intended to protect the HLWD against liability derivative from the engineer's errors and omissions.

7. Upon the filing of said preliminary engineering survey and report, in duplicate, with the HLWD, a copy of said report shall be immediately forwarded to the director of the Division of Waters, Minnesota Department of Natural Resources, as required by Minn.Stat. § 103E.251, so that the commissioner can provide his preliminary advisory report as required by law. A copy of said report shall also be immediately forwarded to the Executive Director of the Board of Water and Soil Resources, as required by Minn.Stat. § 103D.711, Subd. 5, so that the executive director can provide his preliminary advisory report as required by law. The board of managers shall set and notice the preliminary hearing on the petition as required by Minn.Stat. § 103E.261.

Dated this 20th day of August, 2019

Bruce Leinén, President

Attest:

Jan Voit, District Administrator
Resolution of the Heron Lake Watershed District
General Operating Levy Adjustment

WHEREAS, the Heron Lake Watershed District (HLWD) generates revenue through a
general operating levy as authorized for watershed districts under MN Statute 103D.901
subdivision 1. This statute caps each watershed district’s levy at 0.048% of the
estimated market value (EMV) or $250,000, whichever is less, regardless of the size or
tax capacity of each district;

WHEREAS, if the levy was only limited to the 0.048% EMV cap, HLWD would be allowed
to levy $951,007 in 2020, but is instead limited to $250,000;

WHEREAS, the $250,000 limit authorized by the legislature in 2001 is equal to $361,000
in today’s dollars and that amount does not take into account the additional workload
created for watershed districts by new state water management programs over the past
19 years;

WHEREAS, the HLWD uses the general levy to not only fund operational expenses such
as rent, equipment, and supplies, it also uses the money to pay for staff time and
laboratory analysis to monitor our lakes and streams for water quality issues, conduct
community education and outreach activities, prioritize the best location for best
management practices, and will be needed to implement activities planned for and
documented in the new statewide One Watershed One Plan initiative;

WHEREAS, the HLWD must also use this levy when it wants to construct pollution or
flood reduction projects or to provide match dollars for state or federal implementation
grants to build these same projects;

WHEREAS, the HLWD has successfully brought in $3,205,672 in grants while only taxing
$4,364,322 locally from 1996 to 2018. This represents $0.77 of additional funds coming
into the district for every $1 taxed. This is also equivalent to $14.54 taxed over the
course of 23 years and $10.69 brought in for each of the approximately 300,000 acres in
the HLWD;

WHEREAS, an unchanged $250,000 annual budget has ultimately led to staff reductions
and an increasingly diminished capacity to be able to provide match dollars required
when applying for grants to build the projects and activities desired and vetted by its
local citizens;

WHEREAS, the HLWD has also found that current levy limits constrain its capacity to
issue general obligation bonds to finance projects in public drainage systems;
WHEREAS, the Minnesota Association of Watershed Districts (MAWD) assists districts with legislation that is needed by its members to provide adequate service to its residents;

NOW, THEREFORE, BE IT RESOLVED that the HLWD asks MAWD members to support an increase in HLWD's general operating levy cap from $250,000 to an amount not to exceed $500,000.
Resolution of the Heron Lake Watershed District
Regarding the Ability to Issue General Obligation Bonds for Drainage Projects

WHEREAS, the Heron Lake Watershed District (HLWD) is the drainage authority for improvement projects with the watershed as required by Minnesota Statutes 103D.625; and

WHEREAS, the HLWD is currently working with landowners on petitions and/or has ordered improvement projects with an estimated cost of $19,306,831; and

WHEREAS, the referenced improvement projects are located within the Jackson County portion of the HLWD, the HLWD has requested that Jackson County bond for these projects, and that request has been denied; and

WHEREAS, the HLWD has the ability to issue revenue bonds and use a Basic Water Management (BWM) Levy as collateral, however the BWM does not provide sufficient collateral to cover the estimated $19,306,831 costs; and

WHEREAS, watershed districts in the metropolitan area have the ability to establish one or more special taxing districts within the county and issue bonds for the purpose of financing capital improvements under sections 103B.301 to 103B.355 of Minnesota Statutes;

NOW, THEREFORE, BE IT RESOLVED that the Minnesota Association of Watershed Districts supports working with the HLWD and the State Legislature to enact legislation that allows the HLWD the same authority to issue bonds to fulfill our responsibilities as drainage authority under Minnesota Statutes 103E.