



AGENDA

Blackduck City Council - Work Session Meeting

6:00 PM - Monday, April 20, 2026
 City Hall, 8 Summit Drive, Blackduck MN

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1.	CALL TO ORDER	
a.	Roll Call	
b.	Pledge of Allegiance	
2.	APPROVAL OF AGENDA	
3.	OLD BUSINESS	
a.	Blackduck Lift Station Project	3 - 4
	RE Lift Station Renovation Timeline	
b.	Blackduck Police Department & Beltrami County Sheriff Partnership	
c.	Blackduck Library Renovation Project	5 - 8
	TLS Quote	
	Library Book Returns - KINGSLEY 50 S-Series Outdoor Return Project Budget worksheet	
d.	Lions Duck & Historic Duck Project	
e.	Blackduck City Hall Facility Plans	9 - 11
	New Facility Layout Plans 041626	
	City Hall meeting minutes 032726	
f.	MDH Grant - SWP Implementation - Project(s) Authorization to Move Forward	12 - 33
	Blackduck_GA	
	Print View Minnesota Department of Health Grant Request 23678178	
g.	MnDOT State Project 0410-533 TH 71 & TH 72 Project Cooperative Memo - updates	34 - 35
	0410-53 Intent to Participate 4-13-26 DRAFT	
4.	NEW BUSINESS	
a.	Pickle Ball Club - Discuss Proposed Outdoor Location - Julie Juelson	36
	81.00327.00	
b.	Jon Eggers - 100% Graduation Update	
c.	Ordinance 2026-01 - Ordinance Amending Seciton 1180 of the City Code Relating to Local Option Sales Tax	37 - 38
	Ordinance 2026-01 - Ordinance terminating Local Option Sales Tax SKM_C360i26041413240	
d.	Arbitrage Consulting Services Proposal for City of Blackduck - Ehlers Public Finance	39 - 69
	Arbitrage Consulting Services - Ehlers	

[IRS - P-5271 - Complying with Arbitrage Guide Rev. 9-2019](#)

- e. Joint Powers Agreement between City of Blackduck and Beltrami County for Address Numbering & road Naming Services 70 - 74

[Sample Language for Joint Powers Agreement With Cities](#)

5. ADJOURNMENT

From: [Steve Emery](#)
To: [Christina Regas](#)
Cc: [Michael Schwanke](#); [Tim Ramerth](#)
Subject: RE: Lift Station Renovation Timeline
Date: Tuesday, April 14, 2026 2:11:25 PM
Attachments: [image002.png](#)

Christina:

Our goal is to try and have plans and specifications completed by end of May first part of June so we can file plans and specs at the City Council Meeting on June 8th and then get authorization to proceed with Advertising for Bid.

The plan is to get our design team up there the last week of April to review the four (4) lift stations with Mike to confirm Scope of Work at each lift station.

Hoping if materials / pumps, etc are all readily available, construction could be completed by late fall, but we will see.

If you need anything else at this time let me know.

Thank you,

Steve Emery, PE

Civil Engineer, Office Manager, VP
[218-773-5626](tel:218-773-5626)
1600 Central Avenue NE
East Grand Forks, MN 56721-1570

WIDSETH

Widseth.com

50 Best Places to Work (*Prairie Business Magazine, 2025*)

From: Christina Regas <cregas@beltramimis.onmicrosoft.com>
Sent: Tuesday, April 14, 2026 1:47 PM
To: Steve Emery <Steve.Emery@widseth.com>
Cc: Michael Schwanke <Michael.Schwanke@blackduckmn.com>
Subject: Lift Station Renovation Timeline

Good afternoon Steve,

I'm looking for guidance on the anticipated timeline for the Lift Station Renovation

Project.

I will need to start bidding processes for the debt and just interested in what time you believe the design will take to solidify the bidding process.

Thank you in advance.

Christina Regas

City Administrator



City of Blackduck, Minnesota

Christina.regas@blackduckmn.com

218-835-4810



112 E. South Street, PO Box 0964
 Tremont, IL 61568-0964
 TEL [800] 548-7204
 FAX [800] 320-7706
 www.thelibrarystore.com

QUOTE: 959729

Customer Number: 594001
 Issue Date: 4/16/2026
 Expiration Date: 6/15/2026

Ship To:

Christina Regas
 Blackduck Community Library
 72 First St SE
 Blackduck, MN 56630
 (218) 835-4810 x
 cregas@beltramimis.onmicrosoft.com

Bill To:

Christina Regas
 Blackduck Library - City of Bluckduck
 PO Box 380
 Blackduck, MN 56630-0380
 christina.regas@blackduckmn.com

Qty	Item	Item Description	Retail Price	Your Price	Ext Price
1	83-11793	KINGSLEY 50 S-Series Outdoor Return w/1 Cart	\$8,030.93	\$5,353.95	\$5,353.95
		Color: Blue with White Grap Decal Logo: Round Logo Wording: Book Return			

**You Saved
\$2,676.98!**

Sub-Total:	\$5,353.95
Tax:	\$0.00
Shipping:	\$804.05
Quote Total (USD):	\$6,158.00

Shipping Information:

Your quote will ship via semi-truck with a power lift gate to lower the items to ground level. You will be responsible for unloading the items from the lift gate.
 *Please contact us if other services are needed so we can provide a more accurate shipping quote.

Comments:

- Pricing valid for listed items and quantities only
- Shipping charges are subject to change after 30 days
- To ensure you receive your quoted prices, quote number 959729 must be referenced at the time of purchase
- *Please note: While we will strive to hold pricing where possible, due to current economic conditions, product and shipping costs are changing rapidly and we may be forced to revise your quote prior to expiration.**

Prepared By: Traci Cropin
E-Mail: tracic@thelibrarystore.com
Phone: 800-548-7204 x7589



HOME / ALL PRODUCTS / FURNITURE / LIBRARY FURNITURE / LIBRARY BOOK RETURNS / KINGSLEY 50 S-Series Outdoor Return

KINGSLEY 50 S-Series Outdoor Return



Hover to zoom

[Write a Review](#)

Item No. 83-11793

Retail Price: ~~\$8090.93~~

Your Price \$5,353.95

Return with 1 Cart

Select Color: Blue with White Graphics



Select Decal Logo:



Book Return

Qty. 1

SELECT PRODUCT OPTIONS

Estimated Ship date is approximately 6 week(s)

[Details](#)

[Specifications](#)

[Shipping](#)

Shipping Method: Truck

To calculate shipping costs, please [view your shopping cart.](#)

Reviews 0 reviews



Related Products





2025-2026 Blackduck Public Library Revenue and Expenses

updated 4/16/2026

Date	Description of Expense/Revenue	Revenue	Expense	Balance
4/1/2025	KRLS Project Funding	\$57,583.00		\$57,583.00
7/1/2025	GHI - first half		\$29,000.00	\$28,583.00
9/1/2025	GHI - 25% of last half		\$14,500.00	\$14,083.00
10/1/2025	Bessler Electric - update lighting		\$6,975.00	\$7,108.00
8/1/2025	LOST	\$385.87		\$7,493.87
9/1/2025	LOST July 2025	\$9,557.87		\$17,051.74
10/1/2025	LOST - August 2025	\$10,952.38		\$28,004.12
11/1/2025	LOST - September 2025	\$9,850.76		\$37,854.88
11/1/2025	VARI- circulation desk order		\$546.82	\$37,308.06
11/1/2025	Pinnacle - commitment new logo - Invoice #89906		\$1,100.00	\$36,208.06
3/20/2026	Clarity Glass - Invoice #19406		\$11,412.00	\$24,796.06
11/1/2025	2025 Front Door Levy Funds	\$7,000.00		\$31,796.06
9/1/2025	DOE Grant reimbursement #1	\$21,475.00		\$53,271.06
	estimated Balance of LOST to receive	\$26,962.83		\$80,233.89
	Budget for New Signage		\$7,084.00	\$73,149.89
	The Library Store Quote 959729 - Exterior Book Return		\$6,158.00	\$66,991.89
	Budget for New patio & landscaping		\$20,000.00	\$46,991.89
	Budget for New Gutters & Downspouts		\$5,000.00	\$41,991.89
12/2/2025	Amazon - TV Cart for MP Room		\$239.19	\$41,752.70
12/3/2025	The Library Store - Quote #945042 - Invoice 945042 .pd		\$8,864.54	\$32,888.16
12/10/2025	Amazon - DVD shelving, bathroom cabinet, chairmats		\$416.44	\$32,471.72
12/10/2025	LOST - October 2025	\$8,410.95		\$40,882.67
1/23/2026	Friends of the Library Donation (Shelving offset)	\$18,782.34		\$59,665.01
12/29/2025	DOE Grant Reimbursement #2 - TV cart, #945042, vari	\$7,829.56		\$67,494.57
1/5/2026	Balance of GHI contract Check#15441	\$14,500.00		\$52,994.57
1/5/2026	Northwoods Lumber - building supplies misc.		\$234.66	\$52,759.91
1/12/2026	LOST - November 2025	\$8,190.01		\$60,949.92
1/13/2026	Grainger - baby changing table & mirror bathroom		\$654.18	\$60,295.74
1/26/2026	GHI - Library additions (remaining flooring, counters, cabinets)		\$15,059.75	\$45,235.99
2/10/2026	The Library Store - Quote #944032 - pd 30% down 2/10/26		\$18,866.23	\$26,369.76
2/10/2026	LOST - December 2025	\$7,931.58		\$34,301.34
2/10/2026	Balance due for Shelving - The Library Store		\$44,021.21	-\$9,719.87
3/3/2026	DOE Grant Reimbursement #3 - GHI & Grainger see side Q1	\$30,213.93		\$20,494.06
3/12/2026	LOST - January 2026	\$9,795.35		\$30,289.41
3/10/2026	Bessler Electric - wire new ADA opener on new door		\$896.51	\$29,392.90
4/13/2026	LOST - February 2026	\$8,446.64		\$37,839.54
			\$143,286.53	

CPF Compliance Q4 Totals	Amounts	Difference
Current Period	\$58,788.65	\$25,912.00
Current Period Expenditures	\$32,876.65	
Cumulative Obligation	\$58,788.65	
Cumulative Expenditures	\$47,376.65	\$11,412.00

LOST Receipts to Date \$100,000.00

\$9,557.87	Jul-25
\$10,853.81	Aug-25
\$9,850.76	Sep-25
\$8,410.95	Oct-25
\$8,190.01	Nov-25
\$7,931.58	Dec-25
\$9,795.35	Jan-26
\$8,446.84	Feb-26
\$73,037.17	

\$26,962.83 est. balance to receive

DOE Reimbursement Request Q1 2026

GHI	\$14,500.00	ck#15441
GHI	\$15,059.75	ck#15555
Grainger	\$654.18	ck#15612
	\$30,213.93	

DOE Reimbursement Request Q2 2026

Bessler Electric	\$896.51
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CPF Compliance Q1 2026 Totals	Amounts	Difference
Current Period end 3/31/26 Obligation	\$0.00	\$0.00
Current Period Expenditures	\$0.00	
Cumulative Obligation	\$29,304.56	
Cumulative Expenditures	\$29,304.56	\$0.00

Only report CPF funds awarded to date & reimbursed.

WIDSETH

ARCHITECTS • ENGINEERS
SCIENTISTS • SURVEYORS

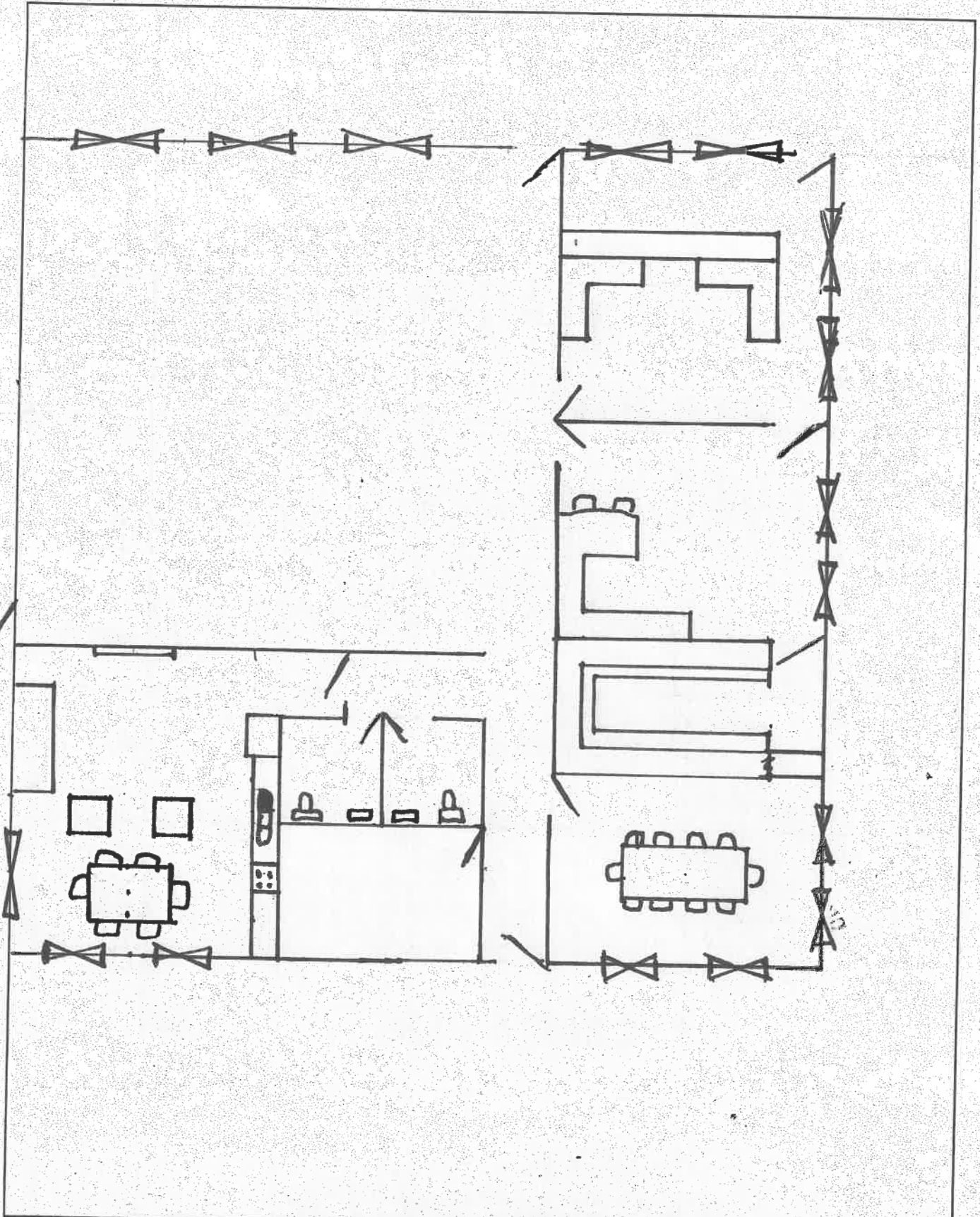
Project Name: City Hall

Project #:

By:

60x60 S.O.G. Floor Heat, Forced Air A/C,

Date:





CITY OF BLACKDUCK

CITY HALL COMMITTEE MEETING MINUTES

FRIDAY, MARCH 27, 2026 @ 2PM

BLACKDUCK CITY HALL

The City Hall Committee met at Blackduck City Hall on Friday, March 27, 2026 @ 2pm.

Committee members present: Christina Regas, Nick Seitz, Kayla Smischney, and Mike Schwanke

OLD BUSINESS:

Committee members present discussed the following action items for Blackduck City Hall:

1. Electrical Relocation – Regas reported the current quotes from Beltrami Electric and Bessler Electric. Regas reports a second quote from Crunden Electric is coming in. Nothing further.
2. Beltrami Electric USDA Funding Deadline – Committee members discussed the potential use of the funds on a new building. Regas stated the funds are only to be used on the proposed project to which it was awarded for. Regas stated there would be a deadline on the use of the funds of which may extend beyond the ability to rebuild.
3. Discussion of Potential new City Hall Facility or Relocation - Regas states at this time the best financial option would be to use the law enforcement offices for city hall use, but the facility does not help for council chambers. Schwanke states if an addition is added to the building that would be possible. Smischney asks if that is a potential savings. Schwanke states the existing building is not worth putting funds into past the electrical needs. Schwanke states adding on to the law enforcement side would not cost much, you only need an area for the council area, there is already restrooms etc. Regas states the building would need a remodel to accommodate the traffic from the public and the DMV. Schwanke states his concern is the amount of public traffic that would be down in the area of public works with heavy equipment in and out. Regas states eliminating one facility is the best option. Schwanke states he does not see it as a good fit. Seitz states that no one on the board would want city hall to move in that location. Schwanke states he believes the committee's recommendation to the council is a serious look into a new facility, a price tag and build it on the vacant parcel on Railroad Ave. Regas agrees stating the facility would still be downtown and walkable to other services.

Schwanke states he could ask the staff at Northwoods Lumber to give a cost per square feet of a new square building. Schwanke states the building needs to be square. Regas states it needs to have ample room for public meetings, a public restroom, separate offices for the DMV and more exits. Regas states the building needs to accommodate elections and have that traffic separate from the daily DMV and resident traffic. Committee members sketched out a draft area for the building to configure all areas of use, storage, restrooms and public



CITY OF BLACKDUCK

CITY HALL COMMITTEE MEETING MINUTES

FRIDAY, MARCH 27, 2026 @ 2PM

meeting area with a separate entrance. Committee members finished a draft of a building that is roughly 60' x 60' City Streets Every King in Slab on Grade, all plumbing is on one side.

Schwanke states a breakroom could be factored in. Regas states the need to have enough space for the public that enters for the DMV and to have the Admin office accessible to the traffic area to the DMV. Schwanke believes more people will get on board supporting a new facility than supporting updates to the existing building. Schwanke will get rough estimates for a slab on grade, stick built, spray foam insulation facility that is 60' x 60' in size.

Minutes submitted by Christina Regas, City Administrator



Minnesota Department of Health Grant Agreement Cover Sheet

You have received a Grant Agreement from the Minnesota Department of Health (MDH). Information about the Grant Agreement, including funding details, are included below. Contact your MDH Grant Manager if you have questions about this cover sheet.

Attachment: Grant Agreement

Contact for MDH: Eddie Wojski, 651-201-4576, eddie.wojski@state.mn.us

Grantee SWIFT Information	Grant Agreement Information	Program & Funding Information
Name of MDH Grantee (as it appears in SWIFT): City of Blackduck	SWIFT Contract Number: 284724	MDH Program Name: Drinking Water Protection
SWIFT Vendor Number: 0000201376 SWIFT Vendor Location Code: 001	Effective Date: February 27, 2026, OR the date all signatures are collected, and the agreement is fully executed, whichever is later. Expiration Date: February 26, 2027	Total State Grant Funds: \$14,000.00 Total Federal Grant Funds: \$0 Total Grant Funds (all funds): \$14,000.00

Minnesota Department of Health

Grant Agreement

This Grant Agreement is between the State of Minnesota, acting through its Commissioner of the Department of Health (“MDH”) and City of Blackduck (“Grantee”). Grantee’s address is PO Box 380, Blackduck, MN 56630-0380.

Recitals

1. MDH is empowered to enter into this Grant Agreement under Minn. Stat. §§ [144.05](#), [144.0742](#) and [§114D.50](#) Clean Water Fund.
2. MDH is in need of assisting public water suppliers to protect the source of drinking water.
3. The vision of MDH is for health equity in Minnesota, where all communities are thriving and all people have what they need to be healthy. Health equity is achieved when every person has the opportunity to attain their health potential. Grantee agrees, where applicable, to perform its work with advancing health equity as a goal.
4. Grantee represents that it is duly qualified and will perform all the activities according to the terms of this Grant Agreement.

Grant Agreement

1. Term of Agreement

1.1. **Effective Date**

February 27, 2026, or the date MDH obtains all required signatures under [Minn. Stat. § 16B.98](#), subd. 5, whichever is later. Per [Minn. Stat. § 16B.98](#), subd 7, no payments will be made to the Grantee until this Grant Agreement is fully executed. Grantee must not begin work until this Grant Agreement is fully executed and MDH’s Authorized Representative has notified Grantee that work may commence. No costs may be incurred prior to the Grant Agreement being fully executed.

1.2. **Expiration Date**

February 26, 2027, or until all obligations have been fulfilled to the satisfaction of MDH, whichever occurs first.

1.3. **Survival of Terms**

The following clauses survive the expiration or cancellation of this Grant Agreement: Liability; Financial Examinations; Government Data Practices; Tax Compliance Verification;

Ownership of Equipment and Supplies; Intellectual Property; Publicity and Endorsement; and Governing Law, Jurisdiction, and Venue.

2. Activities

2.1. **MDH's Activities**

MDH activities, in accordance with the Minnesota Department of Administration's Office of Grants Management's policies and federal regulations, may include but are not limited to financial reconciliations, site visits, programmatic monitoring of activities performed, and grant activity evaluation.

2.2. **Grantee's Activities**

Grantee, who is not a state employee, shall conduct the activities specified in Exhibit A, which is attached and incorporated into this Grant Agreement.

3. Time

Grantee is required to perform all of the activities stated in this Grant Agreement, and any incorporated exhibits, within the Grant Agreement period. MDH is not obligated to extend the Grant Agreement period. Failure to meet a deadline may be a basis for a determination by MDH's Authorized Representative that Grantee has not complied with the terms of the Grant Agreement.

4. Award and Payment

MDH will award funds to Grantee for all activities performed in accordance with this Grant Agreement.

4.1. **Grant Award**

Reimbursement will be in accordance with the agreed upon budget contained in Exhibit B, which is attached and incorporated into this Grant Agreement.

4.2. **Administrative Costs.**

Grantee agrees that administrative costs must be necessary and reasonable as a condition of this Grant Agreement pursuant to [Minn. Stat. § 16B.98](#), subd 1. Administrative costs will be reimbursed in accordance with the agreed upon budget.

4.3. **Travel Expenses**

Grantee will be reimbursed for mileage at the current IRS rate in effect at the time the travel occurred; meals and lodging expenses will be reimbursed in the same manner and in no greater amount than provided in the current "[Commissioner's Plan](#)" promulgated by the Commissioner of Minnesota Management and Budget ("MMB"); or, at the Grantee's established rate (for all travel related costs), whichever is lower, at the time travel occurred. Grantee will not be reimbursed for travel and subsistence expenses incurred outside Minnesota unless Grantee has received MDH's prior written approval for out-of-state travel. Minnesota will be considered the home state for determining whether travel is out-of-state.

4.4. **Budget Modifications**

Grantee may modify any line item in the most recently agreed-upon budget by up to 10 percent without prior written approval from MDH. Grantee must notify MDH of any modifications up to 10 percent in writing no later than the next invoice. Grantee must obtain prior written approval from MDH for line-item modifications greater than 10 percent. Grantee's failure to obtain MDH's prior approval may result in denial of modification request, loss of funds, or both. The total obligation of MDH for all compensation and reimbursements to Grantee shall not exceed the total obligation listed under "Total Obligation."

4.5. Total Obligation

The total obligation of MDH for all compensation and reimbursements to Grantee under this Grant Agreement will not exceed \$14,000.00.

4.6. Terms of Payment

4.6.1. Invoices

MDH will promptly pay Grantee after Grantee presents an itemized invoice for the activities actually performed and MDH's Authorized Representative accepts the invoiced activities. Invoices must be submitted at least quarterly or according to a schedule agreed upon by the Parties. The final invoice is due 30 calendar days after the expiration date of the Grant Agreement.

4.7. Contracting and Bidding Requirements

4.7.1. Municipalities

A grantee that is a municipality, as defined in [Minn. Stat. § 471.345](#), subd. 1, is subject to the contracting requirements set forth under [Minn. Stat. § 471.345](#). Projects that involve construction work are subject to the applicable prevailing wage laws, including those under [Minn. Stat. § 177.41](#), et. seq.

4.7.2. Non-municipalities

Grantees that are not municipalities must adhere to the following standards in the event that activities assigned to Grantee are to be subcontracted out to a third party:

- i. Any services or materials that are expected to cost \$100,000 or more must undergo a formal notice and bidding process.
- ii. Services or materials that are expected to cost between \$25,000 and \$99,999 must be competitively awarded based on a minimum of three verbal quotes or bids or awarded to a targeted vendor.
- iii. Services or materials that are expected to cost between \$10,000 and \$24,999 must be competitively awarded based on a minimum of two verbal quotes or bids or awarded to a targeted vendor.
- iv. Grantee must take all necessary affirmative steps to assure that targeted vendors from businesses with active certifications through the following entities are used when possible:
 - 1) Minnesota Department of Administration's Certified Targeted Group, Economically Disadvantaged and Veteran-Owned Vendor List

- (<https://mn.gov/admin/osp/government/procuregoodsandgeneralservices/tgedvo-directory/>);
- 2) Metropolitan Council's Targeted Vendor list: Minnesota Unified Certification Program (<https://mnucp.metc.state.mn.us/>); or
 - 3) Small Business Certification Program through Hennepin County, Ramsey County, and City of St. Paul: Central Certification Program (<https://cert.smwbe.com/>).
- v. Grantee must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, awarding and administration of contracts.
 - vi. Grantee must maintain support documentation of the purchasing or bidding process utilized to contract services in their financial records, including support documentation justifying a single/sole source bid, if applicable.
 - vii. Notwithstanding parts (i) through (iv) above, MDH may waive the formal bidding process requirements when:
 - Vendors included in response to a competitive grant request for proposal process were approved and incorporated as an approved work plan for the Grant Agreement or
 - There is only one legitimate or practical source for such materials or services and Grantee has established that the vendor is charging a fair and reasonable price.
 - viii. Projects that involve construction work of \$25,000 or more, are subject to applicable prevailing wage laws, including those under [Minn. Stat. §§ 177.41 through 177.50](#).
 - ix. Grantee must not contract with vendors who are suspended or debarred by the State of Minnesota or the federal government. The list of debarred vendors in Minnesota is available at: [Suspended/Debarred Vendors](#) (<https://mn.gov/admin/osp/government/suspended-debarred/>). The list of suspended and debarred entities by the federal government is available at www.sam.gov.

5. Conditions of Payment

All activities performed by Grantee pursuant to this Grant Agreement must be performed in accordance with the terms of this Grant Agreement, as determined in the sole discretion of MDH's Authorized Representative. Furthermore, all activities performed by Grantee must be in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations. Applicable state laws include, but are not limited to, the Minnesota Human Rights Act ([Minn. Stat. ch. 363A](#)) which prohibits discrimination on the basis of race, color, creed, religion, national origin, sex, gender, identity, sexual orientation, age, marital status, public assistance status, familial status, and disability. MDH will not pay Grantee for work that MDH determines is noncompliant with the terms and conditions of this Grant Agreement or performed in violation of federal, state, or local law, ordinance, rule, or regulation.

6. Requirements for Other Legal Agreements

- 6.1. Grantee must utilize a formal legal agreement if it engages with another party to carry out a portion of the activities listed in this Grant Agreement. Grantee must provide timely notice to MDH of any such agreement prior to the other party/ies performing work under this Grant Agreement. Such notice must include the name of the other party; description of the activities to be performed; dates activities will be performed; and the total budget.
- 6.2. Grantee must monitor the activities of the other party/ies to ensure funds are used for authorized purposes; is in compliance with the terms and conditions of the legal agreement, [Minn. Stat. § 16B.97](#), subd. 4(a)(1), and other relevant statutes and regulations; and that performance goals are achieved.
- 6.3. If MDH becomes aware of unsatisfactory performance and or noncompliance, MDH reserves the right to require Grantee to terminate the legal agreement with the other party.
- 6.4. No legal agreement with any other party shall terminate or in any way affect the legal responsibility of the Grantee to MDH for timely and satisfactory performance of the Grant Agreement.
- 6.5. Grantee and the other party must not enter into a legal agreement with vendors who are suspended or debarred by the State of Minnesota or the federal government. The list of debarred vendors in Minnesota is available at: [Suspended/Debarred Vendors](#) (<https://mn.gov/admin/osp/government/suspended-debarred/>). The list of suspended and debarred entities by the federal government is available at www.sam.gov.

7. Authorized Representatives

7.1. ***MDH's Authorized Representative***

MDH's Authorized Representative for purposes of administering this Grant Agreement is Eddie Wojski, SWP Grant Coordinator, 625 Robert Street N., PO Box 64975, St. Paul, MN 55164-0975, 651-201-4576, and eddie.wojski@state.mn.us, or their successor, and has the responsibility to monitor Grantee's performance and the final authority to accept the activities performed under this Grant Agreement. If the activities performed are satisfactory, MDH's Authorized Representative will certify acceptance on each invoice submitted for payment.

7.2. ***Grantee's Authorized Representative***

Grantee's Authorized Representative is Mike Schwanke, Public Works Director, PO Box 380, Blackduck, MN 56630-0380, 218-835-4809, and michael.schwanke@blackduckmn.com, or their successor. Grantee's Authorized Representative has full authority to represent Grantee in fulfillment of the terms, conditions, and requirements of this Grant Agreement. If Grantee selects a new Authorized Representative at any time during this Grant Agreement, Grantee must immediately notify MDH's Authorized Representative in writing, via e-mail or letter.

8. Assignment, Amendments, Waiver, and Grant Agreement Complete

8.1. ***Assignment***

Grantee shall neither assign nor transfer any rights or obligations under this Grant Agreement.

8.2. Amendments

If there are any amendments to this Grant Agreement, they must be in writing. Amendments will not be effective until they have been executed and approved by MDH and Grantee.

8.3. Waiver

If MDH fails to enforce any provision of this Grant Agreement, that failure does not waive the provision or MDH's right to enforce it.

8.4. Grant Agreement Complete

This Grant Agreement, and any incorporated exhibits, contains all the negotiations and agreements between MDH and Grantee. No other understanding regarding this Grant Agreement, whether written or oral, may be used to bind either party.

9. Liability

Grantee must indemnify and hold harmless MDH, its agents, and employees from all claims or causes of action, including attorneys' fees incurred by MDH, arising from the performance of this Grant Agreement by Grantee or Grantee's agents or employees. This clause will not be construed to bar any legal remedies Grantee may have for MDH's failure to fulfill its obligations under this Grant Agreement. Nothing in this clause may be construed as a waiver by Grantee of any immunities or limitations of liability to which Grantee may be entitled pursuant to [Minn. Stat. ch. 466](#), or any other statute or law.

10. Financial Examinations

The relevant books, records, documents, and accounting procedures and practices of Grantee and any entity with which Grantee has engaged in carrying out the purpose of this Grant Agreement are subject to examination under [Minn. Stat. § 16B.98](#), subd. 8. Examinations may be conducted by MDH, the Minnesota Commissioner of Administration, the Minnesota State Auditor, Attorney General, or and the Minnesota Legislative Auditor, as appropriate, for a minimum of six years from the end of this Grant Agreement, receipt and approval of all final reports, or the required period of time to satisfy all state and program retention requirements, whichever is later.

11. Government Data Practices

MDH, Grantee, and any other entity that the Grantee has contracted with to fulfill the purpose of this Grant Agreement, must comply with the Minnesota Government Data Practices Act, [Minn. Stat. ch. 13](#), as it applies to all data provided by MDH under this Grant Agreement, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by Grantee under this Grant Agreement pursuant to [Minn. Stat. § 13.05](#), subd. 11(a). The civil remedies of [Minn. Stat. § 13.08](#) apply to the release of the data referred to in this clause by either Grantee or MDH.

If Grantee receives a request to release the data referred to in this clause, Grantee must immediately notify MDH. MDH will give Grantee instructions concerning the release of the data to

the requesting party before any data is released. Grantee's response to the request must comply with the applicable law.

12. Tax Compliance Verification

Pursuant to [Minn. Stat. § 270C.65](#), subd. 3, and all other applicable laws, Grantee consents to disclosure of its Social Security Number (SSN), Individual Tax Identification Number (ITIN), Employer Identification Number (EIN), and Minnesota Tax Identification Number (TIN), all of which have already been provided to MDH, federal and state tax agencies, and state personnel involved in the payment of state obligations. As may be applicable, these identification numbers may be used in the enforcement of federal and state tax laws which could result in action requiring the Grantee to file tax returns and pay delinquent tax liabilities, if any, or pay other state liabilities.

13. Ownership of Equipment and Supplies

13.1. Equipment

"Equipment" is defined as tangible personal property having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$10,000. MDH shall have the right to require transfer of all Equipment purchased with grant funds (including title) to MDH or to an eligible non-State party named by MDH. MDH may require the transfer of Equipment if the grant program is transferred to another grantee. At the end of this Grant Agreement, grantee must contact MDH's Authorized Representative for further instruction regarding the disposition of Equipment.

13.2. Supplies

"Supplies" is defined as all tangible personal property other than those described in the definition of Equipment. Grantee must notify MDH's Authorized Representative regarding any remaining Supplies with an aggregate market value of \$10,000 or more for further instruction regarding the disposition of those Supplies. For the purpose of this section, Supplies includes but is not limited to computers and incentives.

14. Ownership of Materials and Intellectual Property Rights

14.1. Ownership of Materials

"Materials" is defined as any inventions, reports, studies, designs, drawings, specifications, notes, documents, software, computer-based training modules, and other recorded materials in whatever form. Grantee shall own all rights, title, and interest in all of the materials conceived, created, or otherwise arising out of the performance of this Grant Agreement by it, its employees, or subgrantees, either individually or jointly with others.

Grantee hereby grants to MDH a perpetual, irrevocable, no-fee license and right to reproduce, modify, distribute, perform, make, have made, and otherwise use the Materials for any and all purposes, in all forms and manners that MDH, in its sole discretion, deems appropriate. Grantee shall, upon the request of MDH, execute all papers and perform all other acts necessary to document and secure this right and license to the Materials by MDH. At the request of MDH, Grantee shall permit MDH to inspect the original Materials and provide a copy of any of the Materials to MDH, without cost, for use by MDH in any manner MDH, in its sole discretion, deems appropriate.

14.2. *Intellectual Property Rights*

Grantee represents and warrants that Materials produced or used under this Grant Agreement do not and will not infringe upon any intellectual property rights of another including but not limited to patents, copyrights, trade secrets, trade names, and service marks and names. Grantee shall indemnify and defend MDH, at Grantee's expense, from any action or claim brought against MDH to the extent that it is based on a claim that all or parts of the materials infringe upon the intellectual property rights of another. Grantee shall be responsible for payment of any and all such claims, demands, obligations, liabilities, costs, and damages including, but not limited to, reasonable attorney fees arising out of this Grant Agreement, amendments and supplements thereto, which are attributable to such claims or actions. If such a claim or action arises or in Grantee's or MDH's opinion is likely to arise, Grantee shall at MDH's discretion either procure for MDH the right or license to continue using the materials at issue or replace or modify the allegedly infringing materials. This remedy shall be in addition to and shall not be exclusive of other remedies provided by law.

15. Workers' Compensation

Grantee certifies that it is in compliance with [Minn. Stat. § 176.181](#), subd. 2, which pertains to workers' compensation insurance coverage. Grantee's employees and agents, and any contractor hired by Grantee to perform the work required by this Grant Agreement and its employees, will not be considered State employees. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees, and any claims made by any third party as a consequence of any act or omission on the part of these employees, are in no way MDH's obligation or responsibility.

16. Publicity and Endorsement

16.1. *Publicity*

Any publicity given to the program, publications, or activities performed resulting from this Grant Agreement, including but not limited to, websites, social media platforms, notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for Grantee or its employees individually or jointly with others, or any subgrantees, must identify MDH as the sponsoring agency. If publicity is not specifically authorized under this Grant Agreement, Grantee must obtain prior written approval from MDH's Authorized Representative. If federal funding is being used for this Grant Agreement, the federal program must also be recognized.

16.2. *Endorsement*

Grantee must not claim that MDH endorses its products, services, or activities.

17. Governing Law, Jurisdiction, and Venue

This Grant Agreement, amendments and supplements to it, shall be governed by the laws of the State of Minnesota. Venue for all legal proceedings arising out of this Grant Agreement, or for breach thereof, must be in the state or federal court with competent jurisdiction in Ramsey County, Minnesota.

18. Clerical Error

Notwithstanding Clause “Assignment, Amendments, Waiver, and Grant Agreement Complete” of this Grant Agreement, MDH reserves the right to unilaterally fix clerical errors, defined as misspellings, minor grammatical or typographical mistakes or omissions, that do not have a substantive impact on the terms of the Grant Agreement without executing an amendment. MDH must inform Grantee of clerical errors that have been fixed pursuant to this paragraph within a reasonable period of time.

19. Lobbying

- 19.1. Grantee must ensure that grant funds are not used for lobbying, which includes paying or compensating any person for influencing or attempting to influence legislators or other public officials on behalf or against proposed legislation, in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, or the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
- 19.2. In accordance with the provisions of [31 USC § 1352](#), if Grantee uses any funds other than federal funds from MDH to conduct any of the aforementioned activities, Grantee must complete and submit to MDH the disclosure form specified by MDH. Further, Grantee must include the language of this section in all contracts and subcontracts, and all contractors and subcontractors must comply accordingly.
- 19.3. Providing education about the importance of policies as a public health strategy, however, is allowed. Education includes providing facts, assessment of data, reports, program descriptions, and information about budget issues and population impacts, but stopping short of making a recommendation on a specific piece of legislation. Education may be provided to legislators, public policy makers, other decision makers, specific stakeholders, and the general community.
- 19.4. By signing this Grant Agreement, Grantee certifies that it will not use any funds received from MDH to employ, contract with, or otherwise coordinate the efforts of a lobbyist, as defined in [Minn. Stat. § 10A.01](#), subd. 21. This requirement also applies to any subcontractors or subgrantees that Grantee may engage for any activities pertinent to this Grant Agreement.

20. Voter Registration Requirement

Grantee will comply with [Minn. Stat. § 201.162](#), by providing voter registration services for its employees and for the public served by Grantee.

21. Debarment, Suspension and Responsibility Certification

Federal regulation [2 CFR § 200.214](#) prohibits MDH from purchasing goods or services with federal money from any party that has been suspended or debarred by the federal government. Similarly, [Minn. Stat. §§ 16C.03](#), subd. 2, and [16B.97](#), subd. 3, provides the Commissioner of Administration with the authority to debar and suspend any party that seeks to contract with MDH.

Anyone may be suspended or debarred when it is determined, through a duly authorized hearing process, that they have abused the public trust in a serious manner. In particular, the federal

government expects MDH to have a process in place for determining whether a vendor has been suspended or debarred, and to prevent such vendors from receiving federal funds.

By signing this Grant Agreement, Grantee certifies that it and its principals:

- a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from transacting business by or with any federal, state or local governmental department or agency;
- b) Have not within a three-year period preceding this Grant Agreement: a) been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a public (federal, state or local) transaction or contract; b) violated any federal or state antitrust statutes; or c) committed embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property;
- c) Are not presently indicted or otherwise criminally or civilly charged by a governmental entity for: a) commission of fraud or a criminal offense in connection with obtaining, attempting to obtain or performing a public (federal, state of local) transaction; b) violating any federal or state antitrust statutes; or c) committing embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statement or receiving stolen property; and
- d) Are not aware of any information and possess no knowledge that any subcontractor(s) that will perform work pursuant to this Grant Agreement are in violation of any of the certifications set forth above.

22. Incentives

When included in the approved Work Plan or Budget, the following language applies.

22.1. *Handling of Incentives*

Grantee is required to have policies and procedures in place addressing the purchasing, security, distribution, and asset tracking of incentives. All grantee staff involved in the purchase, distribution, security, and reconciling of incentives must be trained on the grantee's policies and procedures prior to the grantee placing any order for incentives. Those policies and procedures must, at a minimum, include the provisions outlined in this section.

22.2. *Separation of duties*

More than one Grantee staff person must be involved in the management and handling of the incentives. The Grantee staff who authorizes the purchase of incentives must not have sole physical access to the incentives. The Grantee staff who will have physical access to the incentives cannot have sole access to modify the incentives records. Handoff of incentive from one person to another must be documented.

22.3. *Distribution of Incentives*

Incentives may only be used for approved purposes by MDH.

- a) Only one incentive can be given to an individual per occurrence/event.

- b) Undistributed incentives must always be kept in a secure location. Incentive instruments must never be stored in any personal homes, they must always be securely stored in the grantee's business space.
- c) Grantee will purchase and have on hand no more than three months' worth of incentives at any given time. The three months' worth must be based off the most currently approved workplan. All incentives must be distributed prior to grantee purchasing additional incentives.
- d) Grantee will be responsible for the costs of any incentives that remain undistributed at the end of the Grant Agreement.
- e) If MDH provided the grantee with the incentives, the return of undistributed incentives to MDH must occur in person with the MDH's Authorized Representative within 30 calendar days of the grant expiration date. If in-person return is not possible, the grantee must return undistributed incentives via courier or via US Mail that requires signatures and a tracking number within 30 calendar days of the grant expiration date.
- f) The tracking log must be returned separately from the physical cards. Electronic return is the preferred method for the tracking log.

22.4. ***Incentive tracking documentation***

The tracking documentation the Grantee is required to maintain must not contain any private data. The tracking system must record the following:

- a) Number of incentives on hand, including starting balance and any additional incentives purchased;
- b) description of the incentives;
- c) quantity of incentive(s) distributed to each participant;
- d) the last four digits of any pre-paid card number;
- e) value/amount;
- f) a unique non-identifiable data point for each participant (e.g. case number, file number);
- g) date participant received incentive(s); and
- h) signature of Grantee staff member providing incentive(s) to participant(s).

22.5. ***Reconciliation***

At least two different Grantee staff must reconcile the incentives at least quarterly. The Grantee staff conducting the reconciliation must not also be the handlers of the incentives. The reconciliation must include the dates and signature of the two people who perform the reconciliation. Grantee must submit the reconciliation documentation to MDH's Authorized Representative no less than two weeks after each reconciliation.

22.6. ***Subcontracting/Subgranting***

The Grantee must communicate and verify that their subcontracts/subgrants will only use incentives for MDH approved purposes. The Grantee will be responsible for monitoring, oversight, and reconciliation of any incentives that its subcontractors or subgrantees

purchase and distribute and will include this same language in any of its subgrants or subcontracts that it enters as part of its work for MDH.

22.7. *Lost or stolen incentives*

The Grantee bears all financial responsibility for any unaccounted for, lost, or stolen incentives.

22.8. *Invoicing*

If the Grantee purchased the incentives themselves, the Grantee must only invoice MDH for the incentives after they've been distributed.

22.9. *Failure to Comply*

For grantees who do not have effective written policies and procedures in place before purchasing incentives, MDH reserves the right to withhold payment and or request reimbursement in the amount equal to the unallowable costs. Withheld payments will be released when the grantee provides documentation to MDH that it has written effective policies and procedures in place. Grantees who do not comply with this requirement may be subject to increased monitoring and will be offered technical assistance. MDH also reserves the right to terminate a Grant Agreement for failure to comply with these requirements.

23. Conflict of Interest

Grantee will notify MDH's Authorized Representative when they become aware of any potential, perceived, or actual conflict of interests as it relates to this Grant Agreement.

24. Mandatory Disclosures

An applicant, recipient, or subrecipient of funding under this Grant Agreement must promptly disclose whenever, in connection with this Grant Agreement (including any activities or subawards thereunder), it has credible evidence of the commission of a violation of criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or [Minn. Stat., ch. 609](#), or a violation of the civil False Claims Act ([31 U.S.C. 329–3733](#)) or [Minn. Stat. § 609.465](#) (prohibiting the presentation of false claims to a public officer or body). The disclosure must be made in writing to the Federal agency (if applicable), the Federal agency's Office of Inspector General (if applicable), and MDH. Applicants, recipients, and subrecipients are also required to report matters related to recipient integrity and performance in accordance with Appendix XII of [2 CFR § 200](#). Failure to make required disclosures can result in any of the remedies described in [2 CFR § 200.339](#). (See also [2 CFR § 180](#), [31 U.S.C. 3321](#), and [41 U.S.C. 2313](#).)

25. Whistleblower Protections

An employee of a recipient or subrecipient must not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing to a representative of MDH or a person or body described in [paragraph \(a\)\(2\) of 41 U.S.C. 4712](#) information that the employee reasonably believes is evidence of gross mismanagement of a Federal or state contract or grant, a gross waste of Federal or state funds, an abuse of authority relating to a Federal or state contract or grant, a substantial and specific danger to public health or safety, or a violation of law, rule, or regulation related to a Federal or state contract (including the competition for or negotiation of a contract) or

grant. The recipient and subrecipient must inform their employees in writing of employee whistleblower rights and protections under [41 U.S.C. 4712](#) and Minn. Stat. §§ [15C.145](#) and [181.932](#) - .935. See statutory requirements for whistleblower protections at [10 U.S.C. 4701](#), [41 U.S.C. 4712](#), [41 U.S.C. 4304](#), and [10 U.S.C. 4310](#).

26. Suspension for Insufficient Funding

In the event of temporary lack of funding or appropriation, MDH may suspend its obligations under this Grant Agreement without terminating it. This suspension will be for the duration of the lack of funding or appropriation and shall not be considered a termination of the Grant Agreement. MDH will not be assessed any penalty if the Grant Agreement is terminated because of the decision of the Minnesota Legislature, or other funding source, not to appropriate funds.

- 26.1. Grantee will be notified in writing of the temporary suspension, and Grantee's ability to perform under the Grant Agreement will be suspended during this period. MDH will provide reasonable notice to Grantee of the lack of funding or appropriation and shall notify Grantee once funding is restored or appropriated, and at MDH's discretion, performance under the Grant Agreement may resume.
- 26.2. MDH may convert the suspension for insufficient funding to termination under clause 27.3. upon written notice to Grantee.
- 26.3. Grantee may reject MDH's suspension for insufficient funding by written response to the notice of suspension. If Grantee rejects suspension, the notice of suspension shall be effective as a notice of termination under clause 27.3 with the same effective date as was provided for the suspension.

27. Termination

27.1. *Termination by MDH or Grantee*

MDH or Grantee may terminate this Grant Agreement without cause, with at least 21 calendar days' written notice (i.e., by mail, email, or both) to the other party. Upon termination, Grantee will be entitled to payment, determined on a pro rata basis, for activities satisfactorily performed.

27.2. *Termination for Cause*

MDH may immediately terminate this Grant Agreement if MDH finds there has been a failure to comply with the provisions of this Grant Agreement, that timely progress has not been made, or that the purposes for which the funds were granted have not been or will not be fulfilled. MDH may take action to protect the interests of the State of Minnesota, including the refusal to disburse additional funds and requiring the return of all or part of the funds already disbursed.

27.3. *Termination for Insufficient Funding*

MDH may immediately terminate this Grant Agreement if it does not obtain funding from the Minnesota Legislature or other funding sources; or if funding cannot be continued at a level sufficient to allow for the payment of the work scope covered in this Grant Agreement. Termination must be by written notice to Grantee; i.e., mail, email, or both. MDH is not obligated to pay for any work performed after notice and effective date of the termination.

However, Grantee will be entitled to payment, determined on a pro rata basis, for activities satisfactorily performed to the extent that funds are available.

MDH will not be assessed any penalty if this Grant Agreement is terminated because of the decision of the Minnesota Legislature, or other funding source, not to appropriate funds. MDH must provide Grantee notice of the lack of funding within a reasonable time of MDH receiving notice of the same.

27.4. Termination by Commissioner of Administration

The Commissioner of Administration may immediately and unilaterally terminate this Grant Agreement if further performance under the Grant Agreement would not serve MDH's purposes or performance under the Grant Agreement is not in the best interests of the State of Minnesota.

Exhibits

The following Exhibits are attached and incorporated into this Grant Agreement. In the event of a conflict between the terms of this Grant Agreement and its Exhibits, or between Exhibits, the order of precedence is first the Grant Agreement, and then in the following order:

1. Exhibit A – Grantee's Activities / Scope of Work
2. Exhibit B – Grantee's Budget

[Signatures on following page]



APPROVED:

1. State Encumbrance Verification

Individual certifies that funds have been encumbered as required by Minn. Stat. §§ [16A.15](#) and [16C.05](#).

Signature: Christina Mish Digitally signed by Christina Mish
Date: 2026.02.23 11:20:27 -06'00'

SWIFT Contract & Initial PO: 284724/3000130352/REQ 4018

2. Grantee

Grantee certifies that the appropriate persons(s) have executed the Grant Agreement on behalf of Grantee as required by applicable articles, bylaws, resolutions, or ordinances.

Signed by:
Signature: Mike Schwanke Signature: _____
097EA4637B11427... Title: _____
Title: Public works Director Title: _____
Date: 2/27/2026 | 5:00:22 PM CST Date: _____

Signature: _____ Signature: _____
Title: _____ Title: _____
Date: _____ Date: _____

3. Minnesota Department of Health

Grant agreement approval and certification that State funds have been encumbered as required by Minn. Stat. §§ [16A.15](#) and [16C.05](#).

DocuSigned by:
Signature: Paula Naughton Signature: _____
(with delegated authority) 8A01D04E6747490... Title: _____
Title: Director, Grants Office Title: _____
Date: 3/4/2026 | 4:27:44 PM CST Date: _____

Distribution:

All parties on the DocuSign envelope will receive a copy of the fully executed Grant Agreement.

Exhibit A – Grantee’s Activities / Scope of Work

Grantee is expected to perform the following activities. Modifications to Exhibit A must be discussed with MDH. MDH will communicate, in writing, with Grantee as to whether modifications are approved or require a formal grant amendment.

Activity/Work Plan	Anticipated Outcome
1. Provide educational materials, educate, and promote ways to help protect the Drinking Water Supply Management Area (DWSMA) from sources listed in the Potential Contaminate Source Inventory (PCSI).	Education will assist in future protection of the DWSMA by making the public aware of how they can help keep the City's drinking water safe.
2. Provide groundwater and wellhead (Rural Water Association) education packet for students.	Educating the local youth will protect the DWSMA for the future by emphasizing the importance of keeping the City's drinking water safe and how they, along with their parents, can participate in protecting this resource.
3. Construct a perimeter fence that will surround Well #/8.	By constructing a secure perimeter around Well #8, it will aid in protecting the water well from any potential tampering and/or vandalism.
4. Assess ordinances to determine if they want to adopt land use control ordinances for new wells.	By addressing land use ordinances for the construction of new water wells, the City could restrict the number of additional PCISs within the DWSMA, ensure it will not affect the City's current water wells, determine if there is an appropriate need for the well, will be aware of any new wells within the DWSMA, and make sure the well would be constructed to meet MDH standards.

Terms and Conditions	Additional Notes/Requirements
1. Grantee agrees that work shall take place only in the MDH approved Drinking Water Supply Management Area (DWSMA). Grantee will be reimbursed only for work that takes place in the DWSMA.	In Compliance with MDH standards
2. Grantee shall use the Clean Water Land and Legacy Amendment logo provided by MDH on all materials purchased or produced under this Grant Agreement (equipment, reports to the public, publications, displays,	In Compliance with MDH standards



Terms and Conditions	Additional Notes/Requirements
<p>videos). Failure to display the logo may render the Grantee ineligible for reimbursement.</p>	
<p>3. Grantee shall pay in full any licensed contractor or consultant hired for the purpose of completing any work under this Grant Agreement.</p>	<p>In Compliance with MDH standards</p>
<p>4. On or before the end date of this Agreement, the Grantee shall provide MDH with one electronic copy of all final products produced under this Grant Agreement, including reports, publications, software and videos. If required by the nature of the project, data collected during the project shall be reported in a format acceptable to MDH.</p>	<p>In Compliance with MDH standards</p>
<p>5. In the event the Grantee is unable to satisfactorily complete all the duties specified in this grant agreement, the Grantee will forfeit payment. A Grantee who has not satisfactorily fulfilled the grant obligations, including but not limited to paying the contractor in full for all work performed by the contractor, will be denied participation in the next grant cycle.</p>	<p>In compliance with MDH standards</p>
<p>6. In accordance with Minn. Stat. § 16B.98, subd. 5(d), Grantee must clearly post on Grantee’s website the names of, and contact information for, the Grantee’s leadership and the employee or other person who directly manages and oversees this Grant Agreement on behalf of the Grantee.</p>	<p>In compliance with MDH standards</p>
<p>7. Any digital materials created, and shared outside of the grantee’s organization, Grantee is required to comply with State of Minnesota’s Digital Accessibility Standard. This requirement flows down to any subcontractors and or any third-party entity the Grantee may utilize and compensate with MDH grant funds. The statewide Standard can be viewed online at Accessibility Policies & Standards / Minnesota IT Services</p>	<p>In compliance with MDH standards</p>

Grantee is subject to a variety of compliance activities, as outlined below.

Report Type	Reporting Period / Due Date	Due Date
Grant Narrative Report	Upon completion of the project, Grantee shall complete and submit an itemized Grant Invoice and a Grant Narrative Report to MDH SWP in the Fluxx portal system. The Grant Narrative Report and the Grant Invoice shall be due no later than the expiration day of this Grant Agreement.	2/26/2027



Exhibit B – Grantee’s Budget

The budget shown below is for reference only and is non-binding.

Category	Budget Period	Total
Contractual	2/27/2026 to 2/26/2027	\$14,000.00

Grantee’s Indirect Cost Rate for this Grant Agreement is as follows:

Indirect costs are not allowed by Funder.

Permitting fees payable to MDH (i.e. well construction fee; well sealing fee) are not eligible and will be deducted from the final invoice, before reimbursement.

Pressure tanks are grant eligible, as part of a new well construction and pump system project. The pressure tank must be appropriately sized for the pump being proposed for the new well and not sized for additional water storage. Pressure tank designed to serve the purpose of water storage, as well as the replacement or maintenance of pressure tanks, remains ineligible for grant reimbursement.

Water lines may be reimbursed only from the well to the pressure tank or to the building, whichever comes first.

Blackduck

1040014

FY

ID: R-2026-02507

\$14,000.00

Draft

Public Water Supplier status: Active

* If you would like assistance with this grant application from MDH or MRWA staff, please send an email to SWPGrantsHelp.mdh@state.mn.us and ask for collaboration. Be sure to include your name and the name of your organization in your request so we know what grant to associate the request to.

▼ Table of Contents

- Organization Information
- Application Questions
- Application Information
- Work Items
- Amounts
- Documents

▼ Organization Information

PWS ID: 1040014

Organization Name: Blackduck

Primary Contact: Mike Schwanke

Primary Signatory: Christina Regas

Who is the MDH (sanitarian, engineer, planner), MRWA or deligated authority local program staff person with whom you consulted before submitting this application?
Dan Disrud

▼ Application Questions

1. Are you a public water supplier? (A public water supplier serves 25 people or more in places where they live, work, gather, and play) If you say "no" you are not eligible for a grant unless this is a continuation of a previous grant. Yes
2. Are you representing more than one public water supplier for this application? No

▼ Application Information

Project Summary:
 Education and Outreach - Working on providing educational material to the public to aid in the protection of the DWSMA from sources listed in the PCSI. Provide education packets to students at the Blackduck Middle and Elementary School to illustrate the importance of protecting the City's drinking water.
 Land Use Controls - Working on assessing ordinances to determine if land use controls need to be implemented for the construction of new water wells.
 Other (Security) - Working on constructing a perimeter fence around Well #8 to prevent potential tampering and/or vandalism.

Is this an application to install treatment for a contaminant? (Example: Nitrate, Manganese, Arsenic): No

Are you currently under any of the following violations? Project Evaluation Form required for a Notice of Violation (NOV) or Administrative Penalty Order (APO) (Select all that apply): None

To select answers for violations in Question 5 above, select one or more options in the box on the left and then click on the arrow in the middle to move your selection(s) to the box on the right. To remove a selection, click on the option you want to remove on the right and click on the arrow in the middle to move it back to the left.

Is this grant application to support the completion of an item in the sanitary survey? : No

▼ Work Items

Please limit your work items to a maximum of four. Any work items beyond four will not be scored or funded.

Click Edit to add or edit a work item.

ID	Work Item Type	Activity	Total Cost	Amount Requested
Item 1 2953382	Management Strategies	Education and Outreach;(507) Provide educational materials to residents about wellhead protection	\$500.00	\$500.00

ID	Work Item Type	Activity	Total Cost	Amount Requested
Item 2 2956556	Management Strategies	Education and Outreach:(508) Incorporate drinking water education into your existing local activities and outreach events	\$1,500.00	\$1,500.00
Item 3 2956577	Management Strategies	Other: 16	\$10,000.00	\$10,000.00
Item 4 2956688	Management Strategies	Land Use Controls:(912) Consider impacts to drinking water when reviewing zoning, land use changes, or reviewing permits	\$2,000.00	\$2,000.00
Project Totals			\$14,000.00	\$14,000.00

▼ Amounts

Estimated Total Cost of Project	Amount Requested from MDH
\$14,000.00	\$14,000.00

Estimated Total Cost of Project: \$14,000.00

Estimated Total Cost of Project should be the sum of the total cost of each work item.

This value has been calculated for your convenience in the table above based on your responses for the work items. Please check to make sure the amount looks correct and then type the value into the text box.

Amount requested from MDH (minimum \$1,000, maximum \$15,000, or \$45,000 if 3 or more PWS's apply jointly). This is calculated by summing all work item requested amounts.

This value has been calculated for your convenience in the table above based on your responses for the work items. Please check to make sure the amount looks correct and then type the value into the text box.

\$14,000.00

Additional Funding Information: I will use my own financial resources





▼ Documents





Sanitary Survey

Itemized quote estimates from contractors

Conflict of Interest Form

GRANT DOCUMENTS

 City of Blackduck MDH Plan Strategy and Measure Number.pdf   
MDH plan strategy/measure number (Only provide the plan pages with the relevant strategy/measure number)
 Added by Christina Regas at 10:11 AM on November 17, 2025

 Conflict of Interest signed 111525.pdf   
APO Document/Letter
 Added by Christina Regas at 1:05 PM on November 13, 2025

SUPPLEMENTAL DOCUMENTS - NOT REQUIRED

MNDOT AND THE CITY OF BLACKDUCK INTENT TO PARTICIPATE

State Project 0410-53 TH 71 and TH 72 Project Cooperative Agreement Planning Memo

- **Lighting**

- Minnesota Department of Transportation (MNDOT) updated its Cost Participation Policy in February 2026. As a result, MNDOT will be able to greater assist the city with the lighting expenses. Removals of the light and foundation will be performed by MNDOT contractor.
 - Summit Ave and TH 71 Intersection Lighting- City agreed on 7/22/24 to install a new lighting system.
 - Maintenance
 - City of Blackduck
 - Ownership
 - City of Blackduck
 - Installation Cost
 - 100% MNDOT
 - Removal Costs
 - 100% City of Blackduck
 - Additional Comments: City of Blackduck would like to keep the existing poles for parts and have agreed that they will be onsite when contractor removes them. The city will work with the contractor and coordinate this transfer.

- **Sidewalks**

- Maintenance responsibility including, but is not limited to, snow, ice, and debris removal, patching, crack repair, panel replacement, cross street pedestrian crosswalk marking, vegetation control of boulevards (if any), and any other maintenance activities necessary to perpetuate the sidewalks and aesthetic features in a safe, useable, and aesthetically acceptable condition.
 - City of Blackduck
- Ownership
 - MNDOT
- Installation Cost
 - MNDOT

- **Utility Relocates-Unknown as of 4/13/26**

- City pays for their utilities to be relocated at 100 percent-no cost to MNDOT. City will also pay 100 percent of the adjustments to gate valve, curb stops, manholes, ect. MNDOT does not participate in the cost of any utilities owned by the city.
- City will need to work with their engineer to estimate costs.

- **Crosswalk Striping**

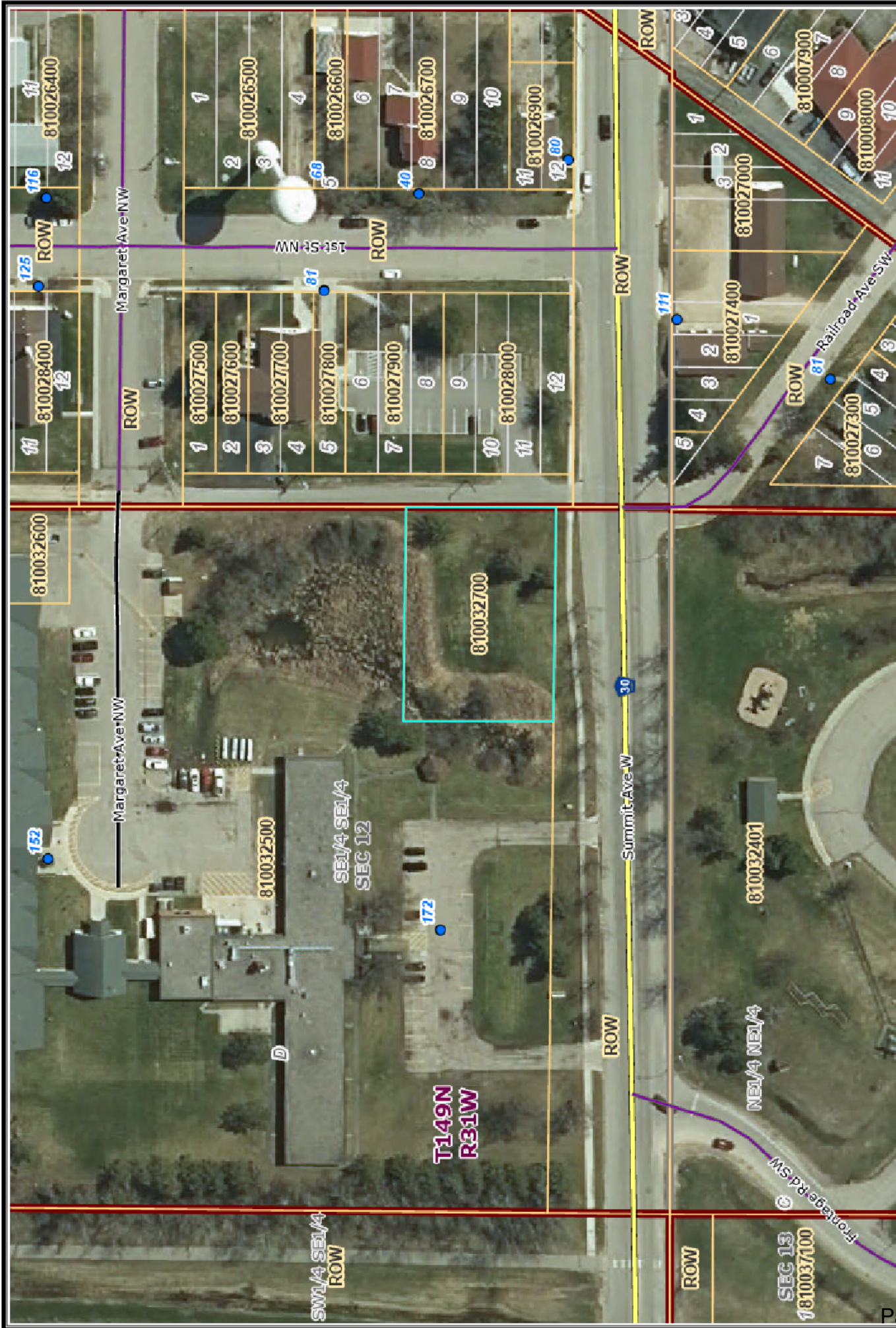
- Maintenance
 - City of Blackduck
- Installation Costs
 - Paid for by MNDOT under project and thereafter no MNDOT expense.

- **Construction Engineering**

- Fees listed in the policy are as follows:

- Contract Administration 3%
 - City and county will pay this percentage on items listed in local SEQ cost columns.
- Construction Inspection 2%
 - Applied to items that MNDOT inspects. Local owned water and sewer utilities must be inspected by the local or their contracted representative.
- Surveys and Staking 2%
 - Applied to items that MNDOT will survey and stake. Local owned water and sewer utilities must be staked by the local or their contracted representative.
- Materials Inspection 1%
 - Applied to items that MNDOT provides material inspection. Local owned water and sewer utilities must be inspected by the local or their contracted representative.
- **Engineering services for plan sheets, special provisions, and cost estimating. Local will pay for this at 100 percent their cost. Items shall be provided by the city and inserted into the MNDOT 0410-53 TH 71 plan and proposal.**

DRAFT



81.00327.00

Date: 6/23/2025

The information on this map is provided on an "as-is" basis without warranty of any type, expressed or implied, including but not limited to any warranty as to its accuracy, currency, suitability, or reliability for any purpose.

Scale 1:1,740

This map is not a substitute for a land survey and should not be used for locating property lines or other boundaries. Lines on this map are approximate.



CITY OF BLACKDUCK

ORDINANCE 2026-01

AN ORDINANCE AMENDING SECTION 1180 OF THE CITY CODE RELATING TO LOCAL OPTION SALES TAX

The City Council of Blackduck, Minnesota, ordains:

Section 1 – Purpose. The purpose of this ordinance is to establish the termination date for the local option sales tax adopted by the Council pursuant to Ordinance No. 2024-03.

Section 2 – Amendment. The following language is added to Section 1180 of the City Code:

1180.11 Termination Date.

This ordinance shall terminate effective September 30, 2026.

Section 3 – Effective Date. This ordinance shall be effective upon passage and publication as provided by law.

Passed and adopted this 8th day of June, 2026.

Maxwell Gullette, Mayor

Attested: _____
Christina Regas, City Administrator

First / Final Reading: _____



8 Summit Ave. NE, PO Box 380, Blackduck, MN 56630-0380

NOTICE OF ORDINANCE REVISION READING

NOTICE IS HEREBY GIVEN, The CITY OF BLACKDUCK will have first and final reading at a regular council meeting on June 8, 2026 @ 6:00pm of Ordinance #2026-01: an Ordinance of the City of Blackduck, Minnesota, Amending Chapter 11, Business Regulations, Providing for Section 1180 Relating to a Local Sales and Use Tax.

All public comment is encouraged at the next scheduled meeting prior to the reading. A copy of the full Ordinance revision is available for review at www.blackduckmn.com or by requesting a copy at City Hall in Blackduck 8 Summit Ave. Blackduck MN 56630.

Christina Regas
City Administrator

www.blackduckmn.com

Phone: (218) 835-4803 Fax: (218) 835-4801 Email: city@paulbunyan.net

"The City Of Blackduck Is An Equal Opportunity Provider"

April 14, 2026

ARBITRAGE CONSULTING SERVICES CONTRACT FOR:

The City of Blackduck, Minnesota



Prepared by:

Ehlers

3001 Broadway Street, Suite 320

Minneapolis, Minnesota 55413

BUILDING COMMUNITIES. IT'S WHAT WE DO.

April 14, 2026

The City of Blackduck, Minnesota
8 Summit Ave NE
PO Box 380
Blackduck, MN 56630-0380

Re: Letter of Engagement to Retain Ehlers for Arbitrage Consulting Services

All tax-exempt Obligations (“Obligations”) issued by or on behalf of the City of Blackduck, Minnesota (“Issuer”) are subject to the arbitrage provisions of the Internal Revenue Code of 1986 and related Treasury regulations (“Tax Code). To comply with the statute and regulations the Issuer must undertake certain analyses. Ehlers & Associates, Inc. (“Ehlers”) can provide arbitrage consulting services that comply with the Tax Code.

This Letter of Engagement (“Letter”) is being presented to memorialize and clarify the terms of the Issuer’s engagement of Ehlers as the Issuer’s Arbitrage Consulting Services Agent. In this regard, Ehlers agrees to provide Issuer with those services described in Appendix A (“Services”). Ehlers shall be entitled to compensation by the Issuer also as described in Appendix A.

To perform the Services described in this Letter, Issuer agrees to provide Ehlers all documents and information as are deemed necessary by Ehlers to fulfill the Issuer’s reporting requirements related to the Tax Code, and within the applicable timeframe. Issuer agrees to provide Ehlers with timely and accurate information regarding pertinent cash and investment activity as well as pertinent revenue and expenditure activities for all funds related to the required service (“Arbitrage Information”). Issuer acknowledges that Ehlers shall be entitled to rely on all Arbitrage Information provided by the Issuer without further investigation as to its completeness or accuracy. Ehlers will have no liability to the Issuer if the Arbitrage Information furnished to Ehlers is not timely or accurate.

If our engagement under the terms of this Letter is acceptable, please sign this Letter in the appropriate signature block on the next page and return a signed copy to us for our records. If, however, you do not wish to engage our services, please note that election in writing by the appropriate Issuer staff. Please contact me if you have any questions or would like to discuss our engagement further.

Sincerely,

EHLERS & ASSOCIATES, INC.



Stephen H. Broden
Senior Arbitrage Consultant

SO ACCEPTED BY ISSUER

Issuer hereby accepts this Letter and engages Ehlers to provide the services noted herein and executes this Letter as of the date noted below:

By: _____ Title: _____

Name: _____ Date: _____

APPENDIX A

Description of Services

- Arbitrage Commingled Fund Analysis
- Arbitrage Consulting & Training
- Arbitrage Rebate Analysis
- Arbitrage Spend Down Analysis
- Arbitrage Yield Restriction Analysis
- IRS Audit Assistance
- IRS Payments & Overpayment Recoveries

Description of Fees

REPORTING

If required, Ehlers will charge Issuer a report fee per obligation to determine spending exceptions, bona fide debt service fund exemptions, rebate and yield restriction amounts for all funds related to the Obligations. Ehlers will charge fees in accordance with the fee schedule set forth below.

Base fee

As shown on Client Debt Summary

Ehlers will invoice Issuer for the amount due. The invoice is due and payable by the Issuer within 60 days of the invoice date.

Future Fee Changes

Ehlers reserves the right to adjust fees during the Term of the engagement without prior consent of the Issuer, but not more than annually. Prior to any fee adjustments, the Issuer will be notified in writing of the revised fees and their effective date.

City of Blackduck, Minnesota

Outstanding Debt (As of 04/14/2026)

	Original Par Amount	Settlement Date	Final Maturity	Arbitrage Yield	Next Service Type	Next Service Date	Budget	Notes
General Obligation Bonds, Series 2012A	\$ 1,165,000	12/27/2012	02/01/2035	2.14835996	Fifteen Year	12/27/2027	\$ 2,500	
General Obligation Water Revenue Note of 2016	\$ 468,834	09/28/2016	08/20/2046	N/A	Ten Year	N/A	N/A	PFA Loan - No reporting required
USDA Loan, 2020	\$ 30,000	04/06/2020	04/06/2030	N/A	N/A	N/A	N/A	USDA Loan - No reporting required
General Obligation Tax Abatement Bonds, Series 2021A	\$ 650,000	05/27/2021	02/01/2042	1.71596220	Five Year	05/27/2026	\$ 2,500	
Taxable General Obligation Tax Abatement Bonds, Series 2021B	\$ 164,872	09/21/2021	08/15/2036	N/A	N/A	N/A	N/A	Taxable - No reporting required
Taxable General Obligation Bond of 2023A (USDA Loan)	\$ 1,655,000	07/28/2023	07/28/2063	N/A	N/A	N/A	N/A	USDA Loan - No reporting required
Taxable General Obligation Bond of 2023B (USDA Loan)	\$ 310,000	07/28/2023	07/28/2063	N/A	N/A	N/A	N/A	USDA Loan - No reporting required
General Obligation Equipment Certificate, Series 2024A	\$ 180,000	07/25/2024	02/01/2032	4.81600445	Five Year	07/25/2029	\$ 2,500	
General Obligation Equipment Certificate, Series 2025A	\$ 363,000	01/23/2025	02/01/2036	4.49099463	Five Year	01/23/2030	\$ 2,500	

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Introduction

This publication is a basic guide to the yield restriction and rebate requirements (arbitrage requirements) of Internal Revenue Code (IRC) Section 148 and related Treasury Regulations (Treas. Reg.).¹ Understanding the arbitrage requirements can help issuers and conduit borrowers comply with their obligations and prevent violations of the arbitrage requirements. The IRS provides information on specific provisions of tax-exempt bond law in [IRS publications](#) and on [IRS.gov/bonds](#). Additional resources are listed at the end of this publication.

This publication has seven parts.

- Part I provides basic concepts and definitions that apply to the arbitrage requirements.
- Parts II and III describe the yield restriction and arbitrage rebate requirements, and detail the exceptions to those requirements.
- Part IV provides information on how and when an issuer computes rebate amounts and pays rebate to the U.S. Treasury.
- Part V provides information on accounting for expenditures and allocations.
- Part VI presents a basic example of rebate amount and yield reduction payment calculations.
- Part VII provides additional information on available resources, services and programs to facilitate compliance with the arbitrage requirements.

The publication is not formal guidance and is not intended as an authoritative source. It outlines the general arbitrage rules. It does not address all questions or issues that may arise in complying with the arbitrage requirements, including, for example, special rules that may apply to bond pools, direct pay bonds, tax credit bonds and certain private activity bonds other than qualified 501(c)(3) bonds. This document does not provide details on how to apply the arbitrage requirements to computations. Issuers should review IRC Sections 103 and 148, the related Treas. Reg. and other official guidance on complying with the arbitrage requirements, and consult their legal counsel in appropriate circumstances.

This publication does not address other federal tax requirements that must be met for bonds to be tax-exempt, including those that apply before the bonds are issued and after issuance. [Publication 4078](#), Tax-Exempt Private Activity Bonds, [Publication 4079](#), Tax-Exempt Governmental Bonds, and [Publication 4077](#), Tax-Exempt Bonds for 501(c)(3) Charitable Organizations, provide overviews of federal tax rules that apply post-issuance to tax-exempt private activity bonds, governmental bonds and qualified 501(c)(3) bonds, respectively. Not meeting the federal tax law requirements during the life of tax-exempt bonds may jeopardize their tax-exempt status.

¹ Although conduit issuers may require conduit borrowers to contractually assume responsibility for complying with requirements of the IRC, failure of a bond issue to comply with the requirements may result in the loss of the tax-exempt status of the bonds regardless of any agreement between the parties about compliance responsibilities. [Publication 5005](#), Your Responsibilities as a Conduit Issuer of Tax-Exempt Bonds, includes information for issuers of conduit bonds.

Yield Restriction and Rebate Requirements

State and local governments receive benefits under the IRC that typically lower borrowing costs on their valid tax-exempt debt obligations. For example, because interest paid to bondholders on tax-exempt obligations is not includable in their gross income for federal income tax purposes, bondholders are willing to accept a lower interest rate than they would if the interest were taxable. These benefits apply to many types of municipal debt financing arrangements including bonds, notes, loans, lease purchase contracts, lines of credit and commercial paper (collectively referred to as “bonds” in this publication). To receive these benefits, issuers must ensure that they meet IRC and Treas. Reg. requirements, generally for as long as the bonds remain outstanding. This means that it’s important that issuers and any users of the bond proceeds regularly monitor how the bond proceeds are being used to ensure continued compliance.

Some of the requirements relate to how bond proceeds are invested. Generally, bonds lose their tax-exempt status if they are arbitrage bonds under IRC Section 148. To be an arbitrage bond, certain monies associated with the bonds are used to acquire investments with a yield above the bond yield. When the investment yield is higher than the bond yield, the excess is called “arbitrage earnings.” But having arbitrage earnings does not automatically mean that the bonds are arbitrage bonds. Bonds must be tested under two independent sets of arbitrage rules to determine if they are arbitrage bonds. If the bonds are arbitrage bonds under either set of rules, they are arbitrage bonds even if they are not arbitrage bonds under the other set.

The two sets of rules that apply to determine whether bonds are arbitrage bonds are:

- The yield restriction rules under IRC Section 148(a), and
- The rebate rules under IRC Section 148(f).

Yield Restriction Rules - The yield restriction rules limit the investment yield that may be earned on bond proceeds. Bonds are arbitrage bonds if the issuer expects to invest or actually does invest all or part of the bond proceeds at a yield materially higher than the bond yield. Issuers are permitted to invest in higher yielding investments under certain exceptions. But if no exception applies, the issuer must limit the yield on its investment of bond proceeds to a yield that is not materially higher than the yield on the bonds (yield restrict the investments) or, if permitted, make a yield reduction payment to the U.S. Treasury to prevent its bonds from violating the yield restriction rules. Part II of this publication will describe and list:

- 1) Which monies are bond proceeds that must be yield restricted,
- 2) Which investments must be yield restricted,
- 3) What is a materially higher yield on an investment,
- 4) When the issuer may reduce the yield on the investment by making “yield reduction payments” to the U.S. Treasury, and
- 5) Exceptions to the yield restriction rules.

Rebate Rules - The arbitrage rebate rules provide that certain arbitrage earnings must be paid, or “rebated,” to the U.S. Treasury. This means that even if an issuer is permitted to invest in higher yielding investments under the yield restriction rules, it may have to rebate those arbitrage earnings to the U.S. Treasury. The yield restriction rules may allow the issuer to earn the arbitrage, but the rebate rules may not allow the issuer to keep the arbitrage. If an issuer is required to pay rebate under these rules, but does not, the bonds are “arbitrage bonds.” The rebate rules include exceptions. Part III of this publication will describe and list:

- 1) Which monies are proceeds subject to rebate,
- 2) Which investments are subject to rebate,
- 3) Certain rules for computing and paying rebate, and
- 4) Exceptions to the rebate rules.

Part I

Basic Concepts and Definitions that Apply for the Arbitrage Requirements

Before exploring the yield restriction and rebate rules, we'll explain some basic concepts that apply for the arbitrage requirements.

Definitions

Gross Proceeds - Gross proceeds of a bond issue include proceeds and replacement proceeds.

Proceeds² include sale proceeds, investment proceeds and transferred proceeds.

Sale proceeds are amounts the issuer receives from the sale of the bond issue, including amounts used to pay underwriters' discount and certain accrued interest on the bonds.

Investment proceeds are amounts received from investing proceeds of an issue. For example, if the issuer invests sale proceeds and earns interest, that interest is considered investment proceeds.

Transferred proceeds may result when an issuer issues tax-exempt bonds (the refunding bonds) to refund an outstanding issue of tax-exempt bonds (the refunded bonds). Unspent proceeds of the refunded bonds may transfer to and become proceeds of the refunding bonds, and are no longer considered proceeds of the refunded bonds.

Replacement proceeds³ are monies that would have been used to finance the project if the bonds had not been issued. Replacement proceeds may also include amounts expected to pay debt service on the bonds, including sinking funds (such as a debt service fund, redemption fund, reserve fund or a replacement fund) and pledged funds (generally meaning any amount pledged to pay principal of or interest on the bonds).

Investment Property⁴ includes any security (for example, a share of stock in a corporation), any obligation (for example, debt obligations such as U.S. Treasury obligations and agency bonds), any annuity contract and any other kind of investment-type property (for example, guaranteed investment contracts). Cash is not investment property. For issues of governmental and qualified 501(c)(3) bonds, investments in other tax-exempt governmental bonds and tax-exempt qualified 501(c)(3) bonds (bonds not subject to the Alternative Minimum Tax) are not investment property under IRC Section 148(b)(3). For issues of other types of bonds, no tax-exempt bond is investment property. Consequently, investments in these tax-exempt bonds are not subject to the arbitrage requirements, and earnings received from these bonds are not subject to the yield restriction or rebate requirements.⁵ Investment property can be a purpose or nonpurpose investment.⁶

A **purpose investment** is one acquired for the governmental purpose of an issue. For example, if an issuer issued bonds to make a loan to a 501(c)(3) organization or to fund student loans, the loans the issuer makes to the 501(c)(3) or students are investments but because the bonds were issued for this purpose, these loans are "purpose investments."

² Treas. Reg. Section 1.148-1(b).

³ Treas. Reg. Section 1.148-1(c).

⁴ IRC Section 148(b)(2).

⁵ Treas. Reg. Section 1.148-2(d)(2)(v). Generally, investments in bonds subject to the Alternative Minimum Tax (AMT bonds) made with non-AMT bond proceeds are subject to yield restriction, but investment in AMT bonds made with AMT bond proceeds are not. Similarly, investments in non-AMT bonds made with non-AMT bond proceeds are not subject to yield restriction. See IRC Section 148(b)(3).

⁶ Treas. Reg. Section 1.148-1(b).

A **nonpurpose investment** is an investment that is not a purpose investment. For example, if the issuer sells bonds to build a school but invests some of those proceeds while construction is ongoing, the investments are not acquired for the governmental purpose of the issue (construction of the school) so they are nonpurpose investments. Examples of a nonpurpose investment include buying U.S. Treasury notes during the construction period as a temporary investment until the funds are spent on the project, or buying federal agency bonds to hold in a debt service reserve fund.

Funds and Accounts Descriptions - Issuers and conduit borrowers create funds and accounts in connection with a bond issue in which bond proceeds are deposited. Below is a description of certain funds and accounts commonly used in tax-exempt bond financings and the typical use of proceeds deposited in each type of fund or account. Frequently, there will be more than one type of fund for a bond issue, and for each type, there may be more than one account. For example, there could be several construction accounts for separate projects within a construction fund.

Construction fund or project fund - An issuer or conduit borrower might establish a construction or project fund into which it will deposit bond proceeds to be used to pay costs of the project. This fund might also include proceeds to pay capitalized interest and costs of issuing the bonds (or proceeds for these costs may be held in separate funds or accounts).

Debt service fund and bona fide debt service fund - An issuer or conduit borrower might establish a debt service fund to hold revenues or other monies to pay upcoming debt service payments on the bonds. A bona fide debt service fund is used for proper matching of annual revenues and debt service. Revenues are deposited into the fund until needed to pay debt service. The fund generally must be depleted at least once each bond year to qualify as a bona fide debt service fund.⁷

Reserve fund and reasonably required reserve or replacement fund - Reserve funds secure payment of debt service on the bonds in the event the issuer is unable to pay debt service. A reasonably required reserve or replacement fund is a fund in which gross proceeds do not exceed the lesser of:

- 10% of the principal amount of the issue,
- Maximum annual debt service on the bonds, or
- 125% of the average annual debt service on the bonds.⁸

Refunding escrow fund - An issuer might establish a refunding escrow fund to hold monies to be used to pay principal, interest and premium, if any, on one or more prior bond issues (the refunded bonds). These funds might contain proceeds of a refunding issue and possibly other amounts, such as tax receipts or other revenues pledged to pay off the refunded bonds. A refunding escrow may be associated with a current refunding or an advance refunding bond issue.

A **current refunding bond** refunds bonds that are redeemed within 90 days of the refunding bonds being issued.⁹

⁷ Treas. Reg. Section 1.148-1(b). Generally, "bond year" means each one-year period that ends on the day selected by the issuer. The requirements for depletion appear in the definition of "bona fide debt service fund."

⁸ Treas. Reg. Section 1.148-2(f)(2)(ii). For a refunding issue, a reserve is reasonably required for purposes of this exception only if the aggregate amount invested in higher yielding investments for both the refunding issue and the refunded issue does not exceed these limits by reference only to the refunding issue (whether or not the proceeds of the refunded issue have become transferred proceeds). Treas. Reg. Section 1.148-9(e).

⁹ Treas. Reg. Section 1.150-1(d)(3).

An **advance refunding bond** refunds bonds that are redeemed more than 90 days after the refunding bonds are issued.¹⁰

Cost of issuance fund - An issuer or conduit borrower might establish a cost of issuance fund to deposit bond proceeds to be used to pay various costs of issuing bonds. These costs include, but are not limited to, payment for the services of bond counsel, underwriter's counsel, financial advisor, verification agent, rating agencies and fees for printing offering documents.

¹⁰ The Tax Cuts and Jobs Act (Public Law No. 115-97, 131 Stat. 2054 (2017)) repealed the exclusion from gross income for interest on bonds issued to advance refund another bond. The repeal applies to advance refunding bonds issued after December 31, 2017. A bond is classified as an advance refunding if it is issued more than 90 days before the redemption of the refunded bonds.

Part II

Yield Restriction Requirements and Exceptions

The yield restriction rules provide that bonds are arbitrage bonds if the issuer expects to invest or actually invests all or part of the gross proceeds in investment property having a yield materially higher than the bond yield. The yield restriction rules apply both to purpose and nonpurpose investments. The yield restriction rules provide special treatment when proceeds are used for:

- Certain general uses of the bonds, for example, construction or refunding purposes (some of which may have special exceptions);
- Certain types of investments depending on how the invested funds are intended to be used, for example, a construction or escrow fund may be subject to different definitions of materially higher yield; and
- Certain classes of investments (yield is computed separately for purpose and nonpurpose investments).

To follow the yield restriction requirements, the issuer or conduit borrower must correctly treat all investments based on the general uses of the bonds and the type and class of the investment.

Materially Higher Yield

The yield restriction rules limit investment yield on gross proceeds. Gross proceeds invested at a yield materially higher than the bond yield will result in the bonds being arbitrage bonds.¹¹ Generally, an investment yield is materially higher if it exceeds the bond yield by more than 1/8 of 1%;¹² however, the definition of materially higher can differ depending on the type and class of investment and the general uses of the bonds.¹³

Cases in which a different definition of "materially higher" applies	Investment yield is materially higher if it exceeds the bond yield by more than
Proceeds held in an advance refunding escrow	1/1000 of 1% ¹⁴
Replacement proceeds	1/1000 of 1% ¹⁵

For example, if a fixed-yield bond issue has a yield of 5%, the investment yield on an advance refunding escrow or on replacement proceeds is not materially higher if the yield of the investments is not greater than 5.001%.

Yield Reduction Payments

In certain cases, an issuer can make a payment to the U.S. Treasury to reduce the yield on an investment (a yield reduction payment). In this case, an issuer may invest proceeds at a materially higher yield, but by paying the yield reduction payment, the issuer causes the investment yield to be treated within the permitted yield. Yield reduction payments may only be made for certain types of investments and certain types of proceeds.¹⁶ Generally, a yield reduction payment is made at the same time and in the same manner as a rebate payment by

¹¹ IRC Section 148(a) and Treas. Reg. Section 1.148-2(a).

¹² Treas. Reg. Section 1.148-2(d)(2)(i).

¹³ Treas. Reg. Section 1.148-2(d)(1). If yield-restricted investments in the same class are subject to different definitions of materially higher, the definition of materially higher that produces the lowest permitted yield applies to all the investments in the class.

¹⁴ Treas. Reg. Section 1.148-2(d)(2)(ii).

¹⁵ Treas. Reg. Section 1.148-2(d)(2)(ii).

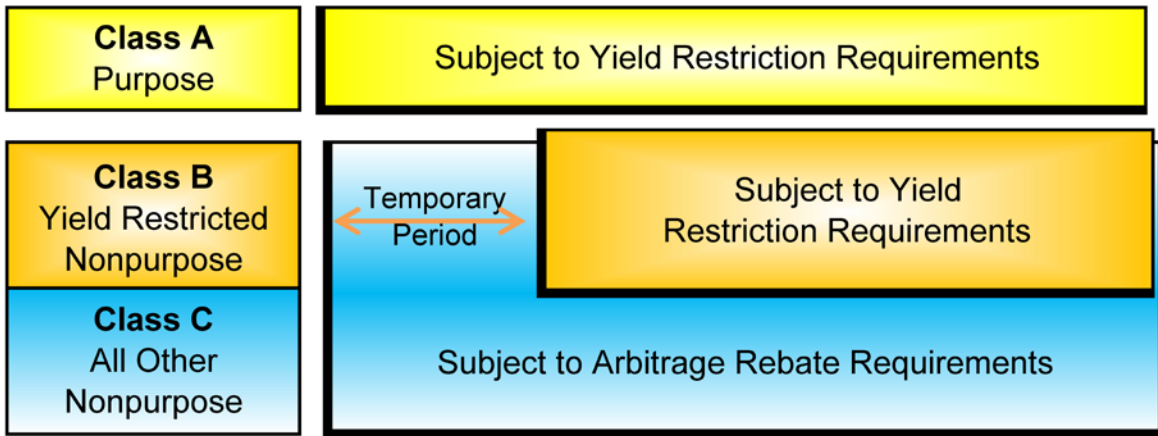
¹⁶ Treas. Reg. Section 1.148-5(c)(3).

filing [Form 8038-T](#), Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, with the IRS.¹⁷

Yield Computation Done for Entire Class of Investments

In figuring whether investments acquired with gross proceeds have a materially higher yield, combine similar investments into three classes¹⁸ and compute the yield for each class. Class A includes all purpose investments that are subject to certain yield restriction limits. Class B includes the nonpurpose investments subject to yield restriction after the temporary period. Class C consists of all other nonpurpose investments.

Illustration of classes of investments and their arbitrage requirements



Note that nonpurpose investments not subject to yield restriction are subject to the rebate requirements. This means that during the temporary period Class B investments are subject to rebate requirements, even though they aren't subject to yield restriction requirements until a later date. In this illustration, the Class B investments could be a construction fund while the Class C investments could be a reasonably required reserve fund.

Exceptions to Yield Restriction Rules

The exceptions to the yield restriction requirement are for gross proceeds:

- Held during "temporary periods,"¹⁹
- Held in a "reasonably required reserve or replacement fund,"²⁰ or
- Representing a "minor portion."²¹

Remember, if an exception applies, the issuer may invest the bond proceeds covered by the exception at an unrestricted yield, but those proceeds might be subject to the rebate requirements. For example, bond proceeds deposited in a reasonably required reserve or replacement fund are subject to rebate requirements even though an issuer can invest those proceeds at an unrestricted yield under a specific exception to the yield restriction requirements. This is an example of how an issuer may earn arbitrage, but may not keep it.

¹⁷ Treas. Reg. Section 1.148-5(c)(2).

¹⁸ Treas. Reg. Section 1.148-5(b)(2)(ii).

¹⁹ IRC Section 148(c).

²⁰ IRC Section 148(d).

²¹ IRC Section 148(e).

Temporary Period Exceptions - Exceptions Subject to a Time Limit

During a “temporary period,” the issuer may invest bond proceeds at an unrestricted yield without causing the bonds to be arbitrage bonds under the yield restriction rules. The length of the “temporary period” depends on the purpose (use) for which the bonds are issued and the type of investment (or fund) that holds the proceeds.

3-Year Temporary Period for Capital Projects

A 3-year temporary period is available for bond proceeds deposited in a construction or project fund when those proceeds are expected to be allocated to acquisition or construction costs of a capital project.²² The temporary period begins on the date the bonds are issued and ends 3 years later. The 3-year temporary period may be extended another 2 years for a total of 5 years if the issuer and a licensed architect or engineer certify that more than 3 years are necessary to complete the capital project. This fund is made up of the net sale proceeds²³ and investment proceeds.

The 3-year temporary period applies as long as the issuer reasonably expects as of the issue date to:

- Allocate at least 85% of the bond’s net sale proceeds for expenditures on the capital project within three years of the bond’s issue date,
- Have a binding obligation to a third party within six months of the bond’s issue date to allocate at least 5% of the net sale proceeds to expenditures for the capital project, and
- Proceed toward completing the project and allocating the net sale proceeds to expenditures with due diligence.²⁴

Other Temporary Periods

Other temporary period exceptions to the yield restriction requirements include:

- 1) 13-month temporary period exceptions for bona fide debt service funds and working capital expenditures.²⁵ The 13-month temporary period may be extended to the maturity date for issues that are tax and revenue anticipation notes (TRANS)²⁶ if certain requirements are met.
- 2) 1-year temporary period for investment proceeds.²⁷
- 3) 90-day temporary period for certain current refundings. The temporary period for current refunding proceeds, other than transferred proceeds, is generally 90 days.²⁸
- 4) 30-day temporary periods for replacement proceeds, advance refunding proceeds and other proceeds. Replacement proceeds qualify for a 30-day temporary period. The temporary period for proceeds (other than transferred proceeds) of an advance refunding issue is generally 30 days.²⁹ Gross proceeds not qualifying for any other special temporary period exception qualify for a 30-day temporary period exception from date of receipt.³⁰

²² See Part V for a discussion of what it means to allocate to expenditures.

²³ “Net sale proceeds” of a bond issue are the sale proceeds reduced by those sale proceeds deposited in a “reasonably required reserve or replacement fund” and proceeds invested as part of a “minor portion.” Treas. Reg. Section 1.148-1(b).

²⁴ Treas. Reg. Section 1.148-2(e)(2).

²⁵ Treas. Reg. Section 1.148-2(e)(5)(ii) and Treas. Reg. Section 1.148-2(e)(3)(i).

²⁶ Treas. Reg. Section 1.148-2(e)(3)(ii).

²⁷ Treas. Reg. Section 1.148-2(e)(6).

²⁸ Treas. Reg. Section 1.148-9(d)(2)(ii)(A) and (B).

²⁹ Treas. Reg. Section 1.148-9(d)(2)(i). This 30-day temporary period ends 30 days after the date the advance refunding bonds are issued.

³⁰ Treas. Reg. Section 1.148-2(e)(7).

Start of Temporary Period

Most temporary periods begin on the bond's issue date. Other temporary periods begin after the issue date, such as when proceeds are received or earned (for example, investment earnings), allocated to the bonds (for example, replacement proceeds deposited in a sinking fund) or first treated as replacement proceeds.³¹ Certain temporary periods for repayments of loans made with proceeds begin on the date of the repayment.

Temporary Periods and Refunding Bonds

For proceeds that are transferred proceeds of a refunding issue, the temporary period generally begins on the date of transfer of the proceeds and ends when it would have otherwise ended if the proceeds had remained proceeds of the refunded bonds.³² However, in an advance refunding, for example, the 3 or 5-year temporary period for capital projects or the 13-month temporary period for working capital for the proceeds of the prior issue ends on the issue date of the advance refunding issue.³³

Yield Restriction Exceptions Having No Time Limit

The following exceptions to the yield restriction rules apply throughout the life of the bond issue. If one of these exceptions applies, the yield restriction limitations do not apply to the proceeds or funds described in the exception.

- 1) Reasonably required reserve or replacement fund.³⁴
- 2) Minor portion exception - This exception applies to proceeds in an amount which is the lesser of \$100,000 or 5% of the sale proceeds of the issue.³⁵

³¹ Treas. Reg. Section 1.148-2(e)(5).

³² Treas. Reg. Section 1.148-9(d)(2)(iii)(A).

³³ Treas. Reg. Section 1.148-9(d)(2)(iii)(B).

³⁴ Treas. Reg. Section 1.148-2(f)(2)(i).

³⁵ Treas. Reg. Section 1.148-2(g).

Part III

Rebate Requirements and Exceptions

Under IRC Section 148(f), bonds are arbitrage bonds if an issuer does not make rebate payments to the U.S. Treasury in the amounts and at the times required. The issuer must rebate the amount by which the yield on investment property acquired with proceeds of the issue exceeds the yield on the bonds. The rebate requirements apply only to nonpurpose investments. Purpose investments are not subject to the rebate rules.

The rebate rules generally provide that issuers must periodically calculate arbitrage earnings and, unless an exception applies, pay those earnings to the U.S. Treasury within 60 days after the computation date for the period. While issuers have flexibility in determining the computation periods, an issuer must compute and pay any required rebate at least once every five years. Payments must be made by filing [Form 8038-T](#), Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate. Parts IV and VI include more information about the rebate calculation and examples of this calculation.

Exceptions to the Rebate Requirements

Exceptions to the rebate requirements may apply based on how quickly the issuer spends the bond proceeds, the size of the issuer and the category of proceeds being invested. Some of these exceptions apply only to certain types of bonds (for example, governmental bonds) and some of these exceptions apply only to proceeds in certain funds. For exceptions applying to specific types of funds, the issuer's allocation of proceeds to these funds is important to determine whether a particular exception's requirements are met. The purposes and uses of the proceeds in a fund and the purpose of the bond issue control whether an exception applies, regardless of the label of the fund.

The two general exception categories to the rebate requirements are the spending exceptions and the special exceptions.

The following chart illustrates certain funds and exceptions that may be available for proceeds held in those funds.

Generic Types of Accounts (Funds) and Available Exceptions to Rebate					
Exceptions	Type of Fund Containing Bond Proceeds				
	Refunding Escrow Fund	Construction or Project Fund ^a	Costs of Issuance Fund ^b	Reserve Fund ^c	Debt Service Fund (DSF)
6-Month	[Green bar]				
18-Month		[Orange bar]			
2-Year		[Blue bar] <i>Limited</i>			
Bona Fide DSF					[Green bar]
Working Capital		[Blue bar]			
Small Issuer	[Purple bar]				

^a Or Working Capital Fund

^b Proceeds used for issuance costs are eligible for the 2-year spending exception if they meet the requirements under Treas. Reg. Section 1.148-7(i)(4).

^c A reasonably required reserve or replacement fund can only be excluded from the rebate requirement under the two-year spending exception through the earlier of the close of the two year period or the date the construction is substantially completed under IRC Section 148(f)(4)(C)(vi)(II).

Spending Exceptions

The three spending exceptions are the:

- 6-month spending exception,
- 18-month spending exception, and
- 2-year spending exception.

If an issuer satisfies a spending exception, proceeds in the eligible funds will be exempt from the rebate requirements.

The spending exceptions depend on an issuer allocating certain proceeds to expenditures within specified time periods. To determine whether these exceptions apply, it is necessary to identify:

- Which proceeds the issuer allocated to expenditures, and
- When the issuer allocated those proceeds.

Part V provides information on accounting for expenditures and allocations.

6-Month Spending Exception

If the requirements of the 6-month spending exception are met, the issue is treated as satisfying the rebate requirements for the proceeds meeting that exception. This means that earnings on investments of certain gross proceeds of the issue that exceed the yield on the issue don't need to be paid as rebate to the U.S. Treasury. Generally, the issuer must meet both the following requirements:

- 1) The issuer must allocate the gross proceeds to expenditures for the governmental purposes of the issue within the 6-month period beginning on the issue date. For this purpose, gross proceeds do not include gross proceeds:
 - a) Held in a bona fide debt service fund or a reasonably required reserve or replacement fund,
 - b) Not previously anticipated to become gross proceeds but that become gross proceeds after the end of the 6-month spending period,
 - c) That are proceeds derived from any purpose investment of the issue, and
 - d) That are repayments of certain grants financed by the issue.

If the issue is a governmental bond issue other than TRANs or if the issue is qualified 501(c)(3) bonds, the 6-month time period is extended to one year for a limited amount of gross proceeds.

- 2) The issuer meets the rebate requirements for the issue's proceeds (excluding earnings on amounts in any bona fide debt service fund) not covered by the 6-month exception.

When an issuer satisfies the requirements for the 6-month spending exception, it may retain earnings on only the gross proceeds specifically described by the exception. The 6-month spending exception does not create an exception for amounts in a reasonably required reserve or replacement fund or for unanticipated gross proceeds that appear after the 6-month period.

TRANs are treated as meeting the 6-month spending exception for the issue's net proceeds³⁶ and any investment earnings on those net proceeds if the issuer meets certain IRC requirements.³⁷

³⁶ IRC Section 150(a)(3).

³⁷ IRC Section 148(f)(4)(B)(iii).

18-Month Spending Exception

An issuer satisfying the requirements of the 18-month spending exception may retain certain investment earnings during that 18-month period starting on the issue date. The three requirements are:

- 1) The issuer must allocate gross proceeds to expenditures for a governmental purpose of the bonds under the following schedule, with the periods starting on the issue date of the bonds:
 - a) At least 15% of the proceeds are allocated within 6 months,
 - b) At least 60% within 12 months, and
 - c) 100% within 18 months.

The spending requirement for the third period allows for a limited amount of unspent proceeds in connection with reasonable retainage³⁸ (retention to ensure compliance with a construction contract), if the reasonable retainage is allocated to expenditures within 30 months of the issue date. An issuer's failure to meet the spending requirements will be disregarded if the issuer exercised due diligence to complete the financed project and the amount of the proceeds that didn't meet the schedule doesn't exceed the lesser of 3% of the bond's issue price or \$250,000.³⁹ As with the 6-month spending exception, gross proceeds has a special definition for applying the spending schedule.⁴⁰

- 2) The issuer must meet the rebate requirement for all proceeds not required to be spent within the 18-month spending period (excluding earnings on a bona fide debt service fund).
- 3) All the bond's gross proceeds, as defined for the 18-month spending exception, must also qualify for the 3-year temporary period available under the yield restriction requirements.

As is the case for the 6-month spending exception, the 18-month spending exception does not create an exception for amounts in a reasonably required reserve or replacement fund. The 18-month spending exception also doesn't apply to a bond issue any portion of which is treated as meeting the rebate requirement under the 2-year construction spending exception.⁴¹

2-Year Spending Exception

The 2-year spending exception applies only to non-refunding construction issues that finance property owned by a governmental unit or a 501(c)(3) organization. To qualify as a construction issue, the issuer must reasonably expect, as of the issue date, that at least 75% of the "available construction proceeds"⁴² of the issue will be allocated to construction expenditures.⁴³ If the issue meets the requirements of the 2-year construction spending exception, then the issue is treated as meeting the rebate requirements for available construction proceeds—with the result that arbitrage earnings on investments of those proceeds are not required to be paid to the U.S. Treasury.

³⁸ Treas. Reg. Section 1.148-7(d)(2) and Treas. Reg. Section 1.148-7(h).

³⁹ Treas. Reg. Section 1.148-7(b)(4).

⁴⁰ Treas. Reg. Section 1.148-7(d)(3)(i).

⁴¹ Treas. Reg. Section 1.148-7(d)(4).

⁴² The term "available construction proceeds" is defined in IRC Section 148(f)(4)(C)(vi) and Treas. Reg. Section 1.148-7(i).

⁴³ Treas. Reg. Section 1.148-7(g).

Generally, an issuer meets the requirements of the 2-year spending exception if it allocates available construction proceeds to expenditures for governmental purposes of the issue according to the following schedule (with periods starting on the issue date):

- 1) At least 10% of the proceeds are allocated within 6 months,
- 2) At least 45% within 1 year,
- 3) At least 75% within 18 months, and
- 4) 100% within 2 years.

The spending requirement for this fourth and final period allows limited unspent proceeds for reasonable retainage⁴⁴ (retention to ensure compliance with a construction contract), if the reasonable retainage is allocated to expenditures within 3 years of the issue date. If the issuer doesn't meet the requirements of the final spending period, there is an exception if:

- 1) The unspent proceeds do not exceed the lesser of 3% of the issue price or \$250,000, and
- 2) The issuer exercises due diligence to complete the project.⁴⁵

An issuer of a construction issue may elect by the issue date to pay a "penalty in lieu of rebate" under the 2-year construction spending exception.⁴⁶

Special Exceptions

Two additional exceptions to the rebate requirement are the small issuer exception for governmental bonds and the bona fide debt service fund exception.

Small Issuer Exception

A governmental unit that does not expect to issue more than \$5 million of tax-exempt governmental bonds in a calendar year might be eligible for an exception from the rebate requirements for proceeds of a governmental bond issue issued during that calendar year.⁴⁷ The limit is increased to \$15 million for bonds issued to finance construction of public school facilities.⁴⁸ To determine the amount of bonds that will be issued, the issuer must include certain additional tax-exempt governmental bonds issued by any:

- Entity (other than political subdivisions) that issues bonds on behalf of the issuer; and
- Subordinate entity (for example, an entity that is directly or indirectly controlled by the issuer, per Treas. Reg. Section 1.150-1(e)).

The issuer must also include any bonds issued by an entity formed or otherwise used to avoid the amount limitation.⁴⁹ An issuer may exclude certain refunding bonds when computing the limit.⁵⁰

In addition to the limit on the amount of governmental bonds that an issuer expects to issue, an issue must meet these requirements to qualify for the small issuer exception:

- 1) The issue is issued by a governmental unit with general taxing powers,⁵¹ and
- 2) 95% or more of the proceeds of the issue (other than those in a reasonably required reserve or replacement fund) are to be used for the issuer's local governmental activities.

⁴⁴ IRC Section 148(f)(4)(C)(iii), Treas. Reg. Section 1.148-7(e)(2) and Treas. Reg. Section 1.148-7(h).

⁴⁵ Treas. Reg. Section 1.148-7(b)(4).

⁴⁶ IRC Section 148(f)(4)(C)(vii) and Treas. Reg. Section 1.148-7(k).

⁴⁷ IRC Section 148(f)(4)(D). All proceeds are excepted, including proceeds in a reasonably required reserve or replacement fund, if any.

⁴⁸ IRC Section 148(f)(4)(D)(vii).

⁴⁹ Treas. Reg. Section 1.148-8(c)(2)(iii).

⁵⁰ IRC Section 148(f)(4)(D)(v).

⁵¹ An issuer does not have general taxing power if the issuer's ability to tax is contingent on approval by another governmental unit. Treas. Reg. Section 1.148-8(b). See also, IRC Section 148(f)(4)(D)(iv).

Bona Fide Debt Service Fund Exception

Certain earnings on bona fide debt service funds are exempt from the rebate requirement⁵² if the issue meets either of the following criteria:

- 1) The gross earnings on the fund for a bond year are less than \$100,000. The issue meets this requirement if the issue has an average annual debt service not greater than \$2,500,000.⁵³
- 2) The issue consists of governmental bonds, the issue has an average maturity of at least five years, and the bonds bear interest at a fixed rate.⁵⁴

⁵² IRC Section 148(f)(4)(A)(ii).

⁵³ Treas. Reg. Section 1.148-3(k).

⁵⁴ IRC Section 148(f)(4)(A).

Part IV

Rebate Amounts and Payments

The rebate rules require that certain arbitrage earnings (rebate) be paid to the U.S. Treasury. Generally, an issuer must compute and pay rebate owed at least once every five years over the life of the bond issue.⁵⁵ Within that five-year period, issuers have some flexibility choosing the date they use to compute rebate. The final computation date, however, is the date the bond issue is fully discharged.

On a computation date, if the issuer determines that it owes rebate, it files a **Form 8038-T**, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, with the IRS and pays the required rebate amount generally within 60 days of the computation date. For computation dates other than the final computation date, the issuer must pay at least 90% of the rebate owed, taking into account previous rebate payments. The final payment for the final computation date must be 100% of the rebate amount less previous payments.

Computation of Rebate Amounts

The rebate payment is based on the “rebate amount” on the computation date. The rebate amount reflects the investment yield earned on nonpurpose investments in excess of the amount these would have earned if invested at the bond yield. Because payments for, and receipts on, an investment can happen at different times, an issuer must future value the receipts and payments to a single date in making a rebate computation. The rebate amount as of each computation date reflects a snapshot of actual and allowable investment earnings as of those computation dates over the life of the bonds. The past receipts on, and payments for, the investments are future valued at the bond yield to give their value as of the computation date, using the same compounding interval and financial conventions used to compute the yield on the issue.⁵⁶ The rebate amount is the amount by which the value of all the receipts exceeds the value of all the payments on the computation date.⁵⁷ The rebate payment is determined by reducing the rebate amount by any previous rebate the issuer paid, which is also future valued to that computation date. Amounts the issuer pays as yield reduction payments on nonpurpose investments are treated as payments for the investment that are considered in computing rebate. Other payments that are considered in computing the rebate amount include:

- Amounts paid to acquire a nonpurpose investment;
- The value of a previously acquired investment that becomes allocated to an issue; and
- A computation credit on the last day of each bond year during which there are nonpurpose investments subject to the rebate requirements and on the final maturity date.⁵⁸

Receipts include:

- Amounts received from a nonpurpose investment, such as earnings and return of principal;
- The value of a nonpurpose investment that is no longer allocated to an issue, or is no longer subject to the rebate requirement, before its disposition or redemption date; and
- The value of a nonpurpose investment held at the end of a computation period.

⁵⁵ IRC Section 148(f)(3) and Treas. Reg. Section 1.148-3(f)(1).

⁵⁶ Treas. Reg. Section 1.148-3(c).

⁵⁷ Treas. Reg. Section 1.148-3(b).

⁵⁸ Treas. Reg. Section 1.148-3(d)(1)(iv) and Treas. Reg. Section 1.148-3(d)(4). These regulations provide a computation credit of \$1,400 for bond years ending in 2007, with annual adjustments for inflation thereafter, for bonds sold on or after October 17, 2016. An issuer may also apply these regulations to bonds sold before October 17, 2016, with the increased computation credit applying to bond years ending on or after July 18, 2016. A similar credit is available for bond years ending on or after September 26, 2007, under proposed regulations issued in 2007. REG-106143-07, 72 FR 54606, 54611, 2007-43 IRB 881, 887.

Recovering an Overpayment of Rebate

Because rebate is computed by looking at receipts and payments from issuance to the computation date, it's possible that an issuer pays rebate for a computation date (because the value of the receipts exceeded the value of the payments as of that date), but finds that on a subsequent computation date, the value of the payments exceeds the value of the receipts so that the rebate amount is reduced or eliminated. In this case, the issuer's earlier rebate payment exceeds the rebate amount as of the subsequent computation date because of investment results after the earlier computation date. An issuer can get a refund of the overpayment in certain circumstances. The issuer determines the amount of overpayment by using the future value method to calculate rebate amount (excluding any rebate payments). The overpayment is the excess of the amount of rebate the issuer paid over the sum of the rebate amount for the issue as of the most recent computation date and all amounts that the issuer is otherwise required to pay under IRC Section 148, as of the date the recovery is requested.⁵⁹ An issuer requests a refund by completing and filing [Form 8038-R](#), Request for Recovery of Overpayments Under Arbitrage Rebate Provisions. An issuer must file the form no later than two years after the final computation date for the issue.⁶⁰

⁵⁹ Treas. Reg. Section 1.148-3(j).

⁶⁰ Treas. Reg. Section 1.148-3(i)(3)(i).

Part V

Accounting for Expenditures and Allocations

Proceeds are no longer subject to the arbitrage requirements when they are properly allocated to an appropriate expenditure. To make these allocations, issuers must follow special rules and maintain adequate records. If an issuer improperly treats bond proceeds as allocated to an expenditure, it may miscalculate the rebate amount, fail to adequately restrict investment yield, or fail to satisfy the requirements for a spending exception or temporary period. By properly recording, monitoring and tracking allocations of bond proceeds, issuers can stay in compliance with the arbitrage requirements.

Generally, proceeds are no longer proceeds of an issue when they are allocated to an expenditure for a governmental purpose or are deallocated from the bond issue because of the transferred proceeds or universal cap rules.⁶¹ Proceeds may be allocated to an expenditure using any reasonable, consistently applied accounting method for an issue's gross proceeds, investments and expenditures.

There are special rules and time limits for making allocations, but in general, to allocate gross proceeds to an expenditure, an issuer must reasonably expect an outlay of cash not later than five banking days after it allocates gross proceeds to that expenditure.⁶² Payment of gross proceeds of an issue to a related party of the payor is not an expenditure of those gross proceeds. An issuer must make its allocations no later than 18 months after the later of the date when the expenditure is paid or the project is placed in service, and in any event no later than the date the first rebate payment would be due (that is, the earlier of (i) 60 days after the fifth anniversary of the date the bonds were issued or (ii) 60 days after the date the issue is retired).⁶³

If the project is funded with tax-exempt bond proceeds and another source of funds, there may be questions about which sources of funds were used for which expenditures. Here again, the issuer may use any reasonable, consistently applied accounting method for gross proceeds and other funds. Examples of reasonable accounting methods⁶⁴ an issuer may use include:

- 1) **Specific tracing** - bond proceeds are allocated to the specific expenditures actually paid with the proceeds.
- 2) **Gross proceeds spent first** - bond proceeds are allocated to the earliest expenditures.
- 3) **First-in, first-out** - the source allocated to the expenditure is based on the order in which each source becomes available.
- 4) **Ratable allocation** - funds from each source are allocated to each of the expenditures ratably.

If an issuer doesn't have sufficient books and records to establish an accounting method for a bond issue and allocation of proceeds of that issue, specific tracing applies for the yield restriction and rebate rules.⁶⁵

Specific rules apply for accounting for purpose investments, certain working capital ("proceeds spent last" method), grants, reimbursements and commingled funds.

⁶¹ Treas. Reg. Section 1.148-6(b)(1). For more information on the universal cap rules, see Treas. Reg. Section 1.148-6(b)(2).

⁶² Treas. Reg. Section 1.148-6(d)(1)(ii).

⁶³ Treas. Reg. Section 1.148-6(d)(1)(iii).

⁶⁴ Treas. Reg. Section 1.148-6(d)(1)(i).

⁶⁵ Treas. Reg. Section 1.148-6(a)(3).

Part VI

Example of Calculation of Rebate Amount and Yield Restriction Analysis

The following is an example to demonstrate the application of basic concepts of the yield restriction and rebate requirements.

Facts: \$49,000,000 variable yield bond issue with an issue date of January 1, 1994. The bond issue's first interim computation date is January 1, 1999.⁶⁶ The bond yield calculated for the first computation period is 7.00%.

In this example, the issuer received \$49,000,000 in gross proceeds from the sale of bonds, and on the issue date applied \$41,000,000 to purchase a U.S. Treasury note investment with an annual coupon yield of 7.53% and \$8,000,000 to purchase a U.S. Treasury money fund investment bearing an annual interest rate of 4.97%.⁶⁷ In this example, receipts from investments, unless reinvested, are disbursed immediately for the governmental purpose of the bonds.

The investment transactions used in this example are categorized as either payments or receipts. The general types of investment transactions, and their treatment, appear in the following chart. Within a typical computation of the rebate amount (or yield reduction payment), payments are represented by a negative number (monies going out) and receipts by a positive number (monies coming in).

Payments	Receipts
(Purchase)	Maturity
(Accrued interest)	Sale
(Premium)*	Accrued interest
Discount*	Gain*
(Value at initial allocation)	(Loss)*
(Prior period value)	Interest
(Prior period rebate amount, if negative)	Dividends
(Computation credit)**	Value at end of allocation
(Yield reduction payment)	End of period value
	Prior period rebate amount, if positive

*These are only used as adjustments if the par value of an investment is used to represent the purchase, maturity or sale of an investment.

**Excluded from payments for purposes of computing yield reduction payments.

⁶⁶ See the discussion of computation dates in Part IV.

⁶⁷ For ease of illustration, all transactions (purchases and sales) of the note and the fund are at par and interest payments on the fund only occur on dates when there are purchases or sales. Transaction totals are rounded to whole dollar amounts.

The accounting entries for payments and receipts on the note investment are shown in Table 1. The note purchase is shown as a \$41,000,000 payment on January 1, 1994. The semiannual interest payments received on the note on each January 1 and July 1 are reflected as receipts. Sales of portions of the note occur periodically on January 1, 1995, September 1, 1995, and March 1, 1996, and are also reflected as receipts.

Table 1

Date	U.S. Treasury Note		7.530%	
	Buy Payment (-)	Sell Receipt (+)	Interest Receipt (+)	Investment Balance
01/01/94	(41,000,000)			41,000,000
02/01/94				41,000,000
05/01/94				41,000,000
07/01/94			1,543,650	41,000,000
01/01/95		1,780,000	1,543,650	39,220,000
07/01/95			1,476,633	39,220,000
09/01/95		18,275,000	231,844	20,945,000
01/01/96			788,579	20,945,000
03/01/96		20,945,000	259,971	0
	(41,000,000)	41,000,000	5,844,328	

Table 2 illustrates the accounting entries for payments and receipts on the fund investment. The purchase of the initial investment in the fund is shown as an \$8,000,000 payment on January 1, 1994. Purchases of subsequent investments in the fund (representing immediate reinvestment in the fund of all receipts from interest earnings on the note and the fund on each date) are reflected as additional payments on July 1, 1994, July 1, 1995, and January 1, 1996. The periodic interest payments received on the fund are reflected as receipts. Sales of portions of the fund occur on February 1, 1994, May 1, 1994, January 1, 1995, September 1, 1995, and March 1, 1996, which are also reflected as receipts.

Table 2

Date	U.S. Treasury Money Fund		4.970%	
	Buy Payment (-)	Sell Receipt (+)	Interest Receipt (+)	Investment Balance
01/01/94	(8,000,000)			8,000,000
02/01/94		2,966,230	33,770	5,033,770
05/01/94		4,938,996	61,004	94,774
07/01/94	(1,544,437)		787	1,639,212
01/01/95		1,635,279	41,071	3,932
07/01/95	(1,476,730)		97	1,480,662
09/01/95		1,480,655	12,500	7
01/01/96	(788,579)		0	788,586
03/01/96		788,586	6,443	0
	(11,809,746)	11,809,746	155,672	

Table 3 combines the amounts of payments and receipts for each date from Table 1 and Table 2 to summarize the payments and receipts included in the computation of rebate amount and the computation of yield on investment. The total payments column represents the sum of payments for purchases of the note and the fund, represented as negative amounts. The total receipts column represents the sum of receipts from investment earnings on and sales of the note and the fund, represented as positive amounts. The net payments and receipts column is the sum of the payments and receipts columns.

Table 3

Date	Total Payments (-)	Total Receipts (+)	Net Payments and Receipts
01/01/94	(49,000,000)	0	(49,000,000)
02/01/94	0	3,000,000	3,000,000
05/01/94	0	5,000,000	5,000,000
07/01/94	(1,544,437)	1,544,437	0
01/01/95	0	5,000,000	5,000,000
07/01/95	(1,476,730)	1,476,730	0
09/01/95	0	20,000,000	20,000,000
01/01/96	(788,579)	788,579	0
03/01/96	0	22,000,000	22,000,000
	(52,809,746)	58,809,746	6,000,000

Generally, on dates when investments mature or are sold, or interest earnings are received, a receipt is included in the calculation of rebate amount. On dates when investments roll over or are purchased, or interest earnings are reinvested, a payment is included in the calculation of rebate amount. The payments and receipts on a corresponding date offset each other and the daily net total is included in the calculation of rebate amount.

Rebate Amount Calculation

Table 4 illustrates the calculation of rebate amount for the January 1, 1999, computation date based on the net payments and receipts column from Table 3 and the permitted computation credit on the last day of each bond year during which there are amounts allocated to gross proceeds of an issue subject to the rebate requirement. The rebate amount for the computation date is calculated as the sum of the future values of each payment, receipt and computation credit⁶⁸ as of the computation date using the bond yield (7.00% per year) as the rate of return in the future value computation. The rebate amount as of January 1, 1999, is \$452,432.

⁶⁸ Prior to 2007, the amount of the computation credit available under Treas. Reg. Section 1.148-3(d)(1)(iv) was \$1,000. See also footnote 58 for more information on the increase in the computation credit.

Table 4

Date	Net Payments and Receipts	Future Value at Bond Yield
01/01/94	(49,000,000)	(69,119,339)
02/01/94	3,000,000	4,207,602
05/01/94	5,000,000	6,893,079
07/01/94	0	0
01/01/95	5,000,000	6,584,045
01/01/95	(1,000)	(1,317)
07/01/95	0	0
09/01/95	20,000,000	25,155,464
01/01/96	0	0
01/01/96	(1,000)	(1,229)
03/01/96	22,000,000	26,735,275
01/01/97	(1,000)	(1,148)
		452,432

Table 4 demonstrates that the rebate amount is \$452,432 as of the January 1, 1999, computation date. The issuer must submit a rebate payment of at least 90% of this amount within 60 days of this interim computation date by filing Form 8038-T and including the required payment. If January 1, 1999 was the final computation date, the issuer must submit 100% of the rebate amount.

Yield Restriction Analysis

An issuer determines whether it has complied with the yield restriction requirements by comparing the yield on investment with the maximum yield that is not materially higher than the yield on the bond issue. The issuer should include all unconditionally payable receipts and all unconditionally payable payments.

Computation of Yield Reduction Payments

For certain investments, an issuer can make yield reduction payments (including rebate payments) to the U.S. Treasury that reduce the yield on the investments for the yield restriction requirements. For an eligible investment class, an issuer must pay the amount that will result in the yield on that class not being materially higher than the bond yield.

The example below assumes that the bond issue is entitled to the general 30-day temporary period and the general 1/8th of 1% materially higher yield limit.

Table 5 shows the payments for and receipts from investments in the note and the fund. The amounts entered for January 31, 1994 (the first day after the end of the general 30-day temporary period) are the values of the investments as of that date for the note and the fund, originally purchased on January 1, 1994. As permitted under the arbitrage requirements, the issuer values the note at present value and the fund at fair market value (essentially par plus accrued interest). The yield restriction requirements provide for certain temporary periods during which yield restriction does not apply. Consequently, the initial temporary period is not included in the determination of yield on investment. The result is that instead of the calculation starting on the issue date, it starts when the temporary period ends.

Table 5

Date	U.S. Treasury Note		7.530%	U.S. Treasury Money Fund		4.970%
	Value Payment (-)	Sell Receipt (+)	Interest Receipt (+)	Value/Buy Payment (-)	Sell Receipt (+)	Interest Receipt (+)
01/01/94	N/A			N/A		
01/31/94	(41,245,085)			(8,032,681)		
02/01/94					2,966,230	33,770
05/01/94					4,938,996	61,004
07/01/94			1,543,650	(1,544,437)		787
01/01/95		1,780,000	1,543,650		1,635,279	41,071
07/01/95			1,476,633	(1,476,730)		97
09/01/95		18,275,000	231,844		1,480,655	12,500
01/01/96			788,579	(788,579)		0
03/01/96		20,945,000	259,971		788,586	6,443
	(41,245,085)	41,000,000	5,844,328	(11,842,427)	11,809,746	155,672

Table 6 summarizes the payments and receipts from Table 5 included in the computation of yield on investment. The total payments column represents the sum of payments from the value of investments (as of January 31, 1994) and purchases of the fund. The total receipts column represents the sum of receipts from investment earnings on and sales of the note and the fund.

Under the yield restriction requirements, the yield on investments cannot be materially higher than the yield on the bonds. The yield on an investment allocated to an issue is the discount rate that, when used in computing the present value as of the date the investment is first allocated to the issue of all unconditionally payable receipts from the investment, produces an amount equal to the present value of all unconditionally payable payments for the investment. When the net receipts and payments in Table 6 are present valued to January 31, 1994, that discount rate (which is the yield on investment) is 7.451%, exceeds the materially higher yield limit of 7.125%.

Table 6

Date	Total Payments (-)	Total Receipts (+)	Net Payments and Receipts
01/01/94			0
01/31/94	(49,277,766)	0	(49,277,766)
02/01/94	0	3,000,000	3,000,000
05/01/94	0	5,000,000	5,000,000
07/01/94	(1,544,437)	1,544,437	0
01/01/95	0	5,000,000	5,000,000
07/01/95	(1,476,730)	1,476,730	0
09/01/95	0	20,000,000	20,000,000
01/01/96	(788,579)	788,579	0
03/01/96	0	22,000,000	22,000,000
	(53,087,512)	58,809,746	5,722,234

Table 7 illustrates a method of calculating the excess arbitrage earnings equaling the amount

of a yield reduction payment necessary to reduce the yield on investment to the maximum permitted yield of 7.125%, which is not materially higher than the bond yield. The yield reduction payment is calculated using the sum of the future values of each payment and each receipt as of the relevant computation date (January 1, 1999) using the bond yield adjusted to the materially higher yield (7.125% per year) as the interest rate in the future value computation.

Table 7

Date	Net Payments and Receipts	Future Value to Yield Restriction Limit
01/01/94	0	0
01/31/94	(49,277,766)	(69,538,765)
02/01/94	3,000,000	4,232,654
05/01/94	5,000,000	6,932,027
07/01/94	0	0
01/01/95	5,000,000	6,615,919
07/01/95	0	0
09/01/95	20,000,000	25,256,907
01/01/96	0	0
03/01/96	22,000,000	26,826,890
	5,722,234	325,632

Table 7 demonstrates that the yield on investments exceeds the bond yield increased to the materially higher limit by \$325,632, which, unless reduced, would cause the bonds to be arbitrage bonds. In this example, the issuer can make a yield reduction payment because this is a variable yield bond. The yield reduction payment necessary to reduce the yield on investment to the allowable materially higher limit (that is, 7.125%) is \$325,632. The issuer must submit a yield reduction payment within 60 days of the interim computation date by filing Form 8038-T together with the required payment, but need not submit a payment more than once every five years.

In this example, the issuer's arbitrage liability to the U.S. Treasury, as of the January 1, 1999 computation date, would include a yield reduction payment of \$325,632 and rebate of \$126,800 (\$452,432 minus \$325,632), because the yield reduction payment is treated as a payment in the determination of rebate amount under Treas. Reg. Section 1.148-3(d)(1)(v). The issuer would report this arbitrage liability and submit payment using Form 8038-T. Because January 1, 1999 is an interim computation date, the issuer need only make a payment equal to at least 90% of the rebate amount as of that date to satisfy the rebate requirements.⁶⁹ For the final computation date, an issuer must pay 100% of the rebate amount.

⁶⁹ Treas. Reg. Section 1.148-3(f)(1).

Part VII

Information and Services

You can find information about the tax laws that apply to tax-exempt bonds and other municipal financing arrangements at [IRS.gov/bonds](https://www.irs.gov/bonds), including:

- [Published guidance](#) about the tax laws that apply to municipal financing arrangements, including revenue rulings, revenue procedures, notices and announcements.
- [Tax forms, instructions and publications](#) related to tax-exempt bonds.
- Additional educational resources on [Voluntary Compliance](#).

If you have account specific questions, call Customer Account Services toll-free at 877-829-5500.

What to do if you discover a violation - The TEB Voluntary Closing Agreement Program

The IRS is committed to resolving federal tax violations with the issuer. The TEB Voluntary Closing Agreement Program (TEB VCAP) provides remedies for issuers of tax-exempt bonds, tax credit bonds, and direct pay bonds that voluntarily come forward to resolve a violation that cannot be corrected under self-correction programs found in the Treas. Reg. or other published guidance. [Notice 2008-31](#) provides information and general guidance about TEB VCAP. [Internal Revenue Manual \(IRM\) Section 7.2.3](#) provides general procedures under which the IRS will enter into closing agreements. Closing agreement terms and amounts vary by the degree of the violation as well as the facts and circumstances.

TEB VCAP offers standardized methods for resolving certain types of noncompliance, referred to as resolution standards. For example, TEB VCAP offers a resolution standard for circumstances in which a failure of an escrow agent or trustee to perform obligations under an escrow agreement to purchase U.S. Treasury Securities – State and Local Government Series necessary to maintain compliance with yield restriction requirements results in a yield restriction violation. TEB VCAP is also available to resolve other violations of the yield restriction and rebate requirements.

An issuer must use [Form 14429](#), Tax Exempt Bonds Voluntary Closing Agreement Program Request, to submit a request and provide the required information. While the IRS generally enters into closing agreements with the issuer of the bonds, in certain cases other parties to the bond transaction (including an entity borrowing the bond proceeds) may also participate in the negotiations and jointly execute the agreement.

For more information about this program, including request submission requirements, case processing procedures and resolutions standards, see [IRM Section 7.2.3](#).

JOINT POWERS AGREEMENT

FOR ADDRESS NUMBERING AND ROAD NAMING SERVICES

This Joint Powers Agreement (“Agreement”) is entered into by and between **Beltrami County, Minnesota** (“County”) and the **City of _____, Minnesota** (“City”), collectively referred to as the “Parties.”

1. Authority

This Agreement is made pursuant to the authority granted in Minnesota Statutes § 471.59, which permits governmental units to cooperate in the exercise of common powers.

2. Purpose

The purpose of this Agreement is to establish a uniform system for address numbering and road naming within the City by delegating such authority to the County, thereby promoting public safety and efficient emergency response.

3. Delegation of Authority

3.1 Scope of Delegation

The City hereby delegates to the County the authority to:

- (a) Assign, reassign, or correct property address numbers;
- (b) Name and rename public and private roads;
- (c) Charge County-approved fees to property owners and/or developers when applying for new addresses or road names;
- (d) Establish and enforce addressing and road naming standards;
- (e) Install, maintain, and replace address signage in accordance with County ordinance;
- (f) Maintain official addressing records and databases.

3.2 Acceptance by County

The County agrees to perform the above functions in accordance with its Address Identification and Road Naming Ordinance, as may be amended.

3.3 Municipal Consultation for Road Naming

1. Prior to the naming or renaming of any road located within the City, the County shall provide notice to the City and an opportunity for review and comment.
2. The City may submit recommendations for proposed road names, including:
 - (a) Names for new roads;
 - (b) Requests to rename existing roads;
 - (c) Comments on County-proposed names.
3. The County shall give due consideration to City recommendations, including:
 - (a) Consistency with local planning, history, and community identity;
 - (b) Avoidance of duplication or confusion within the City;
 - (c) Compatibility with emergency response and dispatch systems.
4. The County may establish a standard review period (e.g., 30 days) for City input. If no response is received within the review period, the County may proceed with the naming decision.

5. In cases where timely action is required to protect public safety or ensure emergency response capability, the County may assign or modify a road name without prior City input, provided that the City is notified as soon as practicable.
6. Final authority for road naming and renaming shall remain with the County to ensure a uniform and consistent addressing system across jurisdictions.

4. Retained Municipal Authority

The City retains authority over:

- (a) Land use planning and zoning;
- (b) Street construction, maintenance, and infrastructure;
- (c) Other municipal functions not expressly delegated under this Agreement.

5. Standards and Uniformity

5.1 General City Compliance

The City agrees to comply with all County standards, policies, and procedures related to addressing and road naming to ensure a consistent countywide system.

5.2 Legacy Addressing Areas (“Grandfathered Areas”)

1. Recognition of Legacy Conditions

The Parties acknowledge that certain areas within the City may contain existing addresses that do not conform to current County addressing standards, including but not limited to irregular sequencing, inconsistent parity (odd/even numbering), duplications, or other substandard conditions (“Legacy Addressing Areas”).

2. Grandfathering of Existing Addresses

Except as provided in subsection (3) below, the County shall not be required to modify, reassign, or bring into compliance any existing address within a Legacy Addressing Area solely for the purpose of achieving consistency with current addressing standards. Such addresses shall be deemed valid for all governmental and service delivery purposes under this Agreement.

3. Limited Circumstances for Change

The County may recommend, and the Parties may mutually agree to implement, changes to existing addresses within a Legacy Addressing Area only under the following circumstances:

- (a) where necessary to resolve a demonstrable public safety concern, including but not limited to emergency response confusion or delay;
- (b) where redevelopment, subdivision, or significant land use change necessitates readdressing;
- (c) where duplicate or conflicting addresses create operational or legal issues; or
- (d) where the affected property owner(s) request a change and both Parties approve.

4. No Obligation to Retrofit

Nothing in this Agreement shall be construed to require the County to proactively audit or retrofit Legacy Addressing Areas to conform with current standards. The Parties expressly agree that maintaining stability of long-standing addressing patterns may, in certain cases, better serve residents, businesses, and public services than imposing corrective changes.

5. Notice of Nonconformity

When appropriate, the County may note in its records that addresses within Legacy Addressing Areas are nonconforming to current standards; however, such designation shall not affect the validity or usability of the address.

6. Acknowledgement of Risk

The Parties acknowledge that Legacy Addressing Areas present inherent inconsistencies. By electing to grandfather such areas, the Parties accept that strict compliance with modern addressing standards is not always achievable or desirable.

7. Limitation of Liability

The County shall not be held liable for issues arising solely from the continued use of grandfathered, nonconforming addresses, provided the County has acted in good faith under the terms of this Agreement.

6. Cost Allocation and Recovery

6.1 General Costs

The County may fund addressing and road naming services through:

- General revenues such as property taxes;
- Service fees collected from applicants (e.g., property owners);
- Grants;
- Other cost recovery mechanisms authorized by law.

6.2 Special Assessments

Where the County undertakes systematic or area-wide address sign installation or replacement that provides a special benefit, the County may recover costs through special assessments in accordance with Minnesota Statutes Chapter 429.

6.3 City Participation

The City agrees that properties within its jurisdiction may be subject to such assessments where applicable, and the City shall cooperate with the County in assessment proceedings if required.

7. Data Sharing and Coordination

The Parties shall share relevant data, including:

- Parcel and property records;
- Road and infrastructure data;
- Geographic Information System (GIS) information.

The County shall serve as the official repository for addressing data used by emergency services and dispatch systems.

8. Sign Installation and Maintenance

The County shall be responsible for:

- Installation of driveway-mounted address signs, consistent with the placement standards included in the County's Ordinance;
- Maintenance, repair, and replacement of driveway-mounted address signs;
- Monitoring driveway-mounted sign conditions on an area-wide basis.

The City agrees to assist in public communication and coordination with residents as needed.

9. Term and Termination

9.1 Term

This Agreement shall remain in effect until terminated by either Party.

9.2 Termination

Either Party may terminate this Agreement upon:

- Written notice of at least one hundred eighty (180) days; and
- Mutual coordination to ensure continuity of addressing services.

10. Transition Upon Termination

Upon termination:

- The County shall provide the City with all relevant addressing records;
- The Parties shall cooperate to ensure no disruption to emergency response services;
- Any outstanding financial obligations shall be resolved.

11. Liability and Insurance

Each Party shall be responsible for its own acts and omissions and those of its officers, employees, and agents, and shall not be responsible for the acts of the other Party.

Nothing in this Agreement shall be deemed a waiver of any immunities or limits of liability available under Minnesota law.

12. Dispute Resolution

The Parties agree to attempt to resolve disputes through:

1. Informal staff-level discussions;
2. Escalation to administrative leadership;
3. Mediation, if necessary.

13. Amendment

This Agreement may be amended only by written agreement approved by both the County Board and the City Council.

14. Severability

If any provision of this Agreement is held invalid, such invalidity shall not affect the remaining provisions.

15. Effective Date

This Agreement shall become effective upon approval by both Parties and execution by authorized officials.

16. Execution

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates indicated below.

BELTRAMI COUNTY, MINNESOTA

By: _____

Title: _____

Date: _____

CITY OF _____, MINNESOTA

By: _____

Title: _____

Date: _____

DRAFT