AGENDA
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
CHASKA EVENT CENTER -3210 CHASKA BLVD & ZOOM
Monday, August 03, 2020
7:00 PM

1. Call to Order
2. Roll Call
3. Adopt Agenda
4. Approve Previous Meeting Minutes
    A. Approve the July 6, 2020 EDA Meeting Minutes
5. Discussion Items
    A. Adopt Resolution EDA 2020-8, Issuance and Sale of Chaska EDA Bonds: Series 2020E
6. Other Business
7. Adjourn

- MINUTES -
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
JULY 6, 2020

DRAFT

1. Call to Order
President Windschitl called the meeting to order at 9:43 pm.

2. Roll Call
Roll call was taken. Present: Commissioners Hatfield, Hubbard, Grau, and President Windschitl. Absent: Commissioner Huang.

Also Present: Nate Kabat, Assistant Executive Director, Matt Podhradsky, Executive Director, City Attorney Melchert, and Administrative Services Director Graczyk.

3. Agenda
Motion by Commissioner Hatfield, second by Commissioner Grau to adopt the agenda as presented.
Motion carried.

4. Minutes
Motion by Commissioner Hubbard, second by Commissioner Hatfield to approve the minutes of the June 15, 2020 EDA meeting.
Motion carried.

5. Discussion Items
5.A. Adopt Resolution EDA 2020-7, ISSUANCE AND SALE OF BONDS: SERIES 2020E
Assistant Executive Director Kabat introduced the item to the Commission.

Administrative Services Director Graczyk presented the item to the Council.

Commissioner Hubbard asked for clarification regarding State Statute dictation regarding no refunding under 3%.

Administrative Services Director Graczyk provided further detail regarding that statute.

Motion by Commissioner Hubbard, second by Commissioner Grau to adopt Resolution No. EDA 2020-7 authorizing issuance and sale of $2,795,000 Lease Revenue and Limited Tax Refunding Bonds, Series 2020E.
Motion carried.

5.B. Authorize the Executive Director to sign a letter of intent with Carver County CDA to redevelop the Ernst House Property at 211 and 217 Walnut St.
Assistant Executive Director Kabat presented the item to the Commission.

Commissioner Hatfield inquired if there is an impact on the City by doing the two projects.

Executive Director Podhradsky stated there is not and provided further detail regarding the project.

Assistant Executive Director Kabat explained how the ownership differs between Theis & Talle Management versus CDA.

President Windschitl inquired if Theis & Talle are seeking bids again.

Assistant Executive Director Kabat stated they have re-engaged with builders to see if they can get costs down.

President Windschitl asked if this goes off of tax rolls if it goes to CDA.

Executive Director Podhradsky stated it does not as it is land trust.

President Windschitl inquired about the block clean-up progress of the site.

Assistant Executive Director Kabat spoke further regarding that process.

President Windschitl looked to clarify that if Theis & Talle still does this, the City would get most of the costs back in moving it and inquired if that is the same if it goes to CDA.

Executive Director Podhradsky stated it is the same economics between the two.

President Windschitl inquired how many units the CDA is going to build.

Assistant Executive Director stated it would be four total units, and Theis & Talle would likely do something like that as well.

Motion by Commissioner Grau, second by Commissioner Hatfield to authorize the Executive Director to sign a letter of intent with the Carver County CDA to purchase and redevelop the Ernst House Property at 211 and 217 Walnut St.
Motion carried.

6. Other Business
There was no other business.

7. Adjourn
Motion by Commissioner Hatfield, second by Commissioner Hubbard to adjourn the meeting at 10:01 pm.
Motion carried.

REQUEST FOR ACTION
CHASKA ECONOMIC DEVELOPMENT AUTHORITY
08/03/2020

Subject: **Issuance and Sale of Chaska EDA Bonds: Series 2020E**
Lease Revenue and Limited Tax Refunding Bonds, Series 2020E

Prepared By: Noel Graczyk, Administrative Services Director
Kelly Grinnell, Finance Manager

Overview
Baker Tilly Municipal Advisors, LLC (BTMA), Municipal Advisor to the City, and City staff have together structured a Lease Revenue and Limited Tax Refunding Bond to be issued by the Chaska EDA (EDA.) Series 2020E to be issued by the EDA is a current refunding that captures economic savings by reducing future debt service interest costs. This series does not include a G.O. pledge and instead requires an annual appropriation by the City. By resolution, the City has requested that the EDA approve and issue this refunding series.

A representative with BTMA will be available at the meeting by remote video. BTMA will review bids to be received on Monday, August 3, 2020 as well as actual sale results.

Attached is Preliminary Official Statement (POS) dated July 17, 2020 for issuance of Series 2020E by the EDA. This POS will be used to offer this series of bonds to underwriters bidding to purchase as well as to perspective secondary buyers. A final post-sale Official Statement (OS) will be issued by EDA to reflect actual final sale results.

On Thursday, July 30, 2020, Series 2020E was assigned a "AA-" rating with a "Negative" outlook by S&P Global Ratings (FKA, Standard & Poor's). The EDA has retained this "AA-" EDA Lease Revenue rating on issued and outstanding debt since 2008. A copy of the rating report from S&P Global Ratings is enclosed. The following is an overview of Series 2020E.

$2,795,000 Lease Revenue and Limited Tax Refunding Bonds, Series 2020E
This current refunding will refund outstanding EDA Lease Revenue and Limited Tax Bonds, Series 2013A. Series 2013A was originally issued to finance ice area improvements at the Chaska Community Center. The amount of refunding savings by issuance of Series 2020E is as follows.

Project	Project Cost	Issuance Costs	Other Sources	PAR Bonding	Estimated Present value Savings
Current Refunding of 2013A EDA Bonds	$2,735,000	$331,745	$(271,745)	$2,795,000	$275,044 8.8%

Attached is a draft of the Amended and Restated Lease from the City of Chaska to the EDA. This lease will be referenced as part of the Series 2020E resolution to be adopted by the EDA. This lease provides for repayment of these EDA Series 2020E Bonds by annual lease payments from the City to the EDA. Also refenced in the Series 2020E resolution and attached is the Trustee Indenture. The Trustee will be used to administer both lease payments and debt payment for Series 2020E.

G.O. Pledge, Security, and Source of Payment

Chaska EDA Series 2020E does not include a G.O. pledge to repay debt service. EDA refunding bonds Series 2020E are a special limited obligation of the EDA payable from rental payments to be received by the EDA from the City pursuant to the Lease and from net revenues of the EDA derived from special tax levies. Series 2020E constitute an annual appropriation of the City to fund the annual lease payments.

Public Sale

A final actual PAR amount will not be determined until after public bids are opened. Staff recommends adoption of the sale resolution in final form. Enclosed is a draft of the proposed resolution. This resolution will be prepared in final form on Monday by Dorsey and Whitney, LLP, Bond Counsel to the City.

Staff Recommendation

Staff recommends sale of Series 2020E bonds and approval of the sale resolution.

EDA ACTION REQUESTED

Motion to adopt Chaska EDA Resolution No. 2020-___ authorizing issuance, awarding sale, prescribing the form and details, and providing for the execution, delivery, and security of $_________________ Lease Revenue and Limited Tax Refunding Bonds, Series 2020E.

CERTIFICATION OF MINUTES RELATING TO
CITY OF CHASKA ECONOMIC DEVELOPMENT AUTHORITY
LEASE REVENUE AND LIMITED TAX REFUNDING BONDS

Issuer: Economic Development Authority of the City of Chaska, Minnesota

Governing Body: Board of Commissioners

Kind, date, time and place of meeting: A regular meeting held on August 3, 2020, at 7:30 p.m., at the City Hall.

Commissioners Present:

Commissioners Absent:

Documents Attached:
Minutes of said meeting (including):

RESOLUTION NO. EDA 2020-8

RESOLUTION RELATING TO LEASE REVENUE AND LIMITED TAX REFUNDING BONDS; AUTHORIZING THE ISSUANCE, AWARDING SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT THEREOF

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the Bonds referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said Bonds; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer on ____________, 2020.

____
Secretary

4851-8864-0194\1

It was reported that [_____] ([____]) proposals for the purchase of $[PAR] Lease Revenue and Limited Tax Bonds, Series 2020A were received prior to 11:00 A.M., Central Time, on Monday, August 3, 2020, pursuant to the Preliminary Official Statement distributed to potential purchasers of the Bonds by Baker Tilly Municipal Advisors, LLC, municipal advisor to the Authority. The proposals have been publicly opened, read and tabulated and were found to be as follows:

Commissioner __________________ introduced the following resolution and moved its adoption, which motion was seconded by Commissioner __________________:

RESOLUTION NO. EDA 2020-8

RESOLUTION RELATING TO LEASE REVENUE AND LIMITED TAX REFUNDING BONDS; AUTHORIZING THE ISSUANCE, AWARDING SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT THEREOF

WHEREAS, the Economic Development Authority of the City of Chaska, Minnesota (the "Authority"), has heretofore issued its Lease Revenue and Limited Tax Bonds, Series 2013A, dated July 18, 2013, in the aggregate original principal amount of $3,850,000 (the "Series 2013A Bonds"), to finance replacement equipment for the Chaska Community Center's two ice arenas and HVAC systems (the "Equipment") in the City of Chaska, Minnesota (the "City"); and

WHEREAS, the Series 2013A Bonds were issued pursuant to a resolution of the Authority adopted by the Board of Commissioners on June 17, 2013 (the "2013 Bond Resolution") and a Trust Indenture, dated as of July 1, 2013 (the "Original Trust Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and a Lease Agreement, dated as of July 1, 2013, between the Authority, as lessor, and the City (the "Original Lease"); and

WHEREAS, Section 2.10 of the Original Trust Indenture authorizes the Authority, upon the request of the City, to issue Additional Bonds to refund any Bonds then Outstanding and enter into supplements to the Original Trust Indenture and amendments to the Original Lease; and

WHEREAS, the City, pursuant to a resolution adopted on the date hereof, has requested the Authority issue Additional Bonds to refund the Series 2013A Bonds;

WHEREAS, the Authority has agreed to issue its Lease Revenue and Limited Tax Refunding Bonds, Series 2020E, as further described herein (the "Bonds"), for the purpose of refunding the Series 2013A Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners (the "Board") of the, as follows:

SECTION 1. AUTHORIZATION AND SALE.

1.01. Authorization. Acting pursuant to Minnesota Statutes, Section 469.012, subdivision 1(h), the Authority has the power to acquire personal property. The same provision of law authorizes the Authority to finance and refinance the personal property and lease the personal property to the City. Pursuant to Minnesota Statutes, Sections 469.033 and 469.034, and Chapter 475, the Authority has the power to issue revenue bonds to provide the funds necessary to finance and refinance the purchase of personal property.

Pursuant to the foregoing authority, the Authority proposes to refinance the costs of acquiring the Equipment by issuing its tax-exempt revenue bonds, in one or more series (the

"Bonds"), to refund the Series 2013A Bonds. The Authority further proposes to continue leasing the Equipment to the City pursuant to an amendment and restatement of the Original Lease Agreement (the "Amended and Restated Lease," and together with the Original Lease, the "Lease"), between the Authority, as lessor, and the City, as lessee.

Bonds issued under this resolution and a supplement to the Original Trust Indenture relating to the Bonds entered into between the Trustee and the Authority (the "Supplemental Indenture," and together with the Original Trust Indenture, the "Indenture") will be secured solely by rental payments to be made by the City pursuant to the Lease and a limited pledge of the Authority's taxing power as described in Section 5 hereof and funds held by the Trustee under the Indenture and said Bonds and the interest on said Bonds shall be payable solely from the revenue pledged therefor under the Indenture, including the pledge of the Authority's taxing power, and no such Bonds shall constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City, other than the revenues pledged to the payment of the Bonds under the Indenture.

The obligation of the City created by the Lease shall not, as provided in Minnesota Statutes, Section 465.71, be included in the calculation of net debt of the City for purposes of Minnesota Statutes, Section 475.53.

Under the Lease, and subject to the right of termination by the City at the end of each fiscal year of the City as provided in the Lease, the City is to pay to the Authority sufficient money each year to pay the principal of, premium, if any, and interest on the Bonds issued under this resolution and the Indenture, and the City is to provide the cost of maintaining the Equipment in good repair, the cost of keeping the Equipment properly insured, and any payments required for taxes and any expenses incurred by the Authority in connection with the Equipment.

1.02. Sale of Bonds. The Authority has retained Baker Tilly Municipal Advisors, LLC, municipal advisor to the City (the "Municipal Advisor"), to assist the Authority in connection with the sale of the Bonds on a competitive basis. The Bonds are being sold pursuant to Minnesota Statutes, Section 475.60, subdivision 2, paragraph (9), without meeting the requirements for public sale under Minnesota Statutes, Section 475.60, subdivision 1. Pursuant to the Terms of Proposal and the Preliminary Official Statement prepared on behalf of the City by the Municipal Advisor, sealed or electronic proposals for the purchase of the Bonds were received at or before the time specified for receipt of proposals. The proposals have been opened, publicly read and considered and the purchase price, interest rates and net interest cost under the terms of each proposal have been determined. The most favorable proposal received is that of [PURCHASER], in [City, State], and [associates] (the "Purchaser"), to purchase the Bonds in the principal amount of $[PAR], at a price of $[_______] plus accrued interest, if any, on all Bonds to the day of delivery and payment, on the further terms and conditions hereinafter set forth.

1.03. Award. The sale of the Bonds is hereby awarded to the Purchaser, and the President and Executive director are hereby authorized and directed on behalf of the Authority to execute a contract for the sale of the Bonds with the Purchaser in accordance with the Preliminary Official Statement. The good faith deposit of the Purchaser shall be retained and deposited by the Authority until the Bonds have been delivered, and shall be deducted from the purchase price paid at settlement.

SECTION 2. BOND TERMS; REGISTRATION; EXECUTION AND DELIVERY.

2.01. Issuance of Bonds. For the purpose of refinancing the costs of purchasing the Equipment, this Board hereby authorizes the issuance of the Bonds in the aggregate principal amount of $[PAR]. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed precedent to and in the valid issuance of the Bonds having been done, now existing, having happened and having been performed, it is now necessary for the Board to establish the form and terms of the Bonds, to provide security therefor and to issue the Bonds forthwith.

2.02. Terms of the Bonds. The Bonds shall be designated "Lease Revenue and Limited Tax Refunding Bonds, Series 2020E. The terms of the Bonds, including without limitation, the date of original issue, interest payment dates, maturity dates and principal amounts, interest rates, redemption provisions, and provisions for registration and exchange shall be set forth in Articles II and III of the Indenture which are incorporated herein by reference.

2.03. Execution, Authentication and Delivery. The Bonds shall be executed by the Authority, and authenticated and delivered by the Trustee, in accordance with the applicable provisions of the Indenture which are incorporated herein by reference.

2.04. Form of Bonds. The Bonds shall be printed in substantially the form set forth in the Indenture.

SECTION 3. APPROVAL AND EXECUTION OF DOCUMENTS. The forms of the Amended and Restated Lease and Supplemental Indenture (the "Documents") are hereby approved. The President and Executive Director or their designees are hereby authorized and directed to execute and deliver the Documents and such other documents, instruments or certificates which are required to accomplish the issuance of the Bonds and the refinancing of the Equipment, including those described in Section 2.10 of the Original Indenture, in the name of and on behalf of the Authority with such variations, omissions, deletions and insertions as the President and Executive Director shall approve, which approval shall be conclusively presumed by the execution and delivery of the Documents by the President and Executive Director or their designees.

SECTION 4. RENTAL PAYMENTS. It is hereby estimated that the rental payments to be made by the City pursuant to the Lease will produce the amounts needed to meet, when due, the principal and interest payments on the Bonds.

SECTION 5. TAX LEVY. In the event that the City terminates or defaults under the Lease, or that the rental payments to be made by the City pursuant to the Lease are not sufficient to pay principal of and interest on, the Bonds, for the prompt and full payment of the principal of and interest on the Bonds as such payments respectively become due, the Authority hereby covenants to levy an annual tax not exceeding 0.0185 percent of taxable market value of the City as permitted in Minnesota Statutes, Section 469.033, subdivision 6, in the amount required to pay the principal of and interest on the Bonds and irrevocably appropriates the collections of such tax to the Bond Fund created in the Indenture for payment of the Bonds. It is hereby estimated that the rental payments to be made by the City pursuant to the Lease will produce the amounts needed to meet when due the principal and interest payments on the Bonds, and therefore no ad valorem taxes are required to be levied by the Authority at this time.

As required under the 2013 Bond Resolution and continuing until the Bonds are no longer outstanding, on or before August 1 of each year, in accordance with the budget procedure of the City and in the same manner as required of executive departments of the City, the Authority shall formulate and file a budget which sets forth the amount of the levy as may be required and authorized by Minnesota Statutes, Section 469.033, subd. 6. The amount of the levy for the following year shall be based on that budget. In no event shall the amount of the levy exceed maximum annual debt service on the Bonds in any one year. The Authority shall request the City to levy an amount equal to the lesser of (a) the amount set forth in such budget, or (b) the maximum amount of the Levy permitted by this Resolution, which shall not be greater than the maximum amount permitted by law.

SECTION 6. AUTHENTICATION OF TRANSCRIPT. The officers of the Authority are hereby authorized and directed to prepare and furnish to the purchaser of the Bonds, and to Dorsey & Whitney LLP, the attorneys rendering an opinion as to the legality thereof, certified copies of all proceedings and records relating to the Bonds and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of the Bonds, as the same appear from the books and records in their custody and control or as otherwise known to them, and all such certified copies, affidavits and certificates, including any heretofore furnished, shall be deemed representations of the Authority as to the correctness of all statements contained therein.

SECTION 7. <u>OFFICIAL STATEMENT</u>. The Preliminary Official Statement relating to the Bonds, prepared and distributed by the Municipal Advisor, is hereby approved. The Municipal Advisor is hereby authorized on behalf of the Authority to prepare and distribute to the Purchaser within seven business days from the date hereof, a Final Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Bonds required to be included in the Official Statement by Rule l5c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The officers of the Authority are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

SECTION 8. <u>TAX AND SECURITIES LAW MATTERS</u>.

8.01. <u>General Tax Covenant</u>. The Authority agrees with the owners from time to time of any tax-exempt series of the Bonds that it will not take, or permit to be taken by any of its officers, employees or agents, any action that would cause interest on such Bonds to become includable in gross income of the recipient under the Internal Revenue Code of 1986, as amended (the “Code”) and applicable Treasury Regulations (the “Regulations”), and agrees to take any and all actions within its powers to ensure that the interest on such Bonds will not become includable in gross income of the recipient under the Code and the Regulations. All proceeds of such tax-exempt Bonds deposited and expended in accordance with the provisions of the Indenture. So long as any tax-exempt Bonds are outstanding, the Authority shall not enter into any contract for the sale of all or a portion of the Equipment refinanced by such Bonds or enter into any lease, management contract, use agreement or other agreement with any non-governmental person relating to the use of all or a portion of the Equipment refinanced by such Bonds or security for the payment of such Bonds which might cause such Bonds to be considered “private activity bonds” or “private loan bonds” pursuant to Section 141 of the Code.

8.02. <u>Certification</u>. As it relates to any tax-exempt portion of the Bonds, the President and Executive Director, being the officers of the Authority charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the purchaser a certificate in accordance with Section 148 of the Code, and applicable Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of any tax-exempt portion of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of the Code and Regulations.

8.03. <u>Arbitrage Rebate</u>. The Authority acknowledges that any tax-exempt portion of the Bonds is subject to the rebate requirements of Section 148(f) of the Code. The Authority and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on such Bonds from gross income for federal income tax purposes.

8.04. No Bank Qualification. The Authority will not designate the Series 2020E Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

8.05. Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the Securities Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the "Rule"), which will enhance the marketability of the Bonds, the Authority hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The Authority and the City are the only obligated persons in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City or Authority fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The Authority will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the Authority, the following information at the following times:

(1) on or before 365 days after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2019, the following financial information and operating data in respect of the City (the "Disclosure Information"):

(A) the audited financial statements of the City for such fiscal year, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the

Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: "Appendix I – General and Financial Information Concerning the City of Chaska, Minnesota – City Property Values;" "– City Indebtedness;" and "– City Tax Rates, Levies and Collections."

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the Authority shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the Authority shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to each of the repositories hereinafter referred to under subsection (c) or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board (the "MSRB"). The Authority shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City or the Authority have materially changed or been discontinued, such Disclosure Information need no longer be provided if the Authority includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other Authority or City operations in respect of which data is not included in the Disclosure Information and the Authority determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the Authority shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "Material Fact"):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;

(E) substitution of credit or liquidity providers, or their failure to perform;

(F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security or other material events affecting the tax status of the Bonds;

(G) modifications to rights of holders of the Bonds, if material;

(H) bond calls, if material, and tender offers;

(I) defeasances;

(J) release, substitution or sale of property securing repayment of the Bonds, if material;

(K) rating changes;

(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;

(M) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

As used herein, for those events that must be reported if material, an event is "material" if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also "material" if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

(A) the failure of the Authority to provide the Disclosure Information required under paragraph (c)(1) at the time specified thereunder;
(B) the amendment or supplementing of this section pursuant to subsection (e), together with a copy of such amendment or supplement;
(C) the termination of the obligations of the Authority under this section pursuant to subsection (e);
(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
(E) any change in the fiscal year of the City.

(c) Identifying Information to Accompany Documents. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Term; Amendments; Interpretation. The covenants of the Authority in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the Authority under this section shall terminate and be without further effect as of any date on which the Authority delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the Authority to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof. This section may be amended or supplemented by the Authority from time to time, without notice to or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the Authority accompanied by an opinion of Bond Counsel, who may rely on certificates of the Authority and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the Authority or the City or the type of operations conducted by the Authority or the City, or (b) is required by, or better complies with, the provisions of paragraph (d)(2) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (d)(2) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule. This section is entered into to comply with, and should be construed so as to satisfy the requirements of, paragraph (d)(2) of the Rule.

SECTION 9. AUTHORIZATION OF PAYMENT OF CERTAIN COSTS OF ISSUANCE. The Authority authorizes the Trustee to pay costs of issuance of the Bonds as set forth in Exhibit A to the Supplemental Indenture.

SECTION 10. REGISTRATION OF BOND. The Secretary is hereby authorized and directed to file a certified copy of this resolution with the County Auditor of Carver County, together with such additional information as required, and to obtain from the County Auditor a certificate that the Bonds have been duly entered upon the County Auditor's bond register.

SECTION 11. REDEMPTION OF REFUNDED BONDS. The Authority is hereby directed to advise U.S. Bank National Association, St. Paul, Minnesota, as paying agent for the Refunded Bonds, to call the Refunded Bonds for redemption and prepayment on the Redemption Date, and to Notice of Redemption, substantially in the form attached hereto as Exhibit A, all in accordance with the provisions of the resolution authorizing the issuance of the Original Trust Indenture.

BE IT FINALLY RESOLVED that this resolution shall be in full force and effect from and after its passage and that a certified copy hereof shall be provided to the City.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.

EXHIBIT A
NOTICE OF REDEMPTION

Economic Development Authority of the City of Chaska, Minnesota
$3,850,000 Lease Revenue and Limited Tax Bonds, Series 2013A
(City of Chaska, Minnesota Lease Obligation)
Dated as of July 18, 2013

NOTICE IS HEREBY GIVEN that the Economic Development Authority of the City of Chaska, Minnesota (the “Authority”), has called for redemption and prepayment on December 1, 2020 (the “Redemption Date”), the outstanding Bonds of the above-referenced issue (the “Bonds”) maturing on December 1 in the following years, in the principal amounts and having the interest rates and CUSIP numbers listed below:

Year	Amount	Interest Rate	CUSIP Number*	Year	Amount	Interest Rate	CUSIP Number*
2021	$175,000	2.55%	16166N BT1	2026	$ 200,000	3.35%	16166N BY0
2022	175,000	2.75	16166N BU8	2027	205,000	3.50	16166N BZ7
2023	180,000	3.00	16166N BV6	2028	215,000	3.60	16166N CA1
2024	190,000	3.10	16166N BW4	2033	1,200,000	4.00	16166N CB9
2025	195,000	3.20	16166N BX4				

*Denotes Full Call.

The Bonds will be redeemed at a price of 100% of their principal amount plus accrued interest to the Redemption Date. On the Redemption Date, interest thereon shall cease to accrue. Such redemption price will be payable upon each such bond on the next succeeding business day following the Redemption Date.

A Form W-9, Payer's Request for Taxpayer Identification Number, must be completed and returned with the called Bond or 31% of the redemption proceeds will be withheld. Payment of bonds to be redeemed will be made on and after December 1, 2020, by submitting said Bond along with the completed form W-9 to U.S. Bank National Association at the following address:

By Overnight Delivery or Hand:	By Mail, Registered or Certified Mail:
U.S. Bank National Association	U.S. Bank National Association
Corporate Trust Services	Corporate Trust Services
111 Fillmore Avenue East	P.O. Box 64111
St. Paul, MN 55107	St. Paul, MN 55164-0111

Pursuant to U.S. federal tax laws, you have a duty to provide the applicable type of tax certification form issued by the U.S. Internal Revenue Service (“IRS”) to U.S. Bank National Association Corporate Trust Services to ensure payments are reported accurately to you and to the IRS. In order to permit accurate withholding (or to prevent withholding), a complete and valid tax certification form must be received by U.S. Bank National Association Corporate Trust Services before payment of the redemption proceeds is made to you. Failure to timely provide a valid tax certification form as required will result in the maximum amount of U.S. withholding tax being deducted from any redemption payment that is made to you.

Additional information may be obtained from the undersigned or from Baker Tilly Municipal Advisors, 380 Jackson Street, Suite 300, St. Paul, Minnesota (651-223-3000), municipal advisor to the Authority.

Dated: ____________, 2020

BY ORDER OF THE BOARD OF COMMISSIONERS
ECONOMIC DEVELOPMENT AUTHORITY OF THE
CITY OF CHASKA, MINNESOTA

By s/____
Matt Podhradsky, Executive Director

PRELIMINARY OFFICIAL STATEMENT DATED JULY 17, 2020

NEW ISSUE
NOT BANK QUALIFIED

S&P Rating: Requested

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2020E Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Series 2020E Bonds is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. The City will not designate the Series 2020E Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.

$2,795,000*

Economic Development Authority of the City of Chaska, Minnesota
Lease Revenue and Limited Tax Refunding Bonds, Series 2020E
(City of Chaska, Minnesota Lease Obligation) (the "Series 2020E Bonds")
(Book Entry Only)

Dated Date: Date of Delivery

Interest Due: Each June 1 and December 1, commencing June 1, 2021

The Series 2020E Bonds will mature December 1 in the years and amounts* as follows:

2021	$190,000	2024	$205,000	2027	$210,000	2030	$225,000	2032	$235,000
2022	$200,000	2025	$210,000	2028	$220,000	2031	$230,000	2033	$240,000
2023	$200,000	2026	$210,000	2029	$220,000				

The Economic Development Authority of the City of Chaska, Minnesota (the "Authority") may elect on December 1, 2030, and on any day thereafter, to redeem the Series 2020E Bonds due on or after December 1, 2031 at a price of par plus accrued interest.

The Series 2020E Bonds will be special, limited obligations of the Authority payable from rental payments to be received by the Authority from the City of Chaska, Minnesota (the "City") pursuant to an Amended and Restated Lease Agreement between the Authority and the City, dated September 1, 2020 (the "Lease"). The Series 2020E Bonds will be issued pursuant to a Trust Indenture, dated as of July 1, 2013, as supplemented by a First Supplemental Indenture, dated as of September 1, 2020 (together, the "Indenture") between the Authority and U.S. Bank National Association, Saint Paul, Minnesota (the "Trustee"), and resolutions of the Authority and the City. The Series 2020E Bonds are also secured by a pledge of net revenues of the Authority derived from special tax levies assessed pursuant to Minnesota Statutes, Section 469.033, but shall not constitute a debt for which the faith and credit or taxing powers of the Authority, the City, or the State of Minnesota will be pledged. The City's obligation under the Lease is subject to annual appropriation. The proceeds of the Series 2020E Bonds, along with available Authority funds, will be used to current refund the December 1, 2021 through December 1, 2033 maturities of the Authority's Lease Revenue and Limited Tax Bonds, Series 2013A (City of Chaska, Minnesota Lease Obligation), dated July 18, 2013.

Proposals shall be for not less than $2,775,435 plus accrued interest, if any, on the total principal amount of the Series 2020E Bonds. Proposals shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Proposals for the Series 2020E Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. Following receipt of proposals, a good faith deposit will be required to be delivered to the Authority by the lowest bidder as described in the "Terms of Proposal" herein. Award of the Series 2020E Bonds will be made on the basis of True Interest Cost (TIC).

The Series 2020E Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (the "Depository"). The Depository will act as securities depository of the Series 2020E Bonds. Individual purchases may be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Series 2020E Bonds purchased. (See "Book Entry System" herein.) The Trustee will serve as registrar (the "Registrar") for the Series 2020E Bonds. The Series 2020E Bonds will be available for delivery at DTC on or about September 2, 2020.

PROPOSALS RECEIVED: **Monday, August 3, 2020 until 11:00 A.M., Central Time**

CONSIDERATION OF AWARD: **Authority Board meeting commencing at 7:00 P.M., Central Time on Monday, August 3, 2020**

bakertilly
MUNICIPAL ADVISORS

Further information may be obtained from Baker Tilly Municipal Advisors LLC, Municipal Advisor to the City, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

* *Preliminary; subject to change.*

ECONOMIC DEVELOPMENT AUTHORITY OF THE
CITY OF CHASKA, MINNESOTA

Board of Commissioners

Mark Windschitl	President/Mayor
Jon Grau	Commissioner/Council Member
McKayla Hatfield	Commissioner/Council Member
Mike Huang	Commissioner/Council Member
Taylor Hubbard	Commissioner/Council Member

* *The Authority is governed by a five-member Board of Commissioners, with the members of the City Council serving on the Board.*

Authority Executive Director/City Administrator

Matthew Podhradsky

Authority Assistant Executive Director

Nate Kabat

City Administrative Services Director

Noel Graczyk

MUNICIPAL ADVISOR

Baker Tilly Municipal Advisors LLC
Saint Paul, Minnesota

BOND COUNSEL

Dorsey & Whitney LLP
Minneapolis, Minnesota

TRUSTEE

U.S. Bank National Association
Saint Paul, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time, may be treated as a Preliminary Official Statement with respect to the Series 2020E Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority.

By awarding the Series 2020E Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Series 2020E Bonds are awarded copies of the Final Official Statement in the amount specified in the Terms of Proposal.

No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations with respect to the Series 2020E Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the Authority and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Series 2020E Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Series 2020E Bonds are assigned by an organization unaffiliated with the Authority. The Authority is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Series 2020E Bonds or as set forth in the Final Official Statement. No assurance can be given by the Authority that the CUSIP numbers for the Series 2020E Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Series 2020E Bonds.

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THE AUTHORITY HAS AUTHORIZED BAKER TILLY MUNICIPAL ADVISORS, LLC TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:

TERMS OF PROPOSAL

$2,795,000*

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA

LEASE REVENUE AND LIMITED TAX REFUNDING BONDS, SERIES 2020E (CITY OF CHASKA, MINNESOTA LEASE OBLIGATION)

(BOOK ENTRY ONLY)

Proposals for the above-referenced obligations (the "Series 2020E Bonds") will be received by the Economic Development Authority of the City of Chaska, Minnesota (the "Authority") on Monday, August 3, 2020, (the "Sale Date") until 11:00 A.M., Central Time (the "Sale Time") at the offices of Baker Tilly Municipal Advisors, LLC ("Baker Tilly MA"), 380 Jackson Street, Suite 300, Saint Paul, Minnesota, 55101, after which time proposals will be opened and tabulated. Consideration for award of the Series 2020E Bonds will be by the Authority Board of Commissioners at its meeting commencing at 7:00 P.M., Central Time, of the same day.

SUBMISSION OF PROPOSALS

Baker Tilly MA will assume no liability for the inability of a bidder or its proposal to reach Baker Tilly MA prior to the Sale Time, and neither the Authority nor Baker Tilly MA shall be responsible for any failure, misdirection or error in the means of transmission selected by any bidder. All bidders are advised that each proposal shall be deemed to constitute a contract between the bidder and the Authority to purchase the Series 2020E Bonds regardless of the manner in which the proposal is submitted.

(a) ***Sealed Bidding.*** Completed, signed proposals may be submitted to Baker Tilly MA by email to bondservice@bakertilly.com or by fax (651) 223-3046, and must be received prior to the Sale Time.

OR

(b) ***Electronic Bidding.*** Proposals may also be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all proposals submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of the Terms of Proposal*. Neither the Authority, its agents, nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the Authority, its agents, nor PARITY® shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The Authority is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Series 2020E Bonds, and PARITY® is not an agent of the Authority.

If any provisions of this Terms of Proposal conflict with information provided by PARITY®, this Terms of Proposal shall control. Further information about PARITY®, including any fee charged, may be obtained from:

> PARITY®, 1359 Broadway, 2nd Floor, New York, New York 10018
> Customer Support: (212) 849-5000

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* *Preliminary; subject to change.*

DETAILS OF THE SERIES 2020E BONDS

The Series 2020E Bonds will be dated as of the date of delivery and will bear interest payable on June 1 and December 1 of each year, commencing June 1, 2021. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2020E Bonds will mature December 1 in the years and amounts* as follows:

2021	$190,000	2024	$205,000	2027	$210,000	2030	$225,000	2032	$235,000
2022	$200,000	2025	$210,000	2028	$220,000	2031	$230,000	2033	$240,000
2023	$200,000	2026	$210,000	2029	$220,000				

* *The Authority reserves the right, after proposals are opened and prior to award, to increase or reduce the principal amount of the Series 2020E Bonds or the amount of any maturity or maturities in multiples of $5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per $1,000 of Series 2020E Bonds as that of the original proposal. Gross spread for this purpose is the differential between the price paid to the Authority for the new issue and the prices at which the proposal indicates the securities will be initially offered to the investing public.*

Proposals for the Series 2020E Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the proposal must specify "Years of Term Maturities" in the spaces provided on the proposal form.

BOOK ENTRY SYSTEM

The Series 2020E Bonds will be issued by means of a book entry system with no physical distribution of Series 2020E Bonds made to the public. The Series 2020E Bonds will be issued in fully registered form and one Series 2020E Bond, representing the aggregate principal amount of the Series 2020E Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2020E Bonds. Individual purchases of the Series 2020E Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Series 2020E Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the "Purchaser"), as a condition of delivery of the Series 2020E Bonds, will be required to deposit the Series 2020E Bonds with DTC.

TRUSTEE

U.S. Bank National Association, Saint Paul, Minnesota will serve as trustee (the "Trustee") for the Series 2020E Bonds, and the Authority will pay for the services of the Trustee.

OPTIONAL REDEMPTION

The Authority may elect on December 1, 2030, and on any day thereafter, to redeem Series 2020E Bonds due on or after December 1, 2031. Redemption may be in whole or in part and if in part at the option of the Authority and in such manner as the Authority shall determine. If less than all Series 2020E Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

SECURITY AND PURPOSE

The Series 2020E Bonds will be special, limited obligations of the Authority payable from rental payments to be received by the Authority from the City of Chaska, Minnesota (the "City") pursuant to an Amended and Restated Lease Agreement between the Authority and the City, dated September 1, 2020 (the "Lease"). The Series 2020E Bonds will be issued pursuant to a Trust Indenture, dated as of July 1, 2013, as supplemented by a First Supplemental Indenture, dated as of September 1, 2020 (together, the "Indenture") between the Authority and the Trustee, and resolutions of the Authority and the City. The Series 2020E Bonds are also secured by a pledge of net revenues of the Authority derived from special tax levies assessed pursuant to Minnesota Statutes, Section 469.033, but shall not constitute a debt for which the faith and credit or taxing powers of the Authority, the City, or the State of Minnesota will be pledged. The City's obligation under the Lease is subject to annual appropriation. The proceeds of the Series 2020E Bonds, along with available Authority funds, will be used to current refund the December 1, 2021 through December 1, 2033 maturities of the Authority's Lease Revenue and Limited Tax Bonds, Series 2013A (City of Chaska, Minnesota Lease Obligation), dated July 18, 2013.

NOT BANK QUALIFIED TAX-EXEMPT OBLIGATIONS

The Authority will not designate the Series 2020E Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

BIDDING PARAMETERS

Proposals shall be for not less than $2,775,435 plus accrued interest, if any, on the total principal amount of the Series 2020E Bonds. No proposal can be withdrawn or amended after the time set for receiving proposals on the Sale Date unless the meeting of the Authority scheduled for award of the Series 2020E Bonds is adjourned, recessed, or continued to another date without award of the Series 2020E Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the proposal must be 98.0% or greater. Series 2020E Bonds of the same maturity shall bear a single rate from the date of the Series 2020E Bonds to the date of maturity. No conditional proposals will be accepted.

ESTABLISHMENT OF ISSUE PRICE

In order to establish the issue price of the Series 2020E Bonds for federal income tax purposes, the Authority requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Series 2020E Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, third-party distribution agreement or other agreement relating to the initial sale of the Series 2020E Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Series 2020E Bonds with a separate CUSIP number constitute a separate "maturity," and "the public" does not include underwriters of the Series 2020E Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Series 2020E Bonds.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Series 2020E Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Series 2020E Bonds, the bidder shall notify the District to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the Authority shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the Authority advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the Authority at or prior to closing a certification, substantially in the form attached hereto as Exhibit A, as to the reasonably expected initial offering price as of the award date.

If the Authority advises the Purchaser that the requirements for a competitive sale have not been satisfied, the hold-the-offering price rule will apply. The Purchaser shall (1) upon the request of the Authority confirm that the underwriters did not offer or sell any maturity of the Series 2020E Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the Authority a certification substantially in the form attached hereto as Exhibit B, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the Authority pursuant hereto may be taken or received on behalf of the Authority by Baker Tilly MA.

Bidders should prepare their proposals on the assumption that the Series 2020E Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Series 2020E Bonds, and proposals submitted will not be subject to cancellation or withdrawal.

GOOD FAITH DEPOSIT

To have its proposal considered for award, the Purchaser is required to submit a good faith deposit via wire transfer to the Authority in the amount of $27,950 (the "Deposit") no later than 2:00 P.M., Central Time on the Sale Date. The Purchaser shall be solely responsible for the timely delivery of its Deposit, and neither the Authority nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the Authority may, at its sole discretion, reject the proposal of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

A Deposit will be considered timely delivered to the Authority upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of proposals. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the Authority and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted proposal, said amount will be retained by the Authority.

AWARD

The Series 2020E Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the proposal prior to any adjustment made by the Authority. The Authority's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The Authority will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Series 2020E Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal that the Authority determines to have failed to comply with the terms herein.

BOND INSURANCE AT PURCHASER'S OPTION

The Authority has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Series 2020E Bonds. If the Series 2020E Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder's proposal. The Authority specifically reserves the right to reject any proposal specifying municipal bond insurance, even though such proposal may result in the lowest TIC to the Authority. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the Authority) shall be paid by the successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Series 2020E Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Series 2020E Bonds.

CUSIP NUMBERS

If the Series 2020E Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Series 2020E Bonds; however, neither the failure to print such numbers on any Series 2020E Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Series 2020E Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

SETTLEMENT

On or about September 2, 2020, the Series 2020E Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Dorsey & Whitney LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Series 2020E Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the Authority or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Series 2020E Bonds has been made impossible by action of the Authority, or its agents, the Purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In accordance with SEC Rule 15c2-12(b)(5), the Authority and the City will undertake, pursuant to the resolution awarding sale of the Series 2020E Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The Purchaser's obligation to purchase the Series 2020E Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Series 2020E Bonds.

OFFICIAL STATEMENT

The Authority has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Series 2020E Bonds, and said Preliminary Official Statement has been deemed final by the Authority as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For an electronic copy of the Preliminary Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the Authority, Baker Tilly Municipal Advisors, LLC, by telephone (651) 223-3000, or by email bondservice@bakertilly.com. The Preliminary Official Statement will also be made available at https://go.bakertilly.com/bond-sales-calendar.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts, and interest rates of the Series 2020E Bonds, together with any other information required by law. By awarding the Series 2020E Bonds to the Purchaser, the Authority agrees that, no more than seven business days after the date of such award, it shall provide to the Purchaser an electronic copy of the Final Official Statement. The Authority designates the Purchaser as its agent for purposes of distributing the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its proposal is accepted by the Authority, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated July 6, 2020 BY ORDER OF THE BOARD OF COMMISSIONERS

/s/ Matthew Podhradsky
Executive Director

EXHIBIT A

ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] ("[SHORT NAME OF UNDERWRITER]"), hereby certifies as set forth below with respect to the sale of the obligations named above (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***. For purposes of this Issue Price Certificate:

(a) *Authority* means [DESCRIBE ISSUER].

(b) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a "related party" to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Authority[and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Authority[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By:______________________________________

Name:____________________________________

Dated: [ISSUE DATE]

SCHEDULE A

EXPECTED OFFERING PRICES

(*Attached*)

SCHEDULE B

COPY OF UNDERWRITER'S BID

(*Attached*)

EXHIBIT B

ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM ESTABLISHED UNDERWRITERS

$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”)][the “Representative”)][, on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”),] hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Initial Offering Price of the Bonds***. [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. ***First Price at which Sold to the Public.*** On the Sale Date, at least 10% of each Maturity [listed in Schedule C] was first sold to the Public at the respective Initial Offering Price [or price specified [therein][in Schedule C], if different].

3. ***Hold the Offering Price Rule***. [SHORT NAME OF UNDERWRITER][Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity less than 10% of which was first sold to the Public at a single price as of the Sale Date, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative][SHORT NAME OF UNDERWRITER]’s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

4. ***Defined Terms***. For purposes of this Issue Price Certificate:

(a) *Holding Period* means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) *Authority* means [DESCRIBE ISSUER].

(c) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a "related party" to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative's] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Authority[and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Authority[and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By:____

Name:______________________________________

Dated: [ISSUE DATE]

SCHEDULE A

INITIAL OFFERING PRICES OF THE BONDS

(*Attached*)

SCHEDULE B

PRICING WIRE

(*Attached*)

SCHEDULE C

SALES OF AT LEAST 10% OF MATURITY TO THE PUBLIC ON THE SALE DATE AT THE INITIAL OFFERING PRICE

(*Attached*)

OFFICIAL STATEMENT

$2,795,000*

**ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA
LEASE REVENUE AND LIMITED TAX REFUNDING BONDS, SERIES 2020E
(CITY OF CHASKA, MINNESOTA LEASE OBLIGATION)**

(BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement contains certain information relating to the Economic Development Authority of the City of Chaska, Minnesota (the "Authority"), the City of Chaska, Minnesota (the "City"), and the Authority's issuance of $2,795,000* Lease Revenue and Limited Tax Refunding Bonds, Series 2020E (City of Chaska, Minnesota Lease Obligation) (the "Series 2020E Bonds").

The Series 2020E Bonds will be special, limited obligations of the Authority payable from rental payments to be received by the Authority from the City pursuant to an Amended and Restated Lease Agreement between the Authority and the City, dated as of September 1, 2020 (the "Lease"). The Series 2020E Bonds will be issued pursuant to a Trust Indenture dated as of July 1, 2013, as supplemented by a First Supplemental Indenture, dated as of September 1, 2020 (together, the "Indenture") between the Authority and U.S. Bank National Association, Saint Paul, Minnesota (the "Trustee"), and resolutions of the Authority and the City (the "Resolutions"). The Series 2020E Bonds are also secured by a pledge of net revenues of the Authority derived from special tax levies assessed pursuant to Minnesota Statutes, Section 469.033, but shall not constitute a debt for which the faith and credit or taxing powers of the Authority, the City, or the State of Minnesota will be pledged. The City's obligation under the Lease is subject to annual appropriation. The proceeds of the Series 2020E Bonds, along with available Authority funds, will be used to current refund the December 1, 2021 through December 1, 2033 maturities of the Authority's Lease Revenue and Limited Tax Bonds, Series 2013A (City of Chaska, Minnesota Lease Obligation"), dated July 18, 2013.

This Official Statement contains descriptions of, among other things, the Authority, the City, the Series 2020E Bonds, the Lease, the Indenture, and the Resolutions. All references to the Lease, the Indenture, and the Resolutions are qualified in their entirety by reference to such documents, which are available for inspection upon delivery of the Series 2020E Bonds at the principal corporate trust office of the Trustee. All summaries of documents contained in this Official Statement are subject to the provisions of, and are qualified in their entirety by reference to, such documents. All capitalized terms which are not expressly defined herein shall have the meanings as defined in the document unless the context clearly requires a different meaning.

Inquiries may be directed to Mr. Noel Graczyk, City Administrative Services Director, City of Chaska, One City Hall Plaza, Chaska, Minnesota 55318-1962, by telephoning (952) 448-9200, or by emailing ngraczyk@chaskamn.com. Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by e-mailing bondservice@bakertilly.com.

* *Preliminary; subject to change.*

CONTINUING DISCLOSURE

In order to permit bidders for the Series 2020E Bonds and other participating underwriters in the primary offering of the Series 2020E Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the Authority and the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2020E Bonds, in the Resolutions, to provide annual reports of specified information and notice of the occurrence of certain events as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix III to this Official Statement.

To the best of its knowledge, the Authority and the City have complied with the terms of their previous continuing disclosure undertakings for the past five years, except as follows:

- The City's $30,735,000 Electric Revenue Refunding Bonds (Generating Facilities), Series 2005A (CUSIP 161670) (the "Series 2005A Bonds") contained heightened continuing disclosure obligations that required the City to annually file audited financial information of certain other members of the Minnesota Municipal Power Agency ("MMPA" or the "Agency") and quarterly financial statements of the MMPA, in addition to other annual City and MMPA financial information. The City acknowledges that it did not affirmatively make all of the required filings on EMMA; however, the City did annually update certain electrical system annual information as required for the Series 2005A Bonds. The Series 2005A Bonds were refunded in full on October 2, 2015 and are no longer outstanding.

The City has adopted specific disclosure policies and procedures to further ensure ongoing compliance with its continuing disclosure obligations. A failure by the Authority or the City to comply with the Disclosure Covenants will not constitute an event of default on the Series 2020E Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2020E Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2020E Bonds and their market price.

THE SERIES 2020E BONDS

General Information

The Series 2020E Bonds are dated as of the date of delivery and will mature annually on December 1 as set forth on the front cover of this Official Statement. The Series 2020E Bonds are issued in book entry form. Interest on the Series 2020E Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2021. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Series 2020E Bonds will be paid as described in the section herein entitled "Book Entry System." The Trustee will serve as Registrar for the Series 2020E Bonds, and the Authority will pay for registrar services.

Redemption Provisions

Thirty days' written notice of redemption shall be given to the registered owner(s) of the Series 2020E Bonds. Failure to give such written notice to any registered owner of the Series 2020E Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Series 2020E Bonds. All Series 2020E Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

Optional Redemption

The Authority may elect on December 1, 2030, and on any day thereafter, to redeem the Series 2020E Bonds due on or after December 1, 2031 at a price of par plus accrued interest. Redemption may be in whole or in part and if in part at the option of the Authority and in such manner as the Authority shall determine. If less than all the Series 2020E Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Authority or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

THE ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA

The Authority is a public body politic and corporate and a political subdivision of the State of Minnesota (the "State") duly organized and existing under the laws of the State. The Authority was established on March 30, 1987 and is governed by a five-member Board of Commissioners, with the City Council members serving on the Board. The current Board members are as follows:

		Expiration of Term
Mark Windschitl	President	December 31, 2020
Jon Grau	Commissioner	December 31, 2022
McKayla Hatfield	Commissioner	December 31, 2022
Taylor Hubbard	Commissioner	December 31, 2020
Mike Huang	Commissioner	December 31, 2020

Mr. Matthew Podhradsky, the Executive Director of the Authority, also serves as City Administrator for the City. Mr. Nate Kabat, the Assistant Executive Director of the Authority, also serves as the Assistant City Administrator for the City.

AUTHORITY AND PURPOSE

The Series 2020E Bonds are being issued pursuant to Minnesota Statutes, Chapters 475 and 469, Section 465.71; the Lease; the Indenture, and the Resolutions. The Series 2020E Bonds are also secured by a pledge of net revenues of the Authority derived from special tax levies assessed pursuant to Minnesota Statutes, Section 469.033, but shall not constitute a debt for which the faith and credit or taxing powers of the Authority, the City, or the State will be pledged. The City's obligation under the Lease is subject to annual appropriation, as further discussed herein.

The proceeds of the Series 2020E Bonds, along with available Authority funds, will be used to current refund the December 1, 2021 through December 1, 2033 maturities (the "Series 2013A Refunded Maturities") of the Authority's Lease Revenue and Limited Tax Bonds, Series 2013A (City of Chaska, Minnesota Lease Obligation), dated July 18, 2013 (the "Series 2013A Bonds"). The Series 2020E Bonds have been structured as a current refunding and are being issued to achieve debt service savings. It is anticipated that the Series 2013A Refunded Maturities will be called and prepaid at a price of par plus accrued interest on December 1, 2020, which is within 90 days of settlement of the Series 2020E Bonds.

Proceeds of the Series 2013A Bonds were originally issued to finance the costs of acquiring and installing certain equipment to rehabilitate the ice arenas and the pool HVAC system (the "Equipment") within the Chaska Community Center (the "Center"). The Center opened in January 1991 and includes leisure and lap pools, spas, two-sheet ice arena, artificial turf, gymnasium, walking/jogging track, dance studio, weight lifting area, locker rooms, art gallery, meeting rooms, practice room, athletic performance and rehab, kids climbing wall, splash pad, Capable Kids Rehab, police office, banquet community room, indoor playroom, birthday party rooms, café, group fitness studio, cardiovascular area, batting cage, community theater, daycare center, racquetball courts, The Lodge for Active Older Adults, Treks and Trails Preschool, and two water slides.

SOURCES AND USES OF FUNDS

The composition of the Series 2020E Bonds is estimated to be as follows:

Sources of Funds:	
Par Amount	$2,795,000
Transfer of Prior Issue Debt Service Reserve Funds	271,745
Total Sources of Funds	$3,066,745
Uses of Funds:	
Deposit for Refunding Purposes	$2,735,000
Deposit to Debt Service Reserve Fund	246,680
Costs of Issuance	65,500
Allowance for Discount Bidding	19,565
Total Uses of Funds	$3,066,745

SECURITY AND SOURCES OF REPAYMENT

The Series 2020E Bonds will be special, limited obligations of the Authority payable from Rental Payments to be received by the Authority from the City pursuant to the Lease and net revenues of the Authority derived from special tax levies assessed pursuant to Minnesota Statutes, Section 469.033 (the "EDA Levy") available for debt service pursuant to the Indenture. The Authority will assign its right, title and interest in the Lease to the Trustee in accordance with the Indenture. The Series 2020E Bonds are parity obligations equally and ratably secured by the Indenture. The Series 2020E Bonds are secured by a pledge of the Authority of the EDA Levy, but shall not otherwise constitute a general or moral obligation of the Authority, the City or the State or a debt for which the faith and credit or taxing powers of the Authority, the City or the State shall be pledged. The City's obligation under the Lease is subject to annual appropriation.

The Authority covenants and agrees, under the Indenture, that so long as the Series 2020E Bonds shall be outstanding it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and in the Authority's Resolution. The Authority further covenants that it will pay, or cause to be paid, the principal of and interest on the Series 2020E Bonds, from Rental Payments made by the City and other amounts received in respect to the Lease or available under the Indenture and, if necessary, from the EDA Levy. The Authority covenants that it will cause such amounts received to be deposited with the Trustee prior to the due date of each payment of principal and interest and prior to the maturity of any Series 2020E Bond in amounts sufficient to pay such payment; provided, however, that the principal of and interest on any Series 2020E Bond is not and shall not be deemed to represent a debt or pledge the faith or credit of the Authority or grant to the holder of any Series 2020E Bond any right to have the Authority levy any taxes, other than the EDA Levy, or appropriate any funds to the payment of debt service on the Series 2020E Bonds. Such payment is to be made solely and only out of the moneys received pursuant to the Lease and, if necessary, the EDA Levy, the funds and accounts established and maintained with the Trustee pursuant to the Indenture and appropriated to the payment of the Series 2020E Bonds by the Indenture.

Payment of the Series 2020E Bonds is intended to be made from Rental Payments paid by the City under the Lease held in trust by the Trustee in accordance with the Indenture. The City covenants and agrees, pursuant to the Lease, to pay the Rental Payments at the times and in the amounts as set forth in the Lease. The Rental Payments shall be payable directly to the Trustee on behalf of the Authority at least five days prior to each June 1 and December 1 payment date for the Series 2020E Bonds. Other moneys received by the Trustee from the City which are on deposit in the Series 2020E Bond Fund at least five days prior to each June 1 and December 1 payment date may be credited against the Rental Payments otherwise due on such date if the City so directs.

Except in the case of the City Council's failure to make an annual appropriation, the obligation of the City to make the Rental Payments under the Lease, or any other payments required thereunder, shall be absolute and unconditional. The City shall make all Rental Payments required under the Lease when due and its Rental obligation under the Lease. The City is not permitted to suspend or discontinue any Rental Payments provided for in the Lease and is not permitted to terminate the Lease for any cause, except in the event that the City Council fails to appropriate money sufficient for the continued performance of the Lease by the City. The City will not terminate the Lease term for causes including the destruction of or damage to the Center, any change in State or federal laws or rulings, or any failure of the Authority to perform and observe any agreement, duty, liability or obligation arising out of or connected with the Lease or the Indenture.

The City may terminate the Lease in the sole event that the City Council fails to appropriate money sufficient for the continued performance of the Lease by the City as evidenced by the passage of an ordinance or resolution specifically prohibiting the City from performing its obligations under the Lease and from using any moneys to pay the Rental Payments due under the Lease in the subsequent Fiscal Years. **THE LEASE DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY AND THE SERIES 2020E BONDS ARE NOT SECURED BY THE FULL FAITH AND CREDIT OR TAXING POWER OF THE AUTHORITY (EXCEPT FOR THE HRA LEVY, AS DESCRIBED HEREIN), THE CITY OR THE STATE.**

EDA Levy

In addition to the pledge of Rental Payments under the terms of the Lease, if such payments are not sufficient to pay principal of and interest on the Series 2020E Bonds, the Authority will pledge the net revenues of the Authority derived from the EDA Levy at the statutory maximum. The EDA Levy is an annual tax on all taxable property within the City in an amount approved by the City Council which shall not exceed 0.0185% of the estimated market value of the City.

The table below provides a history of the City's estimated market value and the amount available for the EDA Levy.

Levy Year/ Collect Year	Estimated Market Value	Maximum EDA Levy (%)	Maximum EDA Levy ($)	Authorized EDA Levy	EDA Levy Available
2019/20	$3,281,441,700	0.0185%	$607,067	$165,747*	$441,320
2018/19	3,007,913,300	0.0185	556,464	498,843	57,621
2017/18	2,847,274,600	0.0185	526,746	475,741	51,005
2016/17	2,652,305,300	0.0185	490,676	451,796	38,880
2015/16	2,573,342,000	0.0185	476,068	430,282	45,786

* *$375,000 of funds was moved from the EDA levy to the City's General Fund beginning in 2019/20.*

The EDA Levy is not pledged to any additional obligations, but the Authority has not made any covenant or representation that it will not pledge the EDA Levy in the future. See "RISK FACTORS – Additional Indebtedness Secured by EDA Levy" herein.

Reserve Fund

A Reserve Fund will be established under the Indenture. The Authority will deposit into the Reserve Fund, from proceeds of the sale of the Series 2020E Bonds, an amount equal to the lesser of the following: (i) 10% of the proceeds received from the issuance and sale of the Series 2020E Bonds; (ii) the maximum amount of principal and interest on the Series 2020E Bonds, payable in any year; or (iii) 125% of the average annual debt service of the Series 2020E Bonds. The Trustee shall deposit approximately $246,680 on the issue date of the Series 2020E Bonds, and all amounts paid by the City as Rental Payments not deposited or required to be deposited in the Series 2020E Bond Fund. The Reserve Fund shall be maintained in an amount not less than the Reserve Requirement.

RISK FACTORS

INVESTORS SHOULD BE AWARE THAT INVESTMENT IN THE SERIES 2020E BONDS MAY ENTAIL SOME DEGREE OF RISK. EACH PROSPECTIVE INVESTOR IN THE SERIES 2020E BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF PRINCIPAL AND INTEREST ON THE SERIES 2020E BONDS AND WHICH COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2020E BONDS TO AN EXTENT THAT CANNOT BE DETERMINED. THIS DISCUSSION OF RISK FACTORS IS NOT, AND IS NOT INTENDED TO BE, EXHAUSTIVE.

Credit Risk

Since the investor in a Series 2020E Bond is without recourse to the Trustee and the Purchaser, the investor assumes the entire risk if the City does not meet its obligations under the Lease and the EDA Levy is insufficient to pay principal of and interest on the Series 2020E Bonds. The City's ability to perform said obligations and its willingness to appropriate monies for the Lease and the sufficiency of the EDA Levy could be affected by the financial condition of the City and economic conditions generally, among other things. See "RISK FACTORS – Non-Appropriation" and "RISK FACTORS – Risk of Relying on Projection of EDA Levy" herein.

Remedies of Default: Enforceability Risk and Cancellation

Investors should understand that in an event of default by the Authority under the Lease, the remedies provided by the Lease may be unenforceable due to the application of principles of equity or State and federal laws relating to bankruptcy, moratoriums, reorganizations and creditors' rights, or may require the expenditure of money and considerable time to enforce. Further, investors should understand that in an event of default by the Authority under the Lease and the termination of the Lease by the Trustee, the Trustee may be unable to sell or lease its fee title interest in the Equipment, or to sell such interest at a price which will provide to the investors net proceeds equal to the amount of remaining principal under the Lease.

Non-Appropriation

Rental Payments will be payable from the EDA Levy and from City funds which are annually budgeted and appropriated by the governing body of the City and which may be reduced or terminated by action of such governing body. There is no assurance that the City will appropriate funds for the Rental Payments. The governing body of the City is under no obligation to provide City funds for such payments. Accordingly, any factors which may potentially influence the budgeting process of the City should be considered by a prospective purchaser of the Series 2020E Bonds. In the event the governing body of the City fails to appropriate funds necessary for Rental Payments or defaults under the Lease, the Lease will be terminated, and, in such event, the Series 2020E Bonds will be payable from any moneys held by the Trustee under the Indenture, including the EDA Levy. In such event, the City shall deliver possession of the Equipment to the Authority and, pursuant to the Lease, shall convey to the Authority or release its interest in the Equipment within ten (10) days after the termination of the Lease. If the City does not appropriate funds for Rental Payments, there is no guarantee that amounts received from the EDA Levy will be sufficient to pay principal of and interest on the Series 2020E Bonds. See "RISK FACTORS – Risk of Relying on Projection of EDA Levy" and "RISK FACTORS – Additional Indebtedness Secured by EDA Levy" herein.

Risk of Relying on Projection of EDA Levy

The rate of the EDA Levy cannot exceed 0.0185% of the City's estimated market value for the year of each levy by the Authority. In the event the estimated market value decreases, the amount of tax revenue collected by the Authority from the EDA Levy will decrease. No assurance can be given that events will not cause the collection of tax revenue for the EDA Levy to vary materially from the amounts projected. A decrease in the City's estimated market value would have a negative effect on the amount of levy proceeds available to the Authority to make payments of the debt service on the Series 2020E Bonds.

Additional Indebtedness Secured by EDA Levy

The Authority currently does not have any other obligations secured by the EDA Levy. However, the Authority has not made any covenant or representation that it will not incur additional indebtedness or issue other obligations that will also be secured by the EDA Levy. If the Authority were to incur additional indebtedness or issue other obligations that were payable, in whole or in part, from the EDA Levy, it would reduce amounts available from the EDA Levy to make debt service payments on the Series 2020E Bonds.

Insurance Risk

In case of any damage to or destruction of the Equipment or any part thereof by any casualty, the Authority shall, whether or not any insurance proceeds are available or adequate for such purpose and regardless of the dollar amount of such damage or loss, with reasonable diligence commence and complete restoration of the Equipment at its own expense. No destruction of or damage to the Equipment, or any part thereof, shall entitle or permit the Authority to quit or surrender the Equipment or shall relieve the Authority from its liability to pay in full the Rental Payments other payments cited in the Lease, or from any of its other obligations under the Lease.

The Authority shall be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to or taking of its own property or for damages on account of the taking of or interference with the Authority's right to possession, use of or occupancy of the Equipment.

Determination of Taxability Risk

If the interest on the Series 2020E Bonds were to become subject to taxation, no provision has been made for redemption of the Series 2020E Bonds and investors holding the Series 2020E Bonds would not be entitled to any additional interest exceeding the rate printed on the Series 2020E Bonds. The Series 2020E Bondholder would subsequently then be holding a security with a substantially lower interest rate return than that of a comparable taxable security.

Rating

S&P Global Ratings ("S&P") has assigned a rating of "____" to the Series 2020E Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of S&P, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Series 2020E Bonds.

No Mortgage

Series 2020E Bondholders will not receive a mortgage or similar security instrument with respect to the Series 2020E Bonds. Accordingly, the Series 2020E Bondholders will not have any right to foreclose on any real property of the Authority as a result of an event of default under the Indenture.

Other Factors

An investment in the Series 2020E Bonds involves an element of risk. To identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) to make a judgment as to whether the Series 2020E Bonds are an appropriate investment.

Potential Impacts Resulting from Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments, and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state, and local commerce and financial markets. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. As the federal, state, and local governments, including the City, continue efforts to contain and limit the spread COVID-19 disease, future tax and other revenue collections may deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the City and their ability to fund debt obligations, including the Bonds in accordance with its terms.

The City temporarily closed certain operations, including the City's Community Center and Curling and Event Center. The Community Center reopened on July 7, 2020, and the Curling and Event Center is scheduled to reopen on July 27, 2020. While the City is evaluating the financial effects of the pandemic, it is anticipated that there may be a decline in revenues, a decrease in demand for certain services, an increase in delinquencies or uncollectible accounts receivable, and increased expenses due. The full extent of the pandemic will depend on future developments, including the duration and spread of the pandemic and related governmental or other regulatory actions.

Summary

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2020E Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should become thoroughly familiar with this entire Official Statement and the Appendices hereto.

CONCURRENT AND FUTURE FINANCING

Concurrent Financing

By means of a separate Preliminary Official Statement dated July 17, 2020, the City is offering for sale its $3,540,000* General Obligation Bonds, Series 2020C (the "Series 2020C Bonds") and $10,555,000* Taxable General Obligation Refunding Bonds, Series 2020D (the "Series 2020D Bonds" on August 3, 2020. Settlement of the Series 2020C Bonds and the Series 2020D Bonds will take place concurrently with the Series 2020E Bonds.

The proceeds of the Series 2020C Bonds, along with available City funds will be used to finance a street reconstruction project within the City and related utility improvements. The proceeds of the Series 2020D Bonds will be used to (i) current refund the February 1, 2021 through February 1, 2033 maturities (the "Series 2010D Refunded Maturities") of the City's Taxable General Obligation Tax Abatement Bonds, Series 2010D, dated September 15, 2010 (the "Series 2010D Bonds"); (ii) advance refund the December 1, 2022 through December 1, 2032 maturities (the "Series 2011A Refunded Maturities") of the City's General Obligation Water Revenue Refunding Bonds, Series 2011A, dated September 15, 2011 (the "Series 2011A Bonds"); and (iii) advance refund the February 1, 2022 through February 1, 2035 maturities (the "City's Series 2013A Refunded Maturities") of the City's General Obligation Improvement Bonds, Series 2013A, dated August 15, 2013 (the "City's Series 2013A Bonds").

Future Financing

The City anticipates issuing additional general obligation bonds in the third or fourth quarter of 2020. The Authority does not anticipate issuing any additional long-term debt within the next 90 days.

LITIGATION

Neither the Authority or the City is not aware of any threatened or pending litigation affecting the validity of the Series 2020E Bonds or the Authority's ability to meet its financial obligations.

LEGALITY

The Series 2020E Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP of Minneapolis, Minnesota, as Bond Counsel ("Bond Counsel"). Bond Counsel has not participated in the preparation of this Official Statement, and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify, any of the financial or statistical statements, or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix II to this Official Statement will be delivered at closing.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Series 2020E Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Series 2020E Bonds. The Authority has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Series 2020E Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Series 2020E Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Series 2020E Bonds. It does not address the application of the alternative minimum tax or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Series 2020E Bonds for cash at original issue and hold the Series 2020E Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Series 2020E Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Series 2020E Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Series 2020E Bonds is the first price at which a substantial amount of Series 2020E Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax-Exempt Interest

In the opinion of Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2020E Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Series 2020E Bonds is included, however, in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Series 2020E Bonds in order that interest on the Series 2020E Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Series 2020E Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Series 2020E Bond proceeds and other amounts. The Authority has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Series 2020E Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Series 2020E Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Series 2020E Bonds in the event that interest on the Series 2020E Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Series 2020E Bonds may be issued at a discount from their principal amount (any such Series 2020E Bonds being "Discount Series 2020E Bonds"). The excess of the principal amount payable on Series 2020E Bonds of a given maturity over their issue price constitutes OID. OID that accrues to a holder of a Discount Series 2020E Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Series 2020E Bond would be so excluded. The amount of OID that accrues on a Discount Series 2020E Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Series 2020E Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Series 2020E Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Series 2020E Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Series 2020E Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Series 2020E Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Series 2020E Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Series 2020E Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Series 2020E Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Series 2020E Bonds, even if the Series 2020E Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Series 2020E Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Series 2020E Bond is purchased for a cost that is less than the Series 2020E Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Series 2020E Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Series 2020E Bond (to the extent that the gain realized does not exceed the accrued market discount on the Series 2020E Bond).

Bond Premium

A holder that acquires a Series 2020E Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Series 2020E Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Series 2020E Bonds at a premium might recognize taxable gain upon sale of the Series 2020E Bonds, even if such Series 2020E Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Series 2020E Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2020E Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Series 2020E Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Series 2020E Bonds for this purpose even though not directly traceable to the purchase of the Series 2020E Bonds. The Series 2020E Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2020E Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Series 2020E Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Series 2020E Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Series 2020E Bond. A holder's adjusted tax basis in a Series 2020E Bond generally will be equal to the amount that the holder paid for the Series 2020E Bond, increased by any accrued original issue discount with respect to the Series 2020E Bond and reduced by the amount of any amortized bond premium on the Series 2020E Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Series 2020E Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Series 2020E Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Series 2020E Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE SERIES 2020E BONDS OR RECEIPT OF INTEREST ON THE SERIES 2020E BONDS. PROSPECTIVE PURCHASERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF, OR TAX CONSIDERATIONS FOR, PURCHASING OR HOLDING THE SERIES 2020E BONDS.

RATING

Application for a rating of the Series 2020E Bonds has been made to S&P Global Ratings ("S&P"), 55 Water Street, New York, New York. If a rating is assigned, it will reflect only the opinion of S&P. Any explanation of the significance of the rating may be obtained only from S&P.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn if, in the judgment of S&P, circumstances so warrant. A revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The Authority and the City have retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the Series 2020E Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

THE TRUSTEE

The Authority has appointed U.S. Bank National Association, Saint Paul, Minnesota, a national banking association organized under the laws of the United States of America, to serve as Trustee for the Series 2020E Bonds. The Trustee is a national banking association organized and existing under the laws of the United States of America, having all of the powers of a bank, including fiduciary powers, and is a member of the Federal Deposit Insurance Corporation and the Federal Reserve System. The Trustee is only responsible to carry out those specific duties assigned to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy, fairness or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture, or the Series 2020E Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

CERTIFICATION

The Authority and the City have authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Series 2020E Bonds and a Final Official Statement following award of the Series 2020E Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the Authority and the City stating that the Authority and the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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GENERAL AND FINANCIAL INFORMATION CONCERNING THE CITY OF CHASKA, MINNESOTA

The Series 2020E Bonds are special, limited obligations of the Authority payable solely from the moneys received under the Lease, and amounts held by the Trustee in the Bond Fund established pursuant to the Indenture appropriated to the payment of the Bonds of this series under the Indenture, including Rental Payments to be made by the City, under the Lease and shall not constitute a debt for which the full faith and credit or taxing powers of the City, the Authority or the State will be pledged. The following information concerning the City is provided for informational purposes only and not as a representation of security for the Series 2020E Bonds.

CITY PROPERTY VALUES

Trend of Values[(a)]

Assessment/ Collection Year	Assessor's Estimated Market Value	Sales Ratio[(b)]	Economic Market Value[(c)]	Market Value Homestead Exclusion	Taxable Market Value	Adjusted Taxable Net Tax Capacity
2019/20	$3,281,441,700	N/A	N/A	$68,005,600	$3,146,456,700	$36,527,116
2018/19	3,007,913,300	93.3%	$3,226,995,665	75,920,831	2,877,351,100	33,313,863
2017/18	2,847,274,600	96.4	2,955,184,464	80,120,100	2,709,319,900	31,516,766
2016/17	2,652,305,300	92.2	2,868,854,408	84,947,100	2,508,978,900	29,097,139
2015/16	2,573,342,000	97.5	2,639,625,878	84,625,400	2,430,342,100	28,212,129

(a) *For a description of the Minnesota property tax system, see Appendix IV.*

(b) *Sales Ratio Study for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.*

(c) *Economic market values for the year of assessment as posted by the Minnesota Department of Revenue, https://www.revenue.state.mn.us/economic-market-values.*

Source: Carver County, Minnesota, March 2020, except as otherwise noted.

2019/20 Adjusted Taxable Net Tax Capacity: $36,527,116*

Real Estate:		
Residential Homestead	$21,037,823	56.7%
Commercial/Industrial, Railroad, and Public Utility	9,696,784	26.1
Residential Non-Homestead	5,429,688	14.7
Agricultural/Seasonal Recreational	496,454	1.3
Personal Property	437,324	1.2
2019/20 Net Tax Capacity	$37,098,073	100.0%
Less: Captured Tax Increment Tax Capacity	(1,209,027)	
Contribution to Fiscal Disparities	(3,698,495)	
Plus: Distribution from Fiscal Disparities	4,336,565	
2019/20 Adjusted Taxable Net Tax Capacity	$36,527,116	

* *Excludes mobile home valuation of $112,844.*

Ten of the Largest Taxpayers in the City

Taxpayer	Type of Property	2019/20 Net Tax Capacity
United Healthcare Services Inc.	Commercial	$ 522,372
Aurora Investment LLC	Commercial/Agricultural	416,149
RCS-RCA Oak Ridge LLC	Agricultural/Commercial Residential	325,300
Chaska Heights Senior Living LLC	Senior Living Facility	301,534
Centerpoint Energy	Utility	275,532
Aurora-Chaska Medical LLC	Medical Facilities	273,638
Via West Inc.	Commercial	261,998
Arrow Hazeltine Shores LLC	Rental/Residential	256,456
Target Corporation	Retail and Grocery	255,426
SB Chaska Partners LLC	Rental/Residential	242,110
Total		$3,130,515*

* *Represents 8.6% of the City's 2019/20 adjusted taxable net tax capacity.*

CITY INDEBTEDNESS

Legal Debt Limit and Debt Margin*

Legal Debt Limit (3% of 2019/20 Estimated Market Value)	$ 98,443,251
Less: Outstanding Debt Subject to Limit	(38,175,000)
Legal Debt Margin as of September 2, 2020	$ 60,268,251

* *The legal debt margin is referred to statutorily as the "Net Debt Limit" and may be increased by debt service funds and current revenues which are applicable to the payment of debt in the current fiscal year.*

NOTE: Certain types of debt are not subject to the legal debt limit. See Appendix IV – Debt Limitations.

General Obligation Debt Supported Solely by Taxes*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
08-15-13	$ 915,000	Equipment Certificates	2-1-2023	$ 335,000
12-30-14	2,705,000	Equipment Certificates	2-1-2024	1,290,000
11-29-17	1,960,000	Equipment Certificates	2-1-2027	1,610,000
11-06-19	1,240,000	Equipment Certificates	2-1-2029	1,240,000
Total				$4,475,000

* *These issues are subject to the legal debt limit.*

General Obligation Special Assessment Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
08-15-12	$2,430,000	Improvements	2-1-2028	$ 1,330,000
08-15-12	3,295,000	Improvement Refunding	2-1-2027	1,240,000
08-15-13	3,330,000	Improvements	2-1-2021	195,000*
12-30-14	3,230,000	Improvements	2-1-2030	2,170,000
08-19-15	5,940,000	Improvements	2-1-2031	4,800,000
11-29-17	6,875,000	Improvements	2-1-2038	6,585,000
11-29-17	1,790,000	Taxable Improvements	2-1-2033	1,545,000
12-27-17	995,000	Improvements Refunding	2-1-2029	905,000
11-06-19	4,440,000	Improvements	2-1-2039	4,440,000
12-04-19	1,250,000	Taxable Improvements	2-1-2035	1,250,000
12-04-19	1,740,000	Improvements Refunding	2-1-2033	1,740,000
09-02-20	2,000,000	Improvements (the Improvement (Portion of the Series 2020C Bonds)	2-1-2037	2,000,000
09-02-20	2,220,000	Taxable Improvements Refunding (the Improvement Refunding Portion of the Series 2020D Bonds)	12-1-2034	2,220,000
Total				$30,420,000

* *Excludes the City's Series 2013A Refunded Maturities.*

General Obligation Tax Increment Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
08-15-13	$ 595,000	Taxable Tax Increment Refunding	12-1-2021	$ 150,000
12-27-17	460,000	Taxable Tax Increment Refunding	2-1-2031	425,000
12-04-19	2,600,000	Taxable Tax Increment	2-1-2040	2,600,000
Total				$3,175,000

General Obligation Tax Abatement Debt*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
11-29-17	$245,000	Taxable Tax Abatement	2-1-2039	$235,000
09-02-20	375,000	Taxable Tax Abatement Refunding (the Tax Abatement Refunding Portion of the Series 2020D Bonds)	12-1-2023	375,000
Total				$610,000

* *Excludes the Series 2010D Bonds.*

General Obligation Utility Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
10-01-09	$ 1,495,000	Water Revenue Refunding	12-1-2022	$ 425,000
09-15-11	11,435,000	Water Revenue Refunding	12-1-2021	955,000*
08-15-12	1,380,000	Water/Sewer Revenue Refunding	2-1-2027	570,000
12-30-15	5,170,000	Utility Revenue	2-1-2036	4,320,000
11-29-17	735,000	Utility Revenue	2-1-2038	690,000
11-06-19	2,135,000	Utility Revenue	2-1-2035	2,135,000
12-04-19	780,000	Taxable Utility Revenue	2-1-2030	780,000
09-02-20	1,540,000	Utility Revenue (the Utility Portion of the Series 2020C Bonds)	2-1-2031	1,540,000
09-02-20	7,960,000	Taxable Utility Revenue Refunding (the Utility Refunding Portion of the Series 2020D Bonds)	12-1-2032	7,960,000
Total				$19,375,000

* *Excludes the Series 2011A Refunded Maturities.*

General Obligation Housing Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
08-15-10	$2,850,000	Governmental Refunding (Brickyard)	1-1-2040	$2,255,000*

* *Issued by the Carver County Community Development Agency and secured by the general obligation of the City. Rental revenue and other related sources are used to pay this debt.*

Lease Obligations*(a)*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
07-18-13	$ 3,850,000	Community Center Upgrades	12-1-2020	$ 170,000*(b)*
04-15-15	12,855,000	Taxable Lease Revenue	2-1-2035	9,720,000
04-15-15	9,000,000	Lease Revenue	2-1-2035	8,305,000
12-30-15	3,410,000	Taxable Lease Revenue	2-1-2031	2,660,000
12-30-15	1,085,000	Lease Revenue	2-1-2026	685,000
12-27-17	1,880,000	Senior Center Addition Refunding	12-1-2027	1,550,000
09-02-20	2,795,000	Lease Revenue Refunding (the Series 2020E Bonds)	12-1-2033	2,795,000
Total				$25,885,000

(a) *Issued by the Authority and payable from annual appropriation lease payments made by the City to the Authority. These issues are subject to the legal debt limit.*

(b) *Excludes the Authority's Series 2013A Refunded Maturities.*

Installment Purchase Revenue Debt*

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
03-9-20	$6,285,000	Taxable Full-Term Installment Purchase Revenue	12-1-2040	$6,285,000
07-8-20	1,530,000	Taxable Full-Term Installment Purchase Revenue	12-1-2040	1,530,000
Total				$7,815,000

* *Issued by the Authority and payable from annual installment payments made by the City to the Authority. These issues are subject to the legal debt limit.*

Electric Revenue Debt

Date of Issue	Original Amount	Purpose	Final Maturity	Est. Principal Outstanding As of 9-2-20
12-22-11	$ 3,535,000	Electric Revenue	10-1-2031	$ 2,320,000
10-01-15	21,760,000	Electric Revenue Refunding (MMPA)	10-1-2030	17,245,000*
09-06-17	7,220,000	Electric Revenue	10-1-2037	6,725,000
Total				$26,290,000

* *Issued by the City but payable from payments made by the Minnesota Municipal Power Agency to the City pursuant to an agency contract and not from the operation of the electric system of the City.*

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Estimated Calendar Year Debt Service Payments

	G.O. Debt Supported Solely by Taxes		G.O. Special Assessment Debt	
Year	Principal	Principal & Interest	Principal	Principal & Interest[(a)]
2020 (at 9-2)	(Paid)	(Paid)	(Paid)	$ 9,018
2021	$ 715,000	$ 888,850	$ 1,925,000	2,921,909
2022	750,000	896,005	2,045,000	2,937,694
2023	785,000	901,333	2,105,000	2,928,645
2024	700,000	787,800	2,510,000	3,254,564
2025	380,000	445,050	2,540,000	3,196,157
2026	400,000	445,550	2,620,000	3,186,632
2027	415,000	440,175	2,725,000	3,198,682
2028	160,000	170,800	2,585,000	2,965,431
2029	170,000	173,400	2,495,000	2,795,304
2030			2,175,000	2,401,306
2031			1,945,000	2,100,380
2032			1,380,000	1,483,286
2033			1,415,000	1,481,485
2034			710,000	749,003
2035			525,000	549,006
2036			270,000	284,656
2037			270,000	278,272
2038			135,000	138,094
2039			45,000	45,563
Total	$4,475,000	$5,148,963	$30,420,000[(b)]	$36,905,087

(a) *Includes estimated debt service on the Improvement Portion of the Series 2020C Bonds and the Improvement Refunding Portion of the Series 2020D Bonds, and excludes the City's Series 2013A Refunded Maturities.*

(b) *78.0% of this debt will be retired within ten years.*

Estimated Calendar Year Debt Service Payments (Continued)

	G.O. Tax Increment Debt		G.O. Tax Abatement Debt	
Year	Principal	Principal & Interest	Principal	Principal & Interest[(a)]
2020 (at 9-2)	$ 75,000	$ 76,969	(Paid)	$ 1,595
2021	110,000	202,133	$ 35,000	48,528
2022	40,000	128,945	35,000	48,088
2023	70,000	157,295	35,000	47,608
2024	115,000	199,520	35,000	47,088
2025	120,000	200,995	35,000	46,515
2026	125,000	202,220	40,000	50,865
2027	125,000	198,283	40,000	50,080
2028	135,000	204,195	45,000	54,255
2029	145,000	210,008	50,000	58,295
2030	150,000	210,843	45,000	52,190
2031	155,000	211,550	55,000	61,074
2032	125,000	177,610	55,000	59,746
2033	130,000	179,040	15,000	18,364
2034	130,000	175,270	15,000	17,846
2035	140,000	181,220	15,000	17,329
2036	145,000	181,945	15,000	16,811
2037	155,000	187,406	15,000	16,294
2038	165,000	192,526	15,000	15,776
2039	175,000	197,341	15,000	15,259
2040	645,000	654,836		
Total	$3,175,000[(b)]	$4,330,150	$610,000[(c)]	$743,606

(a) *Includes estimated debt service on the Tax Abatement Refunding Portion of the Series 2020D Bonds, and excludes the Series 2010D Bonds.*

(b) *33.4% of this debt will be retired within ten years.*

(c) *64.8% of this debt will be retired within ten years.*

Estimated Calendar Year Debt Service Payments (Continued)

	G.O. Utility Revenue Debt		G.O. Housing Revenue Debt	
Year	Principal	Principal & Interest[(a)]	Principal	Principal & Interest
2020 (at 9-2)	$ 585,000	$ 776,369	(Paid)	(Paid)
2021	1,135,000	1,824,992	$ 75,000	$ 160,106
2022	1,425,000	1,811,769	80,000	162,781
2023	1,320,000	1,681,286	80,000	160,381
2024	1,355,000	1,693,034	85,000	162,800
2025	1,395,000	1,706,789	90,000	164,956
2026	1,445,000	1,727,621	90,000	161,975
2027	1,475,000	1,726,085	95,000	163,794
2028	1,415,000	1,632,720	100,000	165,319
2029	1,480,000	1,664,273	105,000	166,406
2030	1,520,000	1,670,211	110,000	167,106
2031	1,470,000	1,586,196	90,000	143,106
2032	1,350,000	1,434,108	115,000	164,006
2033	525,000	576,463	125,000	169,206
2034	535,000	571,659	130,000	169,106
2035	460,000	482,272	135,000	168,722
2036	385,000	394,256	140,000	168,050
2037	50,000	52,313	140,000	162,275
2038	50,000	50,781	150,000	166,294
2039			155,000	165,003
2040			165,000	168,403
Total	$19,375,000[(b)]	$23,063,197	$2,255,000[(c)]	$3,279,795

(a) Includes estimated debt service on the Utility Portion of the Series 2020C Bonds and the Utility Refunding Portion of the Series 2020D Bonds, and excludes the Series 2011A Refunded Maturities.

(b) 67.3% of this debt will be retired within ten years.

(c) 40.4% of this debt will be retired within ten years.

Estimated Calendar Year Debt Service Payments (Continued)

	Lease Obligations		Installment Purchase Revenue Debt	
Year	Principal	Principal & Interest[(a)]	Principal	Principal & Interest
2020 (at 9-2)	$ 340,000	$ 417,015	- 0 -	$ 117,221
2021	1,685,000	2,577,914	- 0 -	221,752
2022	1,730,000	2,565,065	$ 330,000	534,500
2023	1,780,000	2,564,154	340,000	538,893
2024	1,820,000	2,548,866	345,000	537,977
2025	1,900,000	2,570,635	350,000	536,651
2026	1,850,000	2,457,400	355,000	534,628
2027	1,775,000	2,318,672	365,000	537,220
2028	1,620,000	2,098,800	370,000	534,294
2029	1,675,000	2,092,277	380,000	535,933
2030	1,740,000	2,092,592	395,000	542,133
2031	1,810,000	2,094,103	400,000	537,338
2032	1,570,000	1,788,981	410,000	536,050
2033	1,630,000	1,787,670	425,000	539,485
2034	1,450,000	1,543,190	435,000	537,492
2035	1,510,000	1,541,480	450,000	540,221
2036			465,000	542,522
2037			480,000	542,896
2038			495,000	542,792
2039			505,000	537,226
2040			520,000	536,352
Total	$25,885,000[(b)]	$33,058,814	$7,815,000[(c)]	$10,563,576

(a) Includes estimated debt service on the Series 2020E Bonds and excludes the Authority's Series 2013A Refunded Maturities.

(b) 62.5% of this debt will be retired within ten years.

(c) 36.3% of this debt will be retired within ten years.

Estimated Calendar Year Debt Service Payments (Continued)

Year	Electric Revenue Debt Principal	Principal & Interest(a)
2020 (at 9-2)	$ 1,650,000	$ 2,228,898
2021	1,720,000	2,802,395
2022	1,805,000	2,808,485
2023	1,885,000	2,805,265
2024	1,980,000	2,813,115
2025	2,065,000	2,806,385
2026	2,160,000	2,805,135
2027	2,270,000	2,814,005
2028	2,375,000	2,812,455
2029	2,480,000	2,812,240
2030	2,580,000	2,799,065
2031	640,000	741,128
2032	415,000	495,400
2033	425,000	492,950
2034	440,000	495,200
2035	455,000	497,000
2036	465,000	493,350
2037	480,000	494,400
Total	$26,290,000*	$34,016,871

* *77.6% of this debt will be retired within ten years.*

Other Debt Obligations

Letter of Credit

In March 2019, the City issued $20,000,000 General Obligation Temporary State Aid Street Bonds, Series 2019A in the form of a draw down line of credit. The temporary bonds will be used to pay for the costs of constructing the Highway 212 and CSAH 44 interchange and CSAH 44 improvement project (the "Interchange Project"). The total Interchange Project cost is approximately $21,000,000; however, the State is paying $10,500,000; Carver County is contributing approximately $5,700,000; and the City's portion is approximately $4,800,000. Construction is expected to last two years, and the City will issue permanent bonds when the City's portion of the Interchange Project cost is finalized. For additional information see "GENERAL INFORMATION CONCERNING THE CITY – Commercial and Industrial Development" herein.

Authority Promissory Note

On November 21, 2016, the Authority entered into a promissory note related to a property. The note bears an interest rate of 4.75% and matures on November 15, 2021. The annual note payments are offset by lease revenue collected from the current tenant and the note is paid from the Chaska EDA fund. Note payments required to maturity are as follows:

Year Ending December 31	
2020	$16,800
2021	73,524
Total	$90,324

Capital Leases

On March 15, 2018, the City entered into a lease for the acquisition of fitness equipment for the Chaska Community Center. The lease bears an interest rate of 6.57% and matures on February 15, 2022. The future minimum lease obligation and the net present value of these minimum lease payments are as follows:

Year Ending December 31	
2020	$ 52,284
2021	52,284
2022	8,714
Total Minimum Lease Payments	$113,282
Less: Amount Representing Interest	(15,639)
Present Value of Minimum Lease Payments	$ 97,643

On February 19, 2019, the Chaska Fire Department entered into a lease for the acquisition of fitness equipment. The lease bears an interest rate of 7.29% and matures in May of 2024. While the lease agreement qualifies as a capital lease, the equipment has not been capitalized by the City as it was below the City's capitalization threshold. The future minimum lease obligation and the net present value of these minimum lease payments are as follows:

Year Ending December 31	
2020	$ 3,419
2021	3,419
2022	3,419
2023	3,419
2024	1,425
Total Minimum Lease Payments	$15,101
Less: Amount Representing Interest	(2,223)
Present Value of Minimum Lease Payments	$12,878

Conduit Debt

From time to time, the City has issued Industrial Revenue Bonds (IRBs) and Housing Revenue Bonds (HRBs) (collectively the "Revenue Bonds") to provide financial assistance to private-sector entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The Revenue Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Revenue Bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the Revenue Bonds. Accordingly, the Revenue Bonds are not reported as liabilities in the accompanying financial statements.

Overlapping Debt

Taxing Unit[(a)]	2019/20 Adjusted Taxable Net Tax Capacity	Est. G.O. Debt As of 9-2-20[(b)]	Debt Applicable to Tax Capacity in City Percent	Amount
Carver County	$ 167,390,403	$ 28,650,000	21.8%	$ 6,245,700
ISD No. 112 (Eastern Carver County)	97,203,986	134,745,000	37.6	50,664,120
Metropolitan Council	4,576,186,304	12,435,000[(c)]	0.8	99,480
Total				$57,009,300

(a) *Only those units with outstanding general obligation debt are shown here.*

(b) *Excludes general obligation tax and aid anticipation certificates and revenue-supported debt.*

(c) *Excludes general obligation debt supported by wastewater revenues and housing rental payments. Includes certificates of participation.*

Debt Ratios*

	G.O. Direct Debt	G.O. Direct & Overlapping Debt
To 2019/20 Estimated Market Value ($3,281,441,700)	2.21%	3.94%
Per Capita - (27,622 - 2018 MN State Demographer Estimate)	$2,620	$4,684

* *Excludes general obligation utility revenue debt, general obligation housing revenue debt, electric revenue debt, other debt obligations, and conduit debt. Includes lease obligations and installment purchase revenue bonds.*

CITY TAX RATES, LEVIES AND COLLECTIONS

Tax Capacity Rates for a Resident in the City of Chaska

	2015/16	2016/17	2017/18	2018/19	2019/20 Total	2019/20 For Debt Only
Carver County	38.880%	38.851%	37.436%	36.488%	35.488%	2.705%
City of Chaska	26.118	27.564	27.234	27.678	28.425	- 0 -
ISD No. 112 (Eastern Carver County)[(a)]	39.245	37.005	33.837	33.631	33.006	18.236
Special Districts[(b)]	6.834	6.903	6.490	6.422	4.557	1.396
Total	111.077%	110.323%	104.997%	104.219%	101.476%	22.337%

(a) *In addition, Independent School District No. 112 (Eastern Carver County) has a 2019/20 market value tax rate of 0.19337% spread across the market value of property in support of an excess operating levy.*

(b) *Special Districts include the Metropolitan Council, Metropolitan Transit District, Mosquito Control, the Lower Minnesota River Watershed District #1, the Carver County Rail Authority, the Carver County Community Development Agency, and the Chaska Economic Development Authority.*

NOTE: This table includes only net tax capacity-based rates. Certain other tax rates are based on market value. See Appendix IV.

Tax Levies and Collections

		Collected During Collection Year		Collected and/or Abated As of 12-31-19	
Levy/Collect	Net Levy*	Amount	Percent	Amount	Percent
2019/20	$10,348,724		(In Process of Collection)		
2018/19	9,173,406	$9,146,499	99.7%	$9,146,498	99.7%
2017/18	8,600,666	8,577,751	99.7	8,596,170	99.9
2016/17	7,923,620	7,898,899	99.7	7,920,999	99.9
2015/16	7,263,136	7,223,076	99.4	7,262,669	99.9

* *The net levy excludes state aid for property tax relief and fiscal disparities, if applicable. The net levy is the basis for computing tax capacity rates. See Appendix IV.*

FUNDS ON HAND
As of July 14, 2020

Fund	Cash and Investments
General	$ 4,152,025[(a)]
Special Revenue	1,385,737
Debt Service	5,663,201
Capital Projects	11,461,019
Enterprise	16,437,683
Internal Service	3,605,120
Trust and Agency	0[(b)]
Total	$42,704,785

(a) Reflects receipt of 95% of the City's first half tax settlement.

(b) Trust and Agency Funds have been incorporated into the General Fund and Special Revenue Funds at year-end 2019 due to the implementation of GASB 84.

INVESTMENTS

The City has an investment policy and may invest funds as authorized by Minnesota Statutes, as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.

- General obligations rated “A” or better.
- Revenue obligations rated “AA” or better.
- General obligations of the Minnesota Housing Finance Agency rated “A” or better.
- Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, with a credit quality in one of the top two highest categories.
- Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The City’s investments are managed to attain a market rate of return while protecting capital. The City has the following mix of investment types as of May 31, 2020: 1.4% in First American Treasury Obligations, 91.0% in mutual funds and money markets, and 7.6% in Commercial Paper. The Administrative Services Director (Treasurer) and City Administrator are charged with the responsibility of conducting investment transactions.

GENERAL INFORMATION CONCERNING THE CITY

The City is the county seat of Carver County, and is located approximately 18 miles southwest of Minneapolis and is part of the Minneapolis-Saint Paul metropolitan area. The City encompasses an area of approximately 17 square miles (10,880 acres).

Population

The City’s population trend is shown below.

	Population	Percent Change
2018 MN Demographic Center	27,622	16.2%
2010 U.S. Census	23,770	36.2
2000 U.S. Census	17,449	53.9
1990 U.S. Census	11,339	35.9
1980 U.S. Census	8,346	--

Source: United States Census Bureau, http://www.census.gov/.

The City's approximate population by age group for the past five years is as follows:

Data Year/ Report Year	0-17	18-34	35-64	65 and Over
2019/20	7,372	5,424	11,589	2,930
2018/19	7,303	5,466	11,473	2,721
2017/18	7,168	5,486	11,259	2,580
2016/17	7,172	5,538	11,080	2,385
2015/16	7,062	5,486	10,904	2,230

Sources: Environics Analytics, Claritas, Inc., and The Nielsen Company.

Transportation

Major transportation routes serving the City include U.S. Highways 212 and 169 and State Highway 41. In addition, Interstate 494 is approximately 10 miles northeast of the City. Twin Cities and Western Railroad provides rail service to the City. Air transportation by major airlines is available at the Minneapolis-St. Paul International Airport, less than a half-hour drive from the City, and at the Flying Cloud Airport, approximately 10 miles east of the City.

Major Employers

Employer	Product/Service	Approximate Number of Employees
Entegris Inc.	Semiconductor processing	1,000
Beckman-Coulter, Inc.	Diagnostic reagents	925
Independent School District No. 112 (Eastern Carver County)	Public education	880
TEL-FSI, Inc.[a]	Semi-centrifugal products	850
Carver County	County government	700
The Bernard Group	Visual merchandising company	646
Lake Region Manufacturing Co., Inc.	Catheter components	600
Old National Bank[c]	Banking services	560
City of Chaska	City government	535[b]
Apex International, MFG	Home-care product manufacturer	400
Import Specialties, Inc.	Automotive services	325

(a) *Formerly known as FSI International.*

(b) *Includes full and part-time employees.*

(c) *Formerly known as Klein Financial, Inc.*

Source: This does not purport to be a comprehensive list and is based on a September 2019 best efforts telephone survey of individual employers. Some employers do not respond to inquiries.

Labor Force Data

	Annual Average				May
	2016	2017	2018	2019	2020
Labor Force:					
Carver County	56,485	57,424	57,859	58,564	56,061
Minneapolis-Saint Paul - Bloomington MSA	1,938,642	1,979,780	2,016,208	2,023,566	1,962,191
State of Minnesota	3,035,241	3,057,358	3,071,433	3,109,647	3,060,535
Unemployment Rate:					
Carver County	3.3%	2.9%	2.5%	2.8%	8.3%
Minneapolis-Saint Paul – Bloomington MSA	3.6	3.3	2.7	3.0	10.4
State of Minnesota	3.9	3.4	2.9	3.2	9.4

Source: Minnesota Department of Employment and Economic Development, https://apps.deed.state.mn.us/lmi/laus. 2020 data are preliminary

Retail Sales and Effective Buying Income (EBI)

City of Chaska

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	$305,490	$1,069,092	$78,299
2018/19	293,460	954,752	68,736
2017/18	347,510	940,908	69,753
2016/17	302,498	820,255	63,618
2015/16	277,948	753,798	61,327

Carver County

Data Year/ Report Year	Total Retail Sales ($000)	Total EBI ($000)	Median Household EBI
2019/20	$1,347,523	$4,501,253	$84,734
2018/19	1,271,040	4,219,638	77,524
2017/18	1,267,182	4,120,274	78,545
2016/17	1,114,035	3,548,604	71,765
2015/16	1,077,082	3,035,078	70,504

The 2019/20 Median Household EBI for the State of Minnesota was $60,916. The 2019/20 Median Household EBI for the United States was $54,686.

Sources: Environics Analytics, Claritas, Inc., and The Nielsen Company.

Permits Issued by the City

	New Single Family Residential		New Commercial/Industrial		Total Value* (All Permits)
Year	Number	Value	Number	Value	
2020 (to 5-31)	30	$ 7,766,693	17	$ 4,515,060	$ 15,074,646
2019	103	31,901,390	34	6,587,100	46,553,957
2018	78	18,788,936	49	14,207,139	57,621,735
2017	103	24,339,375	45	69,759,098	105,409,067
2016	134	34,199,578	38	14,769,385	70,331,176
2015	135	35,690,048	43	26,204,786	87,170,651
2014	138	35,216,150	51	11,117,620	57,981,994
2013	130	34,957,157	44	37,794,640	82,407,161
2012	115	30,700,695	44	14,301,328	60,403,296
2011	54	13,638,503	46	54,355,421	77,891,062

* *In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).*

Source: City of Chaska.

Residential Development

According to the Metropolitan Council Community Profile of the City, in 2018 there were approximately 5,780 single-family homes, 1,417 single-family attached townhomes, 307 multi-family homes (consisting of two, three, and four units), 2,227 multi-family homes (consisting of five or more units), and 677 manufactured homes located within the City. In 2019, there were 114 new detached single-family home permits issued, compared to 2018, where there were 55 new detached single-family homes, 23 single-family townhomes, and 117 new multi-family units constructed. The average value of a new home has increased by 2.2%, from $273,699 in 2018 to $279,836 as of December 31, 2019. The status of single-family lot availability as of May 31, 2020 is as follows:

Subdivision Name	Available Lots	Total Lots	Permits Issued to Date
Single Family			
Chaska Bluffs	21	25	4
Clover Field 7th	4	11	7
Club West Fourth Addition	4	38	34
Club West Sixth Addition	1	28	27
Club West Seventh Addition	14	42	28
Club West Eighth Addition	32	43	11
Club West Ninth Addition	9	13	4
Harvest West	65	72	7
Klein Brickyard Thirteenth Addition	6	20	14
Red Cedar Creek 3rd Addition	1	7	6
Sagewood	0	14	14
Sagewood 2nd Addition	14	41	27
Savanna Estates	1	15	14
Savanna Estates 2nd Addition	7	11	4
Savanna Estates 3rd Addition	24	26	2
Single Family Subtotal	203	406	203
Multiple Family			
Arbor Fields	18	50	32
Grand Total	221	456	235

Commercial and Industrial Development

The City continues its multi-year program to reconstruct streets in the historic downtown core as a part of its Downtown Master Plan. This reconstruction has reinvigorated the coordination and planning efforts for the transformation of another downtown block, which will be called City Square West. The City envisions a gathering space that attracts citizens to come downtown to enjoy new and readily accessible services, and it is anticipated that construction will begin yet in 2020.

Other development activities include:

- *SW Chaska Master Plan*. The City has completed its SW Chaska Master Plan, which guides development and land use of an undeveloped two-plus square mile area in the southwest area of the City along Highway 212. While most of the area was originally determined to be residential, the new master plan allows for more corporate uses and allows residential development to be most consistent with current market conditions.

- *Highway 212 Interchange*. The City received $10.5 million in State funds to create an interchange at County Highway 44 and Trunk Highway 212. Construction of the $20.5 million interchange and improvements to County Highway 44 began in 2019. The City and Carver County will split the costs for the remaining $10 million portion of the project. Completion of the project will improve access to neighborhoods recently developed in the southwest area of the City and facilitate the planned industrial development in this area.

- *Chaska Building Center Site*. The City has been working to redevelop a former building center site on County Road 61 just east of downtown. The 12-acre site was previously home to dilapidated industrial buildings, which have since been demolished. To date, a portion of the site has been developed for affordable multi-family housing, another portion has been redeveloped into a cabinet milling facility for DDK Construction, Inc., and another portion was redeveloped into a 30,000 square-foot medical device manufacturer for Formacoat, which opened in fall of 2019. The remaining four acres of the site are currently under a letter of intent with the Authority and is undergoing the planning process. The proposed project includes 24,000 square feet of office/condo space and another 20,000 square feet for multi-user industrial.

- *Schram Brew Haus*. The City has facilitated the redevelopment of a former Carver County public works building on the west side of downtown on County Road 61 into a brewery and taproom called Schram Brew Haus, which opened in spring of 2019. The City helped transfer ownership from Carver County to a development team who in turn renovated the building. This project will return the property to the tax rolls, establish a productive use, and add an attraction in proximity to the City's historic downtown.

- *Job Growth Grants*. The City has a well-established history of assisting local industrial employers in accessing state assistance for expansion and job growth. In 2019, Formacoat was awarded $270,000 to support 15 new jobs.

<u>Industrial Parks</u>

There are two industrial parks located within the City with a combined capacity of 679 acres. Currently, there are over 100 enterprises occupying the parks, the larger of which include Lake Region Manufacturing, TEL-FSI, Inc., Beckman Coultier, Bailiwick, and Lifecore Biomedical. There are only two remaining sites in this industrial park, one with approximately 17 acres and one with approximately five acres. The five-acre site would be marketed for approximately $3 million, while the 17-acre site would be marketed for approximately $7 million. The City recently worked with three existing companies in the industrial parks on expansions totaling an additional 100,000 square feet.

The City has approximately 390 acres of corporate/industrial land planned for development since the opening of the new Highway 212. There is room for 5.5 million square feet of office/industrial space that will be marketed toward bioscience and high-tech companies. This is expected to add between $300 million and $500 million of taxable market value as well as 4,000 to 6,000 quality jobs when completed.

Financial Institutions*

Banking and financial services in the City are provided by branches of BankVista; Charter Bank; Old National Bank; Security Bank Waconia; and Wells Fargo Bank, National Association.

* *This does not purport to be a comprehensive list.*

Source: Federal Deposit Insurance Corporation, https://www.fdic.gov/.

Health Care Facilities

Two Twelve Medical Center is owned and operated by Ridgeview Medical Center and is a free-standing emergency and urgent care facility located in the City. Two Twelve Medical Center offers 24/7 emergency care and urgent care, comprehensive family and specialty care, advance diagnostics, and access to leading physicians and clinics.

St. Francis Regional Medical Center, a general and acute care hospital with 93 beds and 18 infant bassinets, is located in the City of Shakopee, approximately seven miles from the City. Ridgeview Medical Center, a general and acute care hospital with 109 beds and 20 infant bassinets, is located in the nearby City of Waconia. Auburn Manor, a 61-bed nursing home, is located in the City.

Source: Minnesota Department of Health, https://www.health.state.mn.us/facilities/regulation/directory/index.html.

Education

Public Education

Independent School District No. 112 (Eastern Carver County) operates a kindergarten center, an education center, seven elementary schools, a middle school campus (encompassing three schools), and two high schools. Enrollment for the 2019/20 school year is approximately 9,896 for kindergarten through grade 12.

Source: Minnesota Department of Education, www.education.state.mn.us.

Non-Public Education

City residents are also served by the following private schools:

School	Location	Grades	2019/20 Enrollment
Guardian Angels School	City of Chaska	PreK-8	62*
Jonathan Montessori	City of Chaska	PreK	12
St. John's Lutheran School	City of Chaska	K-8	132*
Southwest Christian High School	City of Chaska	9-12	373*

* *Accredited by the Minnesota Non-public School Accrediting Association.*

Source: Minnesota Department of Education, www.education.state.mn.us.

Post-Secondary Education

City residents have access to various colleges and universities located throughout the Minneapolis/Saint Paul metropolitan area.

GOVERNMENTAL ORGANIZATION AND SERVICES

The City was organized as a municipality in 1891 and became a statutory city in 1974. The City's governing body is the City Council, comprised of the Mayor and four Council members. The Mayor serves a two-year term of office; Council members are elected by ward to serve overlapping four-year terms.

		Expiration of Term
Mark Windschitl	Mayor	December 31, 2020
Jon Grau	Council Member, First Ward	December 31, 2022
Taylor Hubbard	Council Member, Second Ward	December 31, 2020
McKayla Hatfield	Council Member, Third Ward	December 31, 2022
Mike Huang	Council Member, Fourth Ward	December 31, 2020

The daily management and administration of the City is under the direction of the City Administrator, Mr. Matthew Podhradsky. Mr. Podhradsky has served in this capacity since August 4, 2008. Mr. Podhradsky also serves as the City Clerk.

Mr. Noel Graczyk serves as Administrative Services Director and has been in this position since 1988. The Administrative Services Director also serves as City Treasurer and, with direction from the City Council, shares responsibility for financial management with the City Administrator.

The City has 150 regular full-time employees, 385 part-time employees, and 44 paid on-call volunteer firefighters.

Municipal Services

The Water Utility System has approximately 7,333 municipal and 20 private connections served by three elevated water storage facilities and a ground storage tank with a combined capacity of 4.0 million gallons. In addition, there are six wells that have the capacity to pump 9,375 gallons per minute or approximately 13,500,000 gallons per day. In 2019, average demand was 2,702,879 gallons per day while peak demand reached 5,939,000 gallons per day. Total tap water hardness is 26 parts per million gallons of water. The water treatment plant has the capacity to treat 12.6 million gallons per day for iron and manganese removal to only trace levels.

The 2019 operating revenues of the water utility system were $2,921,860 with an average annual charge per household and commercial connection at approximately $384. Rates for 2020 range from $2.04 to $4.59 per thousand gallons.

The Sewer Utility System has approximately 7,098 municipal and 14 private connections. Average demand in 2019 was 2,471,499 gallons per day while peak demand reached 3,334,000 gallons per day. All sewage treatment services are operated through Metropolitan Council Environmental Services.

The 2019 operating revenues of the sewer utility system were $4,137,424 with an average annual charge per household and commercial connection at approximately $575. The 2020 sewage use charge is $4.39 per thousand gallons.

The established rates and charges for both the water and sewer systems produce revenues sufficient to operate the systems and pay debt service on those general obligation bonds that are payable from these revenues.

The Electric Utility System has approximately 10,488 connections. The electric utility's mission is to provide reliable electric service to its customers at competitive rates while making a profit that will be used to reduce community property taxes. The City owns and operates its own electric distribution system, purchasing electricity from the Minnesota Municipal Power Agency (the "Agency"). The Agency is a joint venture on the part of the City with eleven other cities that have entered into agreements to purchase wholesale electric power.

Storm Water Utility System. All property within the City is charged a rate for storm water utility services based on land use. The 2019 operating revenues of the storm water utility system were $1,733,901. The Resistance Equivalency Rate (RER) is $10.14 for 2020.

Fire and Rescue Department. The City currently has five full-time employees: a fire chief, fire marshal, an administrative assistant, and two fire inspectors. There are also 44 paid on-call firefighters. The City has a fully equipped fire station with two engines (pumpers), one 100-foot ladder truck, one tanker, two grass rigs, two utility vehicles, four command vehicles, and one fulltime ALS ambulance (contracted with Ridgeview Medical), and other miscellaneous firefighting and rescue equipment. The department responds to approximately 900 calls annually and member total training hours exceed 5,000 annually.

Police Department. The City operates its own police department with 25 licensed police officers, including a chief of police and four full-time community service officers. Dispatching and jail facilities are coordinated through the Carver County Sheriff's Department.

Park and Recreational Facilities. The City's municipal park system encompasses approximately 1,340 acres of land consisting of 29 active recreation areas connected by a greenway system running from the Minnesota River to the Minnesota Landscape Arboretum. Virtually every home in the City is located no more than a quarter mile from the park system and most are connected by internal greenways within subdivisions. The City has over 60 miles of trails to connect neighborhoods to parks and amenities. The 29 recreational areas offer a variety of facilities and activities to City residents including picnic areas with tables and electricity, cooking grills, drinking water, restrooms and shelter buildings, swimming, fishing, general playground equipment, baseball/softball fields, tennis courts, volleyball and basketball courts, hockey/skating rinks and horseshoe courts. The parks vary in size from two acres to 100 acres.

Community Center. The City operates an approximately 200,000 square-foot community center consisting of two ice arenas, gymnasiums, indoor running track, exercise machines, aquatic pools, racquetball courts, community rooms, offices, stage and auditorium, fitness center and the Lodge for Active Older Adults. The Center had 2019 operating revenues of $3,264,745.

Curling Arena and Event Center. The City operates a curling center with six lanes for curling, a restaurant, and an event center adjacent to the arena that seats 350 people. The Curling Arena and Event Center had 2019 operating revenues of $1,240,291.

Municipal Golf Courses. The City operates two golf courses: The Par Thirty Golf Course, a nine-hole executive course; and the Chaska Town Course, an 18-hole course. The golf courses had 2019 operating revenues of $136,903 and $2,105,154, respectively.

Labor Contracts

The status of labor contracts in the City is as follows:

Bargaining Unit	No. of Employees	Expiration Date of Current Contract
Teamsters No. 320	41	December 31, 2020
LELS (Patrol)	16	December 31, 2020
Police Supervisors	4	December 31, 2020
Total all labor contracts	61	
Non-unionized employees	89	
Total full-time employees	150	
Total part-time employees	385	
Volunteer Fire Department paid on-call employees	44	
Total employees	579	

Employee Pensions

All full-time and certain part-time employees of the City, including employees of the City's electric utility, are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. GERF members belong to the Coordinated Plan and are covered by Social Security. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

The City's contributions to GERF and PEPFF are equal to the contractually required contributions for each year as set by State Statute, and are as follows for the past five years:

	GERF	PEPFF
2019	$761,477	$531,554
2018	684,782	471,427
2017	645,781	431,127
2016	622,514	421,074
2015	573,571	384,775

One City Council member is covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax-qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until the time of withdrawal. Plan benefits depend solely on the amounts contributed to the plan plus investment earnings less administrative expenses. An eligible elected official who chooses to participate in the plan contributes 5% of their salary, which is matched by the elected official's employer. PERA receives 2% of employer contributions and 0.025% of the assets in each member's account annually for administering the plan.

The City's contributions to PEDCP for the past five years are as follows:

	PEDCP
2019	$ 490
2018	1,481
2017	1,540
2016	1,453
2015	1,453

Volunteer firefighters of the City are eligible for pension benefits through membership in the Chaska Fire Department Relief Association (CFDRA) organized under Minnesota Statutes, Chapter 69, and administered by a separate Board elected by the membership. State aids, investment earnings and City contributions fund the plan.

- *Monthly Service Pension*: $2.185 per month of service with a maximum of 360 months for members starting prior to November 4, 2013. In lieu of monthly payments, a member may elect a lump sum benefit. (Note – On October 15, 2018, the City Council modified benefit provisions to increase the monthly benefit from $2.185 to $2.4525 per month of service effective as of January 1, 2019.)
- *Lump Sum Service Pension*: $6,486 per year of service for members starting on or after November 4, 2013 based on completed years of service up to 30 years. (Note – On October 15, 2018, the City Council modified benefit provisions to increase the lump sum benefits from $6,486 to $7,100 per year of service effective as of January 1, 2019.)
- *Deferred Service Pensions*: with termination prior to age 50 and at least ten years of service, a deferred pension is payable at age 50 and reduced four percent for each year of service less than 20 years.
- *Survivor Benefits*: spouse, children or estate receive 100 percent of the member's lump sum benefit.
- *Disability Benefit*: A disabled member will receive the amount of their monthly service pension based on credited service as of the date eligible.

The CFDRA issues a publicly available financial report that can be obtained by writing to City of Chaska, One City Hall Plaza, Chaska, MN 55318-1962 or by phone (952) 448-9200. City contributions to CFDRA for the past five years are as follows:

	CFDRA
2019	$326,937
2018	307,845
2017	285,081
2016	276,146
2015	254,641

For more information regarding the liability of the City with respect to its employees, please reference "Note 14, Defined Pension Plans – State-wide," "Note 15, Defined Contribution Plan," "Note 16, Defined Benefit Pension Plans – Fire Relief Association," and "Required Supplementary Information" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019, an excerpt of which is included as Appendix V of this Official Statement.

Sources: City's Comprehensive Annual Financial Reports.

GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for the GERF and the PEPFF for the past five years are as follows:

	GERF		PEPFF	
	Proportionate Share of Pension Costs	Net Pension Liability	Proportionate Share of Pension Costs	Net Pension Liability
2019	0.13%	$7,441,732	0.28%	$3,022,404
2018	0.13	7,350,557	0.26	2,788,387
2017	0.13	8,439,559	0.26	3,564,313
2016	0.13	10,441,682	0.25	9,992,803
2015	0.13	6,504,061	0.26	2,908,759

For more information regarding GASB 68 with respect to the City, please reference "Note 14, Defined Pension Plans – State-wide" and "Required Supplementary Information" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019, an excerpt of which is included as Appendix IV of this Official Statement.

Additional and detailed information about GERF's net position is available in a separately-issued PERA financial report, which may be obtained at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088; or by calling 1-800-652-9026.

Sources: City's Comprehensive Annual Financial Reports.

Other Post-Employment Benefits

The Government Accounting Standards Board (GASB) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB").

The City's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible employees. The plan offers group health insurance benefits, and it is the City's policy to periodically review its group health insurance plans and to obtain requests for proposals in order to provide the most favorable benefits and premiums for the City's employees and retirees. No assets are accumulated in a trust.

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Retirees may obtain dependent coverage while the participating retiree is under age 65, and covered spouses may continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

Retiree are required to pay 100% of the premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary. The required contributions are based on a pay-as-you-go basis, and the City's benefits for the fiscal year ended December 31, 2019 were $38,657. The following employees were covered by the benefit terms as of January 1, 2018:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	134
Total	137

The City's net OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018. The discount rate used to measure the total OPEB liability was 3.30%. Components of the City's OPEB liability and related ratios for the fiscal year ended December 31, 2019 are as follows:

Service cost	$ 76,026
Interest	42,360
Benefit payments	(21,491)
Net change in total OPEB liability	$ 96,895
Total OPEB liability – beginning of year	1,218,277
Total OPEB liability – end of year	$ 1,315,172
Covered Payroll	$10,694,925
Total OPEB Liability as a Percentage of Covered Payroll	12.3%

For more information regarding GASB 75 with respect to the City, please reference "Note 17, Other Post-Employment Benefits (OPEB) Plan" and "Required Supplementary Information" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019, an excerpt of which is included as Appendix V of this Official Statement.

Sources: City's Comprehensive Annual Financial Reports.

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance

	2019 Budget	2019 Actual	2020 Prelim. Budget
Revenues			
Taxes	$ 6,503,906	$ 6,450,837	$ 7,702,682
Licenses and Permits	1,409,762	910,342	1,128,986
Intergovernmental	655,663	795,598	751,437
Charges for Services	4,213,511	4,140,543	5,208,900
Fines and Forfeitures	121,845	64,114	70,219
Special Assessments	-		-
Other Revenue	115,930	203,989	124,484
Total Revenues:	$ 13,020,617	$ 12,565,423	$ 14,986,708
Expenditures			
Current			
General Government	$ 5,453,017	$ 5,847,504	$ 5,878,500
Public Safety	6,426,280	6,459,160	7,434,479
Public Works	3,460,554	3,724,981	3,812,179
Parks, Recreation and Arts	1,074,766	950,489	1,025,252
Unallocated	-	-	79,298
Debt Service	-	2,219	-
Capital Outlay	-	-	-
Total Expenditures:	$ 16,414,617	$ 16,984,353	$ 18,229,708
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (3,394,000)	$ (4,418,930)	$ (3,243,000)
Other Financing Sources (Uses)			
Operating Transfers In	$ 3,919,000	$ 4,801,298	$ 3,998,000
Capital Lease Issued	-	14,290	-
Operating Transfers Out	(525,000)	(525,000)	(755,000)
Total Other Financing Sources (Uses):	$ 3,394,000	$ 4,290,588	$ 3,243,000
Net Change in Fund Balance:	$ -	$ (128,342)	$ -
Fund Balance, January 1:	2,039,203	2,039,203	1,910,861
Fund Balance, December 31:	$ 2,039,203	$ 1,910,861	$ 1,910,861

Sources: The City and the City's Comprehensive Annual Financial Reports.

Major General Fund Revenue Sources

Revenue	2015	2016	2017	2018	2019
Taxes	$9,394,993	$8,511,170	$9,439,333	$9,999,388	$6,450,837
Charges for Services	2,556,276	2,791,405	2,952,236	3,912,324	4,140,543
Licenses and Permits	1,259,621	1,033,383	1,302,593	928,825	910,342
Intergovernmental	1,144,263	1,135,212	926,001	687,796	795,598
Other Revenue	113,769	156,048	149,227	146,613	160,743
Transfers In	166,000	91,257	14,622	250,000	4,801,298
Fines and Forfeitures	95,736	104,226	113,158	109,319	64,114

Sources: City's Comprehensive Annual Financial Reports.

PROPOSED FORM OF LEGAL OPINION

DORSEY
DORSEY & WHITNEY LLP

Economic Development Authority
of the City of Chaska, Minnesota

[Purchaser]
[City, State]

Re: $[PAR] Lease Revenue and Limited Tax Refunding Bonds, Series 2020E
Economic Development Authority of the City of Chaska, Minnesota

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, issuance and sale by Economic Development Authority of the City of Chaska, Minnesota (the "Issuer"), of its $[PAR] Lease Revenue and Limited Tax Refunding Bonds, Series 2020E, dated, as originally issued, as of September [__], 2020 (the "Bonds"). For the purpose of rendering this opinion, we have examined: (1) a Lease Agreement, dated as of July 1, 2013, as amended and restated by an Amended and Restated Lease dated as of September 1, 2020 (the "Lease"), between the Issuer and the City of Chaska, Minnesota (the "City"); (2) a Trust Indenture, dated as of July 1, 2013, as supplemented by a First Supplemental Indenture, dated as of September 1, 2020 (together, the "Indenture"), between the Issuer and U.S. Bank National Association in St. Paul, Minnesota, as Trustee; (3) certified copies of the resolutions of the governing bodies of the Issuer and the City approving and authorizing the execution and delivery of the Bonds, the Lease, the Indenture and other documents, as the case may be; and (4) such other documents, certificates and opinions as we consider necessary in order to render this opinion. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits, certificates and other documents furnished to us without undertaking to verify the same by independent investigation.

From such examination and on the basis of existing law, it is our opinion that:

1. The Issuer is authorized by the Constitution and laws of the State of Minnesota to issue the Bonds, to apply the proceeds of the Bonds to refinancing the Equipment (as defined in the Lease), to pledge the rental payments to be received pursuant to, and its interests in, the Lease as security for the payment of the principal of and interest on the Bonds, and to pledge the amounts obtained by an annual levy by the Issuer of a tax not to exceed 0.0185 percent of taxable market value of the City pursuant to the Issuer's taxing power under Minnesota Statutes, Section 469.033, subdivision 6.

2. The Lease has been duly authorized, executed and delivered by the Issuer and the City and is a valid instrument binding on the Issuer and the City and enforceable in accordance with its terms. The Indenture has been duly and validly authorized, executed and delivered by the Issuer and, assuming the due and valid authorization, execution and delivery thereof by the Trustee, is a valid instrument binding on the Issuer and enforceable in accordance with its terms.

3. The Bonds are valid and binding special obligations of the Issuer, enforceable in accordance with their terms and the terms of the Indenture, payable as to principal and interest from and secured by a valid and enforceable pledge of revenues derived from the Lease and from certain other revenues described in the Lease and the Indenture, including amounts obtained by an annual levy by the Issuer of a tax not to exceed 0.0185 percent of taxable market value of the City pursuant to the Issuer's taxing power

under Minnesota Statutes, Section 469.033, subdivision 6. Under the Lease, the Issuer is leasing the Equipment (as defined in the Lease) to the City, and the City agrees to pay to the Issuer rental payments, payable at times and in amounts sufficient to pay the principal of and interest on the Bonds when due. The rental payments are payable solely from moneys to be legally appropriated and provided for that purpose by the City. If the City Council fails to appropriate money for the payment of the rental payments coming due under the Lease for any fiscal year of the City, the City may terminate the Lease in the manner provided therein as of the end of the preceding fiscal year, without penalty or liability on the part of the City to pay any rental payments coming due after the end of such fiscal year.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

5. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates.

The opinions expressed in paragraphs 1, 2, and 3 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 4 and 5 above are subject to the compliance by the Issuer with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 5 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the Issuer and the City and their respective officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities and equipment financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated this [__] day of September, 2020.

Very truly yours,

CONTINUING DISCLOSURE COVENANTS

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the Securities Exchange Commission (the "SEC") under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the "Rule"), which will enhance the marketability of the Bonds, the Authority hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The Authority and the City are the only obligated persons in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City or Authority fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The Authority will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the Authority, the following information at the following times:

(1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2020, the following financial information and operating data in respect of the City (the "Disclosure Information"):

(A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: "Appendix I – General and Financial Information Concerning the City of Chaska, Minnesota – City Property Values;" "– City Indebtedness;" and "– City Tax Rates, Levies and Collections."

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the Authority shall provide on or before such date unaudited financial statements and, within 10 days after the receipt thereof, the Authority shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access System ("EMMA") or the SEC. The Authority shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City or the Authority have materially changed or been discontinued, such Disclosure Information need no longer be provided if the Authority includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other Authority or City operations in respect of which data is not included in the Disclosure Information and the Authority determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the Authority shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, not in excess of 10 business days after the occurrence of the event, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "Material Fact"):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
(G) modifications to rights of holders of the Bonds, if material;
(H) bond calls, if material, and tender offers;
(I) defeasances;
(J)release, substitution or sale of property securing repayment of the Bonds, if material;
(K) rating changes;
(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;
(M) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(O) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

(P) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

(A) the failure of the Authority to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the Authority under subsection (d)(2);
(C) the termination of the obligations of the Authority under this section pursuant to subsection (d);
(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
(E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

(1) The Authority agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the Authority in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the Authority under this section shall terminate and be without further effect as of any date on which the Authority delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the Authority to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the Authority from time to time, without notice to (except as provide in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the Authority accompanied by an opinion of Bond Counsel, who may rely on certificates of the Authority and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the Authority or the City or the type of operations conducted by the Authority or the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

SUMMARY OF FINANCING DOCUMENTS

The following summaries do not purport to be comprehensive or definitive and all references to the documents summarized below are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the following documents. Copies of these documents are available for inspection during the period of the offering at the offices of the Municipal Advisor, and thereafter at the principal office of the Trustee. REFERENCE IS MADE TO EACH DOCUMENT IN ITS ENTIRETY FOR A COMPLETE AND ACCURATE UNDERSTANDING OF THE FINANCING DOCUMENTS

DEFINITIONS

In the foregoing Official Statement the following terms have the following meanings unless the context hereof clearly requires otherwise and any other terms used in the foregoing Official Statement and not defined below shall have the same meaning when used in this Official Statement as are given in the Indenture or the Lease, unless the context or use thereof indicates another or different meaning.

Amended and Restated Lease: The Amended and Restated Lease dated as of September 1, 2020, between the Authority, as lessor, and the City, as lessee

Additional Bonds: Any additional Bonds issued pursuant to the terms and conditions of the Indenture.

Authority Representative: The President or Executive Director of the Authority or any other person authorized to act on behalf of the Authority under or with respect to the Indenture, as evidenced by a certificate conferring such authority executed by the President, given to the Trustee and the City.

Bond Fund: The Bond Fund created under the Indenture.

Bond Resolution: The resolution adopted June 17, 2013, by the Authority authorizing the issuance and delivery of the Series 2013A Bonds and the resolution adopted August 3, 2020, by the Authority authorizing the issuance and delivery of the Series 2020E Bonds.

Bond Year: A calendar year.

Bonds: The Series 2013A Bonds, the Series 2020E Bonds, and any Additional Bonds.

Business Day: Any day other than a Saturday, Sunday, or other day on which commercial banks in the city in which the principal corporate trust office of the Trustee is located are not open for business.

Certificate: A certification in writing required or permitted by the provisions of the Lease or the Indenture, signed and delivered to the Trustee or other proper person or persons.

City: The City of Chaska, Minnesota, and its permitted successors and assigns under the Lease.

City Representative: The Mayor or City Administrator, or any person authorized by law to act on behalf of the City under or with respect to the Lease, as evidenced by a certificate conferring such authority executed by the City Administrator and given to the Trustee and the Authority.

Default: Default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, exclusive of any notice or period of grace required to constitute a default an "Event of Default" as described in the Indenture.

Equipment: The equipment to be installed at the City's Community Center, as more fully described in the Lease

Event of Default: An Event of Default described in the Indenture which has not been cured.

First Supplemental Indenture: The First Supplemental Indenture dated as of September 1, 2020, between the Authority and the Trustee

Fiscal Year: The fiscal year of the Authority; initially, the 12-month period commencing on January l in each year.

Holder, Bondholder or Owner: The person or persons in whose name any Bond shall be registered in the registration books maintained by the Trustee on behalf of the Authority.

Indenture: The Original Indenture, as amended and supplemented by the First Supplemental Indenture and any other supplemental indenture entered into pursuant to the provisions of the Original Indenture.

Independent Counsel: An attorney or firm of attorneys duly admitted to practice law before the highest court of any state and not an officer or full-lime employee of the Authority or the City.

Interest Payment Date: The stated maturity of an installment of interest on any of the Bonds.

Internal Revenue Code: The Internal Revenue Code of 1986, as amended from time to time.

Land: The real estate described in the Lease, upon which the Equipment is located.

Lease: The Original Lease, dated as of July 1, 2013, between the Authority, as lessor, and the City, as lessee, as amended and restated by the Amended and Restated Lease.

Original Indenture: The Indenture dated as of July 1, 2013, between the Authority and the Trustee.

Original Lease: The Lease dated as of July 1, 2013, between the Authority, as lessor, and the City, as lessee.

Opinion of Counsel: A written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the City or Authority and acceptable to the Trustee or appointed by the Trustee.

Outstanding: When used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture pertaining to Bonds held by the Authority and the City) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds deemed not outstanding pursuant to the terms of the Indenture; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of the Indenture pertaining to replacement of Bonds.

Payment Date: The fifth Business Day preceding each Interest Payment Date, which is the date upon which any Rental Payment is due and payable as provided in the Indenture.

Predecessor Bonds: Every previous Bond evidencing all or a portion of the same debt as that evidenced by a particular Bond, including Bonds exchanged pursuant to the Indenture, and for purposes of this definition, any Bond authenticated and delivered under the Indenture in lieu of a lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

Principal Payment Date: The stated maturity of principal of any Bond, or the mandatory sinking fund redemption date of any Bond.

Project Costs: The costs defined in the Indenture.

Project Fund: The Project Fund created under the Indenture.

Project Purchase Price: The amount necessary to defease to the earliest permissible redemption date the remaining Outstanding principal amount of Bonds, together with an amount equal to the Authority's and Trustee's fees and expenses in connection with such defeasance and redemption.

Qualified Investments: Any investments permitted pursuant to Sections 118A.04 and l18A.05, Minnesota Statutes, for the investment of public funds, and (2) shares in an open-ended registered investment company which exclusively purchases and holds direct, full faith and credit obligations of the United States or obligations of agencies or instrumentalities of the United States, the full and timely payment of which is unconditionally guaranteed by the United States (including repurchase agreements collateralized by such obligations), including funds for which the Trustee or its affiliates provide investment advisory or other management services.

Redeem or Redemption: Includes and means "prepay" or "prepayment," as the case may be.

Rental Payment: Any payment due from the City to the Authority under the Lease.

Reserve Fund: The Reserve Fund created under the Indenture.

Responsible Officer: As to any Trustee, the president, every vice president, every assistant vice president, the cashier, every assistant cashier, every corporate trust officer, and every officer and assistant officer of such Trustee, other than those specifically above mentioned, to whom any corporate trust matter is referred because of such person's knowledge of, and familiarity with, a particular subject.

Series 2013A Bonds: The Lease Revenue and Limited Tax Bonds, Series 2013A, authorized by the Original Indenture and the Bond Resolution.

Series 2020E Bonds: The Lease Revenue and Limited Tax Refunding Bonds, Series 2020E, authorized by the First Supplemental Indenture and the Bond Resolution.

Term of the Lease or Lease Term: The period during which the Lease remains in effect as specified in the Lease.

Trust Estate: The interest of the Authority in the Lease assigned under Granting Clause I of the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in Granting Clause II of the Indenture; and additional property held by the Trustee pursuant to Granting Clause III of the Indenture.

Trustee: The trustee at the time serving as such under the Indenture.

THE LEASE

The following is a summary of certain provisions of the Lease. The summary is qualified in its entirety by reference to the full text of that Lease.

Lease. Upon the terms and conditions set forth in the Lease, the Authority leases the Equipment to the City, and the City leases the Equipment from the Authority.

Possession and Enjoyment. During the Lease Term, the Authority covenants to provide the City with the quiet use and enjoyment of the Equipment; and the City will peaceably and quietly have and hold and enjoy the Equipment without suit, trouble or hindrance from the Authority, except as expressly set forth in the Lease.

Authority Access to Equipment. The Authority and any Authority Representative have the right at all reasonable times to examine and inspect the Equipment and such rights of access to the Equipment as reasonably necessary to properly maintain the Equipment.

Lease Term; Termination. The Lease will remain in effect with respect to the Equipment for a Lease Term commencing on its date of execution and continuing until no Bonds remain Outstanding, or until terminated. The Lease Term will terminate prior to the date specified in the Lease upon the occurrence of the first of the following events: (a) termination of the Lease in the event of non-appropriation; (b) a default by the City and the Authority's election to terminate the Lease; or (c) the payment by the City of the Purchase Price, together with any fees and expenses due the Authority or the Trustee under the Lease or the Indenture.

Rental Payments. The City will, by wire transfer in immediately available funds, pay Rental Payments with respect to the Equipment as follows:

(a) By each Rental Payment Date, the City will pay an amount equal to the interest, and principal, if any, due on the Bonds on the next succeeding Interest Payment Date.

(b) As a credit against the first interest payment otherwise required to be paid by the City to the Trustee pursuant to (a) above, there will be applied any accrued interest on the Bonds initially deposited into the Bond Fund.

(c) On each Rental Payment Date, so long as no Event of Default has occurred and is continuing, the City will have a credit against the Rental Payment otherwise due on said date to the extent of any investment profits or earnings which have been transferred or are otherwise available in the Bond Fund for such purpose.

(d) In the event the City will have paid Rental Payments with respect to the next succeeding Interest Payment Date, but the funds on deposit in the Bond Fund are nevertheless insufficient to pay such principal, premium (if any) and interest on the Bonds then due or to become due on such Interest Payment Date, the City will forthwith pay, as Rental Payments, the amount of the deficiency.

(e) The City will also have a credit against its Rental Payment obligations to the extent of funds transferred from the Reserve Fund to the Bond Fund to make the final payments due on Outstanding Bonds.

The Rental Payments will be paid directly to the Trustee at its corporate trust office for the account of the City for deposit in the Bond Fund as provided in the Indenture.

Except as provided in the Lease, the obligation of the City to make Rental Payments due with respect to the Equipment or any other payments required thereunder will be absolute and unconditional in all events.

The obligations of the City under the Lease, including its obligation to pay the Rental Payments due with respect to the Equipment in any Fiscal Year for which the Lease is in effect, will constitute a current expense of the City for such Fiscal Year and will not constitute an indebtedness of the City within the meaning of the Constitution and laws of the State (except to the extent any amount of the Lease shall be included in the calculation of net debt for purposes of Minnesota Section 475.53, as provided in Minnesota Statutes, Section 465.71). Nothing in the Lease will constitute a pledge by the City of any taxes or other moneys, other than moneys lawfully appropriated from time to time by or for the benefit of the City's annual budget and the proceeds of the Bonds or Net Proceeds of the Equipment, to the payment of any Rental Payment or other amount coming due under the Lease.

Termination of the Lease; Non-appropriation. The City will have the right to cancel and terminate the Lease, in whole but not in part, at the end of any Fiscal Year of the City, if the City's governing body does not appropriate moneys sufficient to pay the Rental Payments coming due in the next Fiscal Year. Lack of a sufficient appropriation will be evidenced by a specific provision in the budget of the City which prohibits the expenditure of the City funds for this purpose. The City may effect such termination by giving the Authority a written notice of termination and by paying to the Authority any Rental Payments which are due and have not been paid at or before the end of its then current Fiscal Year. The City will give notice of termination not less than one hundred twenty (120) days prior to the end of such Fiscal Year and notify the Authority of any anticipated termination. In the event of termination of the Lease, the City will deliver possession of the Equipment to the Authority, and release its interest in the Equipment within ten (10) days after the termination of the Lease.

Intent to Continue Lease-Purchase Payments; Appropriations. The City presently intends to continue the Lease for the entire Lease Term and to pay all Rental Payments required thereunder. The City Administrator will include in the budget request for each Fiscal Year the Rental Payments to become due in such Fiscal Year, and will use all reasonable and lawful means at his or her disposal to secure the appropriation of money for such Fiscal Year sufficient to pay the Rental Payments coming due therein. The City reasonably believes that moneys in an amount sufficient to make all such Rental Payments can and will lawfully be appropriated and made available for this purpose.

Effect of Termination. Upon termination of the Lease in the event of nonappropriation, the City will not be responsible for the payment of any additional Rental Payments coming due with respect to succeeding Fiscal Years, but if the City has not delivered possession of the Equipment to the Authority in accordance with the terms of the Lease and conveyed to the Authority or released its interest in the Equipment granted under the Lease within ten (10) days after the termination of the Lease, the termination will nevertheless be effective, but the City will be responsible for the payment of damages in an amount equal to the amount of the Rental Payments thereafter coming due which are attributable to the number of days after such ten (10) day period during which the City fails to take such actions. Upon termination of the Lease upon nonappropriation, the Trustee, on behalf of the Authority, may lease or sell the Authority's interests in the Equipment or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable State laws and apply the proceeds of such lease or sale in accordance with the Indenture.

Events of Default Defined. The following are Events of Default under the Lease and the terms "events of default" and "default" mean, whenever they are used in the Lease, with respect to the Project, any one or more of the following events:

(i) Failure by the City to pay any Rental Payments or other payments required to be paid under the Lease at the time specified herein, which failure will continue for a period of five days after written notice given to the City by the Trustee on behalf of the Authority. Notwithstanding the previous sentence or anything else in the Lease to the contrary, the termination of the Lease by nonappropriation does not constitute an event of default.

(ii) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) above, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Trustee on behalf of the Authority, unless the Trustee will agree in writing to an extension of such time prior to its expiration.

(iii) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of the City to carry on the operation of the Equipment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

Remedies on Default. Whenever any event of default will have happened and be continuing with respect to the Equipment, the Trustee, on behalf of the Authority, will have the right, at its option, to take one or any combination of the following remedial steps:

(i) Cancel and terminate the Lease by written notice in accordance with law, reenter and take possession of the Equipment and all improvements thereto, and charge the City for costs incurred in repossessing the Equipment, and all prior Rental Payments made thereunder by the City will belong to the Authority as liquidated damages; and

(ii) Take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments then due and thereafter to become due during the then current Fiscal Year of the City with respect to the Equipment, or enforce performance and observance of any obligation, agreement or covenant of the City under the Lease; and

(iii) Lease or sell the Authority's interests in the Equipment or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable State laws and apply the proceeds of such lease or sale in accordance with Section 7.03 of the Trust Indenture.

The Authority covenants to cooperate with the Trustee, upon request, in the exercise of any of the foregoing remedies.

Surrender of Equipment. Upon the termination of the Lease, the City will surrender possession of the Equipment to the Authority in the condition, repair, appearance and working order required under the Lease.

Title. During the Lease Term, and so long as the City is not in default, legal title to the Equipment and any and all repairs, replacements, substitutions and modifications to it will be in the name of the Authority, subject to the interests of the City under the Lease. Upon full payment by the City of its obligations under the Lease or upon earlier purchase of the Equipment, full and unencumbered legal title to the Equipment will pass to the City, and the Authority will have no further interest therein.

Security Interest. The Authority will have and retain a security interest under the Uniform Commercial Code in the Equipment, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof made pursuant to the Lease, and a security interest in the proceeds of all insurance policies and amounts held in the funds established pursuant to the Trust Indenture relating to the Bonds, in order to secure the City's payment of all Rental Payments due during the Lease Term and the performance of all other obligations herein to be performed by the City.

Purchase of Equipment. Except during the continuance of an Event of Default, the City will have the option of purchasing the Equipment as follows:

(a) The City will give written notice to the Authority and to the Trustee of its intention to purchase the Equipment, stating therein a closing date not less than forty (40) nor more than ninety (90) days after the date the notice is mailed, and the City will make arrangements satisfactory to the Trustee for the giving of any required notice of redemption or notice of defeasance of the Bonds in connection with the purchase.

(b) The City will pay to the Trustee, on or before the closing date, an amount equal to the Purchase Price for the Equipment.

(c) On the closing date, a closing will be held at the principal office of the Trustee, or any other office mutually agreed upon. At the closing the City and the Authority will, upon acknowledgment of receipt of the Purchase Price, the Authority will convey or release to the City, all of its right, title and/or interest in and to the Equipment by delivering to the City such documents as the City deems necessary for this purpose.

At such time as all of the Bonds have been fully paid or provision for payment thereof has been made in accordance with the provisions of the Indenture, and all expenses of the Authority and Trustee have been paid or provided for to the date of such full payment of the Bonds, the City will be deemed to have purchased all right, title and interest of the Authority in the Equipment, the Lease will be deemed terminated, and title to the Equipment will automatically vest in the City. Nevertheless, the Authority, at the expense of the City, will execute such documents as reasonably necessary to convey its interest in the Equipment to the City.

INDENTURE

The following is a summary of certain provisions of the Indenture between the Authority and the Trustee. The summary is qualified in its entirety by reference to the full text of the Indenture.

Pledge. The Authority, in order to secure the payment of the principal of, premium (if any) and interest on the Bonds issued under the Indenture, pledges the Trust Estate.

Issuance of Additional Bonds. The Authority may, upon request of the City, issue Additional Bonds to (1) provide funds to complete the purchase of the Equipment, (ii) provide funds for additions to or further improvements of the Equipment, and (iii) subject to the Indenture and applicable law, refund or advance refund any Bonds then Outstanding. Any such Additional Bonds must be authorized by resolution of the Authority and described in a supplemental indenture executed by the Authority and the Trustee and which, when so issued, authorized and described, will be secured by the Indenture and the Trust Estate on a parity with the Bonds then Outstanding under the Indenture; provided, that no such Additional Bonds will be issued under the Indenture or secured by the Trust Estate on a parity with the Outstanding Bonds certain conditions described in the Indenture are met.

Project Fund. Pursuant to the Indenture, the Authority is required to establish an account with the Trustee entitled the "Lease Revenue Bond Project Fund." The moneys in the Project Fund will be held by the Trustee and applied to the payment of the Project Costs in accordance with the Indenture, and pending such application will be subject to a lien and charge in favor of the Holders of the Bonds issued and Outstanding under the Indenture and held for the further security of such Holders until paid out as provided in the Indenture. In the event the moneys in the Bond Fund is insufficient on any Interest Payment Date to pay principal of, premium (if any) or interest on the Bonds due on such date, the Trustee will use any moneys then on deposit to the credit of the Project Fund, to pay such principal, premium and interest.

Bond Fund. Pursuant to the Indenture, the Authority is required to establish and maintain a separate account to be designated the "Lease Revenue Bond Fund," into which the Authority and Trustee will deposit: (i) the amount specified in the Indenture upon issuance of a series of Bonds; (ii) all Rental Payments received from the City pursuant to the Lease; (iii) all other moneys received by the Trustee from the City or Authority when accompanied by directions of the City or Authority that such moneys are to be paid into the Bond Fund or used for purposes for which moneys in the Bond Fund may be used; (iv) all moneys received, if any, from the annual tax levies pledged by the Authority from the Authority's taxing power under Minnesota Statutes, Section 469.033, subdivision 6; and (v) all other moneys required to be deposited in the Bond Fund pursuant to any provision of the Indenture or the Lease. The moneys and investments in the Bond Fund are irrevocably pledged to and will be used by the Trustee for the payment of principal of, premium (if any) on and interest on the Bonds, as and when such principal, premium and interest is due and payable.

Reserve Fund. Pursuant to the Indenture, the Authority is required to establish and maintain a separate account to be designated "Lease Revenue Bond Debt Service Reserve Fund." Money on hand in the Reserve Fund will be used only to pay maturing principal and interest on the Bonds when money in the Bond Fund is insufficient therefor; provided, that money on hand in the Reserve Fund may be applied by the Authority, at the request of the City, to the payment or discharge of the Bonds at any time when all Outstanding Bonds are to be discharged or paid in accordance with the Indenture. In the event that Additional Bonds are issued, the Reserve Fund will be increased on the date of issuance of such Additional Bonds to a Debt Service Reserve Requirement equal to the lesser of (i) 10% of the proceeds of each series of Outstanding Bonds issued pursuant to the Indenture and then Outstanding, including the Additional Bonds (ii) the maximum amount of principal and interest to come due in any future fiscal year, during the term of all then Outstanding Bonds, on all of the then Outstanding Bonds and on the Additional Bonds to be issued or (iii) 125% of the average annual debt service, during the term of all then Outstanding Bonds, on all of the then Outstanding Bonds and on the Additional Bonds to be issued. If the balance on hand in the Reserve Fund is ever reduced below the Debt Service Reserve

Requirement, such deficiency will be restored out of additional payments to be made by the City under the Lease; provided no such restoration will be required if the City has determined to terminate the Lease in accordance with the Lease and has provided written notice of such intention to the Trustee.

Investment of Funds. Any moneys held as a part of the Reserve Fund or Bond Fund will be invested or reinvested by the Trustee upon the request and direction of a City Representative in any Qualified Investment; provided that, unless an opinion of bond counsel is provided to the effect that acquisition of the Qualified Investment will not cause a violation of the provisions of Section 148 of the Code and applicable Regulations, no Qualified Investment shall be acquired for the Reserve Fund at a discount or premium exceeding 2% times the stated redemption price at maturity of the Qualified Investment to be acquired and, for purposes of Section 148 of the Code and the Indenture, the investments in the Reserve Fund shall be valued at their outstanding principal amount as permitted by Section l.148-5(d)(l)(i) of the Regulations.

Covenants.

Payment of Bonds. The Authority covenants and agrees, so long as the Bonds shall be outstanding, that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and the Bond Resolution and in each and every Bond executed, authenticated and delivered under the Indenture; will pay or cause to be paid, from Rental Payments by the City, the Authority's pledge of its taxing power under Minnesota Statutes, Section 469.033, subdivision 6, and other amounts received in respect of the Lease or available under the Indenture, the principal of, premium (if any) on and interest on every Bond issued hereunder on the dates, at the places and in the manner prescribed in the Bonds in any coin or currency which, on the respective dates of payment of such principal and interest, is legal tender for the payment of public and private debts; and will cause such amounts received to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the maturity of any Bond in amounts sufficient to pay such installment; provided, however, that the principal of and interest on any Bond is not and shall not be deemed to represent a debt or pledge the faith or credit of the City or the State of Minnesota or grant to the Holder of any Bond any right to have the City or the State of Minnesota levy any taxes or appropriate any funds to the payment of principal of or interest on the Bonds, such payment to be made solely and only out of the moneys received pursuant to the Lease, from the Authority's taxing power under Minnesota Statutes, Section 469.033, subdivision 6, and the funds and accounts established and maintained with the Trustee pursuant to the requirements of the Indenture and appropriated to the payment of the Bonds by the Indenture.

Extension of Payments of Bonds. The Authority covenants and agrees, so long as the Bonds shall be outstanding, that it will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds, or the time of payment of any claims for interest by the purchase or refunding of such Bonds or claims for interest or by any other arrangement.

Concerning the Lease. The Authority covenants and agrees, so long as the Bonds shall be outstanding, that it will cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Lease if such action shall, in the Trustee's discretion, be deemed to be in the best interest of the Authority or the Bondholders.

Tax Levy. It is estimated that the rental payments to be made by the City pursuant to the Lease will produce the amounts needed to meet when due the principal and interest payments on the Bonds. However, pursuant to the Bond Resolution, in the event that such payments by the City are not sufficient to meet the principal and interest payments on the Bonds, the Authority has covenanted to levy an annual tax not exceeding 0.0185 percent of taxable market value of the Authority as permitted in Minnesota Statutes, Section 469.033, subdivision 6, or such lesser amount as is required to pay the principal of and interest on the Bonds and irrevocably appropriates the collections of such tax to the Bond Fund for payment of the Bonds.

Events of Default. Each of the following events is defined in the Indenture as an event of default:If payment of the principal of, or premium, if any, on any of the Bonds, when the same shall become due and payable, whether at maturity or by proceedings for redemption (by redemption, declaration or otherwise), shall not be made; or

(i) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or

(ii) If an Event of Default shall occur and be subsisting under the Lease; or

(iii) If default shall be made in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority in the Indenture, or in the Bonds contained, and such default shall have continued for a period of thirty days after written notice thereof given to the Authority by the Trustee.

Enforcement of Covenants and Conditions. Upon the occurrence of an Event of Default, the Trustee may take such action or actions for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Lease as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care. Upon the occurrence of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of Outstanding Bonds, by written notice to the Authority, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding. Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than twenty-five per centum (25%) in aggregate principal amount of outstanding Bonds, proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to such payment of the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce rights of the Authority under the Lease, and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless the Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby

Power of Majority of Bondholders. The Holders of a majority in aggregate principal amount of Bonds Outstanding under the Indenture with respect to a Lease shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken under the Indenture and such Lease; provided, that such direction shall not be otherwise than in accordance with the provisions of law and that the Trustee shall be indemnified as provided in the Indenture.

Notice to Bondholders. The Trustee shall give to the Holders of the Bonds whose names and addresses are known to it, written notice of all Events of Default relating to such Lease known to the Trustee by virtue of actual knowledge of a Responsible Officer, within sixty (60) days after the occurrence of an Event of Default unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of an Event of Default in the payment of principal and interest on any of such Bonds, the Trustee shall be protected in withholding such notice if and so long as its Board of Directors, an executive committee or trust default committee or chief executive officer of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondholders.

Amendments to the Lease Not Requiring Consent of Bondholders. The Authority, the City and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of the Lease as may be required (i) by the provisions of the Lease and the Indenture, (ii) in connection with the issuance of Additional Bonds as provided therein, (iii) in connection with the financing of any additions or expansions of the Project, so long as such amendments do not affect the obligation of the City to make Rental Payments as they become due and payable, (iv) for the purpose of curing any ambiguity or formal defect or omission, or (v) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Amendments to Lease Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided elsewhere in the Indenture, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Lease without the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating thereto given and procured as in this Section provided; provided, however, that no such amendment, change or modification shall ever affect the obligation of the City to make Rental Payments as they become due and payable. If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding hereunder with respect to the Lease at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any such Bond shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Authority or the City from executing the same or from taking any action pursuant to the provisions thereof.

Supplemental Indentures. The Authority, upon resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions in the Indenture contained, may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable without the consent of any Bondholder for any one or more of the following purposes:

(i) To correct the description of any property pledged or intended so to be, or to assign, convey, pledge or transfer and set over unto the Trustee, subject to such liens or other encumbrances as shall be therein specifically described, additional property or properties of the Authority or the City for the equal and proportional benefit and security of the Holders and owners of all Bonds at any time issued and Outstanding under the Indenture, subject, however, to the provisions hereinabove set forth with respect to extended Bonds;

(ii) To add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Authority or to or upon any successor;

(iii) To evidence the succession or successive successions of any other department, agency, body or corporation to the Authority and the assumption by such successor of the covenants, agreements and obligations of the Authority in the Bonds hereby secured and in the Indenture and in any and every supplemental indenture contained or the succession, removal or appointment of any trustee or paying agent hereunder;

(iv) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indentures which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same;

(v) To modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar Federal statute hereafter enacted, and to add to the Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939; and

(vi) To provide for the issuance of Additional Bonds pursuant to the Indenture.

EXCERPT OF CITY'S 2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Data on the following pages was extracted from the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2019. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

The City's comprehensive annual financial reports for the years ending 1989 through 2018 were awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. The City has submitted its CAFR for the 2019 fiscal year to GFOA.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Chaska, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chaska, Minnesota (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2019, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 8, 2020

As management of the City of Chaska (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letter of transmittal, located earlier in the report, and the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by $190,553,093 *(net position)*. Of that amount, $35,661,523 is restricted for specific purposes *(restricted net position)* and $176,001,472 represents the net investment in capital assets.
- The City's governmental funds reported combined ending fund balances of $18,883,796. This is an increase of $10,502,586 from the prior year.
- At the end of the current fiscal year, the General fund had a fund balance of $1,910,861. While these funds are not legally restricted, the City has committed $1,133,435 for compensated absences, leaving $777,426 unassigned.
- The City issued four new bonds series and one temporary bond in 2019. Total bonds and premium payable increased $11,676,588 during the year. At the end of the year, the City reported $125,529,521 in bonds payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

These financial statements include not only the City itself (known as the primary government), but also the Chaska Economic Development Authority (EDA). The EDA has been presented as a blended component unit of the City's financial statements in accordance with accounting principles generally accepted in the United States of America.

Government-wide Financial Statements – The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private sector business.

The *Statement of Net Position* presents information on the City's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned, but unused employee leave benefits).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Public Works, Parks, Recreation and Arts, and Economic Development. The business-type activities of the City include Electric, Water, Sewer, and Storm Water utilities, along with the Community Center, Par 30 Golf Course, Chaska Town Course, Turbine Generator, and Curling Center operations.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds are reported in two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Public Improvement Projects Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund, Mount Pleasant Maintenance & Care Fund, Chaska EDA Fund, and Equipment Acquisition Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Proprietary Funds – The City maintains two different types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water, Sewer, and Storm Water utilities, along with the Community Center, Par 30 Golf, Chaska Town Course, Turbine Generator, and Curling Center operations.

- *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. The City has one internal service fund that is used to account for the purchase of property, liability, and worker's compensation insurance. This internal service fund is included in the governmental activities in the government-wide financial statements. The internal service fund is presented in a single column in the proprietary funds financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. Proprietary fund financial statements provide separate information for the Electric, Water, Community Center, Turbine Generator, and Curling Center operations, all of which are considered to be major funds of the City. Data from the non-major enterprise funds are combined into a single, aggregated presentation.

Notes to the Financial Statements - The notes to the financial statements provide additional narrative and financial information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements, the financial section also presents required supplementary information, and the combining and individual fund statements and schedules. These statements and schedules are presented immediately following the notes to the financial statements.

A statistical section has been included to facilitate additional analysis and it is the final section of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $190,553,093 at the close of 2019.

By far, the largest portion of the City's net position (92.4 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay

Management's Discussion and Analysis

City of Chaska, Minnesota For the Year Ended December 31, 2019

this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City of Chaska - Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and Other Assets	$ 36,094,282	$ 29,726,863	$ 45,612,191	$ 48,538,240	$ 83,706,473	$ 78,265,103
Capital Assets	187,836,859	188,231,207	69,314,873	69,705,234	257,151,732	257,936,441
Total Assets	$ 225,931,141	$ 217,958,070	$ 114,927,064	$ 118,243,474	$ 340,858,205	$ 336,201,544
Deferred Outflows of Resources						
Pension Plan Deferments	$ 4,356,357	$ 5,121,120	$ 396,098	$ 760,653	$ 4,752,455	$ 5,881,773
OPEB Plan Deferments	27,156	15,097	11,501	6,394	38,657	21,491
Total Deferred Outflows of Resources	$ 4,383,513	$ 5,136,217	$ 407,599	$ 767,047	$ 4,791,112	$ 5,903,264
Total Assets and Deferred Outflows	$ 230,314,654	$ 223,094,287	$ 115,334,663	$ 119,010,521	$ 345,649,317	$ 342,104,808
Liabilities						
Other Liabilities	$ 4,944,611	$ 4,540,271	$ 4,716,767	$ 5,007,643	$ 9,661,378	$ 9,547,914
Noncurrent Liabilities	69,832,981	56,601,970	69,477,712	70,422,540	139,310,693	127,024,510
Total Liabilities	$ 74,777,592	$ 61,142,241	$ 74,194,479	$ 75,430,183	$ 148,972,071	$ 136,572,424
Deferred Inflows of Resources						
Debt Refunding Deferments	$ -	$ -	$ 407,286	$ 444,312	$ 407,286	$ 444,312
Pension Plan Deferments	5,035,913	6,361,652	680,954	965,812	5,716,867	7,327,464
Total Deferred Inflows of Resources	$ 5,035,913	$ 6,361,652	$ 1,088,240	$ 1,410,124	$ 6,124,153	$ 7,771,776
Net Position						
Net Investment in Capital Assets	$ 143,383,394	$ 148,659,763	$ 32,618,078	$ 33,206,537	$ 176,001,472	$ 179,866,300
Restricted	19,254,366	20,434,329	16,407,157	16,111,606	35,661,523	36,545,935
Unrestricted	(12,136,611)	(11,503,698)	(8,973,291)	(7,147,929)	(21,109,902)	(18,651,627)
Total Net Position	$ 150,501,149	$ 155,590,394	$ 40,051,944	$ 42,170,214	$ 190,553,093	$ 197,760,608
Total Liabilities, Deferred Inflows, and Net Position	$ 230,314,654	$ 223,094,287	$ 115,334,663	$ 119,010,521	$ 345,649,317	$ 342,104,808

An additional portion of the City's net position represents resources that are subject to external restriction on how they may be used. The amount of restricted net position is $35,661,523. After restrictions, the City is reporting an unrestricted net position deficit of $21,109,902 a decrease of $2,458,275 from the prior year.

Governmental activities – Total net position of the governmental activities decreased $5,089,245 to $150,501,149. The change in net position is due to the increase in noncurrent liabilities, including compensated absences, pension liabilities, other post-employment benefits, and debt.

Business-type activities – Total net position of the business-type activities decreased $2,118,270 to $40,051,944. Unrestricted net position decreased $1,825,362 due to transfers out of utility funds for various improvement projects.

City of Chaska - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	$ 7,294,779	$ 7,255,529	$ 58,273,008	$ 57,683,986	$ 65,567,787	$ 64,939,515
Operating Grants & Contributions	10,909,953	777,833	142,669	99,052	11,052,622	876,885
Capital Grants & Contributions	2,644,120	7,951,347	678,369	198,433	3,322,489	8,149,780
General Revenues:						
Property Taxes	10,805,084	10,129,998	-	-	10,805,084	10,129,998
Franchise Taxes	752,914	4,576,985	-	-	752,914	4,576,985
Grants & Contributions Not Restricted	42,379	26,334	283	211	42,662	26,545
Investment Earnings	428,710	400,814	407,297	362,111	836,007	762,925
Other General Revenues	277,822	366,702	138,006	82,857	415,828	449,559
Total Revenues	33,155,761	31,485,542	59,639,632	58,426,650	92,795,393	89,912,192
Expenses						
General Government	6,466,463	6,025,119	-	-	6,466,463	6,025,119
Economic Development	1,682,326	4,352,049	-	-	1,682,326	4,352,049
Public Safety	6,605,386	6,189,888	-	-	6,605,386	6,189,888
Public Works	26,781,348	10,088,913	-	-	26,781,348	10,088,913
Parks, Recreation & Arts	1,636,562	1,526,003	-	-	1,636,562	1,526,003
Interest on Long-term Debt	1,522,276	1,550,437	-	-	1,522,276	1,550,437
Electric	-	-	35,599,483	38,896,423	35,599,483	38,896,423
Water	-	-	3,391,370	3,015,694	3,391,370	3,015,694
Sewer	-	-	4,091,831	3,801,595	4,091,831	3,801,595
Community Center	-	-	4,716,992	4,752,021	4,716,992	4,752,021
Par 30 Golf Course	-	-	187,568	189,814	187,568	189,814
Chaska Town Course	-	-	2,505,095	2,452,056	2,505,095	2,452,056
Turbine Generator	-	-	1,023,865	1,016,539	1,023,865	1,016,539
Internet Service Provider	-	-	-	159,357	-	159,357
Storm Water	-	-	1,173,012	1,072,424	1,173,012	1,072,424
Chaska Curling Center	-	-	2,419,331	2,635,334	2,419,331	2,635,334
Total Expenses	44,894,361	29,732,409	55,108,547	57,991,257	100,002,908	87,723,666
Excess (Deficiency) Before Transfers	(11,738,600)	1,753,133	4,531,085	435,393	(7,207,515)	2,188,526
Transfers	6,649,355	(769,471)	(6,649,355)	769,471	-	-
Change in Net Position	(5,089,245)	983,662	(2,118,270)	1,204,864	(7,207,515)	2,188,526
Net Position - Beginning	155,590,394	154,606,732	42,170,214	40,965,350	197,760,608	195,572,082
Net Position - Ending	$ 150,501,149	$ 155,590,394	$ 40,051,944	$ 42,170,214	$ 190,553,093	$ 197,760,608

As a whole, the City had total revenues of $92,795,393 for the year ended December 31, 2019. This is an increase of $2,883,201 from the prior year.

The total cost of all programs and services was $100,002,908, an increase of $12,279,242 from the prior year. The City's expenses are predominantly related to providing services such as police, fire, building inspections, street maintenance, and snow removal, purchasing power for electric service and other utility operations for the citizens of Chaska. Other expenses include economic development, public project construction and interest on long-term debt.

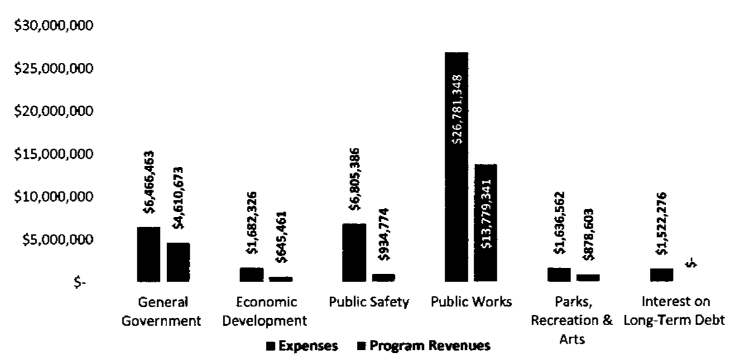
Governmental activities – Governmental Activities revenue increased $1,670,219 from the prior year and expenses increased $15,161,952. Significant components of revenue and expenses include:

- Operating Grants and Contributions were the largest source of revenues at 32.9 percent. Operating Grants and Contributions for 2019 were $10,132,120 more than the prior year, largely due to significant reimbursements from the County for a share of the cost of the highway 212/44 interchange project.
- The City's next largest source of revenue was property taxes at $10,805,084 or 32.6 percent of total revenues. Property tax revenue increased $675,086 from the prior year due to an increase in taxes levied.
- Charges for Services made up 22.0 percent of total revenue, which was very similar to the prior year. Charges for services were $39,250 more than 2018.
- Capital Grants and Contributions were $2,644,120, a decrease of $5,307,227 from the prior year. This decrease is because the City did not receive any new developer donated infrastructure in 2019.
- Franchise taxes decreased $3,824,071, largely due to the elimination of the Electric fund franchise fee. In lieu of this franchise fee, for years 2019 and forward, the City will make a transfer from the Electric fund to the General Fund. The increase in net transfers reflects this change.
- The total costs of all programs and services were $44,894,361. The cost of providing street maintenance/construction makes up 59.7 percent of this total. This function increased $16,692,435 from the prior year due to extensive construction and expansion projects in the south-west area that are not City-owned assets. The next largest expenses were in public safety and general government which account for 15.2 and 14.4 percent of the total, respectively.
- Economic Development expenses were $2,669,723 less than the prior year as new redevelopment projects in Tax Increment Districts were mostly completed in 2018.
- Additional comparisons can be found in the accompanying graphs.

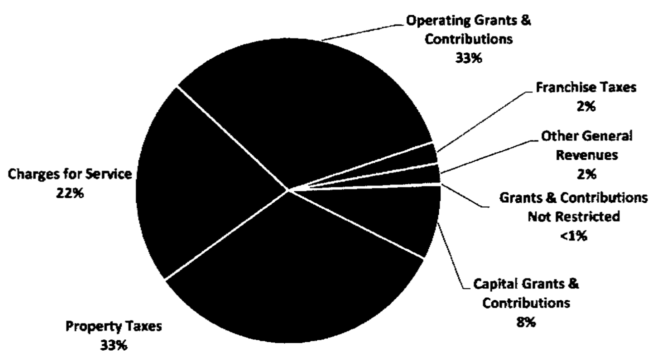
Business-type activities – Business-type Activities revenue increased $1,212,982 from the prior year and expenses decreased $2,882,710. Significant components of revenue and expenses include:

- Charges for services for business-type activities includes charges for Electric, Water, Sewer and Storm Water utilities. Also included in charges for services are Community Center, Par 30 golf course, Chaska Town Course golf course, Turbine Generator, and Chaska Curling Center operations.
- The Electric fund comprises about 71 percent of all business-type revenue and 65 percent of all business-type expenses.
- Charges for services were stable compared to the prior year, increasing $589,022 or 1.0 percent from the prior year.
- Capital Grants and Contributions increased $479,936. The City received grants this year for an electric substation and an environmental habitat project related to the storm water system.
- Electric fund expenses decreased $3,296,940, largely due to the elimination of the franchise fee paid to the General Fund.
- Net transfers reflects the increase in transfers out of the Electric Fund.
- Additional comparisons can be found in the accompanying graphs.

Expenses and Program Revenues - Governmental Activities

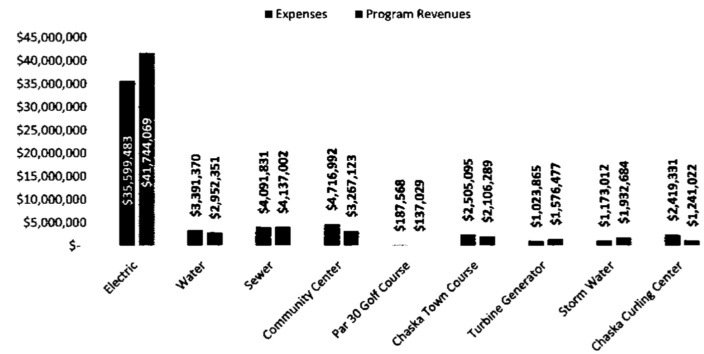


Revenues by Source - Governmental Activities

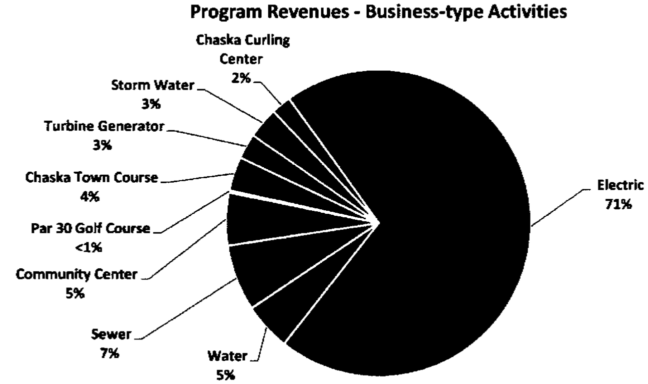


Management's Discussion and Analysis
City of Chaska, Minnesota For the Year Ended December 31, 2019

Expenses and Program Revenues - Business-type Activities



Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Chaska uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Chaska's financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported a combined fund balance of $18,883,796. Revenues for the City's governmental funds were $34,281,279, while total expenditures were $47,599,610. Intergovernmental revenue, property taxes, and charges for services were the most significant sources of revenue (84.1 percent) while capital outlay was the most significant expenditure (42.4 percent) followed by Public Works (14.5 percent) and Public Safety (13.7 percent).

The **General Fund** is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $777,426. Total fund balance decreased $128,342 to $1,910,861 as of December 31, 2019.

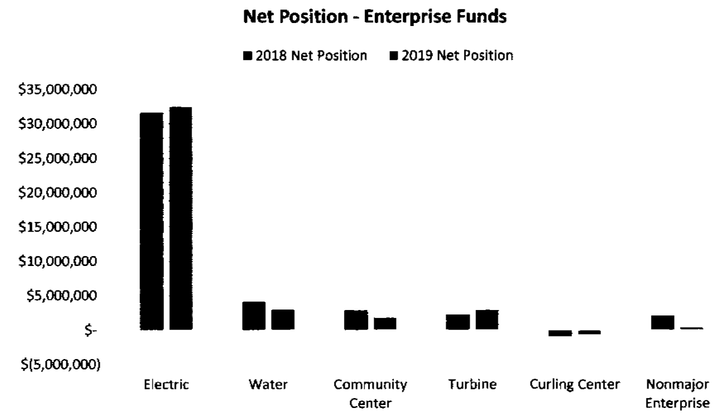
- For the year, total revenues and other financing sources were $17,381,011 and total expenditures and other financing uses were $17,509,353, resulting in a $128,342 decrease in fund balance. Total revenues were $4,418,930 less than total expenditures, due to lower than expected permit revenue and the elimination of the electric fund franchise fee. In lieu of the franchise fee the electric fund transferred $3,927,340 to the General fund.
- The City has committed $1,133,435 in the general fund for compensated absences.

The **Public Improvement Projects fund** is a capital project fund used to account for the revenues and expenditures for public improvement costs. Fund balance increased $1,661,649 as of December 31, 2019 due to bonding and transfers from other funds to assist with project costs.

Proprietary Funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The combined net position of all current year enterprise funds operations decreased $2,045,888 to $39,874,943. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

The following table shows net position changes in individual major funds and combined non-major funds between 2019 and 2018.



General Fund Budgetary Highlights

The final amended budget for the General fund includes the original adopted budget plus any additional supplemental appropriations that were approved by the City Council during the year. In 2019, the original budget was amended, decreasing revenues $3,874,000, increasing expenditures $45,000, and increasing other financing sources $3,919,000. The original budget was amended to reflect the elimination of the electric franchise fee paid to the General fund and to reflect the activity of the closed Internet Service Provider fund into General fund. In lieu of the franchise fee, the Electric fund will make a transfer to the General fund. The Internet Service Provider fund closed as of the end of 2018.

The City's final budget for the General fund anticipated that revenues and other financing sources would be equal to expenditures and other financing uses. At year-end, revenues were $455,194 less than the final budget, and expenditures were $569,736 more than final budget. Other financing sources and uses were $896,588 more than budget. For the year, the net change in fund balance was a decrease of $128,342.

Budgetary variances – Revenues

- Total General Fund property taxes were $5,697,923, slightly less than the final budget of $5,711,506.
- Licenses and Permit revenue was $499,420 under budget due a decrease in total building permits issued.

- Intergovernmental revenue surpassed the final budget by $139,935. State training aid for Police and Fire comprised $33,842 of the variance. The police department liaison program generated $60,093 more than budget due to expanded service during the school year.
- Investment earnings were $21,246 more than final budget due to better interest rates.

Budgetary variances - Expenditures

- General Government expenditures were $394,487 over budget. Professional services and personnel services accounted for much of this variance as open positions were filled with outside services. A staffing study done early in the year resulted in adding staff prior to the end of the year that were not originally budgeted. Technology costs related to existing and new software systems were also higher than expected.
- Public Safety expenditures were $32,880 more than the final budget. Higher costs for employee wages and benefits, training, and equipment were offset by savings on fuel, repairs, and insurance costs allocated to police and fire.
- Public Works expenditures were $264,427 over budget related to personnel costs and higher than expected snow removal and utility costs.
- Parks, Recreation and Arts were under budget by $124,277 due to administrative fees and insurance costs lower than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As shown in capital asset table below, at the end of 2019, the City had $257.2 million (net of depreciation) invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and highways, and utility infrastructure. More detailed information on the City of Chaska's capital assets can be found in **Note 4** of the basic financial statements.

Capital Assets at Year End - Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 51,583,265	$ 51,583,265	$ 1,231,421	$ 1,231,421	$ 52,814,686	$ 52,814,686
Works of Art/Historical Treasures	105,027	105,027	-	-	105,027	105,027
Buildings	2,384,153	2,416,629	34,659,453	36,160,012	37,043,606	38,576,641
Other Improvements	11,327,233	11,966,322	945,333	1,081,052	12,272,566	13,047,374
Furniture & Equipment	3,882,498	4,080,492	4,700,857	5,088,132	8,583,355	9,168,624
Infrastructure	94,194,419	95,779,033	20,166,959	20,376,465	114,361,378	116,155,498
Construction in Progress	24,360,264	22,300,439	7,610,850	5,768,152	31,971,114	28,068,591
Total Capital Assets, Net of Depreciation	$ 187,836,859	$ 188,231,207	$ 69,314,873	$ 69,705,234	$ 257,151,732	$ 257,936,441

In 2019, Construction in Progress increased in both governmental activities and business-type activities.

- Governmental activities construction in progress is related to ongoing and extensive development of the southwest Chaska area.
- Business-type activities construction in progress includes a substation and expansion of the electric distribution system, and sewer and storm water infrastructure projects.

Long-Term Debt

At year-end, the City had $119.2 million in bonds, notes, and capital leases outstanding, as shown in the table below. More detailed information about the City's long-term liabilities is presented in **Note 6** to the financial statements.

City of Chaska - Outstanding Debt

(Does Not Include Premiums, Compensated Absences, Other Post-Employment Benefit or Net Pension Liabilities)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Equipment Certificates	$ 3,480,000	$ 2,505,000	$ -	$ -	$ 3,480,000	$ 2,505,000
General Obligation Bonds	1,590,000	1,880,000	17,220,000	15,100,000	18,810,000	16,980,000
General Obligation Tax Increment Bonds	3,210,000	1,125,000	-	-	3,210,000	1,125,000
General Obligation Abatement Bonds	620,000	630,000	-	-	620,000	630,000
General Obligation Improvement Bonds	33,595,000	29,405,000	-	-	33,595,000	29,405,000
General Obligation Revenue Bonds	645,000	720,000	-	-	645,000	720,000
Temporary General Obligation Bonds	5,205,000	-	-	-	5,205,000	-
Revenue Bonds	-	-	26,290,000	27,905,000	26,290,000	27,905,000
EDA Lease Revenue Bonds	9,270,000	9,545,000	17,835,000	19,145,000	27,105,000	28,690,000
Promissory Note Payable	83,696	96,139	-	-	83,696	96,139
Capital Lease Payable	12,878	-	101,541	145,571	114,419	145,571
Total	$ 57,711,574	$ 45,906,139	$ 61,446,541	$ 62,295,571	$ 119,158,115	$ 108,201,710

- During 2019, the City made principal payments of $8,390,000 on outstanding bonds, $12,443 on notes payable, and $45,442 on capital leases.
- During the year, the City issued four new bonds, one temporary bond, and entered into a capital lease agreement for fitness equipment at the Fire department.

The City of Chaska's General Obligation bonds carry an AA rating by Standard and Poor's, the City of Chaska Electric Revenue Bonds are rated A2 by Moody's and the Chaska EDA Lease Revenue Bonds carry an AA- rating by Standard and Poor's, as of last review.

Under Minnesota State Statutes, the general obligation bonded debt issued by the City is subject to a legal debt limitation based on 3 percent of market value. At December 31, 2019, the City's legal debt margin was $58,062,399. The statutes provide that debt issues supported by tax increment, special assessment revenues or available dedicated reserves are excluded from the total limited debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget. Specifically, six major economic issues were considered:

1. Market values across the community increased by an average of 9.14 percent. This will increase our overall property values in the community to $3.2 billion, the highest level in our City's history. 1.35 percent of this change came from new construction with the rest being increased values on existing properties.

2. Based on State formulas, the City receives minimal Local Government Aid to help reduce our tax levy need. The amount the City is projected to receive in 2020 is $14,171. In 2018, the City recaptured half of the $250,000 lost annually from LGA reductions and has retained that amount in the 2020 budget.

3. Residential and commercial building permits in 2018 and 2019 were strong, but not as strong as they were in 2017. Much of this has to do with running out of room for additional commercial/industrial development and expansions. Because of that, we have reduced the amount we are budgeting towards building permit revenue by over $300,000 in 2020. We do expect to see that increase once we have the new Industrial Park opened at the County Road 44/212 interchange.

4. The City continues to see an increase in population, with a steady increase in the number of residential units being built in the community. We expect the population of Chaska to be just over 28,000 in 2020.

5. Electric revenue has continued to increase with continued economic development activity occurring in the last five years, including data center development and additions to existing industrial businesses, driving up this usage. This has had a positive impact on electric fund transfers to the General fund.

6. The City expects to see a good balance of residential, commercial and industrial development occur in the City, especially now that the interchange is open at Highways 44/212 and additional property is becoming available for development.

The COVID-19 pandemic has caused significant volatility in economic conditions worldwide and has caused an economic downturn as several businesses have had to temporarily halt operations or scale back. In 2020, the City has temporarily closed certain operations, including the Community Center and Curling and Event Center. This situation will result in lower revenues, decreased demand for certain services, an increase in delinquencies or uncollectible accounts receivable, and increased expenses. The City will likely make amendments to its 2020 budget due to COVID-19.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Department, City of Chaska, One City Hall Plaza, Chaska, MN 55318.

CITY OF CHASKA, MINNESOTA

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash And Investments	$ 20,387,071	$ 5,075,807	$ 25,462,878
Receivables:			
Taxes	161,486	-	161,488
Special Assessments	12,476,493	32,156	12,510,649
Accounts, Net Of Allowance	216,403	6,666,296	6,882,699
Interest	16,352	148,091	164,443
Leases	71,523	17,998,284	18,069,807
Notes	15,195	-	15,195
Internal Balances	3,194,779	(3,194,779)	-
Due From Other Governments	322,042	253,857	575,899
Inventories	-	2,012,965	2,012,965
Net Pension Asset	242,430	-	242,430
Restricted Assets:			
Cash And Investments For Operating And Maintenance	-	10,958,000	10,958,000
Cash With Escrow Agent - Debt Service	988,506	5,661,514	6,650,020
Capital Assets:			
Not Depreciated	76,048,556	8,842,271	84,890,827
Net Of Depreciation	111,788,303	60,472,602	172,260,905
TOTAL ASSETS	225,931,141	114,927,064	340,858,205
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan Deferments	4,356,357	396,098	4,752,455
OPEB Plan Deferments	27,156	11,501	38,657
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,383,513	407,599	4,791,112
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 230,314,654	$ 115,334,663	$ 345,649,317
LIABILITIES			
Accounts Payable	$ 1,550,433	$ 282,324	$ 1,812,757
Salaries Payable	462,088	288,160	750,248
Deposits Payable	374,823	370,420	745,243
Accrued Interest Payable	682,996	609,525	1,292,521
Due To Other Governments	37,774	2,411,763	2,449,537
Unearned Revenue	1,636,497	774,575	2,611,072
Non-Current Liabilities:			
Due Within One Year	7,086,580	4,279,901	11,366,481
Due In More Than One Year	62,746,401	65,197,811	127,944,212
TOTAL LIABILITIES	74,777,592	74,194,479	148,972,071
DEFERRED INFLOWS OF RESOURCES			
Debt Refunding Deferments	-	407,286	407,286
Pension Plan Deferments	5,035,913	680,954	5,716,867
TOTAL DEFERRED INFLOWS OF RESOURCES	5,035,913	1,088,240	6,124,153
NET POSITION			
Net Investment in Capital Assets	143,383,394	32,618,078	176,001,472
Restricted for:			
Special Purposes	108,701	-	108,701
Capital Projects	2,297,970	-	2,297,970
Debt Service	14,399,553	16,407,157	30,806,710
Economic Development	1,504,942	-	1,504,942
Fire Relief Pensions	943,200	-	943,200
Unrestricted	(12,136,611)	(8,973,291)	(21,109,902)
TOTAL NET POSITION	150,501,149	40,051,944	190,553,093
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 230,314,654	$ 115,334,663	$ 345,649,317

The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General Government	$ 6,466,463	$ 4,522,047	$ 88,626	$ -	$ (1,855,790)	$ -	$ (1,855,790)
Economic Development	1,682,326	85,000	179,670	380,791	(1,036,865)	-	(1,036,865)
Public Safety	6,805,386	240,462	672,371	21,941	(5,870,612)	-	(5,870,612)
Public Works	26,761,348	1,794,876	9,955,511	2,028,954	(13,002,007)	-	(13,002,007)
Parks, Recreation And Arts	1,636,562	652,394	13,775	212,434	(757,959)	-	(757,959)
Interest On Long-Term Debt	1,522,276	-	-	-	(1,522,276)	-	(1,522,276)
Total Governmental Activities	44,894,361	7,294,779	10,909,953	2,644,120	(24,045,509)	-	(24,045,509)
Business-type Activities:							
Electric	35,599,483	41,203,336	2,386	538,347	-	6,144,586	6,144,586
Water	3,391,370	2,921,859	870	29,622	-	(439,019)	(439,019)
Sewer	4,091,831	4,136,124	134,699	-	-	178,992	178,992
Community Center	4,716,992	3,264,746	2,377	-	-	(1,449,869)	(1,449,869)
Par 30 Golf Course	187,568	136,903	126	-	-	(50,539)	(50,539)
Chaska Town Course	2,505,095	2,105,154	1,135	-	-	(398,806)	(398,806)
Turbine Generator	1,023,865	1,576,477	-	-	-	552,612	552,612
Storm Water	1,173,012	1,688,118	345	110,400	-	625,851	625,851
Chaska Curling Center	2,419,331	1,240,291	731	-	-	(1,178,309)	(1,178,309)
Total Business-type Activities	55,108,547	58,273,008	142,669	678,369	-	3,985,499	3,985,499
TOTAL	$ 100,002,908	$ 65,567,787	$ 11,052,622	$ 3,322,489	(24,045,509)	3,985,499	(20,060,010)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General Revenues:			
Property Taxes	10,805,084	-	10,805,084
Franchise Taxes	752,914	-	752,914
Grants & Contributions Not Restricted to Specific Functions	42,379	283	42,662
Investment Earnings	428,710	407,297	836,007
Other	277,822	138,006	415,828
Transfers	6,649,355	(6,649,355)	-
Total General Revenues & Transfers	18,956,264	(6,103,769)	12,852,495
Change in Net Position	(5,089,245)	(2,118,270)	(7,207,515)
Net Position - Beginning	155,590,394	42,170,214	197,760,608
Net Position - Ending	$ 150,501,149	$ 40,051,944	$ 190,553,093

The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	GENERAL	PUBLIC IMPROVEMENT PROJECTS	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash And Investments	$ 2,490,895	$ -	$ 17,297,185	$ 19,788,080
Cash With Escrow Agent	-	-	988,506	988,506
Receivables:				
Taxes	113,252	-	48,236	161,488
Special Assessments	-	508,848	11,969,645	12,478,493
Accounts, Net of Allowance	198,590	-	17,813	216,403
Interest	2,284	-	7,264	9,548
Lease	-	-	71,523	71,523
Notes	-	-	15,195	15,195
Due From Other Funds	-	-	5,777,324	5,777,324
Due From Other Governments	62,654	259,388	-	322,042
Interfund Receivable	-	-	313,952	313,952
Advance To Other Funds	-	-	1,918,756	1,918,756
TOTAL ASSETS	$ 2,867,675	$ 768,236	$ 38,425,399	$ 42,061,310
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	$ 115,707	$ 957,270	$ 477,097	$ 1,550,074
Salaries Payable	462,088	-	-	462,088
Deposits Payable	308,872	43,413	22,538	374,823
Due To Other Funds	-	4,553,266	1,224,058	5,777,324
Due To Other Governments	31,989	5,658	-	37,647
Interfund Payable	-	-	110,713	110,713
Advance From Other Funds	-	-	2,250,215	2,250,215
Unearned Revenue	-	-	1,836,497	1,836,497
TOTAL LIABILITIES	918,656	5,559,607	5,921,118	12,399,381
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Taxes	38,158	-	24,438	62,596
Unavailable Revenue - Special Assessments	-	508,848	10,119,971	10,628,819
Unavailable Revenue - Notes Receivable	-	-	15,195	15,195
Unavailable Revenue - Lease Receivable	-	-	71,523	71,523
TOTAL DEFERRED INFLOWS OF RESOURCES	38,158	508,848	10,231,127	10,778,133
FUND BALANCES:				
Restricted	-	509,838	13,037,083	13,546,921
Committed	1,133,435	186,282	4,301,663	5,621,380
Assigned	-	-	8,511,304	8,511,304
Unassigned	777,426	(5,996,339)	(3,576,896)	(8,795,809)
TOTAL FUND BALANCES	1,910,861	(5,300,219)	22,273,154	18,883,796
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,867,675	$ 768,236	$ 38,425,399	$ 42,061,310

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

Total fund balances - governmental funds	$	18,883,796
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		
Cost of Capital Assets		284,739,580
Less: Accumulated Depreciation		(96,902,721)
Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.		
Delinquent Taxes		62,596
Special Assessments		10,628,819
Notes Receivable		15,195
Leases Receivable		71,523
Governmental funds do not report long-term amounts related to pensions and other post employment benefits that are included in governmental activities net position.		
Deferred Outflows - Pension Plan Deferments		4,356,357
Deferred Inflows - Pension Plan Deferments		(5,035,913)
Deferred Outflows - OPEB Plan Deferments		27,156
Internal service funds are used by management to charge the costs of property and liability insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		4,105,309
Internal balances from business-type activities for internal service fund services.		(177,001)
Governmental funds do not report net pension assets.		242,430
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		(682,996)
Long-term liabilities, including bonds payable, notes payable, compensated absences, other post-employment benefits and net pension liabilities are not payable with current financial resources and, therefore, are not reported in governmental funds.		
Due within one year		(7,086,580)
Due in more than one year		(62,746,401)
Net position of governmental activities	$	150,501,149

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	GENERAL	PUBLIC IMPROVEMENT PROJECTS	NONMAJOR GOVERNMENTAL	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes:				
Property	$ 5,697,923	$ -	$ 5,099,910	$ 10,797,833
Franchise	752,914	-	-	752,914
Licenses And Permits	910,342	-	-	910,342
Intergovernmental	795,598	9,910,984	1,040,516	11,747,098
Charges For Services	4,140,543	-	2,158,722	6,299,265
Fines And Forfeitures	64,114	-	8,342	72,456
Special Assessments	-	162,920	2,372,673	2,535,593
Investment Earnings (Charges)	43,246	(152,460)	406,936	297,722
Other Revenue	160,743	7,200	700,113	868,056
TOTAL REVENUES	12,565,423	9,928,644	11,787,212	34,281,279
EXPENDITURES				
CURRENT:				
General Government	5,847,504	-	139,469	5,986,973
Economic Development	-	-	1,590,071	1,590,071
Public Safety	6,459,160	-	39,519	6,498,679
Public Works	3,724,981	2,271,479	926,233	6,922,693
Parks, Recreation And Arts	950,489	-	102,286	1,052,775
DEBT SERVICE:				
Principal	1,412	-	3,322,443	3,323,855
Interest	582	-	1,717,497	1,718,079
Issuance Costs And Fiscal Agent Fees	225	69,821	248,982	319,028
CAPITAL OUTLAY	-	17,031,438	3,156,019	20,187,457
TOTAL EXPENDITURES	16,984,353	19,372,738	11,242,519	47,599,610
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,418,930)	(9,444,094)	544,693	(13,318,331)
OTHER FINANCING SOURCES (USES)				
Transfers In	4,801,298	4,051,916	8,904,992	17,758,206
Transfers Out	(525,000)	(68,286)	(9,489,100)	(10,082,386)
Bonds Issued	-	7,039,650	7,695,350	14,735,000
Refunding Bonds Issued	-	-	1,740,000	1,740,000
Premium on Bonds Issued	-	82,463	933,344	1,015,807
Capital Lease Issued	14,290	-	-	14,290
Payment to Refunding Bond Escrow Agent	-	-	(1,360,000)	(1,360,000)
TOTAL OTHER FINANCING SOURCES (USES)	4,290,588	11,105,743	8,424,586	23,820,917
NET CHANGE IN FUND BALANCES	(128,342)	1,661,649	8,969,279	10,502,586
FUND BALANCES, JANUARY 1	2,039,203	(6,961,868)	13,303,875	8,381,210
FUND BALANCES, DECEMBER 31	$ 1,910,861	$ (5,300,219)	$ 22,273,154	$ 18,883,796

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Total net change in fund balances - governmental funds	$	10,502,586
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Further detail on increases and decreases can be found in the note on capital assets. (Increases include donations of capital assets and capital contribution from business-type activities.)		
Capital Outlay		6,758,755
Less: Depreciation Expense		(7,129,405)
Net Book Value of assets sold or disposed		(23,698)
Under modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period. Under the full accrual basis of accounting, these revenues are recognized when earned.		
Delinquent Taxes		7,251
Special Assessments		(1,343,075)
Notes Receivable		(11,400)
Leases Receivable		(27,860)
Long-term debt and other long-term liabilities provide current financial resources to governmental funds, while the repayment of long-term debt and liabilities consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Further detail on the additions and reductions can be found in the note on long-term liabilities.		
Additions to long-term liabilities (increases governmental fund balances)		(20,267,285)
Reductions to long-term liabilities (decreases governmental fund balances)		7,036,274
Net pension and OPEB activity is not recognized in the governmental funds but recognized as the expense/revenue is incurred in the Statement of Activities.		
Deferred Outflows - Pension Plan Deferments		(764,763)
Deferred Inflows - Pension Plan Deferments		1,325,739
Deferred Outflows - OPEB Deferments		12,059
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recongnized as the interest accrues, regardless of when it is due.		(6,607)
Internal service funds are used by management to charge the costs of property and liability insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(1,230,198)
Internal service fund profit allocated to business-type activities.		72,382
Change in net position - governmental activities	$	(5,089,245)

The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes:				
Property	$ 5,711,506	$ 5,711,506	$ 5,697,923	$ (13,583)
Franchise	4,711,400	792,400	752,914	(39,486)
Licenses And Permits	1,409,762	1,409,762	910,342	(499,420)
Intergovernmental	655,663	655,663	795,598	139,935
Charges For Services	4,213,511	4,213,511	4,140,543	(72,968)
Fines And Forfeitures	121,845	121,845	64,114	(57,731)
Investment Earnings	22,000	22,000	43,246	21,246
Other Revenue	48,930	93,930	160,743	66,813
TOTAL REVENUES	16,894,617	13,020,617	12,565,423	(455,194)
EXPENDITURES:				
Current:				
General Government	5,408,017	5,453,017	5,847,504	(394,487)
Public Safety	6,426,280	6,426,280	6,459,160	(32,880)
Public Works	3,460,554	3,460,554	3,724,981	(264,427)
Parks, Recreation And Arts	1,074,766	1,074,766	950,489	124,277
Debt Service:				
Principal	-	-	1,412	(1,412)
Interest	-	-	582	(582)
Cost of Issuance	-	-	225	(225)
TOTAL EXPENDITURES	16,369,617	16,414,617	16,984,353	(569,736)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	525,000	(3,394,000)	(4,418,930)	(1,024,930)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	3,919,000	4,801,298	882,298
Transfers Out	(525,000)	(525,000)	(525,000)	-
Capital Lease Issued	-	-	14,290	14,290
TOTAL OTHER FINANCING SOURCES (USES)	(525,000)	3,394,000	4,290,588	896,588
NET CHANGE IN FUND BALANCES	-	-	(128,342)	(128,342)
FUND BALANCES, January 1	2,039,203	2,039,203	2,039,203	-
FUND BALANCES, December 31	$ 2,039,203	$ 2,039,203	$ 1,910,861	$ (128,342)

The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS							GOVERNMENTAL ACTIVITIES- INTERNAL SERVICE FUND
	ELECTRIC	WATER	COMMUNITY CENTER	TURBINE GENERATOR	CURLING CENTER	NONMAJOR ENTERPRISE	TOTALS	
ASSETS								
Current Assets:								
Cash And Investments	$ 1,263,162	$ 951,593	$ 1,400	$ 1,192,450	$ 50	$ 1,767,142	$ 5,075,807	$ 598,991
Restricted Assets:								
Cash And Investments For Operating And Maintanance	10,958,000	-	-	-	-	-	10,958,000	-
Cash And Investments For Debt Service	181,547	-	167	953,703	4,374	-	1,139,791	-
Receivables:								
Special Assessments	-	-	-	-	-	32,156	32,156	-
Accounts:								
Current	3,089,949	217,846	143,130	-	62,907	450,129	3,963,961	-
Unbilled	2,467,485	115,302	-	-	-	231,128	2,814,915	-
Allowance For Uncollectible Accounts	(91,604)	(6,475)	(245)	-	(944)	(13,312)	(112,580)	-
Interest	10,213	3,519	-	132,382	-	1,977	148,091	6,804
Due From Other Funds	-	2,268,816	-	-	-	1,439,807	3,708,623	3,500,000
Due From Other Governments	250,354	2,508	995	-	-	-	253,857	-
Interfund Receivable	-	-	-	54,675	-	-	54,675	-
Lease Receivable	-	-	-	963,563	-	-	983,883	-
Inventories	1,776,151	161,243	-	-	-	75,571	2,012,965	-
Total Current Assets	19,905,257	3,615,352	145,447	3,316,903	66,387	3,984,598	31,033,944	4,105,795
Noncurrent Assets:								
Restricted Cash And Investments	743,148	-	272,099	2,063,000	1,423,476	-	4,521,723	-
Lease Receivable	-	-	-	17,014,601	-	-	17,014,601	-
Advance To Other Funds	2,250,215	-	-	765,596	-	-	3,015,811	-
Capital Assets:								
Land	778,843	222,130	90,466	-	-	139,982	1,231,421	-
Buildings	4,774,312	17,255,218	25,931,682	-	17,040,442	8,360,433	73,382,087	-
Other Improvements	-	1,271,864	546,340	-	-	387,171	2,205,375	-
Furniture And Equipment	1,886,877	751,611	2,516,288	-	1,866,701	3,717,598	10,839,075	-
Infrastructure	27,965,564	5,340,455	-	-	-	4,025,938	37,331,957	-
Construction In Progress	6,918,384	12,901	-	-	-	679,565	7,610,850	-
Less: Accumulated Depreciation	(18,417,758)	(13,580,909)	(18,249,244)	-	(2,010,964)	(11,027,017)	(63,285,892)	-
Total Net Capital Assets	24,006,222	11,273,270	10,835,532	-	16,896,179	6,303,670	69,314,873	-
Total Noncurrent Assets	26,999,885	11,273,270	11,107,631	19,863,197	18,319,655	6,303,670	93,867,008	-
TOTAL ASSETS	46,904,842	14,888,622	11,253,078	23,180,100	18,386,042	10,288,268	124,900,952	4,105,795
DEFERRED OUTFLOWS OF RESOURCES								
Pension Plan Deferments	106,800	38,935	106,412	-	32,730	111,221	396,098	-
OPEB Plan Deferments	5,034	919	1,773	-	304	3,471	11,501	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	111,834	39,854	108,185	-	33,034	114,692	407,599	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 47,016,676	$ 14,928,476	$ 11,361,263	$ 23,180,100	$ 18,419,076	$ 10,402,960	$ 125,308,551	$ 4,105,795
LIABILITIES								
Current Liabilities:								
Accounts Payable	$ 84,090	$ 39,225	$ 61,802	$ -	$ 8,488	$ 88,941	$ 262,324	$ 359
Salaries Payable	76,953	26,692	92,266	-	27,538	62,691	286,160	-
Deposits Payable	163,272	1,760	60,702	-	6,932	147,764	370,420	-
Compensated Absences	156,657	42,323	97,040	-	16,804	100,065	412,889	-
Accrued Interest Payable	73,887	43,415	12,836	215,563	202,095	61,729	609,525	-
Due To Other Funds	-	-	2,268,816	-	4,769,628	170,179	7,208,623	-
Due To Other Governments	2,290,878	16,909	11,419	62,721	1,131	38,705	2,411,763	127
Interfund Payable	54,675	13,783	29,524	-	-	159,932	257,914	-
Revenue Bonds Payable	430,000	625,000	340,000	1,220,000	1,000,000	205,000	3,820,000	-
Capital Lease Payable	-	-	47,012	-	-	-	47,012	-
Unearned Revenue	-	-	365,983	-	217,688	190,904	774,575	-
Total Current Liabilities	3,312,412	809,097	3,387,220	1,498,284	6,250,282	1,205,910	16,463,205	486
Noncurrent Liabilities:								
Compensated Absences	95,912	10,044	69,887	-	25,173	56,809	257,425	-
Advance From Other Funds	765,596	117,587	613,163	-	-	1,188,006	2,684,352	-
Revenue Bonds Payable	8,965,256	10,543,336	4,197,300	18,374,281	12,380,000	6,233,910	60,694,083	-
Capital Lease Payable	-	-	54,529	-	-	-	54,529	-
Other Post Employment Benefits	171,251	31,254	80,319	-	10,351	118,107	391,282	-
Net Pension Liability	1,024,726	373,575	1,021,006	-	314,041	1,067,144	3,800,492	-
Total Noncurrent Liabilities	11,022,741	11,075,796	6,016,004	18,374,281	12,729,565	8,663,776	67,882,163	-
TOTAL LIABILITIES	14,335,153	11,884,893	9,403,224	19,872,565	18,979,847	9,869,686	84,345,368	486
DEFERRED INFLOWS OF RESOURCES								
Debt Refunding Deferments	-	-	-	407,286	-	-	407,286	-
Pension Plan Deferments	183,606	66,935	182,939	-	56,268	191,206	680,954	-
TOTAL DEFERRED INFLOWS OF RESOURCES	183,606	66,935	182,939	407,286	56,268	191,206	1,088,240	-
NET POSITION								
Net Investment In Capital Assets	15,490,522	2,086,391	6,298,232	-	3,516,179	5,226,754	32,616,078	-
Restricted For Debt Service	11,882,695	-	272,266	2,824,346	1,427,850	-	16,407,157	-
Unrestricted	5,124,700	890,257	(4,795,398)	75,903	(5,561,068)	(4,884,686)	(9,150,292)	4,105,309
TOTAL NET POSITION	32,497,917	2,976,648	1,775,100	2,900,249	(617,039)	342,088	39,674,943	4,105,309
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 47,016,676	$ 14,928,476	$ 11,361,263	$ 23,180,100	$ 18,419,076	$ 10,402,960	125,308,551	$ 4,105,795

Net position - total enterprise funds	39,674,943
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	177,001
Net position of business-type activities	$ 40,051,944

The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS							GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	ELECTRIC	WATER	COMMUNITY CENTER	TURBINE GENERATOR	CURLING CENTER	NONMAJOR ENTERPRISE	TOTALS	
OPERATING REVENUES:								
Sales	$ 41,203,336	$ 2,921,859	$ 3,264,746	$ 1,576,477	$ 1,240,291	$ 8,066,299	$ 58,273,008	$ 332,134
OPERATING EXPENSES:								
Production	28,292,977	484,554	-	-	-	2,453,778	31,241,309	-
Distribution / Collections	2,646,014	892,223	-	-	-	1,081,722	4,619,959	-
Administration	3,119,557	794,911	3,786,406	389,787	1,295,609	3,425,090	12,811,360	735,533
Depreciation	1,180,170	819,733	748,506	-	628,588	753,487	4,130,464	-
TOTAL OPERATING EXPENSES	35,238,718	3,001,421	4,534,912	389,787	1,924,197	7,714,057	52,803,092	735,533
OPERATING INCOME (LOSS)	5,964,618	(79,562)	(1,270,166)	1,186,690	(683,906)	352,242	5,469,916	(403,399)
NON-OPERATING REVENUES:								
Investment Earnings (Charges)	362,224	77,786	(48,929)	80,811	(106,919)	42,324	407,297	130,988
Intergovernmental	2,628	870	2,377	-	731	136,346	142,952	-
Payments	-	-	-	52,659	-	-	52,659	-
Miscellaneous Refunds	-	86,347	-	-	-	-	85,347	68,678
TOTAL NON-OPERATING REVENUES	364,852	164,003	(46,552)	133,470	(106,188)	178,670	688,255	199,666
NON-OPERATING EXPENSES:								
Interest	338,566	355,201	158,859	629,578	486,765	169,305	2,138,274	-
Issuance Costs And Fiscal Agent Fees	450	26,858	3,000	4,500	3,200	54,450	92,458	-
Loss On Sale Of Capital Assets	-	-	2,341	-	-	-	2,341	-
TOTAL NON-OPERATING EXPENSES	339,016	382,059	164,200	634,078	489,965	223,755	2,233,073	-
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	5,990,454	(297,618)	(1,480,918)	686,082	(1,280,059)	307,157	3,926,098	(203,733)
CAPITAL CONTRIBUTIONS	538,347	29,622	-	-	-	110,400	678,369	-
TRANSFERS IN (OUT):								
Transfers In	-	596,000	432,000	-	1,590,287	313,826	2,932,113	-
Transfers Out	(5,671,340)	(1,458,905)	-	-	-	(2,451,223)	(9,581,468)	(1,026,465)
TOTAL TRANSFERS IN (OUT)	(5,671,340)	(882,905)	432,000	-	1,590,287	(2,137,397)	(6,649,355)	(1,026,465)
CHANGE IN NET POSITION	857,461	(1,130,901)	(1,048,918)	686,082	310,228	(1,719,840)	(2,045,888)	(1,230,198)
NET POSITION, JANUARY 1	31,640,456	4,107,549	2,824,018	2,214,167	(927,267)	2,061,908	41,920,831	5,335,507
NET POSITION, DECEMBER 31	$ 32,497,917	$ 2,976,648	$ 1,775,100	$ 2,900,249	$ (617,039)	$ 342,068	39,874,943	$ 4,105,309

Change in net position - total enterprise funds	$ (2,045,888)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(72,382)
Change in net position - business-type activities	$ (2,118,270)

The notes to the financial statements are an integral part of this statement.

CITY OF CHASKA, MINNESOTA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS							GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	ELECTRIC	WATER	COMMUNITY CENTER	TURBINE GENERATOR	CURLING CENTER	NONMAJOR ENTERPRISE	TOTALS	
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts From Customers And Users	$ 41,452,753	$ 2,981,684	$ 3,303,061	$ 1,576,477	$ 1,193,349	$ 8,153,999	$ 58,661,303	$ 332,134
Payments To Suppliers	(32,620,059)	(1,458,756)	(1,619,046)	(417,623)	(640,367)	(4,746,419)	(41,402,270)	(735,047)
Payments To Employees	(1,802,756)	(664,422)	(2,183,906)	-	(610,375)	(2,161,129)	(7,422,588)	68,678
Net Cash Provided (Used) By Operating Activities	7,129,938	858,486	(499,891)	1,158,854	(57,393)	1,246,451	9,836,445	(334,235)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:								
Transfers From Other Funds	-	596,000	432,000	-	1,590,287	313,826	2,932,113	-
Transfers To Other Funds	(5,671,340)	(1,458,905)	-	-	-	(2,451,223)	(9,581,468)	(1,026,465)
Due From Other Funds	650,000	(216,816)	-	515,000	-	(79,459)	1,066,725	1,630,000
Due To Other Funds	-	-	53,816	-	49,628	70,179	173,623	-
Interfund Loans To Other Funds	(49,005)	-	-	51,560	-	-	2,655	-
Interest Payments On Interfund Loans	-	-	-	52,659	-	-	52,659	-
Intergovernmental	2,628	870	2,377	-	731	136,346	142,952	-
Net Cash Provided (Used) By Non-Capital Financing Activities	(4,867,717)	(1,080,851)	488,193	619,219	1,640,646	(2,010,331)	(5,210,841)	603,535
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Proceeds From Revenue Bonds	-	1,007,638	-	-	-	2,034,977	3,042,615	-
Capital Contributions	538,347	29,622	-	-	-	110,400	678,369	-
Principal Paid On Bonds	(420,000)	(594,000)	(330,000)	(1,195,000)	(980,000)	(201,000)	(3,720,000)	-
Principal Paid on Capital Leases	-	-	(44,030)	-	-	-	(44,030)	-
Interest And Fiscal Charges	(309,595)	(389,289)	(172,049)	(890,650)	(498,646)	(184,433)	(2,444,662)	-
Construction And Acquisition of Capital Assets	(2,602,959)	(195,691)	(40,425)	-	-	(703,369)	(3,742,444)	-
Lease Payments Received	-	-	-	909,284	-	-	909,284	-
Interfund Loan Payments To Other Funds	(51,560)	(11,630)	642,687	-	-	211,589	791,086	-
Interest Payments On Interfund Loans	(52,659)	(6,859)	-	-	-	(37,466)	(96,984)	-
Net Cash Provided (Used) By Capital And Related Financing Activities	(3,098,426)	(180,209)	56,183	(1,176,366)	(1,478,646)	1,230,698	(4,626,766)	-
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest (Charges) On Investments	361,092	76,856	(48,929)	83,246	(106,919)	41,530	406,876	130,207
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(475,113)	(305,716)	(4,444)	684,953	(2,312)	508,348	405,716	399,507
CASH AND CASH EQUIVALENTS, January 1	13,620,970	1,157,309	278,110	3,544,210	1,430,212	1,258,794	21,289,605	199,484
CASH AND CASH EQUIVALENTS, December 31	$ 13,145,857	$ 851,593	$ 273,666	$ 4,229,163	$ 1,427,900	$ 1,767,142	$ 21,698,321	$ 598,991
CASH AND CASH EQUIVALENTS:								
Cash And Investments	$ 1,263,162	$ 651,593	$ 1,400	$ 1,192,460	$ 50	$ 1,767,142	$ 5,075,807	$ 598,991
Restricted Assets-Revenue Bonds:								
Cash And Investments	11,882,695	-	272,266	3,036,703	1,427,850	-	16,619,514	-
Total Cash And Cash Equivalents	$ 13,146,857	$ 851,593	$ 273,866	$ 4,229,163	$ 1,427,900	$ 1,767,142	$ 21,695,321	$ 598,991

	ELECTRIC	WATER	COMMUNITY CENTER	TURBINE GENERATOR	CURLING CENTER	NONMAJOR ENTERPRISE	TOTALS	INTERNAL SERVICE FUND
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating Income (Loss)	$ 5,964,616	$ (79,562)	$ (1,270,168)	$ 1,166,690	$ (683,906)	$ 352,242	$ 5,469,916	$ (403,399)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:								
Depreciation Expense	1,180,170	819,733	748,506	-	628,588	753,467	4,130,464	-
Allowance For Uncollectible Accounts	36,970	3,516	(24)	-	287	5,959	46,708	-
Miscellaneous Receipts	-	85,347	-	-	-	-	85,347	68,678
(Increase) Decrease In Assets And Deferred Outflows:								
Special Assessments	-	-	-	-	-	9,532	9,532	-
Accounts Receivable	424,864	(25,773)	2,884	-	(19,125)	7,110	389,930	-
Due From Other Governments	(222,925)	(35)	(995)	-	-	27,876	(196,079)	-
Inventory	72,964	7,839	-	-	-	(14,365)	66,438	-
Deferred Outflows	106,243	32,417	93,728	-	24,543	102,517	359,448	-
Increase (Decrease) In Liabilities And Deferred Inflows:								
Accounts Payable	(219,863)	8,881	(92,779)	-	1,834	35,831	(286,096)	369
Salaries Payable	18,035	4,765	14,245	-	1,652	5,463	44,190	-
Deposits Payable	10,518	(3,250)	(48,343)	-	(9,068)	41,361	(8,782)	-
Compensated Absences Payable	38,316	9,977	47,222	-	7,847	4,913	108,274	-
Net Pension Liability	(77,658)	6,047	(8,072)	-	20,019	(35,440)	(95,304)	-
Due To Other Governments	(129,440)	12,010	(508)	(27,836)	(447)	33,858	(112,363)	127
Unearned Revenue	-	-	84,813	-	(19,036)	(4,138)	61,639	-
Other Post Employment Benefits	17,054	753	1,799	-	6,043	2,392	28,041	-
Deferred Inflows - Pensions	(89,737)	(24,179)	(72,181)	-	(16,624)	(82,137)	(284,858)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 7,129,938	$ 858,486	$ (499,891)	$ 1,158,854	$ (57,393)	$ 1,246,451	$ 9,836,445	$ (334,235)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:								
Amortization Of Bond Premiums	$ 19,838	$ 16,576	$ 9,626	$ 213,571	$ -	$ 4,613	$ 264,424	$ -
Amortization Of Gain On Refunding	$ -	$ -	$ -	$ 37,026	$ -	$ -	$ 37,026	$ -

The notes to the financial statements are an integral part of this statement.

Note 1 Summary of Significant Accounting Policies

The City of Chaska (the City) operates under the Optional Plan A form of government pursuant to applicable Minnesota laws and statutes. The Plan A form of government prescribes an Administrator-Council form of organization. The Council consists of an elected mayor and four council members. The City provides services such as, public safety, highways and streets, culture-recreation, public improvements, planning and zoning and general administration. The City operates electric, water, sewer and storm water utilities in addition to a community center, two golf courses, a gas turbine generator and a curling and event center.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units by the Governmental Accounting Standards Board (GASB). In order to enhance the usefulness of the financial statements to the reader the following is a summary of the City's significant accounting policies.

A) The Financial Reporting Entity

These financial statements present the City (primary government) and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationship with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, one organization has been defined and is presented in this report as follows:

Blended component unit – The Chaska Economic Development Authority (Chaska EDA) was established in 1987 by Resolution No. 87-25 of the Chaska City Council. The Chaska EDA is included in these financial statements because the Chaska EDA Board is comprised of City Council members. Activities of the Chaska EDA are financed by a tax levy of the City for that purpose. There are no other statements for the Chaska EDA other than those presented in this report.

B) Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements. Government-wide financial statements (Statement of Net Position and Statement of Activities) report information based on the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which

normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Direct expenses also include allocated expenses to functional programs from centralized expenses reported in the Self Insurance fund. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions that are restricted to meet the operational requirements of a particular function and 3) capital grants and contributions (including special assessments) that are restricted to meeting the capital requirements of a particular function. Taxes and other internally directed revenues are reported as *general revenues.*

The accounts of the City are organized on the basis of funds and separate "Fund Financial Statements" are provided for in Governmental funds and Proprietary funds. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities. A fund is a separate accounting entity with self-balancing accounts that include assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Fund financial statements present information for individual major funds in separate columns. Nonmajor funds are presented aggregately in one column in the fund financial statements.

Major Funds

The City reports the following major governmental funds:

- **General Fund** – This fund is the City's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.
- **Public Improvement Projects Fund** – This fund accounts for the financing and construction of public improvement projects.

The City reports the following major proprietary funds:

- **Electric Fund** – This fund accounts for the activities of the City's Electric Utility operations.
- **Water Fund** – This fund accounts for the activities of the City's Water Utility operations.
- **Community Center Fund** – This fund accounts for activities of the Chaska Community Center operations.
- **Turbine Generator Fund** – This fund accounts for the activities of the City's Turbine Generator Utility operations.

- **Curling Center Fund** – This fund accounts for the activities of the City's Curling and Event Center operations.

Additionally, the City reports the following fund type:

- **Internal Service Fund** – Internal service funds account for operations that provide services to other departments or agencies of the government on a cost reimbursement basis. The City has one Internal Service fund – the Self-Insurance fund. This fund is used to account for the purchase of property, liability and workers' compensation insurance for all City departments. Costs are allocated to individual departments.

C) Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The economic resources measurement focus aims to report all inflows, outflows, and balances affecting or reflecting an entity's net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are generally recorded when a liability is incurred, as under the accrual basis of accounting. However, principal and interest on long-term debt and other long-term obligations are recognized as expenditures to the extent they have matured.

Property taxes, franchise taxes, licenses and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges between the City's enterprise funds and other functions of the government. Elimination of these charges would misrepresent the direct costs and program revenues reported for the various functions concerned.

Proprietary funds are accounted for on a flow of *economic resources measurement focus* and *accrual basis of accounting*. This means that all assets, including capital assets, deferred outflows of resources and all liabilities, including long-term liabilities and deferred inflows of resources associated with fund activity are included on the Statement of Net Position. Proprietary fund type

operating statements present increases (revenues) and decreases (expenses) in net position. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating expenses for all the City of Chaska's enterprise funds and internal service fund are cost of sales and services, administrative expense and depreciation of capital assets. All other revenues and expenses are reported as non-operating items.

D) Budgetary Accounting

Budgets for the General fund, two Special Revenue funds and one Capital Project fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The non-major Special Revenue funds with budgets are the Mount Pleasant Maintenance & Care fund and the Chaska EDA fund. The budgeted non-major capital project fund is the Equipment Acquisition fund. (Schedules are included in this financial statement). All annual appropriations lapse at fiscal year-end.

E) Cash and Investments

Cash balances from all funds are combined and invested to the extent available as authorized by Minnesota State Statutes. Earnings from such investments are allocated to the respective funds based on applicable cash balance participation by each fund. Investments are stated at fair value based on quoted market prices, except for investments in external investment pools, which are stated at amortized cost. Cash and cash equivalents consist of available cash, cash deposits and highly liquid investments with an original maturity date at the time of purchase of three months or less. Interest on escrow investments is allocated specifically to the related fund. Investment income is accrued at the balance sheet date.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See **Note 3** for the City's recurring fair value measurements as of year-end.

F) Receivables

- **Property Tax**

Property tax levies are set by the City Council and must be levied on or before five business days after December 20 each year. Levied property taxes are certified to Carver County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over assessable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Property taxes are due from taxpayers in two equal installments, on May 15 and October 15. The County provides tax settlements to cities and other local governments three times a year: in July, December, and January of the following year.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and have been offset by a deferred inflow of resources, because it is not known when they will be available to finance current expenditures. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

- **Special Assessments**

Special assessments are levied against benefiting properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The City usually adopts assessment rolls before an improvement contract is awarded. Annual installments (including interest) for special assessments are collected by the County in the same manner as property taxes.

The City recognizes special assessment revenue in the government-wide financial statements when the assessment rolls are levied. In the governmental fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31 are classified as delinquent receivables and together with deferred assessments are fully offset by deferred inflow of resources because it is not known when they will be available to finance current expenditures. Delinquent special assessments receivable at December 31, 2019 totaled $28,872.

- **Trade Receivables**

Utility and miscellaneous accounts receivable are shown net of an allowance for uncollectible accounts on the Statement of Net Position. On December 31, 2019, the allowance for uncollectible accounts is $113,906.

G) Short-Term and Long-Term Interfund Receivables/Payables

City operations include activity between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds". The current portions of lending/borrowing arrangements are classified as "interfund receivables/payables". The long-term portions of interfund receivables are reported as "advances to other funds".

Notes to the Financial Statements

City of Chaska, Minnesota For the Year Ended December 31, 2019

H) Inventory

Inventories in the proprietary funds are valued at cost, which approximates market, using the first in-first out (FIFO) method. Inventories are recorded as expenses when consumed.

I) Restricted Assets

In the government-wide statement of net position and proprietary fund financial statements, unspent bond proceeds, as well as certain resources set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants. Investment earnings on these assets are allocated directly to the appropriate funds.

J) Capital Assets

Capital assets, which include property, buildings, improvements, equipment and infrastructure (e.g. roads, bridges, streets, sidewalks, drainage systems and lighting systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Such assets are capitalized at historical cost, or estimated historical cost, for assets where actual historical cost is not available. Donated assets are valued at their estimated acquisition value on the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The City uses the following capitalization policy:

Description	Capitalization Threshold
Machinery / Equipment and Vehicles	$10,000
Building and Building Improvements	25,000
Land and Land Improvements	25,000
Public Domain Infrastructure	50,000

Depreciation of assets on the government-wide statements for the primary government (governmental and business-type activities) and in the proprietary funds financial statements is charged as an expense against operations using the straight-line method and the following estimated useful lives:

Description	Life
Buildings and Structures	25 years
Furniture and Equipment	3 - 25 years
Improvements, other than Buildings	25 - 50 years
Public Domain Infrastructure	10 - 50 years

Capital assets not being depreciated include land, because land is believed to have an unlimited useful life; works of art/historical treasures, because these assets do not have a determinable useful life; and construction in progress, because construction on the asset has not been fully completed.

K) Compensated Absences

The City's policy permits employees to accumulate earned, but unused personal, vacation, sick leave and compensatory time benefits. Employees are compensated upon termination for unused personal, vacation and compensatory time. Sick leave is accrued as used or when it becomes likely that it will be paid as termination pay, while personal, vacation, and compensatory time is recorded as an expense and liability as the benefits accrue in the government-wide and proprietary fund financial statements. The liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L) Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The City reports deferred outflows and inflows of resources related to pensions and other post-employment benefits (OPEB) in the government-wide and enterprise funds Statements of Net Position. These deferred outflows and inflows result from the difference between expected and actual economic experience, changes in actuarial assumptions, difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

The City also reports deferred inflows of resources related to debt refunding in the government-wide and enterprise funds Statements of Net Position. This deferred inflow results from the differences between the resources required to refund debt and the net carrying amount of the refunded issue. These amounts are deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Unavailable revenue arises only under the modified accrual basis of accounting and therefore is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues for taxes, special assessments, notes receivable and leases receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

M) Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing

Notes to the Financial Statements

City of Chaska, Minnesota For the Year Ended December 31, 2019

sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures.

N) Fund Balance Classifications

The difference between fund assets and deferred outflows of resources less liabilities and deferred inflows of resources is "fund balance" on the governmental fund statements. In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

- **Nonspendable** – consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.
- **Committed** – consists of amounts related to internally imposed constraints that are established by formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General fund, assigned amounts represent intended use established by the governing body itself or by an official to which the governing body delegates authority. Pursuant to City Council Resolution, the City's Administrative Services Director is authorized to establish assignments of fund balance.
- **Unassigned** – is the residual classification for the General fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted as needed. When committed, assigned or unassigned funds are available for expenditure, it is the City's policy to spend committed funds first, assigned funds second and unassigned funds last.

O) Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in the government-wide and proprietary fund financial statements. Net position is displayed in three components:

- **Net Investment in Capital Assets** - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets.

- **Restricted Net Position** - consists of net position restricted by limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

- **Unrestricted Net Position** – all other elements of net position that do not meet the definition of "restricted" or "net investment in capital assets" are reported as unrestricted.

P) Interfund Transactions

Interfund services provided are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. In the ordinary course of business, transfers between funds are made to finance projects. Other interfund transactions are reported as transfers in/out. Interfund transactions within the respective categories of governmental activities and business-type activities in the government-wide statement of activities are eliminated. The internal balances caption on the government-wide statement of net position represents interfund receivable or payable between governmental and business-type activities.

Q) Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect the amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

R) Pension Plans

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The PERA has a special funding situation created by a direct aid contribution made by the State of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement fund into the PERA on January 1, 2015.

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Chaska Fire Department Relief Association (CFDRAPP) and additions to/deductions from CFDRAPP's fiduciary net

Notes to the Financial Statements

City of Chaska, Minnesota For the Year Ended December 31, 2019

position have been reported using a one year look-back period. Investments are reported at fair value.

S) Change in Accounting Principle

During the year ended December 31, 2019, the City adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which establishes new criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by accounting for the use of certain own-source revenues in the City's newly established Police Forfeitures and Evidence Special Revenue Fund and its governmental activities, rather than in a fiduciary (agency) fund as it has in the past. The Builders Deposit and Developers funds have been incorporated into the appropriate departments within the General Fund and the Metropolitan Council Environmental Services Collection fund is now included in the Sewer fund activity. This change in accounting principle did not require the restatement of beginning net position or fund balances.

Note 2 <u>Compliance and Accountability</u>

A) Budget

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annually appropriated budgets are adopted for the General Fund, two Special Revenue Funds: Mount Pleasant Maintenance and Care Fund and Chaska EDA Fund, and one Capital Project Fund: Equipment Acquisition Fund. Budgeted amounts are as originally adopted and as amended by the City Council.

The City follows these procedures in establishing and monitoring the annual budget:

1. Prior to September 30 each year, the City Administrator submits to the City Council a proposed operating budget for the year commencing the following January 1.
2. Public hearings are held to obtain public comments.
3. The budget is legally enacted by resolution after obtaining public comments.
4. The legal level of budgetary control is at the fund level. Budgetary control is maintained by department heads for all assigned divisions. Department heads may reallocate budget appropriations between divisions within the same fund, but not reallocate between funds or functions. The City Administrator may reallocate budget appropriations between functions within the same fund.
5. During the year, expenditures in various categories (i.e., personal services, operating supplies, other services and charges, capital outlay and other financing uses) may exceed the level of appropriation if additional revenues or reduced expenditures in another account are identified and available to offset the additional expenditures.
6. Unused budgeted expenditure appropriations lapse at year-end.

7. Annual appropriated budgets are not adopted for Debt Service Funds because budgetary control is achieved through bond indenture provisions. Budgetary control for other Capital Project Funds is accomplished through project controls, so budgets are not adopted.

B) Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, expenditures exceeded appropriations in the General fund by $569,736, and the Chaska EDA Special Revenue fund by $94,176. Variances in the General fund were offset by transfers into the fund, and the Chaska EDA variance was offset with higher than expected revenue.

C) Nonmajor Funds with Negative Equity

The following nonmajor funds maintained a deficit fund balance/net position at December 31, 2019:

Special Revenue Fund	
Chaska EDA	$ 994,997
Capital Project Funds	
Permanent Improvement Revolving/Storm Water	$ 229,131
TIF Dist #14 - Downtown Redevelopment	2,049,557
TIF Dist #17 - Chaska Preserve	143,561
TIF Dist #20 - Brewery Project	24,336
TIF Dist #21 - Hot Spot Project	58,902
TIF Dist #22 - Ernst House Project	26,649
Enterprise Funds	
Sewer	$ 1,128,645
Par 30 Golf	243,726

The deficit in the Chaska EDA fund is due to various economic development projects. Some of these projects have not received final funding. Ongoing activities of the Chaska EDA fund will eliminate this deficit.

The deficits in the Capital Project funds relate to capital projects that have incurred expenditures but have not received final financing. The TIF District deficits are due to project costs for the district. Tax increment revenue collected in future years will eliminate these deficits. All funds are expected to recover their deficits.

The deficit in the Sewer fund is related to capital projects for infrastructure improvements, and Par 30 Golf is from ongoing operations. Revenue from future operations is expected to eliminate these deficits.

Note 3 Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide statement of net position as "cash and investments".

Deposits, investments, petty cash and change funds are reported on the City's financial statements as follows:

Statement of Net Position - Government-Wide	
Cash and Investments	$25,462,878
Restricted Cash and Investments	17,608,020
Total Cash and Investments	$43,070,898

A) Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposits.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may be lost and not recovered.

Minnesota Statutes require that federal deposit insurance, corporate surety bond or collateral protect all deposits. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. Authorized collateral includes the legal investments described below under "credit risk", as well as certain first mortgage notes and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral. The City's investment policies do not further address limiting exposure to custodial credit risk for deposits.

At year-end, the carrying amount of the City's deposits was $2,877,740, while the balance on the bank records was $3,279,958. At December 31, 2019, all deposits were insured, or collateralized by securities held by the City's agent in the City's name.

B) Investments

The City has the following investments at year-end:

	Credit Risk		Fair Value Measurements	Interest Risk - Maturity Duration in Years			
Investment Type	Rating	Agency	Using	Less Than 1	1 to 5	More than 5	Total
U.S. Government Agencies	AA+	S&P	Level 2	$ -	$ 3,742,640	$ -	$ 3,742,640
State and Local Bonds	AA	S&P	Level 2	500,630	-	-	500,630
Commercial Paper	A-1	S&P	Level 2	2,688,452	-	-	2,688,452
Investments in Mutual Funds & Money Markets							
First American Treasury Obligations	AAAm	S&P	Level 2	N/A	N/A	N/A	169
100% Treasury MM Fund	AAAm	S&P	Level 1	N/A	N/A	N/A	3,270,782
Minnesota Municipal MM Fund	N/R	N/R	N/A	N/A	N/A	N/A	29,986,342
Total Investments:				$ 3,189,082	$ 3,742,640	$ -	40,189,015
						Total Deposits	2,877,740
						Petty Cash and Change Funds	4,143
						Total Deposits and Investments	$ 43,070,898

N/A - Not Applicable
N/R - Not Rated

The Minnesota Municipal Money Market Fund (the 4M Fund) is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is a customized cash management program for Minnesota public funds. It is also sponsored and governed by the League of Minnesota Cities since 1987. Allowable under Minnesota Statutes, the 4M Fund is comprised of top quality, rated investments.

The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC): however, it follows the same regulatory rules of the SEC. The reported value of the pool is the same as the fair value of the pool share. The City's investment in this fund is measured at amortized cost. For this investment pool, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required for the Liquid Class; the redemption notice period is 14 days for the Plus Class.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policies do not address limiting exposure to custodial credit risk.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City's investments to direct obligations or obligations guaranteed by the Unites States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City's investment policies do not further address credit risk.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investment (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as Treasuries), investment pools, and mutual funds. The City's investment policy does not limit the concentration of investments.

At year-end, the City had more than 5.0 percent of its investments in the following:

Issuer	Percent	Amount
Federal Home Loan Banks	8.07%	$ 3,242,785
U.S. Bank National Association Commercial Paper	6.69%	2,688,452

Interest Rate Risk - This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policy does not limit the duration of investments.

Note 4 Capital Assets

Capital asset activity for Governmental and Business-Type activities for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Reclass & Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 51,583,265	$ -	$ -	$ -	$ 51,583,265
Works of Art/Treasures	105,027	-	-	-	105,027
Construction In Progress	22,300,439	5,964,183	-	(3,904,358)	24,360,264
Total capital assets, not being depreciated:	73,988,731	5,964,183	-	(3,904,358)	76,048,556
Capital assets, being depreciated:					
Buildings	10,000,938	194,973	-	-	10,195,911
Other Improvements	20,750,504	12,240	-	-	20,762,744
Furniture & Equipment	11,176,667	543,691	(107,449)	35,541	11,648,450
Infrastructure	162,135,893	43,668	-	3,904,358	166,083,919
Total capital assets being depreciated:	204,064,002	794,572	(107,449)	3,939,899	208,691,024
Less accumulated depreciation for:					
Buildings	(7,584,309)	(227,449)	-	-	(7,811,758)
Other Improvements	(8,784,182)	(651,329)	-	-	(9,435,511)
Furniture & Equipment	(7,096,175)	(717,987)	83,751	(35,541)	(7,765,952)
Infrastructure	(66,356,860)	(5,532,640)	-	-	(71,889,500)
Total accumulated depreciation:	(89,821,526)	(7,129,405)	83,751	(35,541)	(96,902,721)
Total capital assets, being depreciated, net:	114,242,476	(6,334,833)	(23,698)	3,904,358	111,788,303
Governmental activities capital assets, net:	$ 188,231,207	$ (370,650)	$ (23,698)	$ -	$ 187,836,859

	Beginning Balance	Increases	Decreases	Reclass & Transfers	Ending Balance
Business-Type Activities					
Capital assets, not being depreciated:					
Land	$ 1,231,421	$ -	$ -	$ -	$ 1,231,421
Construction In Progress	5,768,152	2,735,448	-	(892,750)	7,610,850
Total capital assets, not being depreciated:	6,999,573	2,735,448	-	(892,750)	8,842,271
Capital assets, being depreciated:					
Buildings	72,722,135	40,425	-	619,527	73,382,087
Other Improvements	2,205,375	-	-	-	2,205,375
Furniture & Equipment	10,854,692	194,982	(175,058)	(35,541)	10,839,075
Infrastructure	36,287,145	771,589	-	273,223	37,331,957
Total capital assets, being depreciated:	122,069,347	1,006,996	(175,058)	857,209	123,758,494
Less accumulated depreciation for:					
Buildings	(36,562,123)	(2,160,511)	-	-	(38,722,634)
Other Improvements	(1,124,323)	(135,719)	-	-	(1,260,042)
Furniture & Equipment	(5,766,560)	(579,916)	172,717	35,541	(6,138,218)
Infrastructure	(15,910,680)	(1,254,318)	-	-	(17,164,998)
Total accumulated depreciation:	(59,363,686)	(4,130,464)	172,717	35,541	(63,285,892)
Total capital assets, being depreciated, net:	62,705,661	(3,123,468)	(2,341)	892,750	60,472,602
Business-type activities capital assets, net:	$ 69,705,234	$ (388,020)	$ (2,341)	$ -	$ 69,314,873

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activites	
General Government	$ 274,776
Economic Development	7,970
Public Safety	375,568
Public Works	5,864,541
Parks, Recreation and Arts	606,550
Total Depreciation Expense - Governmental Activities:	$ 7,129,405

Business-Type Activities	
Electric	$ 1,180,170
Water	819,733
Community Center	748,506
Chaska Curling Center	628,588
Sewer	124,554
Chaska Par 30	3,939
Chaska Town Course	449,265
Storm Water	175,709
Total Depreciation Expense - Business-Type Activities:	$ 4,130,464

Note 5 Lease Receivable Agreements

A) Turbine Generator Lease

The City of Chaska has entered into a Lease Receivable Agreement with the Minnesota Municipal Power Agency (MMPA) in which the City agrees to sell MMPA the peaking power and peaking power capacity of the City's gas turbine generator for a thirty-year period, commencing May 1, 2001. MMPA receives the sole right to operate the facility and to use the power generated from such operation for the term of the agreement. MMPA is responsible for all expenses of operating

and maintaining the facility for this period, with the exception of insurance, which is to be purchased by the City. Under the agreement, MMPA will pay the City an amount representing the total cost to the City of constructing the facility plus a predetermined rate of return and interest. The payments are to be made in equal monthly installments over the thirty-year term of the agreement. The total project costs to the City for the constructing of the facility was $29,144,986. The total lease principal after adjusting for issuance costs and interest earnings is $28,468,092.

Under the agreement, the City retains ownership of the facility. In the event the facility is destroyed or damaged to the point of being unusable before the end of the agreement, the City would be indemnified by MMPA for any costs in excess of insurance of retiring any remaining debt incurred to build the facility.

A second agreement between the two parties gives MMPA the annual option to continue this agreement for an additional twenty-year period, commencing May 1, 2031. The agreement calls for annual payments of $500,000 to be made in equal monthly installments. MMPA will have the annual option to cancel the agreement for any of the twenty additional years by giving the City ninety days written notice in advance of May 1 of the year the option will not be exercised.

Annual lease payments through April 1, 2031 are as follows:

Year Ending	Lease Receivable	
December 31,	Principal	Interest
2020	$ 983,683	$ 1,502,501
2021	1,071,261	1,414,923
2022	1,166,635	1,319,549
2023	1,270,501	1,215,683
2024	1,383,614	1,102,570
2025-2029	9,000,332	3,430,588
2030-2031	3,122,258	192,654
Total:	$ 17,998,284	$ 10,178,468

B) Recovery Center Lease

In 2017, the Chaska Economic Development Authority (EDA) entered into a lease agreement with Five Star Recovery Center. The leased property is a historic single-family home, owned by the City/Chaska EDA. The term of the lease is sixty months commencing May 1, 2017.

Annual lease payments through 2022 are as follows:

Year Ending December 31,	Lease Receivable Principal
2020	$ 31,241
2021	32,179
2022	8,103
Total:	$ 71,523

Note 6 Long-Term Liabilities

Long-term liabilities for the year ended December 31, 2019 are as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds:					
Equipment Certificates	$ 2,505,000	$ 1,240,000	$ (265,000)	$ 3,480,000	$ 295,000
General Obligation Bonds	1,880,000	-	(290,000)	1,590,000	300,000
Tax Increment Bonds	1,125,000	2,600,000	(515,000)	3,210,000	110,000
Taxable Abatement Bonds	630,000	-	(10,000)	620,000	20,000
Improvement Bonds	29,405,000	7,430,000	(3,240,000)	33,595,000	5,215,000
G.O. Revenue Bonds	720,000	-	(75,000)	645,000	75,000
Temporary G.O. Bonds	-	5,205,000	-	5,205,000	-
EDA Lease Revenue Bonds	9,545,000	-	(275,000)	9,270,000	280,000
Plus: Premium	2,587,041	1,015,807	(202,410)	3,400,438	-
Total Bonds Payable:	48,397,041	17,490,807	(4,872,410)	61,015,438	6,295,000
Notes Payable:					
Promissory Note Payable	96,139	-	(12,443)	83,696	13,044
Leases Payable:					
Capital Lease Payable	-	14,290	(1,412)	12,878	2,565
Compensated Absences	1,010,606	919,440	(796,611)	1,133,435	775,971
Total OPEB Liability	855,036	86,286	(17,432)	923,890	-
Net Pension Liability	6,243,148	1,756,462	(1,335,966)	6,663,644	-
Governmental Activity Long-term Liabilities:	$56,601,970	$20,267,285	$ (7,036,274)	$69,832,981	$ 7,086,580
Business-type Activities					
Bonds Payable:					
General Obligation Revenue Bonds	$15,100,000	$ 2,915,000	$ (795,000)	$17,220,000	$ 830,000
Revenue Bonds	27,905,000	-	(1,615,000)	26,290,000	1,650,000
EDA Lease Revenue Bonds	19,145,000	-	(1,310,000)	17,835,000	1,340,000
Plus: Premium	3,305,892	127,615	(264,424)	3,169,083	-
Total Bonds Payable:	65,455,892	3,042,615	(3,984,424)	64,514,083	3,820,000
Leases Payable:					
Capital Lease Payable	145,571	-	(44,030)	101,541	47,012
Compensated absences	562,040	470,989	(362,715)	670,314	412,889
Total OPEB Liability	363,241	32,100	(4,059)	391,282	-
Net Pension Liability	3,895,796	36,913	(132,217)	3,800,492	-
Business-type Activity Long-term Liabilities:	$70,422,540	$ 3,582,617	$ (4,527,445)	$69,477,712	$ 4,279,901

For the Governmental Activities, compensated absences, other post-employment benefits and net pension liabilities are generally liquidated by the General fund. In business-type activities, compensated absences, other post-employment benefits and net pension liabilities are liquidated within the respective Enterprise fund.

Bonds Payable:

The City issues general obligation bonds to provide funds for the construction of capital projects and acquisition of equipment. General obligation bonds have been issued for both governmental and business-type activities.

General obligation debt is supported by the "full faith and credit" of the City including tax increment and improvement bond issues. Bonds in the governmental activities will be repaid by future property tax levies, tax increments or special assessments accumulated in the specific debt service funds. In the event that a deficiency exists because of unpaid or delinquent tax increment or special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. Bonds in the business-type activities will be repaid with the net revenues of the utility issuing the bonds. In the event that a deficiency exists at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available.

The City of Chaska and the Chaska Economic Development Authority (EDA) also issue revenue bonds. Revenue bonds are supported by income derived from lease agreements or specific fee revenues to pay for debt service.

Bonds outstanding for the year ended December 31, 2019 are as follows:

Governmental Activities	Issue Date	Final Maturity Date	Interest Rate	Original Issue	Outstanding 12/31/2019
Bonds Payable					
General Obligation Bonds					
Equipment Certificates					
G.O. Equipment Certificates, Series 2013C	08/15/13	02/01/23	0.90-3.10%	$ 915,000	$ 440,000
G.O. Equipment Certificates, Series 2017B	11/29/17	02/01/27	5.00%	1,960,000	1,800,000
G.O. Equipment Certificates, Series 2019B	11/06/19	02/01/29	4.00-5.00%	1,240,000	1,240,000
Total Equipment Certificates				4,115,000	3,480,000
General Obligation Bonds					
G.O. Improvement Bonds, Series 2014A	12/30/14	02/01/24	0.70-3.00%	2,705,000	1,590,000
Tax Increment Bonds					
G.O. Taxable TI Cross-over Refunding Bonds, Series 2013B	08/15/13	12/01/21	2.00-2.75%	580,000	150,000
G.O. Taxable Cross-over Refunding Bonds, Series 2017D	12/27/17	02/01/31	3.00-3.50%	460,000	460,000
G.O. Taxable TI Bonds, Series 2019D	12/04/19	02/01/40	2.55-3.05%	1,670,000	1,670,000
G.O. Taxable TI Bonds, Series 2019D	12/04/19	02/01/40	2.55-3.05%	260,000	260,000
G.O. Taxable TI Bonds, Series 2019D	12/04/19	02/01/40	2.55-3.05%	670,000	670,000
Total Tax Increment Bonds				4,205,000	3,210,000
Taxable Abatement Bonds					
G.O. Taxable Abatement Bonds, Series 2010D	09/15/10	02/01/33	4.00-5.25%	405,000	375,000
G.O. Taxable Bonds, Series 2017C	11/29/17	02/01/39	1.80-3.45%	245,000	245,000
Total Taxable Abatement Bonds				650,000	620,000

(Continued)

(Continued)

Governmental Activities	Issue Date	Final Maturity Date	Interest Rate	Original Issue	Outstanding 12/31/2019
Improvement Bonds					
G.O. Improvement Bonds, Series 2010A	07/01/10	02/01/31	2.00-4.00%	3,220,000	1,180,000
G.O. Improvement Bonds, Series 2010C	09/15/10	02/01/33	2.00-3.75%	2,180,000	1,435,000
G.O. Bonds, Series 2011B	09/15/11	02/01/27	2.00-3.25%	3,455,000	1,230,000
G.O. Improvement Bonds, Series 2012A	08/15/12	02/01/28	2.00-2.40%	2,430,000	1,480,000
G.O. Cross-over Refunding, Series 2012B	08/15/12	02/01/27	2.00-2.30%	3,295,000	1,370,000
G.O. Improvement Bonds, Series 2013A	08/15/13	02/01/35	2.00-4.00%	3,330,000	2,570,000
G.O. Improvement Bonds, Series 2014A	12/30/14	02/01/30	0.70-3.00%	3,080,000	2,360,000
G.O. Improvement Bonds, Series 2015B	08/19/15	02/01/31	3.00-5.00%	5,940,000	5,130,000
G.O. Improvement Bonds, Series 2017B	11/29/17	02/01/38	2.25-5.00%	6,875,000	6,745,000
G.O. Taxable Bonds, Series 2017C	11/29/17	02/01/33	1.70-3.45%	1,790,000	1,670,000
G.O. Cross-over Refunding, Series 2017E	12/27/17	02/01/29	2.01-2.87%	995,000	995,000
G.O. Improvement Bonds, Series 2019B	11/06/19	02/01/39	2.125-5.00%	4,440,000	4,440,000
G.O. Improvement Bonds, Series 2019D	12/04/19	02/01/35	2.55-3.00%	1,165,000	1,165,000
G.O. Improvement Bonds, Series 2019D	12/04/19	02/01/29	2.55-3.00%	85,000	85,000
G.O. Improvement Refunding, Series 2019E	12/04/19	02/01/33	3.00-5.00%	1,180,000	1,180,000
G.O. Improvement Refunding, Series 2019E	12/04/19	02/01/31	4.00-5.00%	560,000	560,000
Total Improvement Bonds				44,020,000	33,595,000
Temporary Bonds					
G.O. Temporary Series 2019A	03/29/19	03/01/21	2.58%	5,205,000	5,205,000
G.O. Revenue Bonds					
G.O. Cross-over Refunding, Series 2012B	08/15/12	02/01/27	2.00-2.30%	1,380,000	645,000
EDA Lease Revenue Bonds					
Lease Revenue Bonds, Series 2015B	04/15/15	02/01/35	2.00-4.00%	9,000,000	8,485,000
Lease Revenue Bonds, Series 2015D	12/30/15	02/01/26	2.00-4.00%	1,085,000	785,000
Total EDA Lease Revenue Bonds				10,085,000	9,270,000
Premium				4,207,727	3,400,438
Total Bonds Payable - Governmental Activities				$72,487,727	$61,015,438

Business-type Activities	Issue Date	Final Maturity Date	Interest Rate	Original Issue	Outstanding 12/31/2019
Bonds Payable					
General Obligation Revenue Bonds					
G.O. Water Revenue Partial Advance Refunding Bonds, Series 2009A	10/01/09	12/01/22	2.00-3.25%	$ 1,495,000	$ 425,000
G.O. Water Revenue Refunding Bonds, Series 2011A	09/15/11	12/01/32	2.00-4.00%	11,435,000	8,625,000
G.O. Utility Revenue Bonds, Series 2015C	12/30/15	02/01/36	2.00-4.00%	5,170,000	4,540,000
G.O. Utility Revenue Bonds, Series 2017B	11/29/17	02/01/38	2.25-5.00%	735,000	715,000
G.O. Utility Revenue Bonds, Series 2019C	11/06/19	02/01/35	2.00-3.00%	2,135,000	2,135,000
G.O. Utility Revenue Bonds, Series 2019D	12/04/19	02/01/30	2.55-3.00%	780,000	780,000
Total General Obligation Revenue Bonds				21,750,000	17,220,000
Revenue Bonds					
Electric Utility Revenue Bonds, Series 2011D	12/22/11	10/01/31	2.00-3.65%	3,535,000	2,320,000
Electric Revenue Refunding Bonds, Series 2015A	10/01/15	10/01/30	2.00-5.00%	21,760,000	17,245,000
Electric Utility Revenue Bonds, Series 2017A	09/06/17	10/01/37	2.25-4.00%	7,220,000	6,725,000
Total Revenue Bonds				32,515,000	26,290,000
EDA Lease Revenue Bonds					
Lease Revenue and Limited Tax Bonds, Series 2013A	07/18/13	12/01/33	2.00-4.00%	3,850,000	2,905,000
Taxable Lease Revenue Bonds, Series 2015A	04/15/15	02/01/35	1.22-4.40%	12,855,000	10,525,000
Taxable Lease Revenue Bonds, Series 2015C	12/30/15	02/01/31	1.53-4.57%	3,410,000	2,855,000
Lease Revenue Refunding Bonds, Series 2017A	12/27/17	12/01/27	2.00-4.00%	1,880,000	1,550,000
Total EDA Lease Revenue Bonds				21,995,000	17,835,000
Premium				4,262,318	3,169,083
Total Bonds Payable - Business-type Activities				$80,522,318	$64,514,083

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City of Chaska, Minnesota — For the Year Ended December 31, 2019

General Obligation Bonds:

The City issues the following types of general obligation bonds:

- Equipment certificates provide funding for the acquisition of equipment and vehicles for various departments.
- G.O. bonds provide financing for various infrastructure improvement projects.
- Tax Increment bonds provide financing for the construction of streets and utilities and the acquisition of property for business development.
- Taxable abatement bonds provide financing for the City's Housing Improvement Areas and Tax Abatement programs.
- Improvement bonds provide financing for construction projects such as streets, infrastructure and utilities.

Annual debt service requirements to maturity are as follows:

	Governmental Activities									
Year Ending	G.O. Equipment Certificates		G.O. Bonds		G.O. Tax Increment Bonds		G.O. Abatement Bonds		G.O. Improvement Bonds	
December 31	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 295,000	$ 140,377	$ 300,000	$ 41,500	$ 110,000	$ 68,878	$ 20,000	$ 25,413	$ 5,215,000	$1,008,710
2021	405,000	141,500	310,000	32,350	110,000	92,134	25,000	24,725	1,925,000	972,901
2022	435,000	123,030	315,000	22,975	40,000	88,945	25,000	23,922	1,920,000	901,487
2023	460,000	102,957	325,000	13,375	70,000	87,296	30,000	23,005	1,965,000	829,276
2024	360,000	83,550	340,000	4,250	115,000	84,519	30,000	21,972	2,370,000	747,078
2025 - 2029	1,525,000	149,975	-	-	650,000	365,699	185,000	88,760	12,325,000	2,343,267
2030 - 2034	-	-	-	-	690,000	264,313	230,000	36,770	7,005,000	539,405
2035 - 2039	-	-	-	-	780,000	160,439	75,000	6,469	870,000	39,013
2040	-	-	-	-	645,000	9,836	-	-	-	-
Total:	$ 3,480,000	$ 741,389	$ 1,590,000	$ 114,450	$ 3,210,000	$ 1,222,059	$ 620,000	$ 251,036	$33,595,000	$7,381,137

Temporary bonds were issued in 2019 for the Highway 212/44 interchange project. The City anticipates issuing permanent bonds in early 2021. Estimated debt service payments are as follows:

	Governmental Activities	
Year Ending	G.O. Temporary Bonds	
December 31	Principal	Interest
2020	$ -	$ 134,289
2021	5,205,000	33,572
Total:	$ 5,205,000	$ 167,861

General Obligation Revenue Bonds:

G.O. Revenue bonds are issued by the City to construct or expand utility systems. Bonds will be repaid with the net revenues of the Water, Sewer and Storm Water Utilities.

Annual debt service requirements to maturity are as follows:

Year Ending	Governmental Activities		Business-type Activities	
	G.O. Revenue Bonds		G.O. Revenue Bonds	
December 31	Principal	Interest	Principal	Interest
2020	$ 75,000	$ 12,675	$ 830,000	$ 527,576
2021	75,000	11,175	1,060,000	524,806
2022	75,000	9,675	1,130,000	488,931
2023	85,000	8,075	1,015,000	456,231
2024	75,000	6,475	1,070,000	425,982
2025 - 2029	260,000	8,873	6,035,000	1,580,579
2030 - 2034	-	-	5,135,000	525,135
2035 - 2038	-	-	945,000	34,622
Total:	$ 645,000	$ 56,948	$ 17,220,000	$ 4,563,862

Revenue Bonds:

Revenue bonds issued by the City are supported by income derived from specific fee revenues to pay for debt service. These Electric Revenue Bonds will be repaid with net revenues of the Electric Utility and lease revenue in the Turbine Generator fund.

Annual debt service requirements to maturity are as follows:

Year Ending	Business-type Activities	
	Revenue Bonds	
December 31	Principal	Interest
2020	$ 1,650,000	$ 1,157,795
2021	1,720,000	1,082,395
2022	1,805,000	1,003,485
2023	1,885,000	920,265
2024	1,980,000	833,115
2025 - 2029	11,350,000	2,700,220
2030 - 2034	4,500,000	523,743
2035 - 2037	1,400,000	84,750
Total:	$ 26,290,000	$ 8,305,768

Notes to the Financial Statements

City of Chaska, Minnesota — For the Year Ended December 31, 2019

EDA Lease Revenue Bonds:

EDA Lease revenue bonds are supported by income derived from lease agreements.

Annual debt service requirements to maturity are as follows:

Year Ending	Governmental Activities		Business-type Activities	
	EDA Lease Revenue Bonds		EDA Lease Revenue Bonds	
December 31	Principal	Interest	Principal	Interest
2020	$ 280,000	$ 353,050	$ 1,340,000	$ 626,666
2021	290,000	345,400	1,380,000	589,580
2022	300,000	336,550	1,405,000	548,507
2023	305,000	326,925	1,455,000	504,309
2024	315,000	316,500	1,490,000	456,146
2025 - 2029	3,040,000	1,277,800	5,745,000	1,603,753
2030 - 2034	3,870,000	573,000	4,380,000	584,137
2035	870,000	17,400	640,000	14,080
Total:	$ 9,270,000	$ 3,546,625	$ 17,835,000	$ 4,927,178

Revenue Pledged:

Future revenue pledged for the payment of long-term debt (revenue bonds) is as follows:

Bond Issue - Revenue Bonds	Use of Proceeds	Type	Revenue Pledged: Percent of Total Debt Service	Revenue Pledged: Term of Pledge	Remaining Principal and Interest	Current Year: Principal and Interest Paid	Current Year: Pledged Revenue Received
GO Water Revenue Bonds:	Water Treatment Plant and Water Systems						$ 2,921,859
Series 2009A Refunding Bonds	Partial Refund 2003 Bonds	Utility Charges	100%	2009 - 2022	$ 452,775	$ 147,375	
Series 2011A Refunding Bonds	Refund 2003 Bonds	Utility Charges	100%	2011 - 2032	11,017,932	743,488	
GO Utility Revenue Bonds:	Water, Sanitary Sewer and Storm Water						8,746,101
Series 2015C	Utility System Improvements	Utility Charges	100%	2015 - 2036	5,821,750	348,738	
Series 2017B	Utility System Improvements	Utility Charges	100%	2017 - 2038	978,631	47,813	
Series 2019C	Utility System Improvements	Utility Charges	100%	2019 - 2035	2,601,986	-	
Series 2019D	Utility System Improvements	Utility Charges	100%	2019 - 2030	910,788	-	
Electric Revenue Bonds:	Electric Utility Systems and Generating Facilities						
Series 2015A Refunding Bonds	Refund 2000 & 2005 Bonds - Turbine Generator	Lease Revenue	100%	2015 - 2030	22,834,000	2,081,150	1,576,477
Electric Utility Revenue Bonds							41,203,336
Series 2011D	Electric System Improvements	Utility Charges	100%	2011 - 2031	2,849,443	234,770	
Series 2017A	Electric System Improvements	Utility Charges	100%	2017 - 2037	8,912,325	494,375	
EDA Lease Revenue Bonds:							
	Community Center Additions and Improvments						3,264,746
Series 2013A	Ice Arena & Pool Improvements	Lease Revenue	100%	2013 - 2033	3,774,723	268,795	
Series 2017A Refunding Bonds	Refund 2017A Bonds	Lease Revenue	100%	2017 - 2027	1,786,700	222,000	
Taxable Lease Revenue Bonds	Curling Center, Event Center and Restaurant						1,240,291
Series 2015A	Building Construction	Lease Revenue	100%	2015 - 2035	13,567,699	1,171,704	
Series 2015C	Furniture, Fixtures & Equipment	Lease Revenue	100%	2015 - 2031	3,633,056	303,742	
Lease Revenue Bonds	Firemen's Park Improvements						646,145
Series 2015B	Park Construction	Lease Revenue	100%	2015 - 2035	11,922,150	504,850	
Series 2015D	Fixtures and Equipment	Lease Revenue	100%	2015 - 2026	894,475	129,250	

Arbitrage Rebate:

The Tax Reform Act of 1986 requires governmental entities to pay the federal government income earned on the proceeds from the issuance of debt in excess of interest costs, pending the expenditure of the borrowed funds. This rebate of interest income (known as arbitrage) applies to governmental debt issued after August 31, 1986. In the option of management, any obligation would be immaterial.

Notes Payable:

The Chaska Economic Development Authority (EDA) is liable for a promissory note related to a Chaska EDA owned property. The annual note payments are offset by lease revenue collected from the current tenant. This note is paid by the Chaska EDA fund.

Promissory Note outstanding for the year ended December 31, 2019 is as follows:

	Issue Date	Final Maturity Date	Interest Rates	Original Issue	Outstanding 12/31/2019
Governmental Activities:					
Promissory Note Payable	11/21/16	11/15/21	4.75%	$ 120,319	$ 83,696

Promissory note requirements to maturity are as follows:

Year Ending December 31	Governmental Activities Principal	Governmental Activities Interest
2020	$ 13,044	$ 3,756
2021	70,652	2,872
Total:	$ 83,696	$ 6,628

Capital Leases Payable:

The City has two leases for the acquisition of fitness equipment:

- In 2019, the Chaska Fire Department entered into a lease for the acquisition of fitness equipment. The lease agreement qualified as a capital lease and has been recorded at the present value of the minimum lease payments. The equipment was not capitalized by the City as the equipment was below the City's capitalization threshold. The lease agreement matures in May of 2024 and carries an interest rate of 7.29%. In the event of default on this lease, the Lessor may exercise one or more of the following remedies: (1) declare due, sue for, and receive from Lessee the sum of all payments and other amount due under this agreement, (2) accelerate the payments of any other agreement or lease; (3) require Lessee to return the equipment at its own expense and in good working order; (4) cancel or terminate any lease or any other agreement between Lessee and Lessor; (5) charge and collect from Lessee all other amounts under this agreement; (6) charge Lessee interest on all monies due from and after the date of default at the rate of 18% per annum, compounded

Notes to the Financial Statements

City of Chaska, Minnesota For the Year Ended December 31, 2019

monthly, until paid in full; (7) charge Lessee an administrative fee equal to the greater of $25.00 or up to 10% of the past due amount, and the fees and expense of any collection agency or attorneys' employed by Lessor to collect sums due.

- In 2018, the Chaska Community Center entered into a lease for the acquisition of fitness equipment. The lease agreement qualifies as a capital lease and was recorded at the present value of the minimum lease payments. The equipment was not capitalized by the City as the equipment was below the City's capitalization threshold. The lease agreement matures in February 2022 and carries an interest rate of 6.57%. In the event of default on this lease, the Lessor may exercise one or more of the following remedies: (1) terminate the agreement and any or all of the Lessee's rights to the property, (2) proceed by court action to take possession from Lessee of any or all property, (3) proceed by court action to enforce performance by Lessee of its obligations or to recover damages for the breach or pursue any other remedy available to Lessor, (4) declare all unpaid lease payments and other sums payable to be immediately due and payable.

Capital Leases outstanding for the year ended December 31, 2019 are as follows:

	Issue Date	Final Maturity Date	Interest Rates	Original Issue	Outstanding 12/31/2019
Governmental Activties:					
Capital Lease Payable	02/19/19	05/01/24	7.29%	$ 14,290	$ 12,878
Business-type Activities:					
Capital Lease Payable	03/15/18	02/15/22	6.57%	$ 183,475	$ 101,541

The future minimum lease obligation and the net present value of these minimum lease payments are as follows:

Year Ending December 31	Governmental Activities	Business-type Activities
2020	$ 3,419	$ 52,284
2021	3,419	52,284
2022	3,419	4,357
2023	3,419	-
2024	1,425	-
Total Minimum Lease Payments	15,101	108,925
Less: Amount Representing Interest	(2,223)	(7,384)
Present Value of Minimum Lease Payments	$ 12,878	$ 101,541

2019 Activity:

On March 29, 2019, the City of Chaska approved the issuance and sale of temporary financing for the Highway 212 and CSAH 44 Interchange project. The City issued $20,000,000 General Obligation Temporary State Aid Street Bonds, Series 2019A. The bonds are structured in the form of a line of credit. The City requested $5,205,000 on the line in 2019 and did not repay any of this principal. Interest is paid quarterly on the amount outstanding at an annual percentage rate of 2.58%. The bonds mature March 1, 2021. The City intends to issue permanent bonds at that time.

On November 6, 2019, the City of Chaska issued $5,680,000 in General Obligation Bonds, Series 2019B, which includes $4,440,000 in Improvement Bonds and $1,240,000 in Equipment Certificates. The true interest cost is 2.00 percent (coupons range from 2.125 percent – 5.00 percent). The final maturity date is February 1, 2039. The Improvement Bonds will be used to finance certain street improvement projects in the City. The Equipment Certificates will be used to finance various capital equipment purchases. These bonds will be repaid from property taxes and special assessments on properties receiving improvements.

On November 6, 2019, the City of Chaska issued $2,135,000 in General Obligation Utility Revenue Bonds, Series 2019C with a true interest cost of 2.07 percent (coupons range from 2.00 percent to 3.00 percent). The final maturity date is February 1, 2035. The proceeds of the bonds will be used for the utility improvement component of street improvement projects. These bonds will be repaid from utility fund revenues.

On December 4, 2019, the City of Chaska issued $4,630,000 in Taxable General Obligation Bonds, Series 2019D, which includes $1,250,000 in Improvement Bonds, $780,000 in Utility Revenue Bonds, and $2,600,000 in Tax Increment Bonds. The true interest cost is 2.90 percent (coupons range from 2.55 percent – 3.05 percent). The final maturity date is February 1, 2040. The Improvement Bonds will be used to finance Chaska Creek Way Phase II and Fire Protection Improvements. The Utility Revenue Bonds will be used to finance various utility improvement projects in the City. The Tax Increment bonds will be used to finance various economic development projects. These bonds are payable from special assessments on properties receiving improvements, property taxes, utility revenues and tax increments generated by TIF Districts #18, #20 and #21.

On December 4, 2019, the City of Chaska issued $1,740,000 in General Obligation Improvement Refunding Bonds, Series 2019E; a current refunding of the City's General Obligation Improvement Bonds, Series 2010A and 2010C. The true interest cost is 2.08 percent (coupons range from 3.00 percent – 5.00 percent). The final maturity date is February 1, 2033. The proceeds from the bonds will be used to refund the 2021 through 2033 outstanding maturities. The current refunding was done to achieve cost savings of $491,993, with a net present value benefit of $142,388.

2019 Refunding:

On December 27, 2017 the City of Chaska issued $460,000 in General Obligation Taxable Refunding Bonds, Series 2017D; a cross-over advance refunding of the City's Taxable General Obligation Tax Increment Bonds, Series 2008E. The cross-over date was February 1, 2019. The true interest cost was 3.54 percent (3.00 percent to 3.50 percent). The maturity date is February 1, 2031. The proceeds from the bonds were used to refund the 2020 through 2031 outstanding maturities. The advance refunding was done to achieve cost savings of $83,550, a present value savings of $68,181. These bonds are payable primarily from tax increments generated by TIF District #14 and are backed by the full faith and credit of the City.

On December 27, 2017 the City of Chaska issued $995,000 in Taxable General Obligation Refunding Bonds, Series 2017E; a cross-over advance refunding of the City's General Obligation Improvement Bonds, Series 2008C. The cross-over date was February 1, 2019. The true interest cost was 2.58 percent (2.01 percent to 2.87 percent). The maturity date is February 1, 2029. The proceeds from the bonds were used to refund the 2020 through 2029 outstanding maturities. The advance refunding was done to achieve cost savings of $77,846, a present value savings of $68,664. These bonds are backed by the full faith and credit of the City.

Tax Abatements:

The City implemented a Business Incentive Policy (in accordance with Minnesota Statutes, Sections 116J.993 to 116J.995) to assist developers with solutions that increase employment opportunities, improve and develop facilities in the City and increase the availability of essential services. Under this policy, the City provides tax abatements (in accordance with Minnesota Statutes, Section 469.1813, subdivision 8) for up to three times a new developer's total property taxes. The City has seven agreements that could be considered tax abatements under GASB #77 as of December 31, 2019.

- In 2013, the City entered into a development agreement with Ridgeview Two Twelve North Addition, LLC to aid with the construction of an expansion to an existing medical building. The expansion creates employment opportunities, increases resident access to vital services, and increases the tax base of the City. The City assistance helped cover reimbursable costs, including soil correction, architectural enhancement, and fire safety. The maximum assistance is $777,926. The City's obligation is terminated after the earlier of 20 years of payments or once the Developer has been paid $777,926 in tax abatement payments. The City has rebated a total of $112,863, including $27,030 in 2019.

- In 2013, the City entered into a development agreement with IP Stream Minneapolis, LLC to aid with the construction of a data center. This new construction developed an underutilized site, creates employment opportunities, and increases the tax base of the City. The City assistance helped cover reimbursable costs, including site acquisition and site improvements. The maximum assistance is $1,228,500. The City's obligation is terminated after the earlier of 20 years of payments or once the Developer has been paid $1,228,500 in tax abatement payments. The City has rebated a total of $65,240, including $18,357 in 2019.

- In 2014, the City entered into a development agreement with Lucrum Properties, LLC to aid with the expansion of an existing manufacturing facility. The expansion of this high-quality business creates employment opportunities and increases the tax base of the City. The City assistance will help cover reimbursable costs, including storm water and grading improvements, permit fees, development charges, and parking lot improvements. The maximum assistance is $144,699. The City's obligation is terminated the earlier of after 20 years of payments or once the Developer has been paid $144,699 in tax abatement payments. The City has rebated a total of $25,776, including $7,690 in 2019.

- In 2015, the City entered into a development agreement with Lifecore Biomedical, LLC to aid with the expansion of their existing facilities. The expansion of this high-quality business maximized the use of an underutilized site and increases the tax base of the City. The City assistance will help cover reimbursable costs, including site preparation and grading. The maximum assistance is $144,623. The City's obligation is terminated the earlier of after 20 years of payments or once the Developer has been paid $144,623 in tax abatement payments. The City has rebated a total of $8,303, including $4,199 in 2019.

- In 2016, the City entered into a development agreement with U.S. Bank National Association, to aid with the construction of a new data center. This new construction developed an underutilized site, creates employment opportunities, and increases the tax base, generating substantial revenue for the City. The City assistance will help cover reimbursable costs, including a portion of the construction costs. The maximum assistance is $548,000. The City's obligation is terminated the earlier of after 20 years of payments or once the Developer has been paid $548,000 in tax abatement payments. The City has rebated a total of $24,058, all in 2019.

- In 2017, the City of Chaska entered into a development agreement with MSP/Chaska Medical, LLC to aid with construction of a medical office building. This new construction increases the City's tax base, creates employment opportunities, and encourages economic development in its vicinity. The City agreed to reimburse the Developer for eligible construction costs from the proceeds of an interfund loan to the Developer in an amount not to exceed $280,000 with interest at 3.5 percent per annum. Tax abatement on the property will be used to repay the loan. The loan will terminate the earlier of December 31, 2039 or when the City has received tax abatements sufficient to repay the principal amount of the loan plus accrued interest. The City advanced $280,000 to MSP/Chaska Medical, LLC in 2018. Tax abatement payments began in 2019. The interfund loan balance at the end of 2019 was $273,504.

- In 2018, the City of Chaska entered into a development agreement with 3919 Bavaria Road, LLC to aid with construction of a facility for weddings, events, and recreational activities. This new construction increases the City's tax base, creates employment opportunities, and encourages economic development. The City agreed to reimburse the Developer for eligible construction costs. The City assistance will help cover reimbursable costs, including a portion of the construction costs. The maximum assistance is $656,670. The City's obligation is terminated the earlier of after 20 years of payments or once the Developer has been paid $656,670 in tax abatement payments. The first tax abatement payment is scheduled for payment in 2020.

Tax Increment Pay-As-You-Go Financing Revenue Notes:

The Chaska Economic Development Authority (EDA) has entered into private development agreements to facilitate the financing of certain projects established by the Chaska Housing and Redevelopment Authority (pursuant to Minnesota Statutes, Sections 469.001 to 469.047). The costs of these projects are financed using tax increment generated from established tax increment financing districts (pursuant to Minnesota Statutes, Sections 469.174 to 469.179).

As of December 31, 2019, the Chaska Economic Development Authority has entered into five agreements considered Tax Increment Pay-As-You-Go Financing Revenue Notes under GASB #77. The agreements are not general obligations of the EDA or the City and are payable solely from available tax increment. Each note will be cancelled at the end of the agreement term, whether it has been fully repaid or not. Accordingly, the amounts have not been included in long-term debt because the nature of the notes is that repayment is required only if sufficient tax increments are received. The City's position is that these are obligations to assign future and uncertain revenue sources and as such, is not actual debt in substance.

The five agreements were to assist the developer with the financing of certain costs of a project constructed within the Development District and are as follows:

- In 2002, the Chaska EDA issued a pay-as-you-go note to Chaska Place Apartments in the principal sum of $992,221 with an interest rate of 6.5 percent per annum and payments due each February 1 and August 1, commencing August 1, 2005, and paid through February 1, 2024. Payments are payable solely from available tax increment derived from the housing development and paid to the EDA. The pay-as-you-go note provides for payment to the developer for 100% of the tax increment received in the prior six months, less the administrative fees charged by the County, and less $31,750 which shall be retained by the EDA. The current year abatement (TIF note payments) totaled $143,397. At December 31, 2019, the amount outstanding on the note was $1,206,171.

- In 2007, the Chaska EDA issued a pay-as-you-go note to Clover Field Sinclair Limited Partnership in the principal sum of $3,100,000 with an interest rate of 5.65 percent per annum and payments due each February 1 and August 1, commencing August 1, 2008, and paid through February 1, 2030. Payments are payable solely from available tax increment derived from the housing development and paid to the EDA. The pay-as-you-go note provides for payment to the developer for 95% of the tax increment received in the prior six months, less the administrative fees charged by the County. The current year abatement (TIF note payments) totaled $145,671. At December 31, 2019, the amount outstanding on the note was $4,099,603.

- In 2004, the Chaska EDA entered into a development agreement with City Square, LLC for private redevelopment. The EDA provided the developer with a $111,000 subsidy that will be repaid to the EDA as a pay-as-you-go note from available tax increment at a simple non-compounding interest rate of 4 percent with payments due through 2030. The City made a payment to the EDA of $157,000 in 2019, of which $70,000 went to principal. The outstanding balance as of December 31, 2019 is $45,375.

- In 2015, the Chaska EDA issued a pay-as-you-go note to Chaska Heights Senior Living in the principal sum of $2,874,667 with an interest rate of 3.25 percent per annum and payments due each February 1 and August 1, commencing August 1, 2018, and paid through February 1, 2044. Payments are payable solely from available tax increment derived from the housing development and paid to the EDA. The pay-as-you-go note provides for payment to the developer for 100% of the tax increment received in the prior six months, less the administrative fees charged by the County, and less $34,500 which shall be retained by the EDA. The current year abatement (TIF note payments) totaled $202,026. At December 31, 2019, the amount outstanding on the note was $2,966,038.

- In 2016, the Chaska EDA issued a pay-as-you-go note to Creeks Run Phase II, LLC in the principal sum of $242,500 with an interest rate of 4.5 percent per annum and payments due each February 1 and August 1, commencing August 1, 2018, and paid through February 1, 2036. Payments are payable solely from available tax increment derived from the housing development and paid to the EDA. The pay-as-you-go note provides for payment to the developer for 100% of the tax increment received in the prior six months, less the administrative fees charged by the County, and less $9,000 which shall be retained by the EDA. The current year abatement (TIF note payments) totaled $7,235. At December 31, 2019, the amount outstanding on the note was $259,765.

Conduit Debt:

From time to time, the City has issued Industrial Revenue Bonds (IRBs) and Housing Revenue Bonds (HRBs) (Collectively the "Revenue Bonds") to provide financial assistance to private-sector entities for the acquisition and construction of industrial and housing facilities deemed to be in the public interest. The Revenue Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Revenue Bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds, excluding the bonds mentioned below. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2019, there were six series of IRBs outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995, was $5,701,053. The aggregate principal amount payable for the three series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled $9,625,000.

As of December 31, 2019, there were five series of HRBs outstanding. The aggregate principal amounts payable for the three series issued after July 1, 1995 was $7,545,000. The aggregate principal amount payable for the two series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled $6,260,000.

The outstanding HRB balance includes one issue that is backed by the full faith and credit of the City. In 2010, the Carver County Housing and Redevelopment Authority issued $2,850,000 in Housing Development Revenue Bonds. (These bonds refunded the $2,695,691 Housing Revenue Bonds of 2000). This issue is secured by housing revenues and, if not so paid, by a tax levy. The bonds are secured by a general obligation pledge of the City.

Note 7 Interfund Receivables, Payables and Transfers

Interfund receivables and payables as of December 31, 2019 are as follows:

Due To/From Other Funds		
Receivable Fund	Payable Fund	Amount
Water	Community Center	$ 2,268,816
Internal Service Fund	Curling Center	3,500,000
Nonmajor Governmental	Nonmajor Governmental	1,224,058
Nonmajor Governmental	Public Improvement Projects	4,553,266
Nonmajor Enterprise	Curling Center	1,269,628
Nonmajor Enterprise	Nonmajor Enterprise	170,179
Total:		$12,985,947

Interfund borrowing is utilitzed for cash flow purposes to eliminate temporary cash balance deficits.

Interfund Receivables/Payables And Advances To/From Other Funds:

Receivable Fund	Payable Fund	Interfund Receivables/ Payables	Advances To/From	Total	Purpose
Electric	Nonmajor Governmental	$ -	$ 2,055,250	$ 2,055,250	1
Electric	Nonmajor Governmental	-	194,965	194,965	2
Turbine Generator	Electric	54,675	765,596	820,271	3
Nonmajor Governmental	Nonmajor Governmental	110,713	-	110,713	4
Nonmajor Governmental	Water	13,783	117,587	131,370	5
Nonmajor Governmental	Community Center	29,524	613,163	642,687	6
Nonmajor Governmental	Nonmajor Enterprise	159,932	1,188,006	1,347,938	7
Total:		$ 368,627	$ 4,934,567	$ 5,303,194	

Explanation of Interfund Receivables/Payables and Advances To/From Other Funds:

(1) This 2007 loan from the Electric fund provides interim financing for TIF District #14 project costs. The outstanding balance of $2,055,250 will be repaid from tax increment generated by the district as it becomes available.
(2) This interfund loan from the Electric fund provides interim financing to TIF District #17 for project costs. The outstanding balance of $194,965 will be repaid from tax increment generated by the district as it becomes available.
(3) This interfund loan from the Turbine Generator fund to the Electric fund was made in 2001 to finance a substation. Of the $820,271 due at year end, $54,675 is due in one year.
(4) These loans eliminate what would have been negative cash in TIF District funds. The outstanding balance of $110,713 will be repaid from tax increment generated by the districts as it becomes available.
(5) This interfund loan from the Equipment Acquisition fund to the Water fund is for a shared water/sewer equipment purchase. Of the $131,370 due at year end, $13,783 is due in one year.

(6) These interfund loans to the Community Center for locker room improvements are from the following funds:

- RALF Loan Fund - $125,000 loan balance with $5,742 due in one year.
- Public Facilities Fund - $100,000 loan balance with $4,594 due in one year.
- Improvement Revolving Fund - $417,687 loan balance with $19,188 due in one year.

(7) These interfund loans are from the Equipment Acquisition fund to the following funds:

- Sewer fund - $131,370 loan balance for a shared water/sewer equipment purchase with $13,783 due in one year.
- Town Course fund - $924,900 loan balance for golf equipment purchases with $88,816 due in one year.
- Storm Water - $291,668 loan balance for equipment purchases with $57,333 due in one year.

Transfers In/Out for 2019 are as follows:

	Transfers In							
	Governmental Funds			Enterprise Funds				
Transfers Out	General Fund	Public Improvement Projects	Nonmajor	Water	Community Center	Curling Center	Nonmajor	Total
General Fund	$ -	$ 170,000	$ 355,000	$ -	$ -	$ -	$ -	$ 525,000
Public Improvements	-	-	68,286	-	-	-	-	68,286
Electric	3,927,340	-	1,312,000	-	432,000	-	-	5,671,340
Water	-	713,981	744,924	-	-	-	-	1,458,905
Internal Service Fund	873,958	-	150,530	-	-	-	1,977	1,026,465
Nonmajor Governmental	-	2,296,340	4,694,624	596,000	-	1,590,287	311,849	9,489,100
Nonmajor Enterprise	-	871,595	1,579,628	-	-	-	-	2,451,223
Total:	$ 4,801,298	$ 4,051,916	$ 8,904,992	$ 596,000	$ 432,000	$ 1,590,287	$ 313,826	$ 20,690,319

Explanation of Transfers:

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 8 Fund Balance

A summary of the governmental fund balance classifications as of December 31, 2019 are as follows:

	General	Public Improvement Projects	Nonmajor Governmental	Totals
Restricted for:				
Housing Loan Program	$ -	$ -	$ 13,183	$ 13,183
Job Creation	-	-	1,804	1,804
Police Forfeitures & Evidence	-	-	50,472	50,472
Debt Requirements	-	-	9,779,734	9,779,734
Economic Development	-	-	1,504,942	1,504,942
Unspent Bond Proceeds	-	509,838	1,686,948	2,196,786
Total Restricted Fund Balances	-	509,838	13,037,083	13,546,921
Committed to:				
Compensated Absences	1,133,435	-	-	1,133,435
Mt. Pleasant Cemetery Care	-	-	248,239	248,239
Economic Development	-	-	90,738	90,738
Capital Equipment	-	-	469,532	469,532
Concerts in the Park	-	-	362	362
Community Fund Projects	-	-	355,943	355,943
Southwest Chaska Improvements	-	186,282	-	186,282
Street Improvement Program	-	-	3,136,849	3,136,849
Total Committed Fund Balances	1,133,435	186,282	4,301,663	5,621,380
Assigned to:				
Mt. Pleasant Cemetery Care	-	-	11,975	11,975
Concerts in the Park	-	-	263	263
Road Construction	-	-	2,023,070	2,023,070
Capital Equipment	-	-	1,803,945	1,803,945
Public Facility Improvements	-	-	109,400	109,400
Fire Protection Improvements	-	-	73,717	73,717
Park Improvements	-	-	225,557	225,557
Southwest Chaska Improvements	-	-	502,960	502,960
Community Fund Projects	-	-	77,640	77,640
Housing Improvement	-	-	424,162	424,162
Abatement Programs	-	-	20,604	20,604
Capital Improvements	-	-	3,238,011	3,238,011
Total Assigned Fund Balances	-	-	8,511,304	8,511,304
Unassigned	777,426	(5,996,339)	(3,576,896)	(8,795,809)
Total Fund Balances:	$ 1,910,861	$ (5,300,219)	$ 22,273,154	$ 18,883,796

Note 9 Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT.

The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City is not subject to a deductible. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portion of the insurance policies and for any exclusion from the insurance policies. These amounts are considered immaterial to the financial statements.

The City continues to carry commercial insurance for all other risks of loss, including life, disability, dental and health insurance.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The Self Insurance fund, an internal service fund which charges its costs to user departments, accounts for the risk management activities of the City. The fund is designed to build up a reserve, which will provide the City the opportunity to assume a greater share of its insurance risks and thereby reducing the cost to purchase insurance.

Note 10 Committed Contracts

At December 31, 2019, the City had commitments for five uncompleted construction contracts with a remaining balance of $5,063,235.

Note 11 Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. In connection with the normal conduct of its affairs, the City is involved in various claims litigation and judgments. It is expected that the final settlement of those matters will not materially affect the financial statements of the City.

Note 12 Jointly Governed Organizations

The City, in conjunction with 11 other municipalities that provide distribution of electric services, comprises the Minnesota Municipal Power Agency (MMPA). MMPA began operations on July 1, 1995. MMPA purchases power that is purchased and distributed by the 12 municipalities that operate electric distribution systems. MMPA's board of directors is comprised of one member from each participating entity. Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's purchases of power from MMPA for the year ended December 31, 2019 was $28,292,977. MMPA issues an annual financial report that may be obtained by writing MMPA, 220 S. 6th Street, Suite 1300, Minneapolis, MN 55402, or by calling (612) 349-6868.

Note 13 Defined Benefit Pension Plans

Employees of the City participate in three defined benefit pension plans. Two of the plans are state-wide cost-sharing, multiple employer defined benefit pension plans administered by the PERA of Minnesota: the General Employees Retirement fund and the Public Employees Police and Fire fund. The third is a single-employer defined benefit pension plan administered through the Chaska Fire Department Relief Association (CFDRA). The details of the City's participation in each of these plans are presented later in these notes. The following table summarizes the impact of these plans on the City's government-wide financial statements.

	PERA Pension Plans				
	General Employees Retirement Fund	Public Employees Police & Fire Fund	Total	Chaska Fire Department Relief Association	Total All Plans
Net Pension Asset	$ -	$ -	$ -	$ 242,430	$ 242,430
Deferred Outflows	775,596	3,105,047	3,880,643	871,812	4,752,455
Net Pension Liability	7,441,732	3,022,404	10,464,136	-	10,464,136
Deferred Inflows	1,333,376	4,212,449	5,545,825	171,042	5,716,867
Pension Revenue	17,324	38,326	55,650	157,177	212,827
Pension Expense	1,041,461	479,175	1,520,636	202,133	1,722,769

Note 14 Defined Benefit Pension Plans – State-wide

A) Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan
All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan
The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B) Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits
General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024 or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits
Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten

years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of June 30 before the effective date of the increase will receive a reduced prorated increase.

C) Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions
Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees fund for the year ended December 31, 2019 were $761,477. The City of Chaska's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions
Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. The City's contributions to the police and Fire Fund for the year ended December 31, 2019, were $531,854. The City's contributions were equal to the required contributions as set by state statute.

D) Pension Costs

1. General Employees Fund Pension Costs
At December 31, 2019, the City reported a liability of $7,441,732 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $231,323. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating

employers. At June 30, 2019, the City's proportionate share was .1346 percent which was an increase of .0021 percent from its proportionate share measured as of June 30, 2018.

City's proportionate share of the net pension liability	$ 7,441,732
State's proportionate share of the net pension liability associated with the City	$ 231,323

For the year ended December 31, 2019, the City recognized pension expense of $1,024,137 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional $17,324 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 204,461	$ -
Changes in actuarial assumptions	-	577,051
Differences between projected and actual investment earnings	-	751,601
Changes in proportion	174,750	4,724
Contributions paid to PERA subsequent to the measurement date	396,385	-
Total:	$ 775,596	$ 1,333,376

$396,385 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2020	$ (293,898)
2021	(554,838)
2022	(117,422)
2023	11,993
Total:	$ (954,165)

2. Police and Fire Pension Costs

At December 31, 2019, the City reported a liability of $3,022,404 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was .2839 percent which was an

increase of .0223 percent from its proportionate share measured as of June 30, 2018. The City also recognized $38,326 for the year ended December 31, 2019 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing $9 million to the Police and Fire fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay $4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay $9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of $479,175 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 121,390	$ 406,068
Changes in actuarial assumptions	2,199,791	3,157,995
Differences between projected and actual investment earnings	-	596,671
Changes in proportion	499,066	51,715
Contributions paid to PERA subsequent to the measurement date	284,800	-
Total:	$ 3,105,047	$ 4,212,449

The $284,800 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2020	$ (143,974)
2021	(334,848)
2022	(982,871)
2023	32,435
2024	37,056
Total:	$ (1,392,202)

E) Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

1. General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2. Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total:	100%	

F) Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G) Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	$ 12,233,807	6.50%	$ 6,606,410
Current Discount Rate	7.50%	$ 7,441,732	7.50%	$ 3,022,404
1% Higher	8.50%	$ 3,484,922	8.50%	$ 58,486

H) Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

Note 15 Defined Contribution Plan

One council member of the City is covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate.

An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance services personnel, employer contributions are determined by the employer and for salaried employees, contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2019 were:

Amount		Percentage of Covered Payroll		Required
Employees	Employer	Employees	Employer	Rates
$490	$490	5.00%	5.00%	5.00%

Note 16 Defined Benefit Pension Plans – Fire Relief Association

A) General Information about the Pension Plan

Plan Description - All members of the Chaska Fire Department (CFD) are covered by a defined benefit pension plan, Chaska Fire Department Relief Association Pension Plan (CFDRAPP), administered by the Chaska Fire Department Relief Association (CFDRA). CFDRAPP is a single-employer defined benefit pension plan. Minnesota Statutes, Chapter 69 grants the authority to the CFDRA Board to establish and amend benefit terms with consenting approval by the Chaska City Council. CFDRA issues a publicly available financial report that can be obtained by writing to City of Chaska, One City Hall Plaza, Chaska, MN 55318-1962 or by phone (952) 448-9200.

The City made a change in accounting principle in the current year to utilize the look-back period as the measurement date. This is an accepted practice and allows the City to complete its Comprehensive Annual Financial Report in a timelier manner. This change did not result in an adjustment to beginning net position, due to the immaterial difference this change in measurement period made to beginning balances.

Benefits Provided - The plan provides retirement and disability benefits to plan members and beneficiaries.

- Monthly Service Pension: $2.185 per month of service with a maximum of 360 months for members starting prior to November 4, 2013. In lieu of monthly payments, a member may elect a lump sum benefit. (Note – On October 15, 2018, the Chaska City Council modified benefit provisions to increase the monthly benefit from $2.185 to $2.4525 per month of service effective as of January 1, 2019.)
- Lump Sum Service Pension: $6,486 per year of service for members starting on or after November 4, 2013 based on completed years of service up to 30 years. (Note – On October

15, 2018, the Chaska City Council modified benefit provisions to increase the lump sum benefits from $6,486 to $7,100 per year of service effective as of January 1, 2019.)
- Deferred Service Pensions: with termination prior to age 50 and at least ten years of service, a deferred pension is payable at age 50 and reduced four percent for each year of service less than 20 years.
- Survivor Benefits: spouse, children or estate receive 100 percent of the member's lump sum benefit.
- Disability Benefit: A disabled member will receive the amount of their monthly service pension based on credited service as of the date eligible.

Members covered by benefit terms - At December 31, 2018, pension plan membership consisted of the following as used to determine Net Pension Liability (Asset) as of December 31, 2019:

Inactive Members Currently Receiving Benefits	42
Inactive Members Currently Receiving Disability Benefits	2
Beneficiaries Currently Receiving Benefits	11
Inactive Members Entitled to But Not Yet Receiving Benefits	6
Active Members	45
Total members	106

Contributions - Minnesota Statues, Chapter 424 and 424A, authorize pension benefits for volunteer fire relief associations. The CFDRAPP is funded by fire state aid, investment earnings, and, if necessary, employer contributions as specified in Minnesota Statutes and voluntary City contributions. The State of Minnesota contributed $161,529 in fire state aid to the CFDRAPP on behalf of the CFD for the year ended December 31, 2019, which was recorded as revenue. Required City contributions are calculated annually based on statutory provisions. The City made all required contributions and additional voluntary contributions to the plan for the year ended December 31, 2019 totaling $326,937. The City's contributions exceed the required contributions as set by State Statutes. Members of the CFD have no obligation to contribute to the plan.

B) Net Pension Liability (Asset)

The CFDRAPP's net pension liability (asset) was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability in the December 31, 2018 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	Not applicable as plan members are paid on call volunteers
Investment Rate of Return	6.25% net of pension plan investment expense, including inflation
20-Year Municipal Bond Yield	3.71%

Mortality rates were based on the following:

- Healthy Pre-retirement - RP-2014 employee generational mortality table projected with mortality improvement scale MP-2016 from a base year of 2006.
- Healthy Post-retirement - RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2016 from a base year of 2006. Male rates are adjusted by a factor of 0.96.
- Disabled - RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2016 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

The demographic actuarial assumptions used in the December 31, 2018 valuation were based on the same assumptions used in the June 30, 2018 PERA Police and Fire actuarial valuation, except that the fire relief uses a separate retirement rate assumption based on a review completed in May 2016. The economic actuarial assumptions are reviewed annually as part of the fire relief's annual valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	5.39%
International Equity	20%	5.20%
Fixed Income	10%	1.98%
Real Estate and Alternatives	10%	4.25%
Cash and Equivalents	25%	0.79%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 6.25 percent. The projected cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in Minnesota Statutes. Based on those assumptions and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

C) Changes in the Net Pension Liability (Asset)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance - January 1, 2019	$ 5,254,917	$ 5,810,080	$ (555,163)
Changes For The Year:			
Service Cost	97,600	-	97,600
Interest	323,454	-	323,454
Contribution - Employer	-	465,022	(465,022)
Net Investment Income	-	(342,294)	342,294
Benefit Payments, Including Member Contribution Refunds	(354,522)	(354,522)	-
Administrative Costs	-	(14,407)	14,407
Total Net Changes	66,532	(246,201)	312,733
Ending Balance - December 31, 2019	$ 5,321,449	$ 5,563,879	$ (242,430)

Sensitivity of the net pension liability (asset) to changes in the discount rate - The following presents the net pension liability (asset) of the CFDRAPP, calculated using the discount rate of 6.25 percent, as well as what the CFDRAPP's net pension liability (asset) would be if it were calculated using a discount rate 1 percentage point lower (5.25 percent) or 1 percentage point higher (7.25 percent) than the current discount rate:

	Net Pension Liability (Asset)
1% Decrease in Discount Rate (5.25%)	$ 300,493
Current Discount Rate (6.25%)	(242,430)
1% Increase in Discount Rate (7.25%)	(699,600)

Pension Plan Fiduciary Net Position - Detailed information about the CFDRAPP's fiduciary net position is available in the separately issued CFDRA financial report.

D) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the CFDRAPP recognized pension expense of $202,133. At December 31, 2019, the CFDRAPP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	$ 15,687	$ 9,513
Change of assumptions	45,930	-
Net differences between projected and actual investment earnings	321,729	-
City contributions subsequent to the measurement date	326,937	-
State aid to the City subsequent to the measurement date	161,529	161,529
Total:	$ 871,812	$ 171,042

Deferred outflows of resources totaling $488,466 related to pensions resulting from city contributions to the plan and state aid received subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Deferred inflows of resources totaling $161,529 related to state aid received subsequent to the measurement date will be recognized for its impact on the pension liability (asset) in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2020	$ 130,342
2021	31,308
2022	55,470
2023	156,560
2024	153
Total:	$ 373,833

Note 17 Other Post-Employment Benefits (OPEB) Plan

A) Plan Description

The City's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible employees. The plan offers group health insurance benefits. Medical coverage is administered by Blue Cross Blue Shield. It is the City's policy to periodically review its group health insurance plans and to obtain requests for proposals in order to provide the most favorable benefits and premiums for the City's employees and retirees. No assets are accumulated in a trust.

B) Benefits Provided

The City is required by State Statute to allow retirees to continue participation in the City's group health insurance plan if the individual terminates service with the City through service retirement or disability retirement. Retirees may obtain dependent coverage while the participating retiree is under age 65. Covered spouses may continue coverage after the retiree's death. The surviving spouse of an active employee may continue coverage in the group health insurance plan after the employee's death.

Retiree are required to pay 100 percent of their premium cost for the City-sponsored group health insurance plan in which they participate. The premium is a blended rate determined on the entire active and retiree population. Since the projected claims costs for retirees exceed the blended premium paid by retirees, the retirees are receiving an implicit rate subsidy (benefit). The coverage levels are the same as those afforded to active employees. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

C) Contributions

The required contributions are based on projected pay-as-you-go financing requirements. For the current year, the City's required pay-as-you go finance benefits totaled $38,657.

D) Members

Membership in the plan consisted of the following as of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	3
Active employees	134
Total	137

E) Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the entry age method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.30%
20-year Municipal Bond Yield	3.30%
Salary Increases	3.00%
Inflation Rate	2.50%
Medical Trend Rate	6.25% decreasing to 5.00% over 5 years
Mortality Assumption	RP-2014 While Collar Mortality Tables with MP-2017 Generational Improvements Scale (with Blue Collar adjustment for Police and Fire Personnel)

F) Changes in the Total OPEB Liability

The City's total OPEB liability of $1,315,172 was measured as of January 1, 2019 and was determined by an actuarial valuation as of that date.

	Total OPEB Liability
Beginning Balance - January 1, 2019	$ 1,218,277
Changes for the Year	
Service Cost	76,026
Interest	42,360
Benefit Payments	(21,491)
Net Changes	96,895
Ending Balance - December 31, 2019	$ 1,315,172

Assumption changes since the prior measurement date include the following:

- The medical trend rate was changed from 6.5 percent grading to 5.00 percent over 6 years to 6.25 percent grading to 5.00 percent over 5 years.

G) OPEB Liability Sensitivity

The following presents the total OPEB Liability of the City as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percent higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB Discount Rate	2.30%	3.30%	4.30%
Total OPEB Liability	$ 1,428,691	$ 1,315,172	$ 1,209,007

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percent lower or 1 percent higher than current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB Healthcare Trend Rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
Total OPEB Liability	$ 1,153,072	$ 1,315,172	$ 1,507,797

H) OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the City recognized OPEB expense of $118,386. As of year-end, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 38,657	$ -

A total of $38,657 reported as deferred outflows of resources related to OPEB resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2020.

Note 18 Subsequent Events

A) Issuance of 2020A Economic Development Authority Bonds

In March 2020, the Economic Development Authority of the City (the EDA – a blended component unit of the City) issued $6.285 million taxable full-term installment purchase revenue bonds (Series 2020A) to finance the acquisition of park land and street right-of-way for the proposed Southwest Community Park. The bond coupon rates range from 1.75% for bonds maturing in 2022 to 3.08% for bonds maturing in 2040 (final maturity date). The true interest cost of the issued bonds is 2.82%.

B) Issuance of 2020B Economic Development Authority Bonds Parameters Resolution

In May 2020, the City and Economic Development Authority of the City adopted a resolution approving the issuance of taxable full-term installment purchase revenue bonds (Series 2020B) to finance the acquisition of land for the extension of Savanna Way street. The resolution established parameters for the sale in that the par amount shall not exceed $1.7 million and true interest cost shall not exceed 4.25% per annum.

C) COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread throughout the world and to the United States, including to areas impacting the City. The pandemic has caused an economic downturn as several businesses have had to temporarily halt operations or scale back. The City has also temporarily closed certain operations, including the Community Center and Curling and Event Center.

The City generally reports its investments at fair value based on standards described earlier in these notes. Subsequent to year-end, the COVID-19 pandemic has caused significant volatility in economic conditions, including substantial reductions in the quoted active-market prices of investments. The City's portfolio consists primarily of shorter-term investments, many with guaranteed maturity values. However, the potential negative impact could be heightened if increased demand on City resources and/or sustained economic downturn hampers the City's ability to hold such investments to maturity as planned. The potential future impact of these conditions on the fair value of the City's investment portfolio is not determinable at this time.

The City is evaluating the financial effects of the pandemic. The situation will likely result in revenue declines, a decrease in demand for certain services, an increase in delinquencies or uncollectible accounts receivable, and increased expenses due to the pandemic. The full extent of the pandemic will depend on future developments, including the duration and spread of the pandemic and related governmental or other regulatory actions.

PERA – General Employees Retirement Fund Schedule of City's and Non-Employer Proportionate Share of Net Pension Liability

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the City's Share of the State of Minnesota's Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.13%	$ 6,504,061	$ -	$ 6,504,061	$ 7,374,827	88.19%	78.19%
12/31/2016	06/30/2016	0.13%	10,441,682	136,394	10,578,076	7,962,313	131.14%	68.90%
12/31/2017	06/30/2017	0.13%	8,439,559	106,148	8,545,707	8,515,662	99.11%	75.90%
12/31/2018	06/30/2018	0.13%	7,350,557	241,206	7,591,763	8,829,904	83.25%	79.50%
12/31/2019	06/30/2019	0.13%	7,441,732	231,323	7,673,055	9,526,900	78.11%	80.20%

PERA – General Employees Retirement Fund Schedule of City Contributions

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 573,571	$ 573,571	$ -	$ 7,647,695	7.50%
12/31/2016	622,514	622,514	-	8,301,166	7.50%
12/31/2017	645,781	645,781	-	8,613,210	7.50%
12/31/2018	684,782	684,782	-	9,130,403	7.50%
12/31/2019	761,477	761,477	-	10,153,003	7.50%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available

PERA – Public Employees Police and Fire Fund Schedule of City's Proportionate Share of Net Pension Liability

City Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2015	06/30/2015	0.26%	$ 2,908,759	$ 2,345,969	123.99%	86.60%
12/31/2016	06/30/2016	0.25%	9,992,803	2,397,786	416.75%	63.90%
12/31/2017	06/30/2017	0.26%	3,564,313	2,707,514	131.65%	85.40%
12/31/2018	06/30/2018	0.26%	2,788,387	2,761,686	100.97%	88.80%
12/31/2019	06/30/2019	0.28%	3,022,404	2,996,128	100.88%	89.30%

PERA – Public Employees Police and Fire Fund Schedule of City Contributions

City Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	$ 384,775	$ 384,775	$ -	$ 2,375,153	16.20%
12/31/2016	421,074	421,074	-	2,600,914	16.20%
12/31/2017	431,127	431,127	-	2,665,551	16.20%
12/31/2018	471,427	471,427	-	2,910,044	16.20%
12/31/2019	531,854	531,854	-	3,137,782	16.95%

Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Chaska Fire Department Relief Association Pension Plan (CFDRAPP), Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

	December 31,					
City Fiscal Year-end Date	2019 (1)	2018	2017	2016	2015	2014
Measurement Date	2018	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	$ 97,600	$ 97,600	$ 76,833	$ 74,777	$ 76,662	$ 74,610
Interest	323,454	323,454	307,707	318,368	323,774	324,731
Changes of Benefits Terms	-	-	229,268	-	-	248,676
Differences Between Expected & Actual Experience	-	-	23,511	-	(42,040)	-
Changes of Assumptions	-	-	68,838	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(354,522)	(354,522)	(595,443)	(451,119)	(517,365)	(318,551)
Net Change in Total Pension Liability	66,532	66,532	110,714	(57,974)	(158,969)	329,466
Total Pension Liability – Beginning	5,254,917	5,254,917	5,144,203	5,202,177	5,361,146	5,031,680
Total Pension Liability - Ending (a)	$ 5,321,449	$ 5,321,449	$ 5,254,917	$ 5,144,203	$ 5,202,177	$ 5,361,146
Plan Fiduciary Net Position						
Contributions - Employer	$ 465,022	$ 465,022	$ 443,793	$ 427,285	$ 401,321	$ 361,296
Net Investment Income	(342,294)	(342,294)	819,964	408,073	(220,343)	232,061
Benefit payments, Including Refunds of Member Contributions	(354,522)	(354,522)	(595,443)	(451,119)	(517,365)	(318,551)
Administrative Expense	(14,407)	(14,407)	(10,295)	(11,561)	(4,226)	(9,463)
Net Change in Plan Fiduciary Net Position	(246,201)	(246,201)	658,019	372,678	(340,613)	265,343
Plan Fiduciary Net Position - Beginning	5,810,080	5,810,080	5,152,061	4,779,383	5,119,996	4,854,653
Plan Fiduciary Net Position - Ending (b)	$ 5,563,879	$ 5,563,879	$ 5,810,080	$ 5,152,061	$ 4,779,383	$ 5,119,996
City's Net Pension Liability (Asset) - Ending (a) - (b)	$ (242,430)	$ (242,430)	$ (555,163)	$ (7,858)	$ 422,794	$ 241,150
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.56%	104.56%	110.56%	100.15%	91.87%	95.50%

(1) The City made a change in accounting principle to utilize the look-back period as of the measurement date. This is an accepted practice and allows the City to complete its CAFR in a more timely manner. This change required the use of the same actuary study and pension report for the 2018 and 2019 fiscal years.

Note: Schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

Chaska Fire Department Relief Association Pension Plan (CFDRAPP), Schedule of City Contributions

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially Determined Contribution(ADC)[1]	$ 165,134	$ 165,134	$ 265,347	$ 265,347	$ 267,302	$ 267,302	$ 293,799	$ 293,799	$ 246,000	$ 246,000
Contributions in Relation to the ADC	488,466	465,022	436,793	427,285	401,321	361,296	364,512	298,250	299,930	271,345
Contribution Deficiency (Excess)	$ (323,332)	$ (299,888)	$ (171,446)	$ (161,938)	$ (134,019)	$ (93,994)	$ (70,713)	$ (4,451)	$ (53,930)	$ (25,345)

Valuation Date:
Actuarially determined contribution rates are calculated as of December 31, either two (2) or three (3) years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptious used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal actuarial level dollar cost method
Amortization Method	Actuarial Losses - Amortize loss over ten (10) years per Minnesota Statues 69.773, Subd 4. (d)(3)(i). Plan Changes - Amortize over 20 years per Minnesota Statues 69.773, Subd 4. (d)(3)(v).
Remaining Amortization Period	Thirteen (13) years as of December 31, 2018
Asset Valuation Method	Market Value
Inflation	2.75 percent
Salary Increases	0.00 percent, including inflation
Investment Rate of Return	5.00 percent as per Minnesota State Statutes Chapter 356.215, Subdivision 8
Retirement Age	The latest of age 50 or after 20 years of service
Mortality	RP-2000 Combined Mortality Table, fully generational

Other Information:
In 2011, benefits terms were modified to change the surviving spouse benefits from 75 percent of the member's monthly benefit for life to 100 percent of the member's monthly benefit for life. The survivor benefit for surviving children was modified to change the benefit from 25 percent to 100 percent of the member's monthly pension.

On November 4, 2013, benefit terms were modified to add a $6,000 per year of service lump sum benefit option for individuals who became members before November 4, 2013. Individuals that became members after November 4, 2013 are only entitled to a lump sum service pension.

On May 5, 2014, benefit terms were modified to increase the monthly benefit from $1.975 to $2.085 per month of service and to increase the lump sum benefit from $6,000 to $6,255 per year of service effective as of June 1, 2014.

On November 7, 2016, benefit terms were modified to increase the monthly benefit from $2.085 to $2.185 per month of service and to increase the lump sum benefit from $6,255 to $6,486 per year of service as of January 1, 2017.

On October 15, 2018, benefit terms were modified to increase the monthly benefit from $2.15 to $2.4525 per month of service and to increase the lump sum benefit from $6,486 to $7,100 per year of service effective January 1, 2019

Notes to Schedule[1] ADC amounts are equal to statutory requirements under Minnesota Statutes 424A.092 and 69.773.
The CFDRA is comprised of voluntary fire fighters. There is no covered payroll to report.

Schedule of Changes in Total OPEB Liability and Related Ratios

	2019	2018
Total OPEB Liability		
Service Cost	$ 76,026	$ 73,812
Interest	42,360	39,586
Benefit Payments	(21,491)	(41,413)
Net Change in Total OPEB Liability	96,895	71,985
Total OPEB Liability - Beginning of Year	1,218,277	1,146,292
Total OPEB Liability - End of Year	$ 1,315,172	$ 1,218,277
Covered Payroll	$ 10,694,925	$ 10,383,422
Total OPEB Liability as a Percentage of Covered Payroll	12.3%	11.7%

Note: The City implemented GASB Statement No. 75 in fiscal 2018. This schedule is intended to present 10-year trend information. Additional years will be displayed as they become available.

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2017 to MP-2018.

2019 Changes in Plan Provisions:
- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044, and 2.50 percent per year thereafter, to 1.25 percent per year.

2018 Changes in Plan Provisions:
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.5 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of living Adjustment, not less than 1.00 percent and not more than 1.5 percent, beginning January 1, 2019.
- Fore retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees; disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revisited mortality and interest assumptions

2017 Changes in Actuarial Assumptions:
- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2017 Changes in Plan Provisions:
- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2016 Changes in Actuarial Assumptions:
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent, to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

2015 Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation, was due September 2015.

PERA – PUBLIC EMPLOYEES POLICE AND FIRE FUND

2019 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

2018 Changes in Plan Provisions:

- Post-retirement benefit increases were changed to 1.00 percent for all years, with not trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100.00 percent funding, July 1, 2048, if earlier.
- Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019, and 17.7 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.00 percent for vested and non-vested deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 Fully Generational Table to the RP-2014 Fully Generational Table (with base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from RP-2000 Disabled Mortality Table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

Notes to Required Supplementary Information

City of Chaska, Minnesota — For the Year Ended December 31, 2019

- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years, to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate changed from 5.60 percent per annum to 7.50 percent per annum.

2016 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037, and 2.50 percent thereafter, to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2037, and 2.50 percent per year thereafter.

2015 Changes in Plan Provisions:

- The post-retirement benefit increase to be paid after attainment of the 90.00 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 Changes in Actuarial Assumptions:

- The medical trend rate was changed from 6.50 percent grading to 5.00 percent over 6 years to 6.25 percent grading to 5.00 percent over 5 years.

2018 Changes in Actuarial Assumptions:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 While Collar Mortality Tables with MP-2017 Generation Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 3.50 percent to 3.30 percent.
- The actuarial cost method was changed from project unit credit to entry age as prescribed by GASB 75.

Economic Development Authority of the City of Chaska, Minnesota
$2,795,000* Lease Revenue and Limited Tax Refunding Bonds, Series 2020E
(City of Chaska, Minnesota Lease Obligation)

For the Series 2020E Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $_________________ (which may not be less than $2,775,435) plus accrued interest, if any, to the date of delivery.

Year	Interest Rate (%)	Yield (%)	Dollar Price	Year	Interest Rate (%)	Yield (%)	Dollar Price
2021	_______%	_______%	_______%	2028	_______%	_______%	_______%
2022	_______%	_______%	_______%	2029	_______%	_______%	_______%
2023	_______%	_______%	_______%	2030	_______%	_______%	_______%
2024	_______%	_______%	_______%	2031	_______%	_______%	_______%
2025	_______%	_______%	_______%	2032	_______%	_______%	_______%
2026	_______%	_______%	_______%	2033	_______%	_______%	_______%
2027	_______%	_______%	_______%				

Designation of Term Maturities

Years of Term Maturities _______________ _______________
_______________ _______________

In making this offer on the sale date of August 3, 2020 we accept all of the terms and conditions of the Terms of Proposal published in the Preliminary Official Statement dated July 17, 2020 including the Authority's right to modify the principal amount of the Series 2020E Bonds. (See "Terms of Proposal" herein.) In the event of failure to deliver these Series 2020E Bonds in accordance with said Terms of Proposal, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this proposal, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Series 2020E Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________________

TRUE INTEREST RATE: ______________ %

The Bidder ☐ will not ☐ will purchase municipal bond insurance from _________________.

Account Members

____
Account Manager

By: ___________________________

Phone: ________________________

The foregoing proposal has been accepted by the Authority.

Attest: ______________________________ Date: ________________________________

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* Preliminary; subject to change.

Phone: 651-223-3000
Fax: 651-223-3046
Email: bondservice@bakertilly.com

FIRST AMENDED AND RESTATED LEASE AGREEMENT

between

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA

As Lessor

and

CITY OF CHASKA, MINNESOTA

As Lessee

Dated as of September 1, 2020

This instrument drafted by:

Dorsey & Whitney (GIT)
LLP Suite 1500
50 South Sixth Street
Minneapolis, Minnesota 55402

THIS FIRST AMENDED AND RESTATED LEASE AGREEMENT, dated as of September 1, 2020 (the "Lease"), between the ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA, a body corporate and politic of the State of Minnesota, having its principal office and address at One City Hall Plaza, Chaska, Minnesota (the "Authority"), and the CITY OF CHASKA, a political subdivision of the State of Minnesota having its main office at One City Hall Plaza, Chaska, Minnesota (the "City") amends and restates that certain lease agreement dated July 1, 2013 (the "Original Lease") between the Authority and the City.

WITNESSETH:

WHEREAS, the City is authorized by law to acquire such items or personal property as are needed to carry out its governmental functions, and to acquire such personal property by entering into lease with option to purchase agreements; and

WHEREAS, the City has acquired under the Original Lease certain items of personal property described in the Original Lease (the "Equipment"); and

WHEREAS, the Authority previously issued its Lease Revenue and Limited Tax Bonds, Series 2013A, in the original aggregate principal amount of $3,850,000 (the "Series 2013A Bonds"), for the purpose of financing acquisition and installation of the Equipment; and

WHEREAS, the Authority acquired the Equipment and leased it to the City pursuant to the Original Lease; and

WHEREAS, the Authority is issuing its $[PAR] Lease Revenue and Limited Tax Refunding Bonds, Series 2020E (the "Series 2020E Bonds") to refund the Series 2013A Bonds and refinance the Equipment; and

WHEREAS, Section 12.4 of the Original Lease permits the Original Lease to be amended or any of its terms modified by written amendment authorized and executed by the City and the Authority, in connection with the issuance of Additional Bonds.

WHEREAS, the City and the Authority desire to amend and restate the Original Lease by executing and delivering this Lease in connection with the issuance of the Series 2020E Bonds and the refunding of the Series 2013A Bonds.

This Lease is granted and accepted upon the following representations, terms, covenants and conditions, and the Authority and the City hereby agree to keep and perform all the terms, covenants and conditions hereof on their part to be kept and performed, as follows:

ARTICLE I
DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Lease, have the meanings herein specified.

Additional Bonds: Any Additional Bonds issued pursuant to Section 2.10 of the Indenture.

Authority Representative: The President or the Executive Director of the Authority or any other person authorized to act on behalf of the Authority under or with respect to this Lease, as evidenced by a certificate conferring such authority executed by the President, given to the Trustee and the City.

Bond Fund: The fund so designated and established by the Trustee pursuant to the Indenture.

Bonds: The Series 2013A Bonds, the Series 2020E Bonds, together with any Additional Bonds.

Business Day: Any day other than a Saturday, Sunday, or other day on which commercial banks in the City in which the principal corporate trust office of the Trustee is located are not open for business.

City Representative: The Mayor, or any person authorized by law to act on behalf of the City under or with respect to this Lease, as evidenced by a certificate conferring such authority executed by the Mayor and given to the Trustee and the Authority.

Code: The Internal Revenue Code of 1986, as now or hereafter amended, and the regulations and revenue rulings and procedures issued pursuant thereto from time to time.

Equipment: The personal property described in the attached Exhibit A which is being leased with the option to purchase by the City pursuant to this Lease.

Event of Default: An Event of Default as described in Section 10.1 hereof or in Section 7.01 of the Indenture which has not been cured.

Fiscal Year: Each twelve-month fiscal period of the City commencing on January 1 of any year and ending on December 31 of said year.

Indenture: The Trust Indenture dated as of July 1, 2013, as supplemented by a First Supplemental Indenture dated as of the date hereof between the Authority and the Trustee, and any duly authorized and executed amendment thereto.

Independent Counsel: An attorney duly admitted to the practice of law before the highest court of the State of Minnesota who is not a full-time employee of the Authority or the City.

Interest Payment Date: The stated maturity of an installment of interest on any of the Bonds.

Land: The real estate described on Exhibit B hereto, upon which the Equipment is installed.

Lease: This Lease Agreement, and any duly authorized and executed amendment hereto.

Net Proceeds: Any insurance proceeds or condemnation award paid with respect to the Equipment, remaining after payment therefrom of all expenses incurred in the collection thereof.

Outstanding: When used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.03 of the Indenture pertaining to Bonds held by the Authority and the City) all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds deemed not outstanding pursuant to the terms of Section 10.02 of the Indenture; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.08 of the Indenture pertaining to replacement of Bonds.

Payment Date: The fifth Business Day preceding each Interest Payment Date, which is the date upon which any Rental Payment is due and payable as provided in Section 5.1 hereof.

Permitted Encumbrances: As of any particular time: (i) liens for taxes and assessments not then delinquent, or which the City may, pursuant to provisions of Article VI hereof: permit to remain unpaid; (ii) this Lease and the Indenture, (iii) any mechanic's, laborer's, materialmen's, supplier's or vendor's lien or right not filed or perfected in the manner prescribed by law, or (iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Land and do not, in the opinion of Independent Counsel, materially impair the property affected thereby for the purpose for which it was intended.

Principal Payment Date: The stated maturity of principal of any Bond, or the mandatory sinking fund redemption date of any Bond.

Project Fund: The fund so designated and established by the Trustee pursuant to the Indenture.

Purchase Price: The amount necessary to defease to the earliest permissible redemption date the remaining Outstanding principal amount of Bonds, together with an amount equal to the Authority's and Trustee's fees and expenses in connection with such defeasance and redemption.

Rental Payment: Any payment due from the City to the Authority under Section 5.1 of this Lease, a schedule of which is attached hereto as Exhibit C.

Reserve Fund: The fund so designated and established by the Trustee pursuant to the Indenture.

Series 2013A Bonds: The $3,850,000 Lease Revenue and Limited Tax Bonds, Series 2013A, issued by the Authority pursuant to the Indenture.

Series 2020E Bonds: The $[PAR] Lease Revenue and Limited Tax Refunding Bonds, Series 2020E, issued by the Authority pursuant to the Indenture.

State: The State of Minnesota.

State and Federal Law or Laws: The Constitution and laws of the State, and any ordinance, rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any executive department or federal agency.

Term of the Lease or Lease Term: The period during which this Lease remains in effect as specified in Sections 4.1 and 4.2.

Trustee: U.S. Bank National Association, with an office in St. Paul, Minnesota, and any successor thereto.

Section 1.2. Exhibits. The following Exhibits are attached to and by reference made a part of this Lease:

Exhibit A. Description of the Equipment.

Exhibit B. Description of the Land.

Exhibit C. Rental Payment Schedule

ARTICLE II
REPRESENTATIONS AND COVENANTS OF THE CITY AND THE AUTHORITY

Section 2.1. Representations and Covenants of the City. The City represents and covenants as follows:

(a) The Constitution and the laws of the State authorize the City to enter into this Lease and the transactions contemplated hereby, and to carry out its obligations under this Lease.

(b) The officers of the City executing this Lease are duly authorized to execute and deliver this Lease under the Constitution and laws of the State.

(c) The City has complied and will comply with all open meeting laws, all public bidding laws and all other State and Federal Laws applicable to this Lease and the acquisition of the Equipment by the City.

(d) The City will use the Equipment during the Lease Term only to perform essential governmental functions of the City, and will not enter into any sublease, use agreement, management agreement or other contract which would cause the Bonds to be considered "private activity bonds" or "private loan bonds" pursuant to Section 141 of the Code if the result would be that interest payable on the Bonds would become includable in gross income for federal income tax purposes.

(e) During the Term of the Lease, the City will not take or permit any of its officers to take any action with respect to the Lease or the Equipment which would cause interest on the Bonds to become includable in gross income of the recipient for federal income tax purposes under the Code, and will take all actions necessary to ensure that interest on the Bonds remains excludable from gross income of the recipient under the Code, insofar as it has the power and authority to take such actions.

(f) The execution and delivery of this Lease and the other agreements contemplated hereby to which the City is a party and the consummation of the transactions contemplated hereby and thereby and the fulfillment of the terms hereof and thereof will not conflict with, or constitute on the part of the City a breach of; or a default under, any existing (i) law, or (ii) provisions of any legislative act or other proceeding establishing or relating to the establishment of the City or its affairs or its resolutions, or (iii) agreement, indenture, mortgage, lease or other instrument to which the City is subject or is a party or by which it is bound.

(g) No officer of the City who is authorized to take part in any manner in making this Lease or any contract contemplated hereby has a personal financial interest in or has personally and financially benefited from this Lease or any such contract.

(h) There is not pending or overtly threatened any suit, action or proceeding against or affecting the City before or by any court, arbitrator, administrative agency or other governmental authority which materially and adversely affects the validity, as to the City, of this Lease, any of the obligations of the City hereunder or any of the transactions contemplated hereby.

(i) No event of nonappropriation or other financing lease termination has occurred in connection with any prior lease financing by the City.

(j) The useful life of the Equipment is not less than [___] years and the Equipment is essential for the carrying out of the governmental purposes of the City.

(k) The obligation created by the Lease ($[PAR]), together with all other net debt of the City, does not cause the net debt of the City to exceed the limitation set forth in Minnesota Statutes, Section 475.53.

Section 2.2. <u>Representations and Covenants of the Authority.</u> The Authority represents and covenants as follows:

(a) The Constitution and the laws of the State authorize the Authority to undertake the acquisition of the Equipment, to enter into this Lease and the transactions contemplated hereby, and to carry out its obligations under this Lease.

(b) The officers of the Authority executing this Lease are duly authorized to execute and deliver this Lease under the Constitution and laws of the State.

(c) The Authority has complied and will comply with all open meeting laws, all public bidding laws and all other State and Federal Laws applicable to this Lease and the acquisition of the Equipment.

(d) So long as any of the Bonds remain Outstanding, the Authority will not enter into any lease, use agreement, management agreement or other contract which would cause the Bonds to be considered "private activity bonds" or "private loan bonds" pursuant to Section 141 of the Code if the result would be that interest payable on the Bonds would become includable in gross income for federal income tax purposes.

(e) So long as any of the Bonds remain Outstanding, the Authority will not take or permit any of its officers to take any action with respect to this Lease or the Equipment which would cause interest on the Bonds to become includable in gross income of the recipient for federal income tax purposes under the Code, and will take all actions necessary to ensure that interest on the Bonds remains not includable in gross income of the recipient under the Code, insofar as it has the power and authority to take such actions.

(f) The execution and delivery of this Lease and the other agreements contemplated hereby to which the Authority is a party and the consummation of the transactions contemplated hereby and thereby and the fulfillment of the terms hereof and thereof will not conflict with, or constitute on the part of the Authority a breach of or a default under, any existing (i) law, or (ii) provisions of any legislative act or other proceeding establishing or relating to the establishment of the Authority or its affairs or its resolutions, or (iii) agreement, indenture, mortgage, lease or other instrument to which the Authority is subject or is a party or by which it is bound.

(g) No officer of the Authority who is authorized to take part in any manner in making this Lease or any contract contemplated hereby has a personal financial interest in or has personally and financially benefited from this Lease or any such contract.

(h) There is not pending or threatened any suit, action or proceeding against or affecting the Authority before or by any court, arbitrator, administrative agency or other governmental authority which materially and adversely affects the validity, as to the Authority, of this Lease, any of the obligations of the Authority hereunder or any of the transactions contemplated hereby.

ARTICLE III
LEASE OF EQUIPMENT

Section 3.1. Lease. The Authority hereby leases the Equipment to the City, and the City hereby leases the Equipment from the Authority, upon the terms and conditions set forth in this Lease.

Section 3.2. Possession and Enjoyment. The Authority hereby covenants to provide the City during the Term of this Lease with the quiet use and enjoyment of the Equipment, and the Authority shall during the Term of this Lease peaceably and quietly have and hold and enjoy the Equipment, without suit, trouble or hindrance from the City, except as expressly set forth in this Lease. The Authority will, at the request of the City and at the City's cost, join in any legal action in which the City asserts its right to such possession and enjoyment to the extent the Authority lawfully may do so.

Section 3.3. Authority Access to Equipment. The City agrees that the Authority and any Authority Representative shall have the right at all reasonable times to examine and inspect the Equipment. The City further agrees that the Authority and the Authority's Representative shall have such rights of access to the Equipment as may be reasonably necessary to cause the proper maintenance of the Equipment in the event of failure by the City to perform its obligations hereunder, or to carry out the Authority's obligations and exercise the Authority's rights under Article X, or to determine whether the City is in compliance with this Lease.

ARTICLE IV
LEASE

Section 4.1. Term of Lease. This Lease shall be and remain in effect with respect to the Equipment for a Lease Term commencing on its date of execution and continuing until no Bonds remain Outstanding, or until terminated as provided in Section 4.2.

Section 4.2. Termination of Lease Term. The Term of the Lease will terminate prior to December 1, 20[__] upon the occurrence of the first of the following events:

(a) termination of this Lease pursuant to Section 5.4 hereof;

(b) a default by the City and the Authority's election to terminate this Lease pursuant to Article X; or

(c) the payment by the City of the Purchase Price pursuant to Section 11.3 hereof, together with any fees and expenses due the Authority or the Trustee hereunder or under the Indenture.

ARTICLE V
RENTAL PAYMENTS; FEES AND EXPENSES

Section 5.1. Rental Payments. The City shall, by wire transfer in immediately available funds, pay Rental Payments with respect to the Equipment as follows:

(a) By each Payment Date, the City shall pay an amount equal to the interest, and principal, if any, due on the Bonds on the next succeeding Interest Payment Date.

(b) [As a credit against the first interest payment otherwise required to be paid by the City to the Trustee pursuant to (a) of this Section 5.1, there shall be applied the accrued interest on the Series 2020E Bonds initially deposited into the Bond Fund.]

(c) On each Payment Date, so long as no Event of Default has occurred and is continuing, the City shall have a credit against the Rental Payment otherwise due on said date to the extent of any investment profits or earnings which have been transferred or are otherwise available in the Bond Fund for such purpose.

(d) In the event the City shall have paid Rental Payments with respect to an Interest Payment Date, but the funds on deposit in the Bond Fund are nevertheless insufficient to pay such principal, premium (if any) and interest on the Bonds then due or to become due on such Interest Payment Date, the City will forthwith pay as Rental Payments the amount of the deficiency.

(e) The City shall also have a credit against its Rental Payment obligations under this Section to the extent of funds transferred from the Reserve Fund to the Bond Fund to make the final payments due on Outstanding Bonds.

The Rental Payments provided for in this Section 5.1 shall be paid directly to the Trustee at its corporate trust office for the account of the City for deposit in the Bond Fund as provided in the Indenture.

Section 5.2. Rental Payments lo be Unconditional. Except as provided in Section 5.4, the obligation of the City to make Rental Payments due with respect to the Equipment or any other payments required hereunder shall be absolute and unconditional in all events. Notwithstanding any dispute between the City and the Authority or any other person, the City shall make all Rental Payments and other payments required hereunder when due and shall not withhold any Rental Payment or other payment pending final resolution of such dispute nor shall the City assert any right of set-off or counterclaim against its obligation to make such Rental Payments or other payments required under this Lease. The City's obligation to make Rental Payments or other payments during the Lease Term shall not be abated through accident or unforeseen circumstances including, without limitation, any circumstance related to the Equipment or the construction thereof.

Section 5.3. Current Expense. The obligations of the City under this Lease, including its obligation to pay the Rental Payments due with respect to the Equipment in any Fiscal Year for which this Lease is in effect, shall constitute a current expense of the City for such Fiscal Year and shall not constitute an indebtedness of the City within the meaning of the Constitution and laws of the State (except to the extent any amount of the Lease shall be included in the calculation of net debt for purposes of Minnesota Section 475.53, as provided in Minnesota Statutes, Section 465.71). Nothing herein shall constitute a pledge by the City of any taxes or other moneys, other than moneys lawfully appropriated from time to time by or for the benefit of the City's annual budget and the proceeds of the Bonds or Net Proceeds of the Equipment, to the payment of any Rental Payment or other amount coming due hereunder.

Section 5.4. Termination of Lease. The City shall have the right to cancel and terminate this Lease, in whole but not in part, at the end of any Fiscal Year of the City, in the manner and subject to the terms specified in this Section and Section 5.6, if the City's governing body does not appropriate moneys sufficient to pay the Rental Payments coming due in the next Fiscal Year. Lack of a sufficient appropriation shall be evidenced by a specific provision in the budget of the City which prohibits the expenditure of the City funds for this purpose. The City may effect such termination by giving the Authority a written notice of termination and by paying to the Authority any Rental Payments which are due and have not been paid at or before the end of its then current Fiscal Year. The City shall endeavor to give notice of termination not less than one hundred twenty (120) days prior to the end of such Fiscal Year, and shall notify the Authority of any anticipated termination. In the event of termination of this Lease as provided in this Section, the City shall deliver possession of the Equipment to the Authority in accordance with Section 10.3, and release its interest in the Equipment granted under this Lease within ten (10) days after the termination of this Lease.

The Authority may not terminate this Lease except as provided in Article X hereof upon the occurrence and continuation of an event of default by the City.

Section 5.5. Intent to Continue Lease-Purchase Payments: Appropriations. The City presently intends to continue this Lease for its entire Term and to pay all Rental Payments required hereunder. The City Administrator will include in the budget request for each Fiscal Year the Rental Payments to become due in such Fiscal Year, and will use all reasonable and lawful means at his or her disposal to secure the appropriation of money for such Fiscal Year sufficient to pay the Rental Payments coming due therein. The City reasonably believes that moneys in an amount sufficient to make all such Rental Payments can and will lawfully be appropriated and made available for this purpose. To provide the funds necessary to make the Rental Payments, the City agrees, subject to the provisions of Section 5.4, that it will include in each annual budget an appropriation sufficient therefor.

Section 5.6. Effect of Termination. Upon termination of this Lease as provided in Section 5.4, the City shall not be responsible for the payment of any additional Rental Payments coming due with respect to succeeding Fiscal Years, but if the City has not delivered possession of the Equipment to the Authority in accordance with Section 10.3 and conveyed to the Authority or released its interest in the Equipment granted under this Lease within ten (10) days after the termination of the Lease, the termination shall nevertheless be effective, but the City shall be responsible for the payment of damages in an amount equal to the amount of the Rental Payments thereafter coming due which are attributable to the number of days after such ten (10) day period during which the City fails to take such actions. Upon termination of this Lease as provided in Section 5.4, the Trustee, on behalf of the Authority, may take any of the actions specified in Section 10.2 hereof.

Section 5.7. Additional Rental Payments. The City shall during the Lease Term, within ten (10) Business Days after written notice that such payment is due, also pay the following amounts of additional rent to the following persons:

(a) to the Trustee, all reasonable foes and expenses of the Trustee for services rendered under the Indenture, provided that the City may, without creating a default hereunder, contest in good faith the reasonableness of any such fees or expenses other than the Trustee's fees for ordinary services as may be set forth in the Indenture;

(b) to the Authority, all reasonable expenses incurred by the Authority in connection with the transactions contemplated hereby which are not otherwise required to be paid by the City under the terms of this Lease;

(c) all other costs and expenses specifically required to be paid by the City under the terms of this Lease or the Indenture;

(d) to the Authority or the Trustee, as the case may be, the amount of all advances of funds made by either of them under the provisions hereof; and

(e) to the Trustee, an amount equal to any amount transferred from the Reserve Fund to the Bond Fund pursuant to Section 5.02 of the Indenture to cure a deficiency in the Bond Fund; all amounts payable pursuant to this paragraph (e) shall be paid by the City within ten (10) Business Days following mailing of notice of such amount due by the Trustee to the City; provided that the City shall not be required to make such payment if the City has determined to terminate the Lease pursuant to the provisions of Section 5.4 hereof and has provided written notice of such intention to the Trustee.

In the event the City should fail to make any of the payments required by this Section, the item in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City will pay the same with interest thereon al the rate of 8% per annum, or, if less, at the maximum rate permitted by law.

ARTICLE VI
USE OF THE EQUIPMENT; TAXES, INSURANCE AND NEGLIGENCE

Section 6.1. Use; Permits. The City shall exercise due care in the installation, use, operation and maintenance of the Equipment, and shall not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any State and Federal Law or for a purpose or in a manner contrary to that contemplated by this Lease. The City shall obtain all permits and licenses necessary for the installation, operation, possession and use of the Equipment. The City shall comply with all State and Federal Laws applicable to the installation, use, possession and operation of the Equipment, and if compliance with any such State and Federal Law requires changes or additions to be made to the Equipment, such changes or additions shall be made by the City at its expense.

Section 6.2. Maintenance of Equipment by the City. The City shall, at its own expense, maintain, preserve and keep the Equipment in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Equipment in such condition. The Authority shall have no responsibility for any of these repairs or replacements.

Section 6.3. Taxes, Other Governmental Charges and Utility Charges. Except as expressly limited by this Section, the City shall pay all taxes and other charges of any kind which are at any time lawfully assessed or levied against or with respect to the Equipment, the Rental Payments or any part thereof, or which become due during the Term of this Lease, whether assessed against the City or the Authority. The City shall also pay when due all gas, water, steam, electricity, heat, power, telephone, and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment, and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Equipment; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due. The City shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by the Authority, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon the Equipment.

The City may, at the City's expense and in the City's name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such items the interest of the Authority in the Equipment will be materially endangered or the Equipment or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Section 6.4. Liability Insurance. Upon receipt of possession of the Equipment, the City shall take such measures as may be necessary to ensure that any liability for injuries to or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Equipment or any part thereof, is covered by a blanket or other general liability insurance policy maintained by the City. The Net Proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which any Net Proceeds may be paid.

Section 6.5. Negligence. The City assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Equipment and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the City or of third parties, and whether such property damage be to the City's property or the property of others, which is proximately caused by the negligent conduct of the City, its officers, employees and agents. The City hereby assumes responsibility for and agrees to reimburse the Authority for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorney's fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Authority that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part upon the negligent conduct of the City, its officers, employees and agents, to the maximum extent permitted by law.

Section 6.6. Property Insurance. Upon receipt of possession of the Equipment, the City shall have and assume the risk of loss with respect thereto. The City shall procure and maintain continuously in effect during the Term of this Lease, all-risk insurance, subject only to the standard exclusions contained in the policy, in such amount as will be at least sufficient so that a claim may be made for the full replacement cost of any part thereof damaged or destroyed and to pay the applicable Purchase Price of the Equipment. Such insurance may be provided by a rider to an existing policy or under a separate policy. Such insurance may be written with customary deductible amounts. The Net Proceeds of insurance required by this Section shall be applied to the prompt repair, restoration or replacement of the Equipment, or to the purchase of the Equipment, as provided in Section 7.1. Any Net Proceeds not needed for those purposes shall be paid to Lessee.

Section 6.7. Worker's Compensation Insurance. If required by State law, the City shall carry worker's compensation insurance covering all its employees on, in, near or about the Equipment. Alternatively, the City may self-insure against such liabilities in accordance with applicable law.

Section 6.8. Other Insurance and Requirements for All Insurance. All insurance by this Article may be carried under a separate policy or a rider or endorsement to an existing policy; shall be taken out and maintained with responsible insurance companies organized under the laws of one of the states of the United States and qualified to do business in the State; shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to both parties, and to the Trustee, at least 30 days before the cancellation or revision becomes effective; and shall name the City, the Authority and the Trustee as insured parties as their interests may appear. The City shall provide the Trustee, commencing as of the date hereof with a Certificate as to compliance with the provisions of this Article VI. The Trustee shall be entitled to rely upon said Certificate as to the City's compliance with the insurance requirements. The Trustee shall not be responsible for the sufficiency of coverage or amounts of such policies. Before the expiration of any such policy, the City shall famish to the Trustee and the Authority evidence that the policy has been renewed or replaced by another policy conforming to the provisions of this Article.

Section 6.9. Advances. If the City shall fail to perform any of its obligations under this Lease, the Authority or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances on demand, with interest at the maximum rate permitted by law or 8%, whichever is less, from the date of the advance to the date of repayment.

Section 6.10. Liens. The City shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Equipment, other than the respective rights of the Authority and the City as herein provided and Permitted Encumbrances. Except as expressly provided in this Article, the City shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim if the same shall arise at any time. The City shall reimburse the Authority for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 6.11. Financial Statements. The City shall provide the Trustee and the Authority, within 365 days of the end of each Fiscal Year, with a copy of its annual audited financial statements. The Trustee shall have no duty to review or analyze any such financial statements. The trustee shall not be deemed to have notice of any information contained therein or event of default which may be disclosed in any manner therein

Section 6.12. Arbitrage Rebate. The City and the Authority acknowledge that the Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations, unless the Bonds qualify for an exception from the rebate requirement pursuant to one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no “gross proceeds” of the Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof.

Section 6.13. Waiver of Right to Receive Brokerage Confirmation. The City and the Authority acknowledge that regulations of the Comptroller of the Currency grant the Authority the right to receive brokerage confirmations of the security transactions as they occur. The Authority specifically waives such notification to the extent permitted by law and acknowledges that the City will receive periodic cash transaction statements which will detail all investment transactions.

ARTICLE VII
DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 7.1. Damage, Destruction and Condemnation. If after delivery of the Equipment to the City all or any part of the Equipment is lost, stolen, destroyed or damaged beyond repair the City shall have the rights specified in this Section with respect to the Net Proceeds of any insurance or condemnation award. The City may either (i) apply such Net Proceeds to replace the Equipment with equipment of equal or greater value to the Equipment immediately prior to the time of the loss occurrence, such replacement equipment to be subject to Lessor’s reasonable approval, whereupon such replacement shall be substituted in this

Lease by appropriate endorsement and the City shall be obligated to continue to pay the Rental Payments or (ii) the City may exercise its option to purchase the Equipment pursuant to the terms of Section 11.3 hereof, in which event the Net Proceeds may be used for such purpose. The City shall notify the Authority and the Trustee within 90 days of the date of damage, destruction or taking as to its decision regarding replacement or purchase. In the event the City determines to replace the Equipment, the Authority shall assign to the City all of its interests in said Net Proceeds and the City shall deposit the Net Proceeds with the Trustee for deposit into the Project Fund. The Trustee shall disburse such Net Proceeds from the Project Fund to pay the costs of replacement in the manner provided in Article IV of the Indenture.

Section 7.2. Insufficiency of Net Proceeds. If the City elects to replace the Equipment and the Net Proceeds are insufficient to pay in full the cost of any replacement, the City shall complete the work and pay any cost in excess of the amount of the Net Proceeds, and the City agrees that if by reason of any such insufficiency of the Net Proceeds the City shall make any payments pursuant to the provisions of this Section 7.2, the City shall not be entitled to any reimbursement therefor from the Authority nor shall the City be entitled to any diminution of the Rental Payments due with respect to the Equipment.

Section 7.3. Cooperation of Authority. The Authority shall cooperate fully with the City at the expense of the City in filing any proof of loss with respect to any insurance policy covering the casualties described in Section 7.1 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Equipment or any part thereof and will, to the extent it may lawfully do so, permit the City to litigate in any proceeding resulting therefrom in the name of and on behalf of the Authority. In no event will the Authority voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim or any prospective or pending condemnation proceeding with respect to the Equipment or any part thereof without the written consent of the City.

Section 7.4. Destruction or Condemnation of Other Property Owned by City. The City shall be entitled to the Net Proceeds of any insurance claim or condemnation award or portion thereof made for destruction of, damage to or taking of its property not included in the Equipment.

ARTICLE VIII
CITY'S EQUIPMENT; REPAIRS; WARRANTIES; DISCLAIMER

Section 8.1. Installation of City's Equipment. The City may at any time and from time to time after the Completion Date, in its sole discretion and at its own expense, install other items of equipment in or upon the Equipment. All such items shall remain the sole property of the City, in which the Authority shall have no interest, and may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Equipment resulting from the installation, modification or removal of any such items. Nothing in this Lease shall prevent the City from purchasing items to be installed pursuant to this Section under a conditional sale or lease with option to purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Equipment.

Section 8.2. Installation and Maintenance of Project. The Authority shall have no obligation to install, erect, test, inspect, service or maintain the Equipment, or any portion thereof, under any circumstances, but such actions shall be the obligation of the City in accordance with the provisions of this Lease.

Section 8.3. Modification of Equipment. The City shall, at its own expense, have the right to make repairs to the Equipment, and to make repairs, replacements, substitutions and modifications to all or any of the parts thereof. All such work and any part or component used or installed to make a repair or as a replacement, substitution or modification, shall thereafter comprise part of the Equipment and be subject to the provisions of this Lease. Such work shall not in any way damage the Equipment or cause it to be used for purposes other than those authorized under the provisions of State and Federal Law or those contemplated by this Lease; and the Equipment, upon completion of any such work shall be of a value which is not less than the value of the Equipment immediately prior to the commencement of such work. Any property for which a replacement or substitution is made pursuant to this Section may be disposed of by the City in such manner and on such terms as are determined by the City. The City will not permit any mechanic's or other lien to be established or remain against the Equipment for labor or materials furnished in connection with any repair, replacement, substitution or modification made by the City pursuant to this Section; provided that if any such lien is established and the City shall first notify the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Equipment, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such item the interest of the Authority in the Equipment will be materially endangered or the Equipment or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay and cause to be satisfied and discharged all such unpaid items or provide the Authority with full security against any such loss or forfeiture, in form satisfactory to the Authority. The Authority will cooperate fully with Lessee in any such contest, upon the request and at the expense of Lessee.

Section 8.4. Warranties. The Authority hereby assigns to the City for and during the Term of the Lease, all of its interest, if any, in all warranties and guarantees, express or implied, issued on or applicable to the Equipment, and the Authority hereby authorizes the City to obtain the customary services furnished in connection with such warranties and guarantees at the City's expense.

Section 8.5. Disclaimer of Warranties. THE AUTHORITY MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE CITY OF THE EQUIPMENT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH

RESPECT TO THE EQUIPMENT.

ARTICLE IX
ASSIGNMENT AND SUBLEASING

Section 9.1. Assignment by Authority. The Authority shall not assign its obligations under this Lease, and no purported assignment thereof shall be effective. All of the Authority's right, title and/or interest in and to this Lease, the Rental Payments and other amounts due hereunder (other than any indemnity payments and reimbursement of costs and expenses) may be assigned to the Trustee and the City hereby consents to the assignment made by the Authority to the Trustee pursuant to the Indenture.

Section 9.2. Assignment and Subleasing by City. The City may not assign its rights or obligations under this Lease to any person during the Term of the Lease. The City may not sublease all or any part of the Equipment, or contract for the operation of the Equipment by an entity other than the City or an agency or department of the State of Minnesota, during the Term of the Lease except (i) with the prior written consent of the Authority and (ii) in a manner that will not cause interest on the Bonds to become includable in the gross income of the owners thereof for federal income tax purposes, as evidenced by an opinion of nationally recognized bond counsel filed with the Authority and Trustee prior to effective date of any such sublease or contract.

ARTICLE X
EVENTS OF DEFAULT AND REMEDIES

Section 10.1. Events of Default Defined. The following shall be "events of default" under this Lease and the terms "events of default" and "default" shall mean, whenever they are used m this Lease, with respect to the Equipment, any one or more of the following events:

(i) Failure by the City to pay any Rental Payment or other payment required to be paid hereunder at the time specified herein, which failure shall continue for a period of five days after written notice given to the City by the Trustee on behalf of the Authority.

(ii) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in clause (i) of this Section, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Trustee on behalf of the Authority, unless the Trustee shall agree in writing to an extension of such time prior to its expiration.

(iii) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of the City to carry on the operation of the Equipment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Statute, as amended, or under any similar acts which may hereafter be enacted.

The provisions of this Section 10.l and Section 10.2 are subject to the following limitation: if by reason of force majeure the City is unable in whole or in part to carry out its obligations under this Lease with respect to the Equipment, other than the obligation of the City to pay Rental Payments with respect thereto which shall be paid when due notwithstanding the provisions of this paragraph, the City shall not be deemed in default during the continuance of such inability or during any other delays which are a direct consequence of the force majeure inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America of the State of Minnesota or any of its departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; or any other cause or event not reasonably within the control of the City and not resulting from its negligence. The City agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its obligations under this Lease; provided that the settlement of strikes, lockouts and other employment disputes shall be entirely within the discretion of the City.

Section 10.2. Remedies on Default. Whenever any event of default referred to in Section 10.1 hereof shall have happened and be continuing with respect to the Equipment, the Trustee, on behalf of the Authority, shall have the right, at its option, to take one or any combination of the following remedial steps:

(i) Cancel and terminate this Lease by written notice in accordance with law, reenter and take possession of the Equipment and all improvements thereto, and charge the City for costs incurred in repossessing the Equipment, and all prior Rental Payments made hereunder by the City shall belong to the Authority as liquidated damages; and

(ii) Take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments then due and thereafter to become due during the then current Fiscal Year of the City with respect to the Equipment, or enforce performance and observance of any obligation, agreement or covenant of the City under this Lease; and

(iii) Lease or sell the Authority's interests in the Equipment or any portion thereof in a commercially reasonable manner at public or private sale in accordance with applicable State laws and apply the proceeds of such lease or sale in accordance with Section 7.03 of the Indenture.

The Authority covenants to cooperate with the Trustee upon request in the exercise of any of the foregoing remedies.

Section 10.3. Surrender of Equipment. Upon the termination of this Lease as aforesaid, the City shall surrender possession of the Equipment to the Authority in the condition, repair, appearance and working order required in Section 6.1.

Section 10.4. Delay; Notice. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any party to exercise any remedy reserved to it in this Lease it shall not be necessary to give any notice, other than such notice as may be required in this Lease or by law.

Section 10.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or **in** equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 10.6. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Lease should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fee of such attorneys and such other expenses so incurred by the nondefaulting party.

Section 10.7. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XI TITLE

Section 11.1. Title. During the Term of this Lease, and so long as the City is not in default under Article X, legal title to the Equipment and any and all repairs, replacements, substitutions and modifications to it shall be in the name of the City. Upon termination of this Lease for any of the reasons specified in Section 4.2(a) and (b), full and unencumbered legal title to the Equipment shall pass to the Authority, and the City shall have no further interest therein.

In either of such events, the City shall execute and deliver to the Authority such documents as the Authority may request to evidence the passage of legal title to the Equipment to the Authority and the termination of the City's interest therein, and upon request by the Authority shall deliver possession of the Equipment to the Authority in accordance with Section 10.2. Upon termination of this Lease for any of the reasons specified in Section 4.2(c), the Authority's security or other interest in the Equipment shall terminate, and the Authority shall execute and deliver to the City such documents as the City may request to evidence the termination of the Authority's security or other interest in the Equipment.

Section 11.2. Security Interest. The Authority shall have and retain a security interest under the Uniform Commercial Code in the Equipment, the proceeds thereof and all repairs, replacements, substitutions and modifications thereto or thereof made pursuant to Section 8.3, and a security interest in the proceeds of all insurance policies and amounts held in the Funds established pursuant to the Indenture, in order to secure the City's payment of all Rental Payments due during the Term of this Lease and the performance of all other obligations herein to be performed by the City. The City will join with the Authority in executing such financing statements or other documents and will perform such acts as the Authority may request to establish and maintain a valid security interest in the Equipment. If requested by the Authority, the City shall conspicuously mark the Equipment with appropriate lettering, labels or tags, and maintain such markings during the Term of this Lease, so as clearly to disclose the Authority's security interest in the Equipment.

Section 11.3. Purchase of Equipment. Except during the continuance of an event of default, the City shall have the option of purchasing the Equipment, as follows:

(a) The City shall give written notice to the Authority and to the Trustee of its intention to purchase the Equipment, stating therein a closing date not less than forty (40) nor more than ninety (90) days after the date the notice is mailed, and the City shall make arrangements satisfactory to the Trustee for the giving of any required notice of redemption or notice of defeasance of the Bonds in connection with the purchase.

(b) The City shall pay to the Trustee, on or before the closing date, an amount equal to the Purchase Price for the Equipment.

(c) On the closing date, a closing shall be held at the principal office of the Trustee, or any other office mutually agreed upon. At the closing the City and the Authority shall, upon acknowledgment of receipt of the Purchase Price, the Authority shall convey or release to the City, all of its right, title and/or interest in and to the Equipment by delivering to the City such documents as the City deems necessary for this purpose.

At such time as all of the Bonds have been fully paid or provision for payment thereof has been made in accordance with the provisions of the Indenture, and all expenses of the Authority and Trustee have been paid or provided for to the date of such full payment of the

Bonds, the City shall be deemed to have purchased all right, title and interest of the Authority in the Equipment, this Lease shall be deemed terminated, and title to the Equipment shall automatically vest in the City. Nevertheless, the Authority, at the expense of the City, shall execute such documents as shall be reasonably necessary to convey its interest in the Equipment to the City\

Section 11.4. Personal Property. The Equipment is and shall at all times be and remain personal property notwithstanding that the Equipment or any part thereof may be or hereafter become in any manner affixed or attached to or embedded in or permanently rested upon real property or any building thereon or attached in any manner to what is permanent by means of cement, plaster, nails, bolts, screws or otherwise.

ARTICLE XII
ADMINISTRATIVE PROVISIONS

Section 12.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given on the earlier of (i) delivery or (ii) three days following deposit in the United States mail in first-class form with postage fully prepaid to the addresses shown in the first paragraph hereof. The Authority and the City, by notice given hereunder, and to the Trustee, may designate different addresses to which subsequent notices, certificates or other communications will be sent. Any notice provided hereunder by the City or the Authority shall also be sent to Trustee at the address given in Section 13.08 of the Indenture.

Section 12.2. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

Section 12.3. Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.4. Amendments, Changes and Modifications. This Lease may be amended or any of its terms modified only by written amendment authorized and executed by the City and the Authority, and in accordance with Article XII of the Indenture.

Section 12.5. Further Assurances and Corrective Instruments. The Authority and the City agree that they will, if necessary, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Equipment hereby sold or intended so to be or for carrying out the expressed intention of this Lease.

Section 12.6. Execution Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.7. Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

Section 12.8. Captions. The captions or headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Sections of this Lease.

IN WITNESS WHEREOF, the Authority has caused this Lease to be executed in its corporate name by its duly authorized officers and the City has caused this Lease to be executed in its name by its duly authorized officers as of the date first above written.

ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF CHASKA, MINNESOTA

By:________________________________
Its President

By:________________________________
Its Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF CARVER)

This instrument was acknowledged before me on this _____ day of September, 2020, by _________________ and _________________, the President and Executive Director, respectively, of Economic Development Authority of the City of Chaska, Minnesota, a Minnesota political subdivision, on behalf of the political subdivision.

____
Notary Public

CITY OF CHASKA, MINNESOTA

By:_________________________________
Its Mayor

By:_________________________________
Its City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF CARVER)

This instrument was acknowledged before me on this _____ day of September, 2020, by _________________ and _________________, the Mayor and City Administrator, respectively, of Economic Development Authority of the City of Chaska, Minnesota, a Minnesota political subdivision, on behalf of the political subdivision.

____
Notary Public

EXHIBIT A
DESCRIPTION OF EQUIPMENT

Ice Arena I Equipment

- Dasherboards and Dasherboard Improvements
- Mechanical Equipment for Dehumidification
- Ventilation Control
- Team Room Ventilation Equipment

Ice Arena 2 Equipment

- Dasherboards and Dasherboard Improvements
- Ventilation Control
- Equipment Improving Existing Dehumidification Equipment
- Energy Recovery Unit

Common Ice Arena Equipment

- Ammonia Refrigeration System
- Waste Heat Recovery System for Building Heat and Domestic Hot Water
- Refrigeration Room Ventilation and Heating System
- Storage Room Unit Heater

Pool Equipment

- Pool Filter Upgrades
- HVAC System

EXHIBIT B
DESCRIPTION OF THE LAND

Real estate situated in the County of Carver, State of Minnesota, as follows:

Outlot A and Outlot E, PARK RIDGE 1st ADDITION, according to the recorded plat thereof, Carver County, Minnesota, EXCEPT that part of said Outlot E lying westerly of a line described as follows:

Commencing at the southwest corner of said Outlot E; thence on an assumed bearing of South 89 degrees 52 minutes 56 seconds East, along the south line of said Outlot E, a distance of 372.36 feet to the point of beginning of the line to be described; thence North 00 degrees 07 minutes 04 seconds East a distance of 106.50 feet; thence northwesterly a distance of 65.48 feet along a non-tangential curve, concave to the northeast, having a radius of 300.22 feet, a central angle of 12 degrees 29 minutes 45 seconds and a chord which bears North 29 degrees 12 minutes 13 seconds West; thence North 67 degrees 39 minutes 10 seconds East a distance of 24.40 feet; thence North 18 degrees 29 minutes 04 seconds West a distance of 33.42 feet; thence North 11 degrees 15 minutes 36 seconds West a distance of 63.99 feet; thence North 22 degrees 16 minutes 40 seconds West a distance of 118.81 feet to the northwesterly line of said Outlot E and said line there terminating.

Together with all hereditaments and appurtenances belonging thereto, subject to all restrictions, reservations and easements of record, if any.

EXHIBIT C
RENTAL PAYMENT SCHEDULE

FIRST SUPPLEMENTAL INDENTURE
OF TRUST

Between

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA

And

U.S. BANK NATIONAL ASSOCIATION

as Trustee

Dated as of September 1, 2020

Relating to
Economic Development Authority of the City of Chaska, Minnesota
Lease Revenue and Limited Tax Refunding Bonds, Series 2020E

This instrument was drafted by:

Dorsey & Whitney LLP (GIT)
50 South Sixth Street, Suite 1500
Minneapolis, Minnesota 55402

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of September 1, 2020, between ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA, a public body corporate and politic of the State of Minnesota (the "Authority"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States, as Trustee (together with any successor trustee, the "Trustee"),

W I T N E S S E T H:

WHEREAS, the Authority and the Trustee have heretofore entered into an Indenture of Trust, dated as of July 1, 2013 (the "Original Indenture"; with all supplements and amendments thereto, including this First Supplemental Indenture, the "Indenture"); and

WHEREAS, pursuant to the terms of the Original Indenture, the Authority has issued its Lease Revenue and Limited Tax Bonds, Series 2013A, in the original aggregate principal amount of $3,850,000 (hereinafter referred to as the "Series 2013A Bonds"), for the purpose of financing acquisition and installation of certain equipment in the City Community Center (the "Equipment"), in the City of Chaska, Minnesota (the "City"), which Equipment is leased to the City by the Authority pursuant to a Lease Agreement, dated as of July 1, 2013 (the "Lease"), between the Authority, as lessor, and the City, as lessee.

WHEREAS, Section 2.10 of the Original Indenture provides that the Authority may in its discretion, upon request of the City, issue Additional Bonds (as defined in the Original Indenture), to refund any Bonds then Outstanding; and

WHEREAS, Section 11.01 of the Original Indenture permits the Authority, upon resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions in the Indenture, to enter into supplemental indentures to provide for the issuance of Additional Bonds;

WHEREAS, the Authority desires to supplement the Original Indenture by executing and delivering this First Supplemental Indenture to provide for the issuance of a series of Additional Bonds to be designated as the Authority's $[PAR] Lease Revenue and Limited Tax Refunding Bonds, Series 2020E (the "Series 2020E Bonds"), and to establish the terms therefor and to make certain other amendments to the Indenture as hereinafter provided; and

WHEREAS, all things have been done that are necessary to make the Series 2020E Bonds herein authorized, when executed and issued by the Authority and authenticated and delivered hereunder, valid obligations of the Authority in accordance with their terms, and to constitute this First Supplemental Indenture a valid contract for the security of the Series 2020E Bonds herein authorized, in accordance with its terms:

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL INDENTURE WITNESSETH:

Section 1. Definitions; Amendment of Section 1.01 of the Indenture.

(a) In this First Supplemental Indenture, the terms used and defined in the Original Indenture shall have the same meanings when used herein unless the definition of any such term has been amended by the provisions of this Section 1 (in which case such term shall have the meaning specified in this Section 1) or unless the context clearly requires otherwise.

(b) The following terms defined in Section 1.01 of the Original Indenture are hereby amended to read as follows:

Amended and Restated Lease shall mean the Amended and Restated Lease dated as of September 1, 2020, between the Authority, as lessor, and the City, as lessee.

Bond Resolution shall mean, as applicable, the resolution adopted June 17, 2013, by the Authority authorizing the issuance and delivery of the Series 2013A Bonds and the resolution adopted August 3, 2020, by the Authority authorizing the issuance and delivery of the Series 2020E Bonds.

Bonds shall mean the Series 2013A Bonds, the Series 2020E Bonds and any Additional Bonds.

First Supplemental Indenture shall mean this First Supplemental Indenture.

Indenture shall mean the Original Indenture, as amended and supplemented by this First Supplemental Indenture and any other supplemental indenture entered into pursuant to the provisions of the Original Indenture.

Lease shall mean the Original Lease, dated as of July 1, 2013, between the Authority, as lessor, and the City, as lessee, as amended and restated by the Amended and Restated Lease.

Original Indenture shall mean the Indenture dated as of July 1, 2013, between the Authority and the Trustee.

Original Lease shall mean the Lease dated as of July 1, 2013, between the Authority, as lessor, and the City, as lessee.

Series 2020E Bonds shall mean the $[PAR] aggregate principal amount of the Authority's Lease Revenue and Limited Tax Refunding Bonds, Series 2020E.

Section 2. Purpose, Form, Execution and Registration of Bonds.

(a) Purpose and Form of Series 2020E Bonds. Pursuant to provisions of the Original Indenture allowing the issuance of Additional Bonds, an additional series of bonds to be identified as the Authority's "Lease Revenue and Limited Tax Refunding Bonds, Series 2020E" shall be issued in accordance with the provisions of this Section for the purpose of refunding, in a current refunding, the Authority's Series 2013A Bonds, the proceeds of which financed the acquisition and installation of the Equipment which is leased to the City by the Authority pursuant to the Original Lease. The Series 2020E Bonds shall be in substantially the form attached hereto as Exhibit A, with such variations as may be necessary and appropriate for numbers, dates and other matters.

(b) Maturities, Numeration and Interest Payment Dates. The Series 2020E Bonds shall be in the denomination of $5,000 or any integral multiple thereof, initially numbered R-1 upwards in order of issuance or in such other manner as the Trustee may determine, and shall bear a date of original issue as of September 2, 2020. No Series 2020E Bond shall represent principal payable or maturing in different years. The Series 2020E Bonds shall bear interest payable semiannually on June 1 and December 1 of each year, commencing June 1, 2021, from their date of original issue or the most recent Interest Payment Date to which interest has been paid or duly provided for. The principal and redemption price of the Series 2020E Bonds shall be payable to the Owner upon presentation and surrender at the principal office of the Trustee in such coin or currency of the United States of America as may be, on the respective dates of payment thereof, legal tender for the payment of public and private debts, and interest on the Series 2020E Bonds shall be paid by check or draft mailed to the Owner at the Owner's registered address; provided that, so long as the Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of and interest on the Bonds, and shall give all notices with respect to the Bonds, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or such other securities depository. The Regular Record Date referred to in Section 2.06 of the Original Indenture for the payment of interest on the Series 2020E Bonds payable, and punctually paid or duly provided for, on any Interest Payment Date shall be the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date. The Series 2020E Bonds shall be in the aggregate principal amount of $[PAR], and shall mature on December 1 in the years and amounts and shall bear interest at the rates per annum, according to years of maturity, as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate

(c) Execution of Bonds. The Bonds shall be signed in the name of the Authority by the manual or facsimile signatures of the President and Executive Director of the Authority and said signatures shall be authenticated by the Trustee, which is hereby designated as authenticating agent. The seal of the Authority, if any, need not be affixed to or imprinted on the Bonds. In the event that any of the officers who shall have signed any of the Bonds shall cease to be officers of the Authority before the Bonds shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may, nevertheless, be authenticated, delivered, and issued, and upon such authentication, delivery and issue, shall be binding upon the Authority as though those officers who signed the same had continued to be such officers of the Authority; and, also, any Bond may be signed on behalf of the Authority by such person who, at the actual date of execution of such Bond, shall be the proper officer of the Authority, although at the date of such Bond such person shall not have been such an officer of the Authority. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the Series 2020E Bonds to the Trustee for authentication.

(d) Authentication of Bonds. No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder or under the Lease, unless an authorized signatory of the Trustee shall manually endorse and execute on such Bond a certificate of authentication substantially in the form of the Trustee's certificate set forth in Exhibit A hereof. Such Trustee's certificate upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly issued under this Indenture and that the Holder thereof is entitled to the benefits of this Indenture and the Lease.

No Bonds shall be authenticated by the Trustee except in accordance with this Article.

The Trustee shall not be required to authenticate any Bond or Bonds unless provided with the documents referred to in Section 2(i) hereof, as applicable.

(e) Registration, Transfer and Exchange. As long as any of the Bonds issued hereunder shall remain outstanding, the Authority shall maintain and keep at the office of the Trustee as paying agent, records for the payment of the principal of and interest on such Bonds, as in this Indenture provided, and for the registration and transfer of such Bonds, and shall also keep at said office of the Trustee books for such registration and transfer. The Authority does hereby appoint the Trustee, and its successors in the trust from time to time, as its agent to maintain said office and agency at the office of the Trustee.

Upon surrender for transfer of any fully registered Bond at the office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the Owner or the Owner's duly authorized attorney, and upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, the Authority shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more fully registered Bonds of the same series, of any authorized denominations and of a like aggregate principal amount, interest rate and maturity.

Except as the right of exchange may be limited as to Bonds of any series, fully registered Bonds, upon surrender thereof at the office of the Trustee, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of fully registered Bonds of the same series, maturity and interest rate of any authorized denominations.

In all cases in which the privilege of exchanging Bonds or transferring fully registered Bonds is exercised, the Authority shall execute and the Trustee shall deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Notwithstanding any other provision of this Indenture, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the City pursuant to the Lease. The Authority and the Trustee shall not be obligated to make any such exchange or transfer of Bonds during the 15 days next preceding the date of the first publication or the mailing (if there is no publication) of notice of redemption in the case of a proposed redemption of Bonds. The Authority and Trustee shall not be required to make any transfer or exchange of any Bonds called for redemption.

Neither the Trustee nor any agent shall have any responsibility or liability for any actions taken or not taken by DTC.

(f) Payment of interest on Bonds; Interest Rights Preserved. Interest on any Bond which is payable, and is punctually paid or duly provided for on any Interest Payment Date shall be paid to the person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest specified in the provisions of this Indenture creating such series. Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest may be paid by the Authority as provided in Subsection (i) or (ii) below:

> (i) The Authority may elect to make payment of any Defaulted Interest on the fully registered Bonds of any series to the persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Authority shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Authority shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of

the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the Trust Estate. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Authority of such Special Record Date and, in the name of the Authority and at the expense of the City, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Holder of a fully registered Bond of such series at his address as it appears in the registration books not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds of such series (or their respective Predecessor Bonds) are registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection.

(ii) The Authority may make payment of any Defaulted Interest on the Bonds of any series in any other lawful manner, if, after notice given by the Authority to the Trustee of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

(g) Ownership of Bonds. The Authority and the Trustee and their respective successors, each in its discretion, may deem and treat the person in whose name any Bond shall for the time being be registered as the absolute owner thereof for all purposes, and neither the Authority nor the Trustee nor their respective successors shall be affected by any notice to the contrary. Payment of or on account of the principal of and interest on any such Bond shall be made only to or upon the order of the Owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(h) Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any outstanding Bond shall become mutilated or be destroyed, stolen or lost, the Trustee shall authenticate and deliver a new Bond of like tenor, number and amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Authority and the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Authority, the Trustee and the City with indemnity satisfactory to them and complying with such other reasonable regulations as the Trustee may prescribe and paying such reasonable expenses as the Authority, the Trustee and the City may incur in connection therewith. In the event any such Bond shall have matured, instead of issuing a new Bond, the Authority may pay the same without surrender thereof.

(i) Conditions for Authentication of Series 2020E Bonds as Additional Bonds. The Trustee shall not authenticate and deliver the Series 2020E Bonds to be issued and delivered pursuant to the Indenture unless theretofore or simultaneously therewith there shall have been delivered to the Trustee the following:

(i) a certified copy of the resolution of the Authority authorizing the issuance of the Series 2020E Bonds and the execution and delivery of the Amended and Restated Lease and the First Supplemental Indenture; and

(ii) a certified copy of the resolution adopted by the City Council of the City requesting the issuance of the Series 2020E Bonds and approving the terms of the Indenture and authorizing the execution and delivery of the Amended and Restated Lease by the City; and

(iii) executed counterparts of the Amended and Restated Lease, and the First Supplemental Indenture; and

(iv) a Certificate of an Authority Representative and a Certificate of a City Representative to the effect that the Lease is in effect and no "event of default" (as such term is defined in the Lease) exists thereunder which shall not be cured upon the issuance of the Series 2020E Bonds; and

(v) a Certificate of an Authority Representative to the effect that: (i) the balance in the Reserve Fund has been increased or otherwise modified to the Debt Service Reserve Requirement described in the Indenture; (ii) the proceeds of the Series 2020E Bonds, together with any additional funds supplied or to be supplied by the Authority or City will be sufficient to complete the cost of the refunding; and

(vi) the manually signed approving opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, as Bond Counsel for the Authority, to the effect that the issuance of the Series 2020E Bonds, as Additional Bonds, will not adversely affect the exemption from federal income taxation of the interest on any Outstanding Bonds; and

(vii) the manually signed approving opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, as Bond Counsel for the Authority, concerning the validity and legality of the Series 2020E Bonds and exemption of interest thereon from federal income taxation under the Internal Revenue Code; and

(viii) such further certifications, documents and Opinions of Counsel as Bond Counsel may require.

Section 3. Deposit of Series 2020E Bond Proceeds.

On the closing date for the Series 2020E Bonds, the Authority shall deposit, or shall direct the purchaser or purchasers of the Series 2020E Bonds to deposit, with the Trustee all of the net proceeds of the sale of the Series 2020E Bonds (including accrued interest thereon from the date from which interest is to be paid thereon to the date of delivery to the purchaser or purchasers thereof) and the Trustee out of such proceeds shall:

(i) Deposit to the credit of the Bond Fund the amount of $[_____], to accomplish the refunding of the Series 2020E Bonds;

(ii) Deposit to the credit of the Reserve Fund the amount of $[_______]; and

(iii) Pay the cost of issuance of the Series 2020E Bonds as set forth in Exhibit B, in the amount of $[________].

Section 4. Severability Clause. In case any provision in this First Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired thereby.

Section 5. Execution Counterparts. This First Supplemental Indenture may be executed in any number of counterparts. All such counterparts shall be deemed to be originals and shall together constitute one and the same instrument.

Section 6. Construction. This First Supplemental Indenture shall be construed in accordance with the laws of the State of Minnesota.

Section 7. Effect of First Supplemental Indenture. This First Supplemental Indenture supplements and amends the Original Indenture and shall be a part and subject to all of the terms thereof. Except as supplemented and amended hereby, the Original Indenture, as amended and supplemented by the First Supplemental Indenture shall continue in full force and effect.

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IN WITNESS WHEREOF, the ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA and U.S. BANK NATIONAL ASSOCIATION, as Trustee, have caused this First Supplemental Indenture to be executed in their respective corporate names by their duly authorized officer or officers, all as of the day and year first written above.

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA

By ____
Its President

Attest

By __________________________________
Its Executive Director

STATE OF MINNESOTA)
) ss.
COUNTY OF CARVER)

This instrument was acknowledged before me on _________________, 2020, by Mark Windschitl and Matt Podhradsky, the President and Executive Director, respectively, of the Economic Development Authority of the City of Chaska, Minnesota, a Minnesota political subdivision, on behalf of the political subdivision.

____
Notary Public

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By ______________________________________

Its______________________________________

STATE OF MINNESOTA)
) ss.
COUNTY OF ___________)

This instrument was acknowledged before me on _____________________, 2020, by ____________________________, the ______________________ of U.S. Bank National Association, a national banking association, on behalf of such association.

____
Notary Public

[Signature page to First Supplemental Indenture]

EXHIBIT A

FORM OF BONDS

UNITED STATES OF AMERICA
STATE OF MINNESOTA
CARVER COUNTY

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA

LEASE REVENUE AND LIMITED TAX REFUNDING BOND, SERIES 2020E

R-___ $_________

Interest Rate	Maturity Date	Date of Original Issue	CUSIP No.
__%	December 1, 20__	September 2, 2020	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: DOLLARS

THE ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA, MINNESOTA, a public body corporate and politic of the State of Minnesota (the "Authority"), for value received, hereby promises to pay to the registered owner named above, or registered assigns, solely from the sources hereinafter identified, the principal amount set forth above on the maturity date specified above, and to pay to the registered owner hereof interest on such principal amount from such sources at the interest rate specified above from the date of original issue specified above or from the most recent Interest Payment Date to which interest has been paid or duly provided for, as specified below, on June 1 and December 1 of each year, commencing June 1, 2021, until said principal amount is paid. Interest shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) thirty (30) day months and shall be payable to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a Business Day) of the month preceding such Interest Payment Date at such person's address set forth on the registration books maintained by the Trustee hereinafter designated. The interest hereon and, upon presentation and surrender at the principal office of the agent of the Trustee described below, the principal hereof are payable in lawful money of the United States of America by check or draft drawn on U.S. Bank National Association, as trustee designated under the Trust Indenture referred to below (the "Trustee").

Any such interest not punctually paid or provided for will cease to be payable to the registered owner as of a regular record date and such defaulted interest may be paid to the person in whose name this Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest established by the Trustee pursuant to the Indenture.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Trustee shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to

Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Authority.

This Bond is issued under Minnesota Statutes, Section 465.71, Chapter 469, Chapter 471, and Chapter 475, as amended, and in conformity with the provisions, restrictions and limitations thereof. This Bond and interest hereon are payable from the moneys received under the Lease (as hereinafter defined), or held by the Trustee in a Fund appropriated to the payment of the Bonds of this series under the Indenture (as hereinafter defined), including Rental Payments to be made by the City under such Lease, or, if the Rental Payments from the City are not sufficient, from amounts obtained by an annual levy by the Authority of a tax not to exceed 0.0185 percent of taxable market value of the City pursuant to the Authority's taxing power under Minnesota Statutes, Section 469.033, subdivision 6. This Bond does not constitute an indebtedness of the City of Chaska, Minnesota (the "City"), the State of Minnesota (the "State") or any other political subdivision within the meaning of any state constitutional provision or statutory limitation, nor does this Bond give rise to a charge against the general credit or properties or taxing powers of the City, the State or other political subdivision and does not grant to the registered owner of this Bond any right to have the City, the State or other political subdivision levy any taxes or appropriate any funds for the payment of the principal hereof or interest hereon, except for the annual levy of the Authority described hereinabove, nor is this Bond a general obligation of the City, the State or other political subdivision or the individual officers or agents thereof.

This Bond is one of a duly authorized series of special obligation Bonds of an aggregate principal amount of $[PAR] (the "Series 2020E Bonds"), all of which have been authorized by law to be issued and have been issued or are to be issued for the purpose of refunding, in a current refunding, the Authority's $3,850,000 Lease Revenue and Limited Tax Bonds, Series 2013A, the proceeds of which financed the acquisition and installation of certain equipment in the City's Community Center (the "Equipment") leased to the City by the Authority pursuant to a Lease Agreement, dated as of July 1, 2013 (the "Original Lease") as amended and restated by a Amended and Restated Lease (the "First Amendment," together with the Original Lease, the "Lease") dated as of September 1, 2020, between the Authority, as lessor, and the City, as lessee.

The Bonds of this series are issued pursuant to a Bond Resolution of the Authority duly adopted August 3, 2020, and a Trust Indenture, dated as of July 1, 2013 (the "Original Indenture"), as supplemented by a First Supplemental Indenture, dated as of September 1, 2020 (the "First Supplemental Indenture," together with the Original Indenture, the "Indenture"), duly executed and delivered by the Authority to the Trustee, as trustee (the "Trustee"). The Bonds of this series are equally and ratably secured by the Lease, the Indenture and the Bond Resolution, to which Lease, Indenture and Bond Resolution and amendments thereof reference is hereby made for a description and limitation of the revenues pledged to secure the payment of the Bonds, the nature and extent of the security thereby created, the rights of the registered owners of the Bonds, the rights, duties and immunities of the Trustee, and the rights, immunities and obligations of the Authority thereunder. The obligation of the City under the Lease to make Rental Payments sufficient to pay the principal of and interest on the Bonds when due is a limited obligation of the City, subject to the annual appropriation in each fiscal year by the City Council of funds sufficient to pay such Rental Payments. The City is not obligated to make any such appropriation and has the right to cancel and terminate the Lease at the end of any fiscal year of the City if the City Council does not appropriate moneys sufficient to pay the Rental Payments coming due in the next fiscal year. If the City terminates or defaults under the Lease, the Authority shall, pursuant to the Bond Resolution, levy a tax not to exceed 0.0185 percent of taxable market value of the City pursuant to the Authority's taxing power under Minnesota Statutes, Section 469.033, subdivision 6. Certified copies of the Bond Resolution and executed counterparts of the Indenture and Lease are on file at the principal corporate trust office of the Trustee.

The Series 2020E Bonds maturing in 2031 and later years are subject to redemption at the option of the Authority, on December 1, 2030 and on any Business Day thereafter, in whole or in part in integral multiples of $5,000, and if in part in such order of maturity dates as the Authority may determine and by lot or other manner deemed fair as to Series 2020E Bonds maturing on the same date, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date.

The Series 2020E Bonds maturing on December 1, 20[__] are subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date, on December 1 in the years and amounts set forth in the Indenture.

The Series 2020E Bonds are also subject to redemption at the option of the Authority on any Business Day, in whole or in part in integral multiples of $5,000, and if in part in such order of maturity dates as the Authority may determine and by lot or other manner deemed fair as to Series 2020E Bonds maturing on the same date, in the event that all or any part of the Equipment is lost, stolen, destroyed or damaged beyond repair and the Authority determines that the reconstruction and restoration of the Equipment to its prior condition is not economically feasible. All prepayments shall be at a price equal to the principal amount thereof to be redeemed plus accrued interest to the redemption date.

Notice of any such redemption shall be published if, and to the extent, then required by law, and shall also be given to the registered owner of each Bond to be redeemed by first-class mail, addressed to such owner at the owner's registered address, not earlier than ninety (90) days nor later than thirty (30) days prior to the date fixed for redemption. On or prior to the date fixed for redemption, funds are required to be deposited with the Trustee sufficient to pay the Bonds called and accrued interest thereon. Upon the happening of the above conditions, Bonds thus called shall not bear interest after the redemption date and, except for the purpose of payment from the funds so deposited, shall no longer be protected by the Indenture.

This Bond is transferable, as provided in the Indenture, only upon books of the Authority kept at the principal office of the agent of the Trustee by the registered owner hereof in person or by the owner's duly authorized attorney, upon surrender of this Bond for transfer at the principal corporate trust office of the Trustee, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the registered owner hereof or the owner's duly authorized attorney, and, upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, one or more fully registered Bonds of this series of the same principal amount and interest rate will be issued lo the designated transferee or transferees.

The Series 2020E Bonds are issuable only as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof of single maturities. As provided in the Indenture and subject to certain limitations therein set forth, the Bonds of this series are exchangeable for a like aggregate principal amount of Bonds of this series of a different authorized denomination, as requested by the registered owner or the owner's duly authorized attorney upon surrender thereof to the Trustee at its principal corporate trust office.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required to be done precedent to and in the issuance of this Bond and the series of which it is a part have been properly done, have happened and have been performed in regular and due time, form and manner as required by law.

This Bond shall not be valid nor become obligatory for any purpose under the Indenture until it shall have been authenticated by the execution of the Certificate hereon endorsed by the manual signature of an authorized representative of the Trustee.

IN WITNESS WHEREOF, the Economic Development Authority of the City of Chaska, Minnesota by its Board of Commissioners, has caused this Bond to be executed in its name by the facsimile signatures of its President and Executive Director.

ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF CHASKA, MINNESOTA, MINNESOTA

_______________________________ President

_______________________________ Executive Director

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Date of Authentication: ________________________

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ___________________________________
Authorized Representative

The following abbreviations, when used in the inscription on the face of this Certificate, shall be construed as though they were written out in full according to the applicable laws or regulations:

TEN COM --as tenants in common UTMA ……………. as Custodian for ……………..
(Cust) (Minor)
TEN ENT --as tenants by the entireties under Uniform Transfers to Minors Act ....……..
(State)
JT TEN --as joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto ____ the within Certificate and all rights thereunder, and does hereby irrevocably constitute and appoint ____ attorney to transfer the said Certificate on the books kept for registration of the within Certificate, with full power of substitution in the premises.

Dated: ________________

____
NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

____
Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

____

EXHIBIT B

COSTS OF ISSUANCE EXPENSES

Municipal Advisor	
Bond Counsel	
Trustee	
Rating Agency (Standard & Poor's)	
POS/Official Statement	
Miscellaneous	
TOTAL	

RatingsDirect®

Summary:

Chaska, Minnesota; Appropriations; General Obligation

Primary Credit Analyst:
Blake E Yocom, Chicago (1) 312-233-7056; blake.yocom@spglobal.com

Secondary Contact:
Emma Drilias, Chicago (1) 312-233-7132; emma.drilias@spglobal.com

Table Of Contents

Summary:

Chaska, Minnesota; Appropriations; General Obligation

Credit Profile		
US$10.555 mil taxable GO rfdg bnds ser 2020D due 12/01/2034		
Long Term Rating	AA/Negative	New
US$3.54 mil GO bnds ser 2020C due 02/01/2037		
Long Term Rating	AA/Negative	New
US$2.795 mil lse rev and ltd tax rfdg bnds ser 2020E due 12/01/2033		
Long Term Rating	AA-/Negative	New
Chaska GO		
Long Term Rating	AA/Negative	Affirmed

Rating Action

S&P Global Ratings assigned its 'AA' rating to the city of Chaska, Minn.'s series 2020C general obligation (GO) bonds and series 2020D taxable GO refunding bonds. We also assigned our 'AA-' rating to the Economic Development Authority of Chaska's series 2020E lease revenue and limited-tax refunding bonds, issued on behalf of Chaska.

At the same time, we affirmed our 'AA' ratings on the city's existing GO bonds and EDA's existing full-term install purchase revenue bonds, and our 'AA-' rating on the city's existing lease-revenue debt subject to appropriation. The outlook is negative.

The city's full faith and credit and power to levy unlimited ad valorem taxes secures the series 2020C and 2020D bonds. The series 2020C bond proceeds will be used to finance a street reconstruction project and related utility improvements. The city also pledges special assessments against benefited properties and net utility revenues. The series 2020D bond proceeds will be used to current refund its series 2010D taxable GO tax abatement bonds and to advance refund its series 2011A GO water revenue refunding bonds and series 2013A GO improvement bonds. The ratings are based on the city's unlimited ad valorem tax GO pledge.

The series 2020E bonds are special limited obligations of the authority payable secured by lease-rental payments made by Chaska, as lessee, to the authority, as lessor. We rate this obligation one notch lower than Chaska's general creditworthiness as reflected in the GO rating to account for the appropriation risk associated with the lease payments. We considered the affordability and likelihood of the lease payment which is reflected in the appropriation rating and in our view of the Chaska's general creditworthiness. In our view, the lease features and terms are standard with no unusual risks regarding timely payment of debt. The bonds are also secured by a pledge of net revenues of the authority from special tax levies. However, the rating is based on the city's appropriation pledge. Bond proceeds will be used to current refund the authority's series 2013A lease revenue and limited-tax bonds.

Credit overview

The negative outlook reflects the potential revenue pressure facing the city caused by public health and safety measures relating to the COVID-19 pandemic and the ensuing recession. COVID-19 caused the national economy to fall into recession, as reported by S&P Global Economics. (For further information, please see the article, titled "The U.S. Faces A Longer and Slower Climb From The Bottom," published June 25, 2020, on RatingsDirect.) Given that the city filled a budget gap with increased transfers from nonrecurring sources and reserves that were already not commensurate at the rating level, the rating could be lowered in the outlook period. We expect revenue pressure due to the social distancing measures that resulted in many closed city facilities--most of which have reopened--and potentially reduced building permit revenue. Additionally, the city's available reserves are no longer commensurate at the rating level, particularly for Minnesota cities. Further, its debt profile is a credit weakness and we expect it to remain so. However, currently precluding a downgrade is Chaska's very strong economy with a growing tax base and well-above-average incomes. Management is professional and has articulated a plan to return to balanced operations in fiscal 2020.

The GO rating reflects our view of the city's:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Weak budgetary performance, with operating results that we expect could deteriorate in the near term relative to fiscal 2019, which closed with a slight operating deficit in the general fund but an operating surplus at the total governmental fund level;
- Strong budgetary flexibility, with an available fund balance in fiscal 2019 of 11.0% of operating expenditures;
- Very strong liquidity, with total government available cash at 77.5% of total governmental fund expenditures and 5.1x governmental debt service, and access to external liquidity we consider strong;
- Weak debt and contingent liability position, with debt service carrying charges at 15.3% of expenditures and net direct debt that is 249.0% of total governmental fund revenue, but rapid amortization, with 67.1% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Environmental, social, and governance factors

Our rating and analysis incorporate our view regarding the health and safety risk posted by the COVID-19 pandemic, which we believe could pressure budgets in the short term. Overall, we consider the city's social risks in line with that of the sector. We also analyzed its environmental and governance risks relative to its credit factors, and we determined that both are in line with our view of the sector standard.

Negative Outlook

Downward scenario

We could lower the rating over the next two years if due to continued budgetary imbalance, budgetary flexibility weakens. We could also do so should the city draw on reserves or fill the gap with nonrecurring revenues. Given additional recession pressures, this will be more difficult, in our view. Also, should negative balances outside the general fund pressure the city's liquidity, the rating would be pressured.

Return to stable scenario

We could revise the outlook to stable should management make the necessary adjustments in response to potentially reduced revenue, resulting in improved budgetary flexibility while all other credit characteristics remain unchanged or improve.

Credit Opinion

Very strong economy

We consider Chaska's economy very strong. The city, with a population of 26,989, is in Carver County in the Minneapolis-St. Paul-Bloomington MSA, which we consider to be broad and diverse. It has a projected per capita effective buying income of 142% of the national level and per capita market value of $119,567. Overall, market value grew by 9.1% over the past year to $3.2 billion in 2019. The county unemployment rate was 2.8% in 2019.

The city reports several recent economic developments, including new data centers, redevelopment and new businesses in its downtown area, and industrial park expansions. After the planned completion of a highway interchange, it expects its southwest area to develop and eventually add 10,000 to its population and over 400 acres in office and commercial developments. Tax base growth has been strong in recent years, and the city expects more in the upcoming year. Leading employers in the city include semiconductor processor Entegris Inc. (1,000 employees), biomedical firm Beckman-Coulter (925), and the local school district (880).

S&P Global Economics reports that the COVID-19 pandemic has caused the national economy to fall into a recession, which caused a near-term economic slowdown at the local level. Despite this pressure, the city's leading employers remain stable and functioning as many were considered essential under Minnesota's stay-at-home directive. Officials report of no known changes to top taxpayers or employers despite the recent shutdown and pandemic.

Strong management

We view the city's management as strong, with good financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

In developing the budget, management uses three years of historical data, outside data sources, and line-item estimates. The council receives monthly budget-to-actual reports and the budget can be amended as necessary throughout the year. The city maintains five-year capital and financial plans that are updated annually. It has an investment policy but not a debt management policy. Investment holdings are reported quarterly to the board. The city's informal reserve policy is to maintain 35% of general fund expenditures in reserves, but it is not currently at this target amount.

Weak budgetary performance

Chaska's budgetary performance is weak, in our opinion. The city had slight deficit operating results in the general fund of negative 0.8% of expenditures, but a surplus result across all governmental funds of 4.3% in fiscal 2019. Our assessment accounts for the fact that we expect budgetary results could deteriorate from 2019 results in the near term.

In evaluating budgetary performance, we adjusted for spending of bond proceeds and treated recurring transfers as revenues.

The fiscal 2019 audit reported a $143,000 (0.8%) use of reserves after a large increase in transfers to the general fund, most of which is due to a reclassification of the electric fund transfer. However, the city also transferred in nearly $900,000 from the self-insurance fund for workers' compensation insurance overpayments, premium refunds, and claims over last few years. The fiscal 2019 budget variances included a $500,000 licenses and permits shortfall and a roughly $700,000 increase in labor costs not budgeted for. In our view, there was a small budgetary gap that was filled with nonrecurring revenues.

The original fiscal 2020 budget was balanced with no use of reserves after a large total levy increase of over $800,000, or 8%. The city amended the budget in early July with the general fund still balanced at $18.8 million. This may be optimistic given that the city budgeted for licenses and permits on par with fiscal 2018 and not the reduced amount received in fiscal 2019. Total governmental fund performance has been negative in recent years, a trend we expect to continue. In our view, pressure arising from the pandemic and recession will likely exacerbate the budgetary challenges the city is facing. The budgetary performance score of weak reflects our view of the revenue uncertainty facing the city in the current economic climate, particularly given that Chaska was already seeing negative budgetary variances in the licenses and permits category.

In fiscal 2019, primary general fund revenue sources include property taxes (45%), charges for services (33%), licenses and permits (7%), and franchise taxes (6%).

The city's curling center was closed due to COVID-19. In our view, this enterprise fund was already pressured and we expect additional pressure. We understand city facilities are now open but will likely see reduced revenue with enterprise funds potentially requiring additional operating support.

Strong budgetary flexibility

Chaska's budgetary flexibility is strong, in our view, with an available fund balance in fiscal 2019 of 11.0% of operating expenditures, or $1.9 million.

In assessing budgetary flexibility, we included the committed general fund balance, which is legally available for operations, as part of its available reserves.

A number of funds were negative at fiscal year-end 2019 (e.g., public improvements projects, tax increment, curling center, community center, special revenue, and Chaska EDA). Management indicates many of these funds are budgeted to fund operations and not depreciation and will remain negative. However, there are no liquidity concerns.

Very strong liquidity

In our opinion, Chaska's liquidity is very strong, with total government available cash at 77.5% of total governmental fund expenditures and 5.1x governmental debt service in 2019. In our view, the city has strong access to external liquidity if necessary.

The city's nearly $25.5 million in total cash and investments in 2019 were held primarily in money market funds, U.S. agency securities, and other highly rated securities that we do not consider aggressive. It has strong access to external liquidity, in our opinion, because it has issued GO debt within the last 20 years. We expect liquidity to remain very strong.

We note that the city privately placed its 2017D GO bonds. The terms of the 2017D bonds do not include debt acceleration or other contingent liability risks. The city uses lines of credit for large infrastructure projects and is then reimbursed with bond issuances.

Weak debt and contingent liability profile

In our view, Chaska's debt and contingent liability profile is weak. Total governmental fund debt service is 15.3% of total governmental fund expenditures, and net direct debt is 249.0% of total governmental fund revenue. Approximately 67.1% of the direct debt is scheduled to be repaid within 10 years, which is, in our view, a positive credit factor.

The city is a regular issuer of debt and we expect additional issuances over the next two years. We also expect the debt and contingent liabilities to remain weak to very weak.

Chaska's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 4.5% of total governmental fund expenditures in 2019. The city made 122% of its annual required pension contribution in 2019.

Pensions and other postemployment benefits

- We do not believe that Chaska pension liabilities represent a medium-term credit pressure because contributions are only a modest share of the budget, and we believe the city has the capacity to absorb higher costs without pressuring operations.
- The city participates in two multiple-employer, defined-benefit pension plans that have seen recent improvements in funded status, though plan statutory contributions have regularly fallen short of actuarial recommendations. Along with certain plan-specific actuarial assumptions and methods, this introduces some long-term risk of funding volatility and cost acceleration.
- Although the city funds its OPEBs on a pay-as-you-go basis, exposing it to cost acceleration and volatility, we expect that medium-term costs will remain only a small share of total spending and therefore not a significant budgetary pressure.

Chaska participates in the following plans:

- Minnesota General Employees Retirement Fund (GERF): 80.2% funded (as of June 30, 2019), with an estimated city proportionate share of the plan's net pension liability (NPL) of $7.4 million
- Minnesota Public Employees Police and Fire Fund (PEPFF): 89.3% funded (June 30, 2019), with an estimated city

proportionate share of the plan's NPL of $3 million

- An implicit rate subsidy arising from retirees staying on the city's plan while paying active premium rates: 0% funded with a liability of $1.3 million

Total contributions to GERF and PEPFF were 89.0% and 93.7%, respectively, of our minimum funding progress metric in 2019 and were slightly above static funding in both cases. Annual contributions are based on a statutory formula that has typically produced contributions less than the actuarially determined contribution for each plan, which we think increases risk of underfunding over time if future funding shortfalls are not met with offsetting adjustments by the state legislature. Other key risks include a 7.5% investment rate of return assumption (for both plans) that indicates some exposure to cost acceleration as a result of market volatility, and amortization methods that significantly defer contributions through lengthy, closed 30-year amortization periods based on a level 3.25% payroll growth assumption. Regardless, costs remain only a modest share of total spending and, we think, are unlikely to pressure Chaska medium-term operational health.

In May 2018, the state passed pension legislation that will marginally increase contributions (for PEPFF only), reduce the investment rate of return to 7.5% (from 8%), and reduce some employee benefits (primarily cost-of-living adjustments). While we view these as positive changes for future plan funding levels, the lack of an actuarial funding policy remains a weakness in these plans. For more information about the reforms included in the 2018 omnibus retirement bill and the potential for future cost increases see our article titled "Minnesota's New Pension Bill Is A Positive Step Toward Sustainable Funding," published June 7, 2018.

Strong institutional framework

The institutional framework score for Minnesota cities with a population greater than 2,500 is strong.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Criteria Guidance: Assessing U.S. Public Finance Pension And Other Postemployment Obligations For GO Debt, Local Government GO Ratings, And State Ratings, Oct. 7, 2019
- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

Ratings Detail (As Of July 31, 2020)		
Chaska taxable GO bnds		
Long Term Rating	AA/Negative	Affirmed
Chaska taxable GO bnds ser 2019D due 02/01/2040		
Long Term Rating	AA/Negative	Affirmed
Chaska Econ Dev Auth taxable full-term installment purchase rev bnds ser 2020B due 12/01/2040		
Long Term Rating	AA/Negative	Affirmed
Chaska GO		
Long Term Rating	AA/Negative	Affirmed

Ratings Detail (As Of July 31, 2020) (cont.)		
Chaska GO		
Long Term Rating	AA/Negative	Affirmed
Chaska GO		
Long Term Rating	AA/Negative	Affirmed
Chaska GO		
Long Term Rating	AA/Negative	Affirmed
Chaska GO		
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Long Term Rating	AA/Negative	Affirmed
Chaska GO		
Long Term Rating	AA/Negative	Affirmed
Chaska GO bnds		
Long Term Rating	AA/Negative	Affirmed
Chaska GO bnds		
Long Term Rating	AA/Negative	Affirmed
Chaska GO imp rfdg bnds ser 2019E due 02/01/2033		
Long Term Rating	AA/Negative	Affirmed
Chaska GO util rev bnds		
Long Term Rating	AA/Negative	Affirmed
Carver Cnty Comnty Dev Agy, Minnesota		
Chaska, Minnesota		
Carver Cnty Comnty Dev Agy (Chaska) GO		
Long Term Rating	AA/Negative	Affirmed
Chaska Econ Dev Auth, Minnesota		
Chaska, Minnesota		
Chaska Econ Dev Auth (Chaska) lse rev rfdg bnds		
Long Term Rating	AA-/Negative	Affirmed
Chaska Econ Dev Auth (Chaska) taxable full-term installment purchase rev bnds		
Long Term Rating	AA/Negative	Affirmed
Chaska Econ Dev Auth (Chaska) APPROP		
Long Term Rating	AA-/Negative	Affirmed
Chaska Econ Dev Auth (Chaska) APPROP		
Long Term Rating	AA-/Negative	Affirmed
Chaska Econ Dev Auth (Chaska) APPROP		
Long Term Rating	AA-/Negative	Affirmed
Chaska Econ Dev Auth (Chaska) APPROP		

Ratings Detail (As Of July 31, 2020) (cont.)		
Long Term Rating	AA-/Negative	Affirmed
Chaska Econ Dev Auth (Chaska) APPROP		
Long Term Rating	AA-/Negative	Affirmed