



## City of Saint Paul Certified Copy

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### Resolution: RES 16-1973

Accepting the offer of the Minnesota Public Facilities Authority to purchase a Water Revenue Note in an aggregate principal amount of \$7,564,417, providing for the issuance of the 2016 Note, and authorizing execution of a project loan agreement with the Minnesota Public Facilities Authority.

WHEREAS, Saint Paul Regional Water Services on behalf of the City Council (the "Council") of the City of Saint Paul, Minnesota (the "City"), has heretofore applied for a loan from the Minnesota Public Facilities Authority (the "PFA") to provide financing pursuant to the City's home rule charter and Minnesota Statutes, Chapter 475 (the "Municipal Debt Act"), for funding (i) the purchase and installation of the McCarron's switchgear and electrical replacement improvements, and (ii) the West Saint Paul pump station generator and electrical improvements (the "2016 Projects"), as improvements to the City's municipal water utility (the "Water Utility") operated by Saint Paul Regional Water Services; and

WHEREAS, Saint Paul Regional Water Services has, since its acquisition in 1885, been under the jurisdiction of the Board of Water Commissioners of the City of Saint Paul (the "Board") and the Board and this Council deem it necessary and expedient to undertake the 2016 Projects; and

WHEREAS, the PFA is authorized pursuant to Minnesota Statutes, Chapter 446A, as amended (the "PFA Act"), to issue its bonds and to use the proceeds thereof, together with certain other state and federal funds, to provide loans to municipalities such as the City to fund eligible costs of construction of publicly owned drinking water systems in accordance with the Federal Safe Drinking Water Act; and

WHEREAS, the PFA has committed to make a loan to the City in the principal amount of \$7,564,417, to be disbursed and repaid in accordance with the terms of a Minnesota Public Facilities Authority Revenue Bond Purchase and Project Loan Agreement (the "Project Loan Agreement") executed by the PFA and the City and agreed to by the Board, if necessary, copies of which are before this meeting and on file with the City Clerk; and the Project Loan Agreement, as executed, is incorporated by reference hereto; and

WHEREAS, in order to fund the 2016 Projects and provide the funds therefore as required by the Project Loan Agreement, the City will issue its tax-exempt Water Revenue Note, Series 2016 (the "2016 Note") in the amount of \$7,564,417 in order to finance the 2016 Projects; and

WHEREAS, in accordance with Section 475.60, Subdivision 2(4) of the Municipal Debt Act, the City is authorized to issue obligations to a board, department or agency of the State of Minnesota by negotiation and without advertisement for bids and the PFA is, and has represented that it is, a board, department or agency of the State of Minnesota; and

WHEREAS, the Board of Water Commissioners of the City of Saint Paul adopted Resolution 16-570 on September 13, 2016 requesting that the City issue and sell the 2016 Note to the PFA to finance the 2016 Projects; and

WHEREAS, there are currently outstanding bonds of the City payable from Net Revenues of the City's Water Utility, specifically the City's (a) Water Revenue Refunding Bonds, Series 2007A (the "2007 Bonds"), issued pursuant to a resolution adopted by this Council on January 24, 2007, of which \$2,855,000 is currently outstanding, (b) Water Revenue Note, Series 2010A (the "2010A Note"), issued pursuant to a resolution adopted by this Council on June 16, 2010, of which \$4,879,000 is currently outstanding, (c) Water Revenue Note, Series 2010B (the "2010B Note" and together with the 2010A Note, the "2010 Notes"), issued pursuant to a resolution adopted by this Council on June 16, 2010, of which \$18,921,000 is currently outstanding, (d) Water Revenue Refunding Bonds, Series 2011D (the "2011D Bonds"), issued pursuant to a resolution adopted by this Council on March 23, 2011, of which \$2,155,000 is currently outstanding, (e) Water Revenue Refunding Bonds, Series 2013A (the "2013 Bonds"), issued pursuant to a resolution adopted by this Council on February 13, 2013, of which \$10,795,000 is currently outstanding, (f) Water Revenue Note, Series 2014 (the "2014 Note"), of which \$2,136,000 is currently outstanding, and (g) outstanding a general obligation note of the City payable on a subordinate lien basis from Net Revenues of the City's Water Utility, specifically the City's General Obligation Wastewater Treated Water Revenue Note of 1996 (the "1996 Note"), issued pursuant to a resolution adopted by this Council on May 15, 1996, of which \$139,166 currently remains outstanding; and

WHEREAS, all capitalized terms used in this resolution and not defined herein shall have the meanings granted to them in the resolutions authorizing the issuance of the 1996 Note, 2007 Bonds, 2010 Notes, 2011D Bonds, the 2013 Bonds, or the 2014 Note, as applicable; and

WHEREAS, it is necessary and desirable to provide for the issuance of the 2016 Note on a parity of lien with the 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, and 2014 Note and with a priority of lien over the 1996 Note; and paragraph 18 of the resolution authorizing the issuance and sale of the 2013 Bonds provides for the issuance of parity lien bonds (on parity with the outstanding Series 2007 Bonds, 2010 Notes, 2011D Bonds and 2013 Bonds and in compliance with the resolutions authorizing issuance of such obligations) as follows:

"18. Parity Bonds. ...The 2007 Bonds, 2010 Notes, 2011D Bonds and 2013 Bonds shall be a first charge and lien upon the Net Revenues of the Water Utility. No part of such Net Revenues shall be pledged to the payment of any general obligation bonds issued by the City while any 2007 Bonds, 2010 Notes, 2011D Bonds and 2013 Bonds or bonds issued on a parity therewith remain outstanding and undischarged, unless the pledge of Net Revenues to such general obligation bonds is expressly made a second and subsequent lien and the City and Board covenant to make the rates and charges of the Water Utility sufficient to timely pay such general obligation bonds. No additional revenue obligations payable from the Revenue Bond Debt Service Account shall be hereafter issued unless the same are expressly made a second and subsequent

lien upon the Net Revenues of the Water Utility; provided, however, that additional obligations may be issued on a parity of lien with the 2007 Bonds, 2010 Notes, 2011D Bonds and 2013 Bonds, provided that the annual Net Revenues of said Water Utility for each of the two (2) completed fiscal years immediately preceding the issuance of such additional obligations shall have been one and one-half (1.5) times the maximum annual principal and interest coming due thereafter on all outstanding revenue obligations payable from and having a parity of lien upon the Net Revenues of the Water Utility Fund, including the additional obligations so to be issued; provided further, however, that if the annual Net Revenues in either or both of the aforesaid two (2) completed fiscal years shall be insufficient to meet this test then any reasonably projected increase in Net Revenues for the fiscal year immediately following such second completed fiscal year may be added to the Net Revenues for such completed fiscal years or either of them (but the total of such projected increase in Net Revenues may be added only once) in applying the foregoing test.

For purposes of the foregoing limitations, when only bonds issued after the 1994 Bonds are outstanding, the "maximum annual principal and interest coming due thereafter" on variable rate bonds shall be calculated assuming the variable rate bonds bear fixed interest at the rates prevailing at the time of the calculation for utility revenue bonds of comparable quality, maturity (or remaining maturity) and taxable or tax-exempt status, provided that other or different assumptions may be used if necessary to obtain an investment grade credit rating for the variable rate bonds or to maintain the credit rating(s) then in effect for the bonds then outstanding. Such facts shall be shown by the Certificate of the General Manager of the Board of Water Commissioners and shall be a finding of and recited in the resolution of the City authorizing any such additional series.

In addition, the following conditions shall be met:

(a) The payments required to be made (at the time of the issuance of such parity lien bonds) into the various funds and accounts provided for in this resolution have been made.

(b) All such parity lien bonds shall have a December 1 maturity or maturities and shall have semiannual interest payments on June 1 and December 1 in each year; provided that interest payments may be more frequent than semiannually or on dates other than June 1 and December 1 if such interest is paid in full only if at the time of payment the interest deposits into the Revenue Bond Debt Service Account for interest payments on June 1 or December 1, as appropriate, on other bonds are current, and any insufficiency of interest on all parity bonds is allocated proportionately in each six-month period ending June 1 or December 1, as appropriate.

(c) The proceeds of such parity lien bonds shall be used only for the purpose of (1) making improvements, additions, extensions, renewals or replacements to the Water Utility, and capitalizing interest or establishing Reserves and paying the costs of such financing, or (2) refunding parity lien bonds (provided that bonds which refund parity lien bonds may instead derive their parity lien status from paragraphs 19 or 25 as applied in paragraph 20); and

WHEREAS, for purposes of this Resolution, paragraphs 18, 16, 18, and 18 of the resolutions authorizing the issuance and sale of the 2007 Bonds, 2010 Notes, 2011D Bonds and 2013 Bonds and paragraph 16 in the resolution authorizing the issuance of the 2014 Note, are substantively identical to said paragraph 16 relating to the 2016 Note; and

WHEREAS, herein the City makes various findings demonstrating the propriety of the issuance of the 2016 Note on a parity with the 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds and 2014 Note; and

WHEREAS, in accordance with advice received from the Board, this Council finds, determines and declares that it is necessary and expedient to provide moneys to finance the 2016 Projects, continue and add to a Reserve Account previously established as security for the obligations outstanding on a parity with the 2016 Note, and provide for the costs of the issuance of the 2016 Note from the proceeds of obligations payable solely from the Net Revenues of the Water Utility; and

WHEREAS, a contract or contracts for the 2016 Projects have been made by the Water Utility or the City, as appropriate, with the approval of the PFA and all other state and federal agencies of which approval is required.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Saint Paul, Minnesota, as follows:

1. Acceptance of Offer; Payment. The offer of PFA to purchase the 2016 Note, at the rate of interest hereinafter set forth, and to pay for the 2016 Note in the amount of \$7,564,417 as provided below, is hereby accepted, and the sale of the 2016 Note is hereby awarded to the PFA. Payment for the 2016 Note shall be disbursed in installments as eligible costs of the 2016 Projects are reimbursed or paid, all as provided for in the Project Loan Agreement.

2. Title; Original Issue Date; Denominations; Maturities. The 2016 Note shall be titled the "Water Revenue Note, Series 2016" and shall be issued in the amount of \$7,564,417 or so much thereof as shall be disbursed pursuant to the Project Loan Agreement. The 2016 Note shall be dated the date of issuance. The 2016 Note shall bear interest on so much of the principal amount of the 2016 Note as (i) may be disbursed from time to time as provided in the Project Loan Agreement at the rate which will not exceed 1.033% per annum (calculated on the basis of a 360-day year of twelve 30-day months). Interest on each of the 2016 Note is payable semiannually on each June 1 and December 1, commencing June 1, 2017. Principal on the 2016 Note shall mature on December 1 of the years and in the installments as set forth in the form of the 2016 Note set forth in Exhibit B attached hereto.

Interest shall accrue only on the aggregate amount of the 2016 Note which has been disbursed and is unpaid under the Project Loan Agreement. The principal installments shall be paid in the amounts scheduled even if at the time of payment the full principal amount of the 2016 Note has not been disbursed; provided that if the full principal amount of the 2016 Note is never disbursed, the amount of the principal not disbursed shall be applied to reduce each unpaid principal installment in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule shall be reamortized to provide proportionately reduced principal payments). Principal, interest and any premium due under the 2016 Note will be paid on each payment date by wire payment, or by check or draft mailed five (5) business days prior to the payment date to the person in whose name the 2016

Note is registered, in any coin or currency of the United States which at the time of payment is legal tender for public and private debts.

Interest on the 2016 Note includes amounts treated by the PFA as service fees.

3. Purpose. The 2016 Note shall provide funds to finance the acquisition, construction, installation, and equipping of the 2016 Projects and funding the costs of issuance for the 2016 Note. The proceeds of the 2016 Note shall be utilized to finance the 2016 Projects. The proceeds of the 2016 Note shall be deposited and used as provided in paragraph 16 below. The total cost of the acquisition, construction, installation and equipping of the 2016 Projects, including legal and other professional charges, publication and printing costs, interest accruing on money borrowed for the 2016 Projects before the collection of Net Revenue pledged and appropriated therefore, and all other costs necessarily incurred and to be incurred from the inception to the completion of the 2016 Projects, is estimated to be at least equal to the amount of the 2016 Note. The City covenants that it shall do all things and perform all acts required of it to assure that work on the 2016 Projects proceeds with due diligence to completion and that any permits and studies required under law for the 2016 Projects are obtained.

4. Redemption. The 2016 Note shall be subject to redemption and prepayment in whole or in part at the option of the City or mandatorily as provided in the Project Loan Agreement, but only with the written consent of the PFA. If redemption is in part, each installment of principal shall be prepaid in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule shall be reamortized to provide proportionally reduced principal payments), unless the City and the holder of the 2016 Note agree to a different result.

5. Note Registrar. As provided in the Resolution, the Treasurer of the City is appointed to act as note registrar and transfer agent with respect to the 2016 Note (the "Note Registrar"), and shall do so unless and until a successor Note Registrar is duly appointed. A successor Note Registrar shall be an officer of the City or a bank or trust company eligible for designation as Note Registrar pursuant to the Municipal Debt Act and may be appointed pursuant to any contract the City and such successor Note Registrar shall execute which is consistent herewith. The Note Registrar shall also serve as Paying Agent for the 2016 Note unless and until a successor Paying Agent is duly appointed. Principal of and interest on the 2016 Note shall be paid to the registered holder or holders of the 2016 Note (the "Holder" or "Holders") in the manner set forth in the form of the 2016 Note. The effect of registration and the rights and duties of the City and the Note Registrar with respect thereto are as follows:

(a) *Register.* The Note Registrar shall keep a register in which the Note Registrar provides for the registration of ownership of the 2016 Note and the registration of transfers and exchanges of the 2016 Note entitled to be registered, transferred, or exchanged.

(b) *Transfer of 2016 Note.* Upon surrender for transfer of a 2016 Note duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Note Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Note Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new 2016 Notes of a like aggregate principal amount and maturity, as requested by the transferor. The Note Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until that interest payment date.

(c) *Exchange of 2016 Note.* When a 2016 Note is surrendered by the registered owner for exchange, the Note Registrar shall authenticate and deliver one or more new 2016 Notes of a like aggregate principal amount and maturity as requested by the registered owner or the owner's attorney in writing.

(d) *Cancellation.* A 2016 Note surrendered upon transfer or exchange shall be promptly cancelled by the Note Registrar and thereafter disposed of as directed by the City.

(e) *Improper or Unauthorized Transfer.* When a 2016 Note is presented to the Note Registrar for transfer, the Note Registrar may refuse to transfer the 2016 Note until the Note Registrar is satisfied that the endorsement on the 2016 Note or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Note Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) *Persons Deemed Owners.* The City and the Note Registrar may treat the person in whose name a 2016 Note is registered in the bond register as the absolute owner of the 2016 Note, whether the 2016 Note is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the 2016 Note and for all other purposes, and payments so made to a registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon the 2016 Note to the extent of the sum or sums so paid.

(g) *Taxes, Fees, and Charges.* The Note Registrar may impose a charge upon the owner thereof for a transfer or exchange of a 2016 Note sufficient to reimburse the Note Registrar for any tax, fee, or other governmental charge required to be paid with respect to the transfer or exchange.

(h) *Mutilated, Lost, Stolen or Destroyed 2016 Note.* If a 2016 Note becomes mutilated or is destroyed, stolen, or lost, the Note Registrar shall deliver a new 2016 Note of like amount, number, maturity date, and tenor in exchange and substitution for and upon cancellation of the mutilated 2016 Note or in lieu of and in substitution for any 2016 Note destroyed, stolen, or lost, upon the payment of the reasonable expenses and charges of the Note Registrar in connection therewith; and, in the case of a 2016 Note destroyed, stolen, or lost, upon filing with the Note Registrar of evidence satisfactory to it that the 2016 Note was destroyed, stolen, or lost, and of the ownership thereof, and upon furnishing to the Note Registrar an appropriate bond or indemnity in form, substance, and amount satisfactory to it and as provided by law, in which both the City and the Note Registrar must be named as obliges. A 2016 Note so surrendered to the Note Registrar shall be cancelled by the Note Registrar and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen, or lost 2016 Note has already matured or been called for redemption in accordance with its terms, it is not necessary to issue a new 2016 Note prior to payment.

6. Registration and Payment. The 2016 Note will be issued only in fully registered form. The interest thereon and, upon surrender of the 2016 Note, the principal amount thereof, is payable by check or draft issued by the Note Registrar described herein. The 2016 Note shall be dated as of the last interest payment date preceding the date of authentication to which interest on the 2016 Note has been paid or made available for payment, unless: (i) the date of authentication is an interest payment date to which interest has been paid or made available for payment, in which case the 2016 Note will be dated as of the date of authentication; or (ii) the

date of authentication is prior to the first interest payment date, in which case the 2016 Note will be dated as of the date of original issue.

7. Form of 2016 Note. All of the provisions of the 2016 Note, when executed as authorized herein, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The 2016 Note shall be issued in the form of a registered note and shall be substantially in the form attached to this Resolution as EXHIBIT A, which form is hereby approved, with such necessary and appropriate variations, omissions, and insertions as the City Treasurer and Director, Office of Financial Services, or their respective deputies, in their discretion, shall determine and delivery of the 2016 Note by the City shall be conclusive evidence of such determinations. Changes to the form of the 2016 Note may be approved by bond counsel and the City Attorney.

The City Treasurer is authorized and directed to obtain a copy of the proposed approving legal opinion of Barnes & Thornburg LLP, Saint Paul, Minnesota, as bond counsel to the City, which shall be complete except as to dating thereof and cause the opinion to accompany the 2016 Note.

8. Execution. The 2016 Note shall be executed on behalf of the City by the signatures of its Mayor (or his proper designee), City Clerk (or her proper designee), and Director, Office of Financial Services (or his proper designee), provided that any of such signatures may be printed or photocopied facsimiles and the corporate seal of the City may be omitted on the 2016 Note as permitted by law. In the event of disability or resignation or other absence of any such officer, the 2016 Note may be signed by the manual or facsimile signature of that officer who may act on behalf of such absent or disabled officer. In case any such officer whose signature or facsimile of whose signature shall appear on the 2016 Note shall cease to be such officer before the delivery of the 2016 Note, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

9. Authentication; Date of Registration. The 2016 Note shall not be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless a Certificate of Authentication on such 2016 Note, substantially in the form set forth in Exhibit A hereto, shall have been duly executed by an authorized representative of the Note Registrar. Certificates of Authentication on different 2016 Notes need not be signed by the same person. The Note Registrar shall authenticate the signatures of officers of the City on the 2016 Note by execution of the Certificate of Authentication on the 2016 Note and by inserting as the date of registration in the space provided the date on which the 2016 Note is authenticated. For purposes of delivering the 2016 Note to the Purchaser, the Note Registrar shall insert as the date of registration the date of original issue. The Certificate of Authentication so executed on the 2016 Note shall be conclusive evidence that it has been authenticated and delivered under this Resolution.

10. Registration; Transfer; Exchange. The City will cause to be kept at the principal office of the Note Registrar a Note Register in which, subject to such reasonable regulations as the Note Registrar may prescribe, the Note Registrar shall provide for the registration of 2016 Note and the registration of transfers of the 2016 Note entitled to be registered or transferred as herein provided.

11. Rights upon Transfer or Exchange. Each 2016 Note delivered upon transfer of or in exchange for or in lieu of any other 2016 Note shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other 2016 Note.

12. Interest Payment; Record Date. Interest shall be paid on each Interest Payment Date by check or draft mailed to the Holders, and in each case at the address appearing thereon at the close of business on the fifteenth (15<sup>th</sup>) day of the calendar month next preceding such Interest Payment Date (the "Regular Record Date"). Any such interest not so timely paid shall cease to be payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date (the "Special Record Date") fixed by the Note Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given by the Note Registrar to the Holders not less than ten (10) days prior to the Special Record Date.

13. Holders; Treatment of Registered Owner; Consent of Holder.

(a) *Holders.* The "Holder" of a 2016 Note is the person in whose name it is registered on the registration books of the City. For the purposes of all actions, consents and other matters affecting the Holders of the 2016 Note, other than payments, redemptions, and purchases, the City may (but shall not be obligated to) treat as the Holder of a 2016 Note the beneficial owner of the 2016 Note instead of the person in whose name a 2016 Note is registered. For that purpose, the City may ascertain the identity of the beneficial owner of a 2016 Note by such means as the Treasurer in his or her sole discretion deems appropriate, including but not limited to a certificate from the person in whose name a 2016 Note is registered identifying such beneficial owner.

(b) *Treatment of Registered Owner.* The City and its Treasurer may treat the persons in whose name the 2016 Note is registered as the owner of the 2016 Note for the purpose of receiving payment of principal of and premium, if any, and interest on, the 2016 Note and for all other purposes whatsoever whether or not the 2016 Note shall be overdue, and neither the City nor its Treasurer shall be affected by notice to the contrary.

(c) *Consent of Holder.* Any consent, request, direction, approval, objection or other instrument to be signed and executed by the Holder may be in any number of concurrent writings of similar tenor and must be signed or executed by the Holder in person or by an agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of the 2016 Note, if made in the following manner, shall be sufficient for any of the purposes of this Resolution, and shall be conclusive in favor of the City with regard to any action taken by it under such request or other instrument, namely:

(1) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(2) Subject to the provisions of subparagraph (a) above, the fact of the ownership by any person of the 2016 Note, and the date of the holding of the same, may be proved by reference to the note register.



14. Delivery; Application of Proceeds. The 2016 Note when so prepared and executed shall be delivered by the Director, Office of Financial Services, to PFA thereof prior to disbursements pursuant to the Project Loan Agreement, and PFA shall not be obliged to see to the proper application thereof.

15. Fund and Accounts. For the convenience and proper administration of the proceeds from the sale of the 2016 Note and for the payment of principal of and interest on the 2016 Note, the Board of Water Commissioners Water Utility Enterprise Fund (the "Water Utility Fund", heretofore in resolutions relating to the 2007 Bonds, 2010 Notes, 2011D Bonds and 2013 Bonds also referred to as the "Water Utility Fund") heretofore created shall continue in force and effect as a separate fund of the City and of the Board until all of the 2016 Note and interest thereon, have been fully paid, and as specified herein until the 2016 Note and principal thereon have been fully paid. The Treasurer and all municipal officials and employees concerned therewith shall establish and maintain financial records of the receipts and disbursements of the Water Utility in accordance with this Resolution. In such records there shall be maintained accounts of the Water Utility Fund for the purposes and in the amounts as follows:

(a) *PFA Construction Account.* A "PFA Construction Account", to which shall be credited all proceeds received from the sale of the 2016 Note. The 2016 Note shall be the only source of money credited to the PFA Construction Account. It is recognized that the sale proceeds of the 2016 Note are received in reimbursement for costs expended on the 2016 Projects or in direct payment of such costs, and that accordingly the moneys need not be placed in the appropriate subaccount of the PFA Construction Account upon receipt but may be applied immediately to reimburse the source from which the expenditure was made. The money in the PFA Construction Account shall be used solely for the purpose of paying for (i) the cost of acquiring, constructing, installing and equipping the 2016 Projects, including all costs enumerated in Section 475.65 of the Municipal Debt Act, and (ii) the costs of issuance for the 2016 Note provided that such money shall only be expended for costs and expenses which are permitted under the Project Loan Agreement. The PFA prohibits the use of proceeds of the 2016 Note to reimburse costs initially paid from proceeds of other obligations of the City unless otherwise specifically approved. Upon completion of the 2016 Projects, and the payment of the costs thereof, any surplus shall be transferred to the Revenue Bond Debt Service Account.

(b) *Operation and Maintenance Account.* An "Operation and Maintenance Account", into which shall be paid all gross revenues and earnings derived from the operation of the Water Utility system including any assessments which may from time to time be levied with respect to the Water Utility. From this account there shall be paid all, but only, current expenses of the Water Utility system. Current expenses shall include the reasonable and necessary costs of administering, operating, maintaining and insuring the Water Utility system, salaries, wages, costs of materials and supplies, costs of water production and distribution, necessary legal, engineering and auditing services, and all other items which, by sound accounting practices, constitute normal, reasonable and current costs of operation and maintenance, but excluding any allowance for depreciation, extraordinary repairs and payments into the Revenue Bond Debt Service Account and Reserve Account. There shall at all times be maintained in said account a reserve in an amount sufficient to cover the operation and maintenance costs of the Water Utility system for the ensuing fifteen (15) day period; neither said reserve nor any annual addition thereto shall constitute "Net Revenues" as defined below. The balance from time to time remaining in the Operation and Maintenance Account, including interest or other earnings received from the investment of any money in the Water Utility Fund, after paying or providing

for the foregoing items, shall constitute, and are referred to in this Resolution as, "Net Revenues". Payments of fees to trustees for bonds, to providers of liquidity facilities or credit enhancement facilities for bonds and remarketing agents for bonds are also current expenses.

(c) *Revenue Bond Debt Service Account.* A "Revenue Bond Debt Service Account", into which there shall be credited and to which there is hereby irrevocably pledged from the Net Revenues of the operation of the Water Utility system monthly (i) commencing in December, 2016, a sum equal to at least 1/6<sup>th</sup> of the principal of and interest due on the 2016 Note on June 1, 2017 and monthly thereafter 1/6<sup>th</sup> of the principal and interest due on the next interest payment date, and (ii) the sums required by the resolutions authorizing the issuance of all Parity Bonds; provided, however, that no further payments need be made to said account when the money held therein is sufficient for the payment of all principal and interest due on said bonds and notes on and prior to the next maturity date that are issued on a parity with the 2016 Note. No money shall be paid out of the Revenue Bond Debt Service Account except to pay principal, premium, if any, and interest on the 2016 Note and any other bonds or notes which are issued on a parity with the 2016 Note.

(d) *Reserve Account.* A "Reserve Account", which was heretofore created, and is hereby continued, to be used only when and if money in the Revenue Bond Debt Service Account or other money available therefor is insufficient to pay principal, premium, if any, and interest on the 2016 Note and other parity bonds and notes payable from the Revenue Bond Debt Service Account. Provided, however, that the money in the Reserve Account may be used to prepay said bonds and notes, when such prepayment will retire all of the bonds and notes of a series then outstanding. On the date of issuance of the 2016 Note, an amount allocable to the 2016 Note shall be deposited in the Reserve Account from the retained earnings of the Water Utility so that the amount therein is equal to the reserve requirement discussed below. Excesses in the Reserve Account shall be removed from the Reserve Account upon the issuance of the 2016 Note and deposited in the Revenue Bond Debt Service Account; and other amounts in the Reserve Fund pursuant to the resolutions authorizing the 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, and 2014 Note shall be maintained therein upon the issuance of the 2016 Note and thereafter to the extent necessary to equal the amount required to be maintained in the Reserve Account as set forth below, being initially amounts required for the 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, 2014 Note, and 2016 Note. Whenever the money in the Reserve Account exceeds the amount required to be maintained in the Reserve Account as set forth below, such excess may be transferred to the Revenue Bond Debt Service Account; and whenever the money in the Reserve Account shall be less than said amount, the Reserve Account shall be restored to said amount from the next available Net Revenues. The amount required to be maintained in the Reserve Account shall be an amount equal to the lesser of: (1) ten percent (10%) of the original principal amount 2016 Note and any additional debt secured by Net Revenues issued and outstanding, (2) the maximum principal and interest due with respect to all debt secured by the Net Revenues in the then current and any future fiscal year of the City, or (3) one hundred twenty-five percent (125%) of the average annual principal and interest due with respect to all debt secured by the Net Revenues in the then current and any future fiscal year of the City; and whenever the money in the Reserve Account exceeds such amount required to be maintained therein, such excess may be transferred to the Revenue Bond Debt Service Account. When only bonds or notes issued after the 1994 Bonds are outstanding, the "maximum principal and interest due in any year" on variable rate bonds shall be calculated at such time (for any variable rate bonds issued prior to such time) or in connection with their issuance (for variable rate bonds issued after such time) assuming the variable rate bonds bear fixed interest for the remainder of their terms or for their terms, as appropriate, at the rates prevailing at such time (for any variable rate bonds issued

prior to such time) or at the time of their issuance (for variable rate bonds issued after such time) for utility revenue bonds of comparable quality, maturity and taxable or tax-exempt status, provided that other or different assumptions may be used if necessary to obtain an investment grade credit rating for the variable rate bonds or to maintain the credit rating(s) then in effect for the bonds then outstanding.

(e) *Excess Net Revenues.* Net Revenues in excess of those required for the foregoing purposes may be used for any proper purpose.

(f) *Deficiency.* The money in the Water Utility Fund shall be allotted and paid to the various accounts herein established in the order in which said accounts are listed on a cumulative basis, and if in any month the money in said accounts is insufficient to place the required amount in any accounts, the deficiency shall be made up in the following month or months after payment into all other accounts having a prior claim on said Net Revenues have been made in full.

(g) *Separate Accounts* All money held in the Revenue Bond Debt Service Account and the Reserve Account created by this Resolution shall be kept separate and apart from all other municipal funds and accounts.

(h) *Rebate.* Notwithstanding anything to the contrary herein, money in the Water Utility Fund and any account thereof may be used to pay any rebate of excess arbitrage earnings on gross proceeds of the 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, 2014 Note, and 2016 Note to be paid to the United States in order to maintain the exclusion from gross income under Section 103 of the Code (as hereinafter defined) of the interest on the 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, 2014 Note, and 2016 Note.

(i) *Subordinate Liens.* Accounts created for bonds, notes or obligations with a lien on Net Revenues subordinate to the lien of the 2016 Note shall be maintained and operated as required by the resolutions authorizing the same.

(j) *Investments.* No portion of the proceeds of the 2016 Note shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (1) for a reasonable temporary period until such proceeds are needed for the purpose for which the 2016 Note was issued, (2) as part of a reasonably required reserve or replacement fund not in excess of ten percent (10%) of the proceeds of the 2016 Note (or in a higher amount which the City establishes is necessary to the satisfaction of the Secretary of the Treasury of the United States), and (3) in addition to the above in an amount not greater than the lesser of (i) five percent (5%) of the proceeds of the 2016 Note or (ii) \$100,000. To this effect, any proceeds of the 2016 Note and any sums from time to time held in the PFA Construction Account, Operation and Maintenance Account, Reserve Account or Revenue Bond Debt Service Account (or any other City or Board account which will be used to pay principal or interest to become due on the 2016 Note, bonds or notes payable therefrom) in excess of amounts which under the federal arbitrage regulations may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments after taking into account any applicable "temporary periods", minor portion or reserve made available under the federal arbitrage regulations. Money in the Water Utility Fund shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the 2016 Note to

be “federally guaranteed” within the meaning of Section 149(b) of the federal Internal Revenue Code of 1986, as amended (the “Code”).

16. Parity Bonds. The 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, 2014 Note, and 2016 Note shall be a first charge and lien upon the Net Revenues of the Water Utility. No part of such Net Revenues shall be pledged to the payment of any general obligation bonds issued by the City while any 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, 2014 Note, and 2016 Note or bonds or notes issued on a parity therewith remain outstanding and undischarged, unless the pledge of Net Revenues to such general obligation bonds is expressly made a second and subsequent lien and the City and Board covenant to make the rates and charges of the Water Utility sufficient to timely pay such general obligation bonds. No additional revenue obligations payable from the Revenue Bond Debt Service Account shall be hereafter issued unless the same are expressly made a second and subsequent lien upon the Net Revenues of the Water Utility; provided, however, that additional obligations may be issued on a parity of lien with the 2016 Note, provided that the annual Net Revenues of said Water Utility for each of the two (2) completed fiscal years immediately preceding the issuance of such additional obligations shall have been one and one-half (1.5) times the maximum annual principal and interest coming due thereafter on all outstanding revenue obligations payable from and having a parity of lien upon the Net Revenues of the Water Utility Fund, including the additional obligations so to be issued; provided further, however, that if the annual Net Revenues in either or both of the aforesaid two (2) completed fiscal years shall be insufficient to meet this test then any reasonably projected increase in Net Revenues for the fiscal year immediately following such second completed fiscal year may be added to the Net Revenues for such completed fiscal years or either of them (but the total of such projected increase in Net Revenues may be added only once) in applying the foregoing test.

For purposes of the foregoing limitations, the “maximum annual principal and interest coming due thereafter” on variable rate bonds shall be calculated assuming the variable rate bonds bear fixed interest at the rates prevailing at the time of the calculation for utility revenue bonds of comparable quality, maturity (or remaining maturity) and taxable or tax-exempt status, provided that other or different assumptions may be used if necessary to obtain an investment grade credit rating for the variable rate bonds or to maintain the credit rating(s) then in effect for the bonds then outstanding.

Such facts shall be shown by the Certificate of the General Manager of the Board of Water Commissioners and shall be a finding of and recited in the resolution of the City authorizing any such additional series. In addition, the following conditions shall be met:

(a) *Pre-Issuance Payments.* The payments required to be made (at the time of the issuance of such parity lien bonds) into the various funds and accounts provided for in this Resolution have been made.

(b) *Maturities.* All such parity lien bonds shall have a December 1 maturity or maturities and shall have semiannual interest payments on June 1 and December 1 in each year; provided that interest payments may be more frequent than semiannually or on dates other than June 1 and December 1 if such interest is paid in full only if at the time of payment the interest deposits into the Revenue Bond Debt Service Account for interest payments on June 1 or December 1, as appropriate, on other bonds are current, and any insufficiency of interest on all parity bonds is allocated proportionately in each six-month period ending June 1 or December 1, as appropriate.

(c) *Purposes.* The proceeds of such parity lien bonds shall be used only for the purpose of (1) making improvements, additions, extensions, renewals or replacements to the Water Utility, and capitalizing interest or establishing Reserves, and paying the costs of such financing, or (2) refunding parity lien bonds (provided that bonds which refund parity lien bonds may instead derive their parity lien status from paragraphs 17 or 23 as applied in paragraph 18).

The 2016 Note shall have a priority of lien over the 1996 Note, and the pledge and appropriation of Net Revenues of the Water Utility for the payment of the 2016 Note shall be superior to the pledge and appropriate to the 1996 Note.

17. Refunding Maturing Bonds. The City also reserves the right and privilege of issuing additional revenue bonds if and to the extent needed to refund maturing bonds payable from money in the Water Utility Fund in case the money in the Revenue Bond Debt Service Account are insufficient to pay the same at maturity, which refunding revenue bonds may be on a parity with this issue as to interest payments even if such interest is in excess of the interest on the refunded bonds, but shall mature subsequent to all the revenue obligations which are payable from the Net Revenues of the Water Utility Fund and which are still outstanding upon completion of such refunding.

18. Other Revenue Obligations. Except as authorized in paragraphs 16, 17 and 23 hereof, the City covenants and agrees that it will issue or incur no obligations payable from the Net Revenues of all or a part of said Water Utility or constituting in any manner a lien thereon, unless such obligations are expressly made junior and subordinate to the lien and charge of the 2016 Note on said Net Revenues. If bonds which refund the 2016 Note are parity lien bonds, they shall enjoy complete equality of lien with any portion of the 2016 Note not refunded and any other then outstanding bonds payable from the Revenue Bond Debt Service Account, if any there be, and such refunding bonds shall continue to have whatever priority of lien over subsequent issues that the refunded bonds may have had. If only a portion of the outstanding 2016 Note shall be refunded and if such 2016 Note shall be refunded in such manner that the interest rate of any refunding bond shall be greater than the interest rate of the corresponding refunded 2016 Note (or the average net interest rate of the refunding bonds shall be, or shall be reasonably estimated to be, higher than the average net interest rate of the refunded 2016 Note), or that the maturity date of any refunding bond shall be earlier than the maturity date of the corresponding refunded 2016 Note (or the average maturity of the refunding bonds shall be earlier than the average maturity of the refunded 2016 Note), then such 2016 Note may not be refunded without the consent of the holders of the unrefunded portion of the 2016 Note and any other bonds then outstanding payable from the Revenue Bond Debt Service Account unless the Net Revenues coverage test of paragraph 16 is met.

19. Insufficient Amounts. In the event that the money in the Revenue Bond Debt Service Account and Reserve Account shall be insufficient at any particular time to pay the principal then due and interest then accrued on all bonds payable from the Revenue Bond Debt Service Account, said moneys shall first be applied to the payment pro rata of the accrued interest on all such bonds, payable over a period ending on June 1 or December 1, as appropriate, and any balance shall be applied in payment pro rata of the principal on all such bonds, provided further that if it shall ever be determined by a court of competent jurisdiction while any such bonds remain outstanding that the sums available and to become available for the payment of the principal thereof and interest thereon are insufficient whether or not then due, then the money in the Revenue Bond Debt Service Account and Reserve Account shall be applied in payment of all principal then outstanding whether or not then due and the interest

accrued thereon to the date of payment ratably according to the aggregate amount thereof without any preference or priority.

20. Suit by Bondholders. The Holders of twenty percent (20%) or more in aggregate principal amount of bonds issued under this Resolution and at any time outstanding may, either at law or in equity, by suit, action, or other proceedings, protect and enforce the rights of all Holders of the 2016 Note then outstanding or enforce or compel the performance of any and all of the covenants and duties specified in this Resolution to be performed by the City or Board or their officers and agents, including the fixing and maintaining of rates and charges and the collection and proper segregation of revenues and the application and use thereof.

21. Covenants. For the protection of the Holders of the 2016 Note, the City herein covenants and agrees to and with the holders thereof from time to time as follows:

(a) *Operate as a Water Utility.* It will at all times through its Board adequately maintain and efficiently operate the Water Utility as a City utility. It will from time to time make all needful and proper repairs, replacements, additions and betterments to the equipment and facilities of said Water Utility so that they may at all times be operated properly and advantageously, and whenever any equipment of said system shall have been worn out, destroyed or otherwise become insufficient for proper use, it shall be promptly replaced or repaired so that the value and efficiency of the facilities shall be at all times fully maintained and its revenues unencumbered by reason thereof.

(b) *Customary Rates.* The rates for all water service and the charges for all water supplied by the Water Utility to the City and its residents and to all other consumers shall be reasonable and just, taking into account the cost and value of the Water Utility, the cost of maintaining and operating the Water Utility and the proper and necessary allowances for depreciation, the amounts required for the payment of principal and interest on the bonds payable from the Net Revenues of the Water Utility, and all other sums customarily paid from the revenues of the Water Utility.

(c) *Maintain Rates.* It will as required by Section 10.11.2 of the City Charter (and it will continue to do so whether or not required by said Charter) establish, maintain and collect such charges and rates as will produce revenues sufficient to pay the reasonable cost of operation, repair and maintenance of the Water Utility and to pay the interest on and principal of the 2016 Note and all bonds on a parity of lien with the 2016 Note, as and when they become due, as well as to provide sufficient money to make the required appropriations to the various funds and accounts established herein. The City will review the schedule of rates and charges for the Water Utility at least annually when the Board budget is reviewed.

(d) *No Sale of Utility.* It will not sell, lease, mortgage, or in any manner dispose of the Water Utility or any part thereof (including any and all extensions and additions that may be made thereto) until all revenue bonds payable from the Net Revenues of the Water Utility or any part thereof have been paid in full; provided, however, that the City may sell the Water Utility or any part thereof if simultaneously with or prior to said sale all of the outstanding bonds are discharged in accordance with paragraph 23 of this Resolution. This covenant shall not be construed to prevent the sale by the City at fair market value of real estate, equipment or other non-revenue-producing properties which in the judgment of the City have become unnecessary, uneconomical or inexpedient to use in connection with the Water Utility provided that suitable facilities are obtained in place thereof and provided further that nothing herein is intended to

prevent the City or Board from terminating or otherwise preventing the termination of contracts for the furnishing of water.

(e) *Books and Records.* It shall cause to be kept proper books, records and accounts adapted to the Water Utility separate from other accounts to be audited at the end of each fiscal year. A copy of said audit shall be furnished, without cost, to the PFA. If the City fails to provide such audit within a reasonable time after the end of said fiscal year, the PFA may cause such audit to be made at the expense of the City. The expense of preparing such audit shall be paid as current operating expenses of the Water Utility. The PFA or its duly appointed representatives, from time to time shall have the right, at all reasonable times, to inspect the Water Utility system and to inspect and copy the books, records, accounts and data relating thereto. The City agrees to furnish copies of such audit, without cost, to the PFA at its request within a reasonable time after the end of each fiscal year.

(f) *Duties.* It will faithfully and punctually perform all duties with reference to the Water Utility required by the City Charter, the Constitution and laws of the State of Minnesota and this Resolution.

(g) *Competition.* It will grant no franchise to any competing utility.

22. Amendments. No change, amendment, modification or alteration shall be made in the covenants made with Holders of the 2016 Note without the consent of the Holders of not less than sixty percent (60%) in principal amount of such 2016 Note then outstanding except for changes, amendments, modifications and alterations (a) made to cure any ambiguity or formal defect or omission, or (b) which would not materially prejudice the Holders of such outstanding 2016 Note; provided, however, that nothing herein contained shall permit or be construed as permitting (1) an extension of the maturity of the principal of or the interest on any such 2016 Note, or (2) a reduction in the principal amount of any such 2016 Note or the rate of interest thereon, or (3) a privilege or priority of any such 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, 2014 Note or 2016 Note over any other bond or bonds except as otherwise provided herein, or (4) a reduction in the aggregate principal amount of such 2016 Note required for consent to any change, amendment, modification or alteration, or (5) the creation of any lien ranking prior to or on a parity with the lien of such 2016 Note, except as hereinbefore expressly permitted, or (6) a modification of any of the provisions of this paragraph without the consent of the Holders of one hundred percent (100%) of the principal amount of such 2016 Note outstanding.

23. Discharge. When all 2016 Note of a series have been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this Resolution to the Holders of the 2016 Note of such series shall cease. The City may discharge all 2016 Note of a series which are due on any date by depositing with the paying agent (but not if a City officer is the paying agent) or an escrow agent for such 2016 Note on or before that date a sum sufficient for the payment thereof in full; or if any 2016 Note should not be paid when due, it may nevertheless be discharged by depositing with the paying agent (but not if a City officer is the paying agent) or an escrow agent a sum sufficient for the payment thereof in full. The City may also discharge any prepayable 2016 Note which are called for redemption on any date when they are prepayable according to their terms, by depositing with the paying agent (but not if a City officer is the paying agent) or an escrow agent on or before that date an amount equal to the principal, interest and redemption premium, if any, which are then due, provided that notice of such redemption has been duly given as provided in this Resolution. The City may also at any time discharge all or a series of the 2016 Note in whole or in part by complying with the

applicable provisions of Section 475.67 of the Municipal Debt Act, and any amendments thereto, except that the funds deposited in escrow in accordance with said provisions may but need not be in whole or part proceeds of advance refunding bonds. The City may discharge the 2016 Note as herein provided without the consent of any Bondholders.

24. Fiscal Year. As used in this Resolution the words "fiscal year" shall mean the twelve (12) month period beginning on January 1 of each year and ending on December 31 of the same year. Should it be deemed advisable at some later date to change the fiscal yearly basis, the same may be done by proper actions to that effect, which change shall not constitute an amendment or modification of this Resolution.

25. Project Loan Agreement. The Project Loan Agreement is hereby approved in substantially the form heretofore presented to the City Council, and in the form executed is hereby incorporated by reference and made a part of this Resolution. Each and all of the provisions of this Resolution relating to the 2016 Note are intended to be consistent with the provisions of the Project Loan Agreement, and to the extent that any provision in the Project Loan Agreement is in conflict with this Resolution as it relates to the 2016 Note, then that provision shall control and this Resolution shall be deemed accordingly modified. The Mayor (or his designee), the City Clerk (or designee), and the Director, Office of Financial Services (or her designee), are hereby authorized and directed to execute the Project Loan Agreement. The execution of the Project Loan Agreement by the appropriate officials shall be conclusive evidence of the approval of the Project Loan Agreement in accordance with the terms hereof.

26. Records and Certificates. The officers of the City are hereby authorized and directed to prepare and furnish to the PFA, and to Barnes & Thornburg LLP, bond counsel to the City, certified copies of all proceedings and records of the City relating to the 2016 Note and to the financial condition and affairs of the City, and such other affidavits, instruments, certificates, and information as are required to show the facts relating to the legality and marketability of the 2016 Note as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates, and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

All documents, certificates, and instruments relating to the issuance of the 2016 Note, including the forms of the 2016 Note may be executed and delivered by the Mayor, the City Clerk, and Director, Office of Financial Services, or their designees or executive assistants, or, in the case of the Mayor, the Deputy Mayor, as determined by Barnes & Thornburg LLP, as bond counsel to the City, and the Office of the City Attorney.

27. Negative Covenants as to Use of Proceeds and Improvements. The City hereby covenants not to use the proceeds of the 2016 Note, or to cause or permit them or any of them to be used, or to enter into any deferred payment arrangements for the cost of 2016 Projects, in such a manner as to cause the 2016 Note to be "private activity bonds" within the meaning of Sections 103 and 141 through 150 of the Code. The City reasonably expects that no actions will be taken over the term of the 2016 Note that would cause them to be private activity bonds, and the average term of the 2016 Note is not longer than reasonably necessary for the governmental purpose of the issue. The City hereby covenants not to use the proceeds of the 2016 Note in such a manner as to cause the 2016 Note to be "hedge bonds" within the meaning of Section 149(g) of the Code.



28. Tax-Exempt Status of the 2016 Note; Rebate; Elections. The City shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the 2016 Note, including without limitation requirements relating to temporary periods for investments, limitations on amounts invested at a yield greater than the yield on the 2016 Note, and the rebate of excess investment earnings to the United States.

If any elections are available now or hereafter with respect to arbitrage or rebate matters relating to the 2016 Note, the Director, Office of Financial Services, is hereby authorized and directed to make such elections as they deem necessary, appropriate or desirable in connection with the 2016 Note, and all such elections shall be, and shall be deemed and treated as, elections of the City.

29. Tax-Exempt Status of the 2016 Note; Rebate. The City with respect to the 2016 Note shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the code of the interests on the 2016 Note, including without limitation (1) requirements relating to temporary periods for investments, (2) limitations on amounts invested at a yield greater than the yield on the 2016 Note, and (3) the rebate of excess investment earning to the United States. The City covenants and agrees with the PFA and holders of the 2016 Note that the investments of proceeds of the 2016 Note, including the investment of any revenues pledged to the 2016 Note which are considered gross proceeds of the 2016 Note under the applicable regulations, and accumulated sinking funds, if any, shall be limited as to amount and yield in such manner that the 2016 Note shall not be arbitrage bonds within the meaning of Section 148 of the Code and any regulations thereunder. On the basis of the existing facts, estimates and circumstances, including the foregoing findings and covenants, the City hereby certified that it is not expected that the proceeds of the 2016 Note will be issued in such manner as to cause the 2016 Note to be arbitrage bonds under section 148 of the Code and any regulations thereunder. The Mayor (or his designee), City Clerk (or designee), and Director, Office of Financial Services (or her designee), shall furnish a certificate to the FPA embracing or based on the foregoing certification at the time of delivery of the 2016 Note.

30. No Designation of Qualified Tax-Exempt Obligations. The 2016 Note, together with other obligations issued by the City in calendar year 2016, exceed in amount those which may be qualified as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and hence are not designated for such purpose.

31. Negotiated Sale. The City has retained Springsted Incorporated as an independent financial advisor, and this Council has heretofore determined, and does hereby determine, to sell the 2016 Note by private negotiation to PFA.

32. Parity Findings. It is hereby found, determined and declared that:

(a) The City does not have any outstanding bonds, warrants, certificates, or other obligations or evidences of indebtedness, or money borrowed for or on account of the Water Utility or indebtedness for which any of the Net Revenues of all or a part of the Water Utility have been pledged which are a prior lien on such Net Revenues, except the 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, and 2014 Note and the subordinate 1996 Note.

(b) All payments required to be made prior to the date hereof into the various funds and accounts of the "Water Utility Fund" established pursuant to the resolutions of this City

Council which authorized the issuance of the 2007 Bonds, 2010 Notes, 2011D Bonds, 2013 Bonds, and 2014 Note have been made.

(c) This City Council has been furnished with the Certificate of the General Manager of Saint Paul Regional Water Services, attesting to the fact that the issuance of the 2016 Note complies with the financial requirements relating to the issuance of Additional Bonds on a parity with prior senior lien bonds.

(d) This City Council, pursuant to advice from the General Manager of Saint Paul Regional Water Services, hereby finds, determines and declares that the estimated Revenues to be derived from the operation of the Water Utility during the term of the 2016 Note will be more than sufficient to provide Net Revenues adequate to pay principal and interest when due on the 2016 Note and on those other bonds which are now outstanding and to maintain the Reserve Account required therefor.

(e) The 2016 Note has interest payments on June 1 and December 1, commencing June 1, 2017 and a December 1, 2036 final maturity date.

33. Covenant with Holders. Each and all of the terms and provisions of this Resolution shall be and constitute a covenant on the part of the City to and with each and every Holder from time to time of the Bonds.

34. Severability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution

35. Headings. Headings in this Resolution are included for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof.

I, Shari Moore, City Clerk of the City of Saint Paul, Minnesota, do hereby certify that I have compared the attached copy of RES 16-1973 as adopted by the City Council on 11/9/2016 and approved by the Mayor with the original thereof on file in my office.



**Attest:**

**Shari Moore**

**November 29, 2016**

**Date Certified**

**EXHIBIT A**

**UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
RAMSEY COUNTY  
CITY OF SAINT PAUL**

**\$ \_\_\_\_\_ WATER REVENUE NOTE  
SERIES 2016**

KNOW ALL PERSONS BY THESE PRESENTS that the City of Saint Paul, Ramsey County, Minnesota (the "City"), certifies that it is indebted and for value received promises to pay to the Minnesota Public Facilities Authority or the registered assign, the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), or so much thereof as shall be disbursed, solely from the source and in the manner hereinafter set forth, on December 1 of the years and in the installments as follows:

<u>Payment Date</u>	<u>Principal Amount</u>	<u>Payment Date</u>	<u>Principal Amount</u>
2017	\$	2027	\$
2018		2028	
2019		2029	
2020		2030	
2021		2031	
2022		2032	
2023		2033	
2024		2034	
2025		2035	
2026		2036	

and to pay interest on so much of the principal amount of the debt as (i) may be disbursed from time to time as provided in the Project Loan Agreement (as defined below) and (ii) remains unpaid, from December 1, 20\_\_, for disbursements made on or prior to that date or from the date of each later disbursement until the principal amount hereof is paid or has been provided for, at the rate of 1.033% per annum from the date hereof until December 1, 2036 (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Note is payable semiannually on each June 1 and December 1, commencing June 1, 2017.

Principal and Interest Payments. Amounts payable on this 2016 Note are payable solely from Net Revenues as provided below. Interest shall accrue only on the aggregate amount of this 2016 Note which has been disbursed under the Minnesota Public Facilities Authority Revenue Bond Purchase and Loan Agreement dated as of \_\_\_\_\_ 1, 2016, by and between the City and the Minnesota Public Facilities Authority (the "Project Loan Agreement"). The principal installments shall be paid in the amounts scheduled above even if at the time of payment the full principal amount of the Note has not been disbursed; provided that if the full principal amount of this 2016 Note is never disbursed, the amount of the principal not disbursed shall be applied to reduce each unpaid principal installment in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule shall, be reamortized to provide proportionately reduced principal payments).

Interest on this 2016 Note includes amounts treated by the Minnesota Public Facilities Authority as service fees. Principal, interest and any premium due under this 2016 Note will be paid on each payment date by wire payment, or by check or draft mailed five (5) business days prior to the payment date to the person in whose name this 2016 Note is registered, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Redemption. This 2016 Note is subject to redemption and prepayment in whole or in part at the option of the City or mandatorily as provided in the Project Loan Agreement. If redemption is in part, each installment of principal shall be prepaid in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule shall be reamortized to provide proportionately reduced principal payments), unless the City and the holder of this 2016 Note agree to a different result.

Issuance; Purpose; Special Obligation. This 2016 Note has been issued pursuant to and in full conformity with the Constitution and laws of the State of Minnesota and the Charter of the Issuer, and pursuant to a resolution adopted by the City Council of the Issuer on November 9, 2016 (the "Resolution"), for the purpose of providing money to finance the construction of improvements to the City's Water Utility as more fully described in the Resolution. This 2016 Note and the interest thereon are payable solely and exclusively from the Net Revenues of the Water Utility of the Issuer pledged to the payment thereof, and do not constitute a debt of the Issuer or of the Saint Paul Board of Water Commissioners within the meaning of any constitutional, Charter or statutory limitation of indebtedness. In the event of any default hereunder, the holder of this 2016 Note may exercise any of the rights and privileges granted by the laws of the State of Minnesota, subject to the provisions of the Resolution. This issue, together with \$8,985,000 Water Revenue Refunding Bonds, Series 2007A (the "2007 Bonds"), \$5,960,000 Water Revenue Note, Series 2010A (the "2010A Note"), \$23,107,000 Water Revenue Note, Series 2010B (the "2010B Note"), \$3,675,000 Water revenue Refunding Bonds, Series 2011D (the "2011D Bonds"), \$14,480,000 Water Revenue Refunding Funds, Series 2013A (the "2013 Bonds"), and \$2,200,000 Water Revenue Note, Series 2014 (the "2014 Note") issued by the Issuer, except that the Issuer is authorized under certain conditions to issue additional revenue obligations on a parity of lien with the 2016 Note and these bonds, all as provided in the Resolution.

Registration; Transfer. This 2016 Note shall be registered in the name of the payee on the books of the City by presenting this 2016 Note for registration to the City's Treasurer, who will endorse his or her name and note the date of registration opposite the name of the payee in the certificate of registration attached hereto. Thereafter this 2016 Note may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or his, her or its legal representative, and the City may treat the registered owner as the person exclusively entitled to exercise all the rights and powers of an owner until this 2016 Note is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted hereon by the City's Treasurer.

Fees upon Transfer or Loss. The Treasurer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer of this 2016 Note and any legal or unusual costs regarding transfers and-lost notes.

Project Loan Agreement. The terms and conditions of the Project Loan Agreement are incorporated herein by reference and made a part hereof. The Project Loan Agreement may be

attached to this 2016 Note, and shall be attached to this 2016 Note if the holder of this 2016 Note is any person other than the Minnesota Public Facilities Authority.

Tax-Exempt Obligation. The City intends that the interest on this 2016 Note will be excluded from gross income for United States income tax purposes and from both gross income and taxable net income for State of Minnesota income tax purposes.

Not Qualified Tax-Exempt Obligation. This 2016 Note has not been designated by the Issuer as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the federal Internal Revenue Code of 1986, as amended. This 2016 Note does not qualify for such designation.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota and the Charter of the Issuer to be done, to happen and to be performed, precedent to and in the issuance of this 2016 Note, have been done, have happened and have been performed, in regular and due form, time and manner as required by law; that this 2016 Note, together with all other debts of the Issuer outstanding on the date hereof, being the date of its actual issuance and delivery, does not exceed any constitutional or statutory or Charter limitation of indebtedness; and that the Issuer will establish rates and charges for the water service furnished by its Water Utility sufficient in amount to promptly meet the principal and interest requirements of this 2016 Note.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the City of Saint Paul, Ramsey County, Minnesota, by its City Council has caused this 2016 Note to be executed on its behalf by the signature of its Mayor, attested by the signature of its Clerk, and countersigned by the signature of its Director, Office of Financial Services, all as of \_\_\_\_\_ 2016.



**City of Saint Paul**

**Certified Copy**

**Resolution: RES 16-231**

City Hall and Court  
House  
15 West Kellogg  
Roulevard  
Phone: 651-261-3330

**File Number: RES 16-231**

Granting preliminary approval to the issuance of certain general obligation and revenue bonds as approved in the 2016 budget of the City and authorizing City finance staff and advisors to take certain actions with respect to the sale of such bonds.

WHEREAS, on December 15, 2016 the City Council (the "City Council") of the City of Saint Paul, Minnesota (the "City") approved the 2016 City Budget including the issuance of multiple series of general obligation and revenue bonds and certain lease-purchase obligations (collectively, the "Bonds") in calendar year 2016 as described below and on Exhibit A attached hereto and made a part hereof; and

WHEREAS, the general obligation capital improvement bonds identified on Exhibit A attached hereto will be general obligations of the City payable from general ad valorem taxes and will (i) fund various capital improvement projects identified in the City's approved Capital Improvement Budget for the years 2016 through 2020, and (ii) pay costs of issuance; and

WHEREAS, the sewer revenue bonds identified on Exhibit A attached hereto will be special limited obligations of the City payable solely from the City's sewer enterprise fund and the sewer bonds will fund (i) certain sewer improvement and rehabilitation projects as set forth in the 2016 City Budget, and (ii) pay costs of issuance; and

WHEREAS, the water revenue bonds identified on Exhibit A attached hereto will be special limited obligations of the City payable solely from revenues of the Saint Paul Regional Water Services and the water bonds will fund (i) certain water improvement and rehabilitation projects as set forth in the 2016 City Budget, and (ii) pay costs of issuance; and

WHEREAS, the general obligation street improvement bonds identified on Exhibit A attached hereto will be general obligations of the City payable from general ad valorem taxes and special assessments against benefited properties and will fund (i) certain St. Paul Street Vitality program improvement and rehabilitation projects for 2016 as set forth in the 2016 City Budget; and (ii) pay costs of issuance; and

WHEREAS, lease-purchase financings identified on Exhibit A attached hereto will be annual appropriation lease financings and will not be a general obligation of the City and will fund (i) public safety equipment, public works equipment and other capital equipment for use by City departments identified on Exhibit A attached hereto and (ii) costs of issuance; and

WHEREAS, the City along with Springsted Incorporated, as the City's municipal advisor, are monitoring certain prior bond issues of the City (including lease revenue bonds or prior lease-purchase agreements) for refunding in advance of their maturities as identified on Exhibit A hereto and the City may issue refunding bonds or other debt obligations as preliminarily approved by this resolution; and

WHEREAS, the City's Office of Financial Services and Springsted Incorporated, as the City's municipal advisor, also routinely monitor the City's other outstanding debt obligations not identified

City of Saint Paul

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Printed on 4/7/16

**CITY OF SAINT PAUL,  
RAMSEY COUNTY, MINNESOTA**

Mayor or designee

Attest:

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City Clerk or designee

Countersigned:

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Director, Office of Financial Services or designee

CERTIFICATE OF REGISTRATION

The transfer of ownership of the principal amount of the attached 2016 Note may be made only by the registered owner or his, her or its legal representative last noted below.

<u>Date of Registration</u>	<u>Name and Address of Registered Owner</u>	<u>Signature of City Treasurer</u>
, 2016	Minnesota Public Facilities Authority Saint Paul, Minnesota Federal Employer Identification No.41-6007162	



## Exhibit B

### Loan Amortization Schedule

Saint Paul - dw05

MPFA-

funding dates:

7,564,417.00

Rate: 1.033%

Date:

Maturity: 12/01/36

private activity:

final loan amount: 7,564,417.00

Date	Effective	Source	Disbursement	Repayment	Interest	Principal	Loan Balance	Annl Debt Srv
projected	11/23/16	Op Res	7,564,417.00				7,564,417.00	
	06/01/17				40,372.56		7,564,417.00	
	12/01/17			232,859.77	79,442.77	153,417.00	7,411,000.00	232,859.77
	06/01/18			38,277.82	38,277.82		7,411,000.00	
	12/01/18			393,277.82	38,277.82	355,000.00	7,056,000.00	431,555.64
	06/01/19			36,444.24	36,444.24		7,056,000.00	
	12/01/19			395,444.24	36,444.24	359,000.00	6,697,000.00	431,888.48
	06/01/20			34,590.01	34,590.01		6,697,000.00	
	12/01/20			396,590.01	34,590.01	362,000.00	6,335,000.00	431,180.02
	06/01/21			32,720.28	32,720.28		6,335,000.00	
	12/01/21			398,720.28	32,720.28	366,000.00	5,969,000.00	431,440.56
	06/01/22			30,829.89	30,829.89		5,969,000.00	
	12/01/22			400,829.89	30,829.89	370,000.00	5,599,000.00	431,659.78
	06/01/23			28,918.84	28,918.84		5,599,000.00	
	12/01/23			402,918.84	28,918.84	374,000.00	5,225,000.00	431,837.68
	06/01/24			26,987.13	26,987.13		5,225,000.00	
	12/01/24			404,987.13	26,987.13	378,000.00	4,847,000.00	431,974.26
	06/01/25			25,034.76	25,034.76		4,847,000.00	
	12/01/25			407,034.76	25,034.76	382,000.00	4,465,000.00	432,069.52
	06/01/26			23,061.73	23,061.73		4,465,000.00	
	12/01/26			408,061.73	23,061.73	385,000.00	4,080,000.00	431,123.46
	06/01/27			21,073.20	21,073.20		4,080,000.00	
	12/01/27			410,073.20	21,073.20	389,000.00	3,691,000.00	431,146.40
	06/01/28			19,064.02	19,064.02		3,691,000.00	
	12/01/28			412,064.02	19,064.02	393,000.00	3,298,000.00	431,128.04
	06/01/29			17,034.17	17,034.17		3,298,000.00	
	12/01/29			415,034.17	17,034.17	398,000.00	2,900,000.00	432,068.34
	06/01/30			14,978.50	14,978.50		2,900,000.00	
	12/01/30			416,978.50	14,978.50	402,000.00	2,498,000.00	431,957.00
	06/01/31			12,902.17	12,902.17		2,498,000.00	
	12/01/31			418,902.17	12,902.17	406,000.00	2,092,000.00	431,804.34
	06/01/32			10,805.18	10,805.18		2,092,000.00	
	12/01/32			420,805.18	10,805.18	410,000.00	1,682,000.00	431,610.36
	06/01/33			8,687.53	8,687.53		1,682,000.00	
	12/01/33			422,687.53	8,687.53	414,000.00	1,268,000.00	431,375.06
	06/01/34			6,549.22	6,549.22		1,268,000.00	
	12/01/34			424,549.22	6,549.22	418,000.00	850,000.00	431,098.44
	06/01/35			4,390.25	4,390.25		850,000.00	
	12/01/35			427,390.25	4,390.25	423,000.00	427,000.00	431,780.50
	06/01/36			2,205.46	2,205.46		427,000.00	
	12/01/36			429,205.46	2,205.46	427,000.00	-	431,410.92
<b>totals</b>			7,564,417.00	8,432,968.57	868,551.57	7,564,417.00		8,432,968.57

65466-TBO (BWJ)  
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