



## Legislation Text

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**File #:** RES 24-953, **Version:** 1

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Supplementing the general resolution (RES 23-289) relating to Water Revenue Bonds of the City; accepting the offer of the Minnesota Public Facilities Authority to purchase a Water Revenue Note in an aggregate principal amount not to exceed \$29,000,000; providing for the issuance of a Water Revenue Note, Series 2024 -1; and authorizing execution of a Project Loan Agreement with the Minnesota Public Facilities Authority.

WHEREAS, Saint Paul Regional Water Services ("SPRWS") 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"), through the issuance of one or more water revenue notes by the City in an original aggregate amount not to exceed \$29,000,000, to provide financing for (i) certain identified water improvement and rehabilitation projects as set forth in the Water Capital Improvement Plan for the years 2020 through 2026 generally described as McCarron's Treatment Plant Improvements, including but not limited to financing the construction and equipping of new softening and settling facilities, new chemical handling facilities, new recarbonation facilities, new ozone facilities, and a new laboratory and operations space (the "WTP Modernization Project") as improvements to the City's municipal water utility (the "Water Utility") operated by SPRWS, and (ii) costs of issuance of the 2024 PFA Note; and

WHEREAS, SPRWS 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 previously deemed it necessary and expedient to undertake the WTP Modernization Project; 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 City will issue its tax-exempt Water Revenue Note, Series 2024-1 (the "2024 PFA Note" or the "2024-1 Note") in an amount not to exceed \$29,000,000 in order to fund a portion of the cost of the WTP Modernization Project and pay costs of issuance; and

WHEREAS, the PFA has committed to make a loan to the City in a principal amount not to exceed \$29,000,000, to be evidenced by the 2024 PFA Note and disbursed and repaid in accordance with the terms of a Minnesota Public Facilities Authority Revenue Bond Purchase and Project Loan Agreement (the "2024 Project Loan Agreement") to be executed by the PFA and the City and agreed to by the Board, if necessary, a copy of which is before this meeting and on file with the City Clerk; and the 2024 Project Loan Agreement, as executed, is incorporated by reference hereto; 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 adopted Resolution 24-838 on June 4, 2024 requesting that the City issue and sell the 2024 PFA Note and the execution and delivered of the 2024 Project Loan Agreement to the PFA to finance a portion of the cost of the WTP Modernization Project; and

WHEREAS, on July 9, 2024 the Board adopted Resolution 24-974 reaffirming its concurrence of the issuance of the 2024 PFA Note by the City and the execution and delivery of the 2024 Project Loan Agreement to finance a portion of the cost of the WTP Modernization Project; and

WHEREAS, on March 8, 2023, the City Council of the City adopted Resolution No. 23-289, entitled “General Resolution relating to water revenue bonds of the City of Saint Paul, Minnesota and authorizing the issuance and sale of Water Revenue Bonds, Series 2023A; awarding the sale thereof to the purchaser named herein; and fixing the form and specifications of the Water Revenue Bonds, Series 2023A and providing the requirement for future parity water revenue bonds” (the “General Resolution”); and

WHEREAS, the General Resolution contemplates the adoption of future resolutions which supplement or amend the General Resolution, including a Supplemental Resolution (as defined in the General Resolution) for a series of Additional Parity Bonds (as defined in the General Resolution) and authorizing the issuance of Additional Parity Bonds in the form of the 2024 PFA Note; and

WHEREAS, it is necessary and desirable to adopt this resolution as a Supplemental Resolution to the General Resolution to provide for the issuance of the 2024 PFA Note on a parity of lien with the City’s outstanding (a) Water Revenue Note, Series 2010A (the “2010A Note”), issued pursuant to a resolution adopted by the City Council of the City (the “City Council”) on June 16, 2010, of which \$9,086,000 is currently Outstanding, (b) Water Revenue Note, Series 2010B (the “2010B Note” and together with the 2010A Note, the “2010 Notes”), issued pursuant to a resolution adopted by the City Council on June 16, 2010, of which \$2,349,000 is currently Outstanding, (c) Water Revenue Note, Series 2014 (the “2014 Note”), issued pursuant to a resolution adopted by the City Council on June 4, 2014, of which \$1,288,000 is currently Outstanding, (d) Water Revenue Note, Series 2016 (the “2016 Note”), issued pursuant to a resolution adopted by the City Council on November 9, 2016, of which \$5,101,000 is currently Outstanding, (e) Water Revenue Note, Series 2021 (the “2021 Note”), issued pursuant to a resolution adopted by the City Council on April 7, 2021, of which \$13,278,000 is currently Outstanding, (f) Water Revenue Note, Series 2022 (the “2022 Note”) issued pursuant to a resolution adopted by the City Council on May 4, 2022, of which \$44,081,000 is currently Outstanding; and (g) Water Revenue Note, Series 2023 (the “2023 Note”) issued pursuant to a supplemental resolution adopted by the City Council on July 12, 2023, of which \$24,458,000 is currently Outstanding (collectively, the 2023 Note, the 2010 Notes, the 2014 Note, the 2016 Note, the 2021 Note and the 2022 Note are referred to herein as the “Outstanding Parity Notes”), and (h) Water Revenue Bonds, Series 2023A (the “Series 2023A Bonds”), issued pursuant to the General Resolution, of which \$92,915,000 is outstanding, which are the only notes and bonds outstanding under the General Resolution; and

WHEREAS, the Outstanding Parity Notes and the Series 2023A Bonds were all issued to finance capital improvements to the Water Utility operated and owned by SPRWS; and

WHEREAS, the Outstanding Parity Notes have all been purchased by the PFA under the terms of various loan agreements, as amended, with the PFA (the “Prior PFA Loan Agreements”), and

WHEREAS, all capitalized terms used in this Supplemental Resolution No. 2 and not defined herein shall have the meanings granted to them in the General Resolution; and

WHEREAS, it is necessary and desirable to provide for the issuance of the 2024 PFA Note on a parity of lien with the Outstanding Parity Notes and the Series 2023A Bonds; and Section 6.3 of the General Resolution provides for the issuance of parity lien bonds (on parity with the Outstanding Parity Notes, the Series 2023A Bonds, and future Additional Parity Bonds); and

WHEREAS, herein the City makes various findings demonstrating the propriety of the issuance of the 2024 PFA Note as an Additional Parity Bond on a parity with the Outstanding Parity Notes and the Series 2023A Bonds; and

WHEREAS, in accordance with advice received from the Board, this City Council finds, determines and declares that it is necessary and expedient to provide moneys to finance the WTP Modernization Project and provide for the costs of the issuance of the 2024 PFA Note from the proceeds of obligations payable solely from the Net Revenues of the Water Utility; and

WHEREAS, a contract or contracts for the portion of the WTP Modernization Project to be financed with proceeds of the 2024 PFA Note 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. Supplemental Resolution No. 2; Parity Bonds Findings; Capitalized Terms. This Resolution No. 2 to the General Resolution constitutes a "Supplemental Resolution" as defined therein. The 2024 PFA Note is an "Additional Parity Bond" which is a "Fixed Rate Bond" and "Tax-Exempt Bond," all as defined in the General Resolution. It is hereby found, determined and declared that (1) the 2024 PFA Note is issued on a parity of lien with the other Outstanding Parity Notes and the Series 2023A Bonds pursuant to Section 6.3 of the General Resolution to finance the WTP Modernization Project, and (2) the 2024 PFA Note meets the requirements to be issued as an Additional Parity Bond. Capitalized terms used in this Supplemental Resolution No. 2 which are not defined herein but which are defined in the General Resolution shall have the meanings given such terms in the General Resolution.

2. Acceptance of Offer; Payment. The offer of PFA to purchase the 2024 PFA Note is accepted, and the sale of the 2024 PFA Note is hereby awarded to the PFA. Payment for the 2024 PFA Note shall be disbursed in installments as provided in the 2024 Project Loan Agreement as eligible costs of the WTP Modernization Project are reimbursed or paid.

3. Title; Original Issue Date; Denominations; Maturity. The 2024 PFA Note shall be titled "Water Revenue Note, Series 2024-1," and shall be issued in an amount not to exceed \$29,000,000 or so much thereof as shall be disbursed pursuant to the 2024 Project Loan Agreement. The 2024 PFA Note shall be dated its date of issuance. The 2024 PFA Note shall bear interest on so much of the principal amount of the 2024 PFA Note as (i) may be disbursed from time to time as provided in the 2024 Project Loan Agreement at the rate which will not exceed 2.378% per annum (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the 2024 PFA Note is payable semiannually on each June 1 and December 1, commencing December 1, 2025. Principal on the 2024 PFA Note shall mature on December 1, 2044 with principal installments as set forth in the 2024 PFA Note.

Interest shall accrue only on the aggregate amount of the 2024 PFA Note which has been disbursed and is unpaid under the 2024 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 2024 PFA Note has not been disbursed; provided that if the full principal amount of the 2024 PFA 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 2024 PFA 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 2024 PFA 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 2024 PFA Note includes amounts treated by the PFA as service fees.

4. Purpose. The proceeds of the 2024 PFA Note will pay a portion of the cost of the acquisition, construction, installation and equipping of the WTP Modernization Project, including legal and other professional charges, publication and printing costs, and interest accruing on money borrowed for the WTP Modernization Project. The City covenants that it shall do all things and perform all acts required of it to assure that work on the WTP Modernization Project proceeds with due diligence to completion and that any permits and studies required under law for the WTP Modernization Project have been obtained.

5. Redemption. The 2024 PFA 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 2024 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 2024 PFA Note agree to a different result.

6. Note Registrar. As provided in the General Resolution, the Treasurer of the City is appointed to act as note registrar and transfer agent with respect to the 2024 PFA 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 2024 PFA Note unless and until a successor Paying Agent is duly appointed. Principal of and interest on the 2024 PFA Note shall be paid to the registered holder or holders of the 2024 PFA Note (the "Holder" or "Holders") in the manner set forth in the form of the 2024 PFA 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 2024 PFA Note and the registration of transfers and exchanges of the 2024 PFA Note entitled to be registered, transferred, or exchanged.

(b) *Transfer of 2024 PFA Note.* Upon surrender for transfer of a 2024 PFA 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 2024 PFA 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 2024 PFA Note.* When a 2024 PFA Note is surrendered by the registered owner for exchange, the Note Registrar shall authenticate and deliver one or more new 2024 PFA 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 2024 PFA 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 2024 PFA Note is presented to the Note Registrar for transfer, the Note Registrar may refuse to transfer the 2024 PFA Note until the Note Registrar is satisfied that the endorsement on the 2024 PFA 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 2024 PFA Note is registered in the bond register as the absolute owner of the 2024 PFA Note, whether the 2024 PFA Note is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on the 2024 PFA 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 2024 PFA 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 2024 PFA 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 2024 PFA Note.* If a 2024 PFA Note becomes mutilated or is destroyed, stolen, or lost, the Note Registrar shall deliver a new 2024 PFA Note of like amount, number, maturity date, and tenor in exchange and substitution for and upon cancellation of the mutilated 2024 PFA Note or in lieu of and in substitution for any 2024 PFA 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 2024 PFA Note destroyed, stolen, or lost, upon filing with the Note Registrar of evidence satisfactory to it that the 2024 PFA 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 obligees. A 2024 PFA 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 2024 PFA Note has already matured or been called for redemption in accordance with its terms, it is not necessary to issue a new 2024 PFA Note prior to payment.

7. Registration and Payment. The 2024 PFA Note will be issued only in fully registered form. The interest thereon and, upon surrender of the 2024 PFA Note, the principal amount thereof, is payable by check, draft, wire transfer, ACH payment or other electronic means issued by the Note Registrar (or the City if authorized by the City). The 2024 PFA Note shall be dated as of the last interest payment date preceding the date of authentication to which interest on the 2024 PFA 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 2024 PFA 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 2024 PFA Note will be dated as of the date of original issue.

8. Form of 2024 PFA Note. All of the provisions of the 2024 PFA Note, when executed as authorized herein, shall be deemed to be a part of this Supplemental Resolution No. 2 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 2024 PFA Note shall be issued in the form of a registered note and shall be substantially in the form attached to this Supplemental Resolution No. 2 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 2024 PFA Note by the City shall be conclusive evidence of such determinations. Changes to the form of the 2024 PFA 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 Ballard Spahr LLP, Minneapolis, Minnesota, as bond counsel to the City for the 2024 PFA Note, which shall be complete except as to dating thereof and cause the opinion to accompany the 2024 PFA Note.

9. Execution. The 2024 PFA 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, photocopied facsimiles, or a digital signature of an authorized representative of any party provided by AdobeSign or DocuSign (or such other digital signature provider as specified by such party), and the corporate seal of the City may be omitted on the 2024 PFA Note as permitted by law. In the event of disability or resignation or other absence of any such officer, the 2024 PFA Note may be signed by the manual, facsimile, or digital signature of such officer provided by AdobeSign or DocuSign (or such other digital signature provider as specified by such party) of such 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 2024 PFA Note shall cease to be such officer before the delivery of the 2024 PFA 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.

10. Authentication; Date of Registration. The 2024 PFA Note shall not be valid or obligatory for any purpose or be entitled to any security or benefit under this Supplemental Resolution No. 2 unless a Certificate of Authentication on such 2024 PFA 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 2024 PFA Notes need not be signed by the same person. The Note Registrar shall authenticate the signatures of officers of the City on the 2024 PFA Note by execution of the Certificate of Authentication on the 2024 PFA Note and by inserting as the date of registration in the space provided the date on which the 2024 PFA Note is authenticated. For purposes of delivering the 2024 PFA Note to the PFA, the Note Registrar shall insert as the date of registration the date of original issue. The Certificate of Authentication so executed on the 2024 PFA Note shall be conclusive evidence that it has been authenticated and delivered under this Supplemental Resolution No. 2.

11. 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 2024 PFA Note and the registration of transfers of the 2024 PFA Note entitled to be registered or transferred as herein provided.

12. Rights upon Transfer or Exchange. Each 2024 PFA Note delivered upon transfer of or in exchange for or in lieu of any other 2024 PFA Note shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other 2024 PFA Note.

13. Interest Payment; Record Date. Interest shall be paid on each Interest Payment Date by check, draft, wire transfer, ACH Payment, or other electronic means to the PFA or any future Holder as of 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.

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

(a) Holders. The "Holder" of a 2024 PFA 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 2024 PFA Note, other than payments, redemptions, and purchases, the City may (but shall not be obligated to) treat as the Holder of a 2024 PFA Note the beneficial owner of the 2024 PFA Note instead of the person in whose name a 2024 PFA Note is registered. For that purpose, the City may ascertain the identity of the beneficial owner of a 2024 PFA 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 2024 PFA Note is registered identifying such beneficial owner. The initial beneficial owner of the 2024 PFA Note is

the PFA.

(b) *Treatment of Registered Owner.* The City and its Treasurer may treat the persons in whose name the 2024 PFA Note is registered as the owner of the 2024 PFA Note for the purpose of receiving payment of principal of and premium, if any, and interest on, the 2024 PFA Note and for all other purposes whatsoever whether or not the 2024 PFA 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 2024 PFA Note, if made in the following manner, shall be sufficient for any of the purposes of this Supplemental Resolution No. 2, 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 2024 PFA Note, and the date of the holding of the same, may be proved by reference to the note register.

15. Delivery; Application of Proceeds. The 2024 PFA Note when so prepared and executed shall be delivered by the Director, Office of Financial Services, to the PFA thereof prior to disbursements pursuant to the 2024 Project Loan Agreement, and PFA shall not be obliged to see to the proper application thereof.

16. Fund and Accounts. For the convenience and proper administration of the funds of the Water Utility there has previously been created the Board of Water Commissioners Water Utility Enterprise Fund (the "Water Utility Fund," heretofore in the General Resolution also referred to as the "Water Utility Enterprise Fund"). The General Resolution also created various accounts for the administration of Parity Bonds and other obligations issued pursuant to the General Resolution as amended by Supplemental Resolutions. This Supplemental Resolution No. 2 amends the General Resolution to provide amendments to provide for additional subaccounts to administer the 2024 PFA Note, including for the payment of principal of and interest on the 2024 PFA Note until the principal of the 2024 PFA Note and interest 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 Supplemental Resolution No. 2. In such records there shall be maintained subaccounts in the various accounts of the Water Utility Fund for the purposes and in the amounts as follows:

(a) *2024 PFA Subaccount in the Construction Account.* A separate "2024 PFA Note Construction Subaccount" shall be established in the "PFA Construction Account" created under the General Resolution, to which shall be credited all proceeds received from the sale of the 2024 PFA Note. The 2024 PFA Note shall be the only source of money credited to the PFA Construction Account. It is recognized that the sale proceeds of the 2024 PFA Note are received in reimbursement for costs expended on the WTP Modernization Project 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 WTP Modernization Project, including all costs enumerated in Section 475.65 of the Municipal Debt Act, and (ii) the costs of issuance for the 2024 PFA Note provided that such money shall only be expended for costs and expenses which are permitted under the 2024 Project Loan Agreement. The PFA prohibits the use of proceeds of the 2024 PFA Note to reimburse costs initially paid from proceeds of other obligations of the City unless otherwise specifically approved. Upon completion of the WTP Modernization Project, and the payment of the costs thereof, any surplus shall be transferred to the Revenue Bond Debt Service Account.

(b) *2024 PFA Note Subaccount in the Revenue Bond Debt Service Account.* A separate “2024 PFA Note Subaccount” shall be established in the “Revenue Bond Debt Service Account” created under the General Resolution, 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 a sum equal to the proportionate pro-rata amount of the principal amount of and interest due on the 2024 PFA Note on December 1, 2025 and each December 1 thereafter the proportionate pro-rata amount of the interest due on the next Payment Date and the proportionate pro-rata amount of the principal due on the next December 1 Payment Date. No money shall be paid out of the 2024 PFA Subaccount except to pay principal, premium, if any, and interest on the 2024 PFA Note.

(d) *Excess Net Revenues.* Net Revenues in excess of those required for the foregoing purposes may be used for any proper purpose as set forth in the General Resolution.

(e) *Deficiency.* The money in the Water Utility Fund shall be allotted and paid to the various accounts as provided in the General Resolution as amended by any Supplemental Resolution No. 2.

(f) *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 Outstanding Parity Notes, the Series 2023A Bonds, the 2024 PFA Note, and future Additional Parity Bonds that are Tax-Exempt Bonds to be paid to the United States in order to maintain the exclusion from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) of the interest on the Outstanding Parity Notes, the Series 2023A Bonds, the 2024 PFA Note, and future Additional Parity Bonds that are Tax-Exempt Bonds.

(g) *Investments.* No portion of the proceeds of the 2024 PFA 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 2024 PFA 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 2024 PFA 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 2024 PFA Note or (ii) \$100,000. Investment of the proceeds of the 2024 PFA Note shall be interested in accordance with the terms of the General Resolution.

17. *Parity Bonds.* The Outstanding Parity Notes, the Series 2023A Bonds, and the 2024 PFA 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 Outstanding Parity Notes, the Series 2023A Bonds, and 2024 PFA Note or future Additional Parity Bonds 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 except as



provided in the General Resolution.

18. No Funded Reserve Account. The Reserve Requirement for the 2024 PFA Note will be \$0 and the 2024 PFA Note, along with the Outstanding Parity Notes and the Series 2023A Bonds, are not secured by the Reserve Account. The 2024 PFA Note will never have any right to amounts on deposit in the Reserve Account.

19. Suit by Bondholders. The Holders of the 2024 PFA Note may only bring suit in accordance with the terms of the General Resolution.

20. Covenants. For the protection of the Holder of the 2024 PFA Note, the City herein covenants and agrees to comply with the covenants and requirements of the General Resolution.

21. Amendments. No change, amendment, modification or alteration shall be made in the covenants made with Holders of the 2024 PFA Note except as provided in the General Resolution and this Supplemental Resolution No. 2. The City may make amendments to the 2024 PFA Note that are not prejudicial to the holders of Parity Bonds (including the Series 2023A Bonds and the Outstanding Parity Notes) with the consent of the Holder of the 2024 PFA Note. Otherwise, amendments to the 2024 PFA Note are governed by the provisions of the General Resolution; 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 2024 PFA Note, or (2) a reduction in the principal amount of any such 2024 PFA Note or the rate of interest thereon, or (3) a privilege or priority of any Outstanding Parity Notes, Series 2023A Bonds, or 2024 PFA Note over any other bond or bonds except as otherwise provided herein, or (4) a reduction in the aggregate principal amount of such 2024 PFA 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 2024 PFA Note, except as hereinbefore expressly permitted, or (6) a modification of any of the provisions of this paragraph without the consent of the Holder of one hundred percent (100%) of the principal amount of the Outstanding 2024 PFA Note.

22. Discharge. When the 2024 PFA Note has been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this Supplemental Resolution No. 2 to the Holder of the 2024 PFA Note. The City may discharge all or a portion of the 2024 PFA Note which is 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 2024 PFA Note on or before that date a sum sufficient for the payment thereof in full; or if the 2024 PFA 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 all or a portion of the 2024 PFA Note which is 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 Supplemental Resolution No. 2. The City may also at any time discharge all or a portion of the 2024 PFA 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 2024 PFA Note as herein provided without the consent of any Bondholders.

23. Fiscal Year. As used in this Supplemental Resolution No. 2 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 Supplemental Resolution No. 2.

24. 2024 Project Loan Agreement. The 2024 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 Supplemental Resolution No. 2. Each and all of the provisions of this Supplemental Resolution No. 2 relating to the 2024 PFA Note are intended to be consistent with the provisions of the 2024 Project Loan Agreement, and to the extent that any provision in the 2024 Project Loan Agreement is in conflict with this Supplemental Resolution No. 2 as it relates to the 2024 PFA Note, then that provision shall control and this Supplemental Resolution No. 2 shall be deemed accordingly modified. The Mayor (or her/his designee), the City Clerk (or proper designee), and the Director, Office of Financial Services (or her/his designee), are hereby authorized and directed to execute the 2024 Project Loan Agreement. The execution of the 2024 Project Loan Agreement by the appropriate officials shall be conclusive evidence of the approval of the 2024 Project Loan Agreement in accordance with the terms hereof.

25. Records and Certificates. The officers of the City are hereby authorized and directed to prepare and furnish to the PFA, and to Ballard Spahr LLP, bond counsel to the City, certified copies of all proceedings and records of the City relating to the 2024 PFA 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 2024 PFA 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 2024 PFA Note, including the forms of the 2024 PFA Note may be executed and delivered by the Mayor, the City Clerk, and Director, Office of Financial Services, or their proper designees or executive assistants, or, in the case of the Mayor, the Deputy Mayor, as determined by Ballard Spahr LLP, as bond counsel to the City, and the Office of the City Attorney.

26. Negative Covenants as to Use of Proceeds and WTP Modernization Project. The City hereby covenants not to use the proceeds of the 2024 PFA 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 WTP Modernization Project, in such a manner as to cause the 2024 PFA Note to be a “private activity bond” 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 2024 PFA Note that would cause them to be private activity bonds, and the average term of the 2024 PFA Note is no longer than reasonably necessary for the governmental purpose of the issue. The City hereby covenants not to use the proceeds of the 2024 PFA Note in such a manner as to cause the 2024 PFA Note to be “hedge bonds” within the meaning of Section 149(g) of the Code.

27. Tax-Exempt Status of the 2024 PFA Note; Rebate. The City with respect to the 2024 PFA 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 2024 PFA 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 2024 PFA 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 2024 PFA Note that the investments of proceeds of the 2024 PFA Note, including the investment of any revenues pledged to the 2024 PFA Note which are considered gross proceeds of the 2024 PFA Note under the applicable regulations, and accumulated sinking funds, if any, shall be limited as to amount and yield in such manner that the 2024 PFA 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 2024 PFA Note will be issued in such manner as to cause the 2024 PFA 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 PFA embracing or based on the foregoing

certification at the time of delivery of the 2024 PFA Note.

If any elections are available now or hereafter with respect to arbitrage or rebate matters relating to the 2024 PFA Note, the Director, Office of Financial Services (or her/his proper designee), is hereby authorized and directed to make such elections as they deem necessary, appropriate or desirable in connection with the 2024 PFA Note, and all such elections shall be, and shall be deemed and treated as, elections of the City.

28. No Designation of Qualified Tax-Exempt Obligations. The 2024 PFA Note, together with other obligations issued by the City in calendar year 2024, 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.

29. Negotiated Sale. The City has retained Ehlers & Associates, Inc., as an independent financial advisor, and this Council has heretofore determined, and does hereby determine, to sell the 2024 PFA Note by private negotiation to PFA.

30. 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 Outstanding Parity Notes and the Series 2023A Bonds.

(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 Outstanding Parity Notes and the Series 2023A Bonds 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 2024 PFA Note complies with the financial requirements relating to the issuance of Additional Parity Bonds as set forth in Section 6.3 of the General Resolution.

(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 2024 PFA Note will be more than sufficient to provide Net Revenues adequate to pay principal and interest when due on the 2024 PFA Note, the Outstanding Parity Notes and the Series 2023A Bonds and if in the future any Additional Parity Bonds that may be secured by a deposit to the Reserve Account.

(e) The 2024 PFA Note has interest payments on June 1 and December 1, commencing June 1, 2025, and a December 1, 2044 final maturity date.

31. Covenant with Holders. Each and all of the terms and provisions of this Supplemental Resolution No. 2 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 2024 PFA Note.

32. Severability. If any section, paragraph or provision of this Supplemental Resolution No. 2 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 Supplemental Resolution No. 2.

33.           Headings. Headings in this Supplemental Resolution No. 2 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.

34.           Electronic Signature. The City may execute documents, certificates, and instruments relating to the issuance of the 2024 PFA Note or any Additional Parity Bonds by electronic signature. For purposes hereof: (i) “electronic signature” means a manually signed original signature that is then transmitted by electronic means; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (“pdf”) or other replicating image attached to an electronic mail or internet message; or (iii) a digital signature of an authorized representative of any party provided by AdobeSign or DocuSign (or such other digital signature provider as specified by such party).