

**ORDER OF BUSINESS**  
**BOARD OF ESTIMATE & TAXATION**  
**Regular Meeting - March 10, 2010**  
**Wednesday**  
**City Hall, Room 317 @ 4:30 p.m.**

**ROLL CALL**

**NEW BUSINESS**

1. Ultra filtration Program WTR09

- A. Cancel current bond allocation 2008R-549 of \$ 18,000,000 adopted December 11, 2008.
- B. Issue Water Note for \$ 7,055,000 from the requested 2007R- 650 adopted December 12, 2007 leaving a remaining authorization of \$ 4,945,000.

(See Water Note Resolution) ACCEPTING THE OFFER OF THE MINNESOTA PUBLIC FACILITIES AUTHORITY TO PURCHASE A GENERAL OBLIGATION WATER REVENUE NOTE OF 2010, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$7,055,000; PROVIDING FOR THE ISSUANCE, SALE, AND DELIVERY OF THE NOTE, AND RATIFYING THE EXECUTION OF A BOND PURCHASE AND LOAN AGREEMENT.

2. RESOLUTION 2010R-069 By Hodges

Requesting concurrence of the Board of Estimate and Taxation in the transfer of Bond Funds.

Resolved by The City Council of The City of Minneapolis:

That the Board of Estimate and Taxation is requested to concur with the transfer of the following:

- a. \$ 134,000 of Water Bonds from the 2008 WTR10 City of Waters Fountains capital project to the 2010 WTR12 Water Distribution Improvements (WTR1012) capital project.
- b. \$ 134,000 of Net Debt Bonds from the 2008 ART01 Art in Public Places capital project to the 2010 ART01 Art in Public Places (ART1001) capital project.

**REPORTS**

- R – 1. Variable Rates (Tax Exempt) for the weeks starting March 4 & 11, 2010.

## Water Note Resolution

### RESOLUTION

(By \_\_\_\_\_)

ACCEPTING THE OFFER OF THE MINNESOTA PUBLIC FACILITIES AUTHORITY TO PURCHASE A GENERAL OBLIGATION WATER REVENUE NOTE OF 2010, IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$7,055,000; PROVIDING FOR THE ISSUANCE, SALE, AND DELIVERY OF THE NOTE, AND RATIFYING THE EXECUTION OF A BOND PURCHASE AND LOAN AGREEMENT

BE IT RESOLVED By the Board of Estimate and Taxation of the City of Minneapolis, Hennepin County, Minnesota as follows:

#### Section 1. Recitals.

1.01. The Minnesota Public Facilities Authority (“PFA”) is authorized pursuant to Minnesota Statutes, Chapter 446A, as amended, to issue its bonds (the “PFA Bonds”) and to use the proceeds thereof, together with certain other funds of the agency available for such purpose in the Drinking Water Revolving Fund, to provide loans to political subdivisions of the State of Minnesota to fund eligible project costs with respect to the modifications of the publicly-owned drinking water treatment and distribution facilities in accordance with the Federal Safe Drinking Water Act Amendments of 1996, Public Law 104-182 (the “Program”).

1.02. The City of Minneapolis (the “City”) has applied for a loan from the PFA pursuant to the Program, to finance a project consisting of the installation of an ultrafiltration system in the City’s water treatment plant (the “Project”), and the PFA has committed to make a loan to the City in the principal amount of \$7,055,000, to be disbursed and repaid in accordance with the terms of a Bond Purchase and Project Loan Agreement, dated on or after February 10, 2010 (the “Loan Agreement”), executed by the PFA and City, a copy of which is on file with the Finance Officer of the City. The Loan Agreement is incorporated herein by reference.

1.03. Pursuant to Resolution 2006R-616, adopted by the City Council of the City on December 11, 2006, the City Council requested that the Board of Estimate and Taxation (the “Board”) incur indebtedness and issue and sell bonds of the City in the amount of \$4,500,000 and pursuant to Resolution 2007R-650, adopted by the City Council of the City on December 12, 2007, the City Council requested that the Board incur indebtedness and issue and sell bonds of the City in the amount of \$12,000,000 to finance a portion of the Project by issuing a general obligation note to the PFA as part of its Drinking Water Revolving Loan program.

1.04. Pursuant to Resolution 2008R-549, adopted by the City Council of the City on December 11, 2008, the City Council requested that the Board incur indebtedness and issue and sell bonds of the City in the amount of \$18,500,000 to finance a portion of the Project by issuing a general obligation note to the PFA as part of its Drinking Water Revolving Loan program. The improvements intended to be financed through this bonding request are no longer planned to be included in the Project and the Board will not issue additional bonds in this amount.

1.05. The City is authorized by Sections 9 and 10 of Chapter 15 of its City Charter and by Minnesota Statutes, Chapter 475, as amended (the “Act”), acting by and through its Board of Estimate and Taxation, to issue and sell its general obligation indebtedness to finance the Project and to pledge the net revenues of the City water system to the payment of such indebtedness.

1.06. In the opinion of Kennedy & Graven, Chartered, as bond counsel to the City, the indebtedness to be issued hereunder will bear interest not includable in gross income for federal income tax purposes and not includable in net taxable income of individuals, trusts, and estates for State of Minnesota income tax purposes, and Kennedy & Graven, Chartered will provide an opinion to that effect with respect to such indebtedness.

1.07. In accordance with Minnesota Statutes, Section 475.60, subdivision 2(4), 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 has represented in the Loan Agreement that it is a board, department, or agency of the State of Minnesota.

1.08. Contracts for the Project have been or will be made by the City with the approval of the PFA and all other state and federal agencies of whose approval is required.

Section 2. Acceptance of Offer; Payment.

(a) The offer of the PFA to purchase the General Obligation Water Revenue Note of 2010 (the “Note”), to be issued in the original aggregate principal amount of \$7,055,000, at the rate of interest hereinafter set forth, and to pay therefore the par amount of the Note as provided below, is accepted, and the sale of the Note is awarded to the PFA. Payment for the Note is to be disbursed in installments as eligible costs of the Project are reimbursed or paid, all as provided in the Loan Agreement. The terms set forth in this resolution relating to the Note are intended to be consistent with the provisions of the Loan Agreement, and to the extent that any provision in the Loan Agreement is in conflict with this resolution, the Loan Agreement shall control.

(b) The Note is to be issued in the aggregate principal amount of \$7,055,000, originally and nominally dated as of date of delivery, and will bear interest and mature in installment amounts as specified in Section 3 hereof.

(c) The Note is subject to redemption and prior payment as provided in the Project Loan Agreement.

(d) Interest and principal in the installment amounts set out in the Note is payable by wire transfer, or if by check or draft of the City or its designated Registrar, mailed no later than five (5) business days prior to the payment date to the registered holder thereof at the holder’s address as it appears on the bond register at the close of business on the 15<sup>th</sup> day (whether or not a business day) of the calendar month next preceding the interest payment date.

Section 3. Date; Denomination; Interest Rates; and Maturities. The Note will be a fully registered negotiable obligation, dated as of the date of delivery and issued forthwith. The Note is in the aggregate principal amount of \$7,055,000 or so much thereof as is disbursed pursuant to the Loan Agreement, bearing interest on so much of the principal amount of the Note as may be disbursed from time to time as provided in the Loan Agreement and remains unpaid, from the delivery date of the Note, for disbursements made on or prior to that date or from the date of each later disbursement until the principal amount of the Note has been paid or has been provided for, at the rate of 1.00 percent per annum (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Note is payable semi-annually on February 20 and August 20, commencing August 20, 2010. Principal on the Note matures on August 20 of the years and in the installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2010	\$ 340,000	2016	\$ 780,000
2011	360,000	2017	785,000
2012	370,000	2018	785,000
2013	340,000	2019	785,000
2014	300,000	2020	785,000
2015	705,000	2021	720,000

The principal installments are to 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 to the extent any principal amount of the Note is never disbursed, the amount of the principal not disbursed is to 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 will be re-amortized to provide similarly level annual installments of total debt service payments). Principal, interest and any premium due under the Note will be paid on each payment date by wire transfer of immediately available funds, or if by check or draft of the City or its designated Registrar, mailed no later than five (5) business days prior to the payment date to the registered holder thereof at the holder's address as it appears on the bond register at the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the interest payment date, in any coin or currency of the United States which at the time of payment is legal tender for the payment of public and private debts. The City estimates that the primary source of payment pledged to the payment of principal and interest on the Note (*i.e.*, net revenues) is sufficient to pay such principal and interest as the same become due.

Section 4. Purpose; Cost. The Note is issued to aid in financing improvements to the City water supply system pursuant to the Act. The total cost of the construction of the Project, including legal and other professional charges, publication and printing costs, interest accruing on money borrowed for the Project before the collection of net revenues pledged and appropriated therefore, and all other costs necessarily incurred and to be incurred from the inception to the completion of the Project, is not estimated to exceed the sum of the principal amount of the Note. The City covenants that it will do all things and perform all acts required of it to assure that work on the Project proceeds with due diligence to completion and that any and all permits and studies required under law for the Project are obtained.

Section 5. Redemption and Prepayment. The Note is subject to redemption and prepayment, in whole or in part, on any February 20 or August 20 upon forty-five (45) days written notice to the PFA, at the option of the City with the approval of the PFA, at a price equal to one hundred percent (100%) of the principal amount of the Note to be prepaid, together with accrued interest thereon to the redemption date. The City shall also pay to the PFA on any such redemption date, all reasonable fees and expenses of the PFA (as determined by the PFA in its sole reasonable discretion) paid or incurred in connection with the optional prepayment of the Note by the City. If redemption is in part, such prepayment may be applied, in the sole option and discretion of the PFA: (i) to a future principal payment on the Note in a manner determined by the PFA; or (ii) to reduce each unpaid annual principal installment required with respect to the Note in the proportion that such installment bears to the total of all unpaid principal installments (*i.e.*, the remaining principal payment schedule shall be re-amortized to provide proportionately reduced principal payments in each year).

Under certain circumstances set forth in Section 1.4(b) of the Loan Agreement, the City may be required by the PFA to apply certain prepayments or lump sum payments of certain special assessments or certain connection charges received from another municipality to: (i) a future principal payment on the Note in a manner determined by the PFA; or (ii) to reduce each unpaid annual principal installment required with respect to the Note in the proportion that such installment bears to the total of all unpaid principal installments (*i.e.*, the

remaining principal payment schedule shall be re-amortized to provide proportionately reduced principal payments in each year).

Section 6. Registration of Note. At the time of issuance and delivery of the Note, the Finance Officer must register the Note in the name of the payee in a note register maintained for the purpose of registering the ownership of the Note. The Note is to be prepared for execution with an appropriate text and spaces for notation of registration. The force and effect of such registration is as stated in the form of Note. Payment of principal installments and interest, whether upon redemption or otherwise, made with respect to the Note, may be made to the registered holder thereof without presentation or surrender of the Note.

Section 7. Form of Note. The Note, together with the Certificate of Registration attached thereto, shall be prepared in substantially the following form (with such additions, deletions, and further amendments as the Finance Officer deems appropriate or necessary):

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UNITED STATES OF AMERICA  
STATE OF MINNESOTA  
HENNEPIN COUNTY

**CITY OF MINNEAPOLIS  
GENERAL OBLIGATION WATER REVENUE NOTE OF 2010**

The City of Minneapolis, a duly organized and existing municipal corporation in Hennepin County, Minnesota (the “City”), acting by and through its Board of Estimate and Taxation, certifies that it is indebted and for value received promises to pay to the Minnesota Public Facilities Authority, or registered assigns, the principal sum of \$7,055,000, or so much thereof as may have been disbursed, on August 20 of the years and in the installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2010	\$ 340,000	2016	\$ 780,000
2011	360,000	2017	785,000
2012	370,000	2018	785,000
2013	340,000	2019	785,000
2014	300,000	2020	785,000
2015	705,000	2021	720,000

and to pay interest on so much of the principal amount of the debt as may be disbursed from time to time as provided in the Loan Agreement (as defined below) and remains unpaid, from the date of this Note 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 1.00 percent per annum (calculated on the basis of a 360-day year of twelve 30-day months). Interest on this Note is payable semiannually on each February 20 and August 20, commencing August 20, 2010.

Principal and Interest Payments. Interest accrues only on the aggregate amount of this Note that has been disbursed under the Bond Purchase and Project Loan Agreement, dated on or after February 10, 2010 (the “Loan Agreement”), by and between the City and the Minnesota Public Facilities Authority (the “PFA”). The principal of this Note shall be paid in the installments set forth above even if at the time of payment the full principal amount of this Note has not been disbursed; provided that to the extent any principal amount of this Note is never disbursed, the amount of the principal not disbursed is to be applied to reduce each unpaid principal installment in the proportion that such installment bears to the total of all unpaid principal installments.

Principal, interest and any premium due under this Note will be paid on each payment date by wire transfer of immediately available funds, or by check or draft mailed at least five (5) business days prior to the payment date to the person in whose name this 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 Note is subject to redemption and prepayment, in whole or in part, on any February 20 or August 20 upon forty-five (45) days written notice to the PFA, at the option of the City with the approval of the PFA, at a price equal to one hundred percent (100%) of the principal amount of the Note to be prepaid, together with accrued interest thereon to the redemption date. The City shall also pay to the PFA on any such redemption date, all reasonable fees and expenses of the PFA (as determined by the PFA in its sole reasonable discretion) paid or incurred in connection with the optional prepayment of the Note by the City. If redemption

is in part, such prepayment may be applied, in the sole option and discretion of the PFA: (i) to a future principal payment on the Note in a manner determined by the PFA; or (ii) to reduce each unpaid annual principal installment required with respect to the Note in the proportion that such installment bears to the total of all unpaid principal installments (*i.e.*, the remaining principal payment schedule shall be re-amortized to provide proportionately reduced principal payments in each year).

Under certain circumstances set forth in Section 1.4(b) of the Loan Agreement, the City may be required by the PFA to apply certain prepayments or lump sum payments of certain special assessments or certain connection charges received from another municipality to: (i) a future principal payment on the Note in a manner determined by the PFA; or (ii) to reduce each unpaid annual principal installment required with respect to the Note in the proportion that such installment bears to the total of all unpaid principal installments (*i.e.*, the remaining principal payment schedule shall be re-amortized to provide proportionately reduced principal payments in each year).

Purpose; General Obligation. This Note has been issued pursuant to and in full conformity with the Charter of the City and the Constitution and laws of the State of Minnesota for the purpose of providing money to finance eligible project costs of the water treatment project of the City and specifically to construct an ultra-filtration facility at the water treatment plant of the City. This Note is payable out of the PFA Debt Service Account of the Water Fund of the City, to which account have been pledged net revenues of the City's municipal water system. This Note constitutes a general obligation of the City, and to provide money for the prompt and full payment of said principal installments and interest when the same become due, the full faith and credit and taxing powers of the City have been and are hereby irrevocably pledged.

Registration: Transfer. This Note must be registered in the name of the payee on the books of the City by presenting this Note for registration to the Finance Officer of the City, who will endorse the Finance Officer's name and note the date of registration opposite the name of the payee in the certificate of registration attached hereto. Thereafter this Note may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or owner's legal representative. The City may treat the registered owner as the person exclusively entitled to exercise all the rights and powers of an owner until this 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 Finance Officer.

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

Loan Agreement. The terms and conditions of the Loan Agreement are incorporated herein by reference and made a part hereof. The Loan Agreement may be attached to this Note and must be attached to this Note if the holder of this Note is any person other than the Minnesota Public Facilities Authority.

Tax-Exempt Obligation. The City intends that interest on this Note will not be includable in gross income for federal income tax purposes and will not be includable in the taxable net income of individuals, estates, and trusts for State of Minnesota income tax purposes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by the Charter of the City and the Constitution and laws of the State of Minnesota to be done, to happen, and to be performed, precedent to and in the issuance of this Note, have been done, have happened, and have been performed, in regular and due form, time, and manner as required by law; that the City has covenanted and agreed with the holder of this Note that it will impose and collect charges for the service, use, and availability of and connection to its municipal water system at the times and in amounts necessary to produce net revenues

adequate to pay all principal and interest when due on this Note; that the City will levy a direct, annual, irrepealable ad valorem tax upon all of the taxable property in the City, without limitation as to rate or amount, if the net revenues from the municipal water system and any other revenues irrevocably appropriated to the PFA Debt Service Account are insufficient therefore; and that this Note, together with all other debts of the City outstanding on the date hereof, being the date of its actual issuance and delivery, does not exceed any Constitutional, statutory, or Charter limitation of indebtedness.

IN WITNESS WHEREOF, the City of Minneapolis, Hennepin County, Minnesota, acting by and through its Board of Estimate and Taxation, has caused this Note to be executed on its behalf by the manual or facsimile signature of its Finance Officer and the President of the Board of Estimate and Taxation and the official seal of the City to be affixed or imprinted hereon.

**CITY OF MINNEAPOLIS, MINNESOTA**

(SEAL)

By \_\_\_\_\_  
Finance Officer

By \_\_\_\_\_  
President of Board of Estimate and Taxation

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CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is the Note described above and has been registered as to principal and interest in the name of the Registered Owner identified below on the registration books of the Finance Officer of the City. The transfer of ownership of the principal amount of this Note may be made only by the Registered Owner or by the Registered Owner's legal representative last noted below.

<u>DATE OF REGISTRATION</u>	<u>REGISTERED OWNER</u>	<u>SIGNATURE OF FINANCE OFFICER</u>
_____, 2010	Minnesota Public Facilities Authority Saint Paul, Minnesota Federal Employer Identification No. 41- 6007162	_____

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**Section 8. Execution. The Note is to be executed on behalf of the City by the manual or facsimile signature of its Finance Officer and by the manual or facsimile signature of the President of the Board of Estimate and Taxation, and is to be authenticated by the manual signature of the Finance Officer, acting as authenticating agent of the City. In the event of disability or resignation or other absence of either of such officers, the Note may be signed by any officer who is authorized to act on behalf of such absent or disabled officer. If an officer whose signature will appear on the Note ceases to be such officer before the delivery of the Note, such officer's signature will nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.**

Section 9. Delivery; Application of Proceeds. The Note when so prepared and executed will be delivered by the Finance Officer to the PFA prior to disbursements pursuant to the Loan Agreement, and the PFA is not obliged to see to the proper application of proceeds thereof.

Section 10. Fund and Accounts. There has heretofore been created a separate fund in the City treasury designated the Water Fund (the "Fund"). The Finance Officer and all municipal officials and employees concerned therewith will establish and maintain financial records of the receipts and disbursements of the municipal water system (the "Water System") in accordance with this resolution. There will be maintained in the Fund, in addition to any accounts previously created, the following three separate accounts:

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

b. An Operation and Maintenance Account into which are to be paid all gross revenues and earnings derived from the operation of the Water System, including all charges for the service, use, and availability of and connection to the Water System, when collected, and all money received from the sale of any facilities or equipment of the Water System or any by-products thereof. From this account there will be paid all the normal, reasonable, and current costs of operating, maintaining, and insuring the Water System, including salaries, wages, costs of materials and supplies, necessary legal, engineering, and auditing services, and all other items that, 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 any debt service account. All money remaining in the Operation and Maintenance Account after paying or providing for the foregoing items constitutes, and is referred to in this resolution as, net revenues.

c. A PFA Debt Service Account into which are irrevocably appropriated, pledged and credited: (i) net revenues in an amount sufficient, with other money, to pay the principal of and interest on the Note, the General Obligation Water Revenue Note of 2009 (the "Series 2009 Note"), issued on December 18, 2009 in the principal amount of \$21,959,908; the General Obligation Water Revenue Note of 2006 (the "Series 2006 Note"), issued on December 18, 2006 in the principal amount of \$13,500,000; the General Obligation Water Revenue Note of 2005 (the "Series 2005 Note"), issued on March 30, 2005, in the principal amount of \$12,500,000; the General Obligation Water Revenue Note of 2004 (the "Series 2004 Note"), issued on March 11, 2004, in the principal amount of \$25,000,000; and

the General Obligation Water Revenue Note of 2002 (the "Series 2002 Note"), issued on December 20, 2002, in the principal amount of \$27,400,000 when due; (ii) all collections of taxes which may hereafter be levied for the payment of the principal of and interest on the Note, the Series 2009 Note, the Series 2006 Note, the Series 2005 Note, the Series 2004 Note, and the Series 2002 Note; (iii) all investment earnings on money held in the PFA Debt Service Account; (iv) any amounts transferred from the PFA Construction Account; and (v) any other money which is properly available and is appropriated by the City Council to the PFA Debt Service Account. The money in this account may be used only to pay or prepay the principal of the Note, the Series 2009 Note, the Series 2006 Note, the Series 2005 Note, the Series 2004 Note, and the Series 2002 Note and to pay interest on the Note, the Series 2009 Note, the Series 2006 Note, the Series 2005 Note, the Series 2004 Note, the Series 2002 Note, and any other obligations hereafter issued and made payable from this account, and to pay any rebate due to the United States with respect to the PFA Bonds in connection with the Note, the Series 2009 Note, the Series 2006 Note, the Series 2005 Note, the Series 2004 Note, and the Series 2002 Note.

d. Excess net revenues not required for the purposes of the Fund may be used for any proper municipal purpose.

No portion of the proceeds of the Note may 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: (i) for a reasonable temporary period until such proceeds are needed for the purpose for which the Note was issued; and (ii) in addition to the above, in an amount not greater than the lesser of five percent of the proceeds of the Note or \$100,000. To this effect, any proceeds of the Note or any sums from time to time held in the PFA Construction Account, Operation and Maintenance Account, or PFA Debt Service Account (or any other City account which will be used to pay principal of or interest on the Note) in excess of amounts which under then applicable federal arbitrage regulations may be invested without regard to yield will not be invested at a yield in excess of the applicable yield restrictions imposed by the arbitrage regulations on such investments after taking into account any applicable "temporary periods" or "minor portion" made available under the federal arbitrage regulations. In addition, money in the Fund will not be invested in obligations or deposits issued by, guaranteed by, or insured by the government of the United States of America, or any agency or instrumentality thereof, if and to the extent that such investment would cause the Note to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code").

The City will observe the covenants of Sections 17, 18, and 19 of this resolution and of Article III of the Loan Agreement with regard to the Fund.

Section 11. Coverage Test; Pledge of Net Revenues; Excess Revenues. It is hereby found, determined, and declared that the net revenues of the Water System are sufficient in amount to pay when due 105 percent of the principal of and interest on the Note when due, and the net revenues of the Water System are pledged to the payment of the Note, but solely to the extent required to meet, with other pledged sources, 105 percent of the principal and interest requirements of the Note as the same become due.

Nothing contained herein is to be deemed to preclude the City from making further pledges and appropriations of the net revenues of the Water System for the payment of other or additional obligations of the City, provided that it has first been determined by the City Council that estimated net revenues of the Water System will be sufficient, in addition to all other sources, for the payment of the Note and such additional obligations, and any such pledge and appropriation of net revenues may be made superior or subordinate to, or on a parity with, the pledge and appropriation herein. The Note is issued pursuant to the Act, and nothing herein precludes the City from levying taxes for the payment of the Note.

Section 12. Pledge to Produce Revenues. In accordance with the Act, the City hereby covenants and agrees with the holder of the Note that it will impose and collect charges for the service, use, and availability of and connection to the Water System at the times and in the amounts required to produce net revenues adequate to pay all principal and interest when due on the Note.

Section 13. General Obligation Pledge. The full faith and credit and taxing powers of the City are hereby irrevocably pledged for the prompt and full payment of the principal of and interest on the Note as the same respectively become due. If the net revenues of the Water System appropriated and pledged to the payment of principal and interest on the Note, together with other funds irrevocably appropriated to the PFA Debt Service Account referred to in Section 10, are at any time insufficient to pay such principal and interest when due, the City covenants and agrees to levy, without limitation as to rate or amount, an ad valorem tax upon all taxable property in the City sufficient to pay such principal and interest as the same become due. If the balance in the PFA Debt Service Account is ever insufficient to pay all principal and interest then due on the Note and all other obligations payable there from (including the Series 2009 Note, the Series 2006 Note, the Series 2005 Note, the Series 2004 Note, and the Series 2002 Note), the deficiency will be promptly paid out of any other funds of the City which are properly available for such purpose, and those other funds may be reimbursed, with or without interest, from the PFA Debt Service Account when a sufficient balance is available in that account.

Section 14. Certificate of Registration. The Finance Officer is authorized and directed to file a certified copy of this resolution with the Taxpayer Services Division Manager of Hennepin County, Minnesota, together with such other information as the Taxpayer Services Division Manager may require, and to obtain the Taxpayer Services Division Manager's certificate that the Note has been entered in the Taxpayer Services Division Manager's Bond Register.

Section 15. Loan Agreement. The Loan Agreement is approved in substantially the form presented to the Board of Estimate and Taxation and is incorporated by reference and made a part of this resolution. The execution and delivery of the Loan Agreement by the Finance Officer is hereby authorized and ratified. The execution and delivery of the Loan Agreement is conclusive evidence of the approval of the Loan Agreement in accordance with the terms hereof. The provisions of this resolution relating to the Note are intended to be consistent with the provisions of the Loan Agreement, and to the extent that any provision in the Loan Agreement is in conflict with this resolution as it relates to the Note, the provisions of the Loan Agreement control. The Loan Agreement may be attached to the Note, and a copy must be attached to the Note if the holder of the Note is any person other than the PFA.

Section 16. Records and Certificates. The officers of the City are hereby authorized and directed to prepare and furnish to the PFA, and to the attorneys approving the legality of the issuance of the Note, certified copies of all proceedings and records of the City relating to the Note and to the financial condition and affairs of the City, and such other affidavits, certificates, and information as are required to show the facts relating to the legality and marketability of the 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, are to be deemed representations of the City as to the facts recited therein.

Section 17. Negative Covenants as to Use of Proceeds and Project. The City covenants not to use the proceeds of the Note or to use the Project, or to cause or permit them to be used, or to enter into any deferred payment arrangements for the cost of the Project, in such a manner as to cause the 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 Note that would cause it to be a private activity bond, and the average term of the Note is not longer than reasonably necessary for the governmental purpose of the issue. The City covenants not to use the proceeds of the Note in such a manner as to cause the Note to be a "hedge bond" within the meaning of Section 149(g) of the Code.

Section 18. Tax-Exempt Status of the Note; Rebate. The City will comply with all requirements imposed by the Code (and any Treasury Regulations promulgated thereunder) to establish and maintain the exclusion from gross income of interest on the Note including, without limitation: (i) requirements relating to temporary periods for investments; (ii) limitations on amounts invested at a yield in excess of the applicable yield restrictions imposed by the Code; and (iii) the rebate of excess investment earnings to the government of the United States of America.

Section 19. Tax-Exempt Status of the PFA Bonds; Rebate. The City will comply with all requirements imposed by the Code (and any Treasury Regulations promulgated thereunder) with respect to the Note to ensure that interest on the PFA Bonds does not become includable in gross income for federal income tax purposes including, without limitation: (i) requirements relating to temporary periods for investments; (ii) limitations on amounts invested at a yield in excess of the applicable yield restrictions imposed by the Code; and (iii) the rebate of excess investment earnings to the government of the United States of America.

The City covenants and agrees with the PFA and any other holder of the Note that the investments of the gross proceeds of the Note, including the investment of any revenues pledged to the Note which are considered to be gross proceeds of the PFA Bonds under the applicable regulations, and accumulated sinking funds, if any, will be limited as to amount and yield in such manner that the PFA Bonds will not be arbitrage bonds within the meaning of Section 148 of the Code and any Treasury Regulations promulgated thereunder. On the basis of the existing facts, estimates, and circumstances, including the foregoing findings and covenants, the City certifies that it is not expected that the proceeds of the Note will be used in such manner as to cause the Note or the PFA Bonds to be arbitrage bonds within the meaning Section 148 of the Code and any Treasury Regulations promulgated thereunder. The Finance Officer will furnish a certificate to the PFA embracing or based on the foregoing certification at the time of delivery of the Note to the PFA.

Section 20. Severability. If any section, paragraph, or provision of this resolution is held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, or provision will not affect any of the remaining provisions of this resolution.

Section 21. Headings. Headings in this resolution are included for convenience of reference only and are not a part hereof, and do not limit or define the meaning of any provision hereof.

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Adopted: March 10, 2010.

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Carol Becker  
President  
Board of Estimate and Taxation

Attest:

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Jack A. Qvale  
Executive Secretary