

Management Committee

For the Metropolitan Council meeting of November 9, 2016

Subject: Loan Agreement with the Minnesota Public Facilities Authority (PFA) and Issuance of a General Obligation Sewer Note, Resolution 2016-27

Proposed Action

That the Metropolitan Council approves the attached parameters Resolution 2016-27 to authorize the Regional Administrator to execute a loan agreement with the Minnesota Public Facilities Authority (PFA) in substantially the same form as the attached agreement. And further, to issue the related General Obligation Sewer Note securing the loan agreement substantially in the form of the Note referenced in the resolution.

Summary of Committee Discussion/Questions

Richard Koop, Senior Treasury Manager, presented the authorizing parameters for the 2016 PFA loan and explained that as of the end of September 2016, the 2015 PFA loan had \$17.9 million in remaining loan capacity which at the current monthly spending rate will be completed in March of 2017. The loan size for the 2016 loan is \$40 million vs. the normal \$60 million as PFA is only able to fund the 2016 carry-over projects due to the legislature not passing the bonding bill.

Mr. Koop discussed the interest rate subsidy the Council receives from the PFA Loan Program. Mr. Koop also discussed the \$4.8 million present value savings of doing a loan through PFA in lieu of Council issuing debt. The interest rate on the loan is projected to be 1.13%, although the parameters allow for up to 3.0% in event interest rates should rise before the lock-in date.

Committee members thanked staff for providing Attachment A which provided key facts regarding the proposed loan agreement. The Management Committee did not have any questions on the item.

Motion by Rodriguez, seconded by Rummel. Consent to Council.

Management Committee

Meeting date: October 26, 2016

For the Metropolitan Council meeting of November 9, 2016

Subject: Loan Agreement with the Minnesota Public Facilities Authority (PFA) and Issuance of a General Obligation Sewer Note, Resolution 2016-27

District(s), Member(s): All

Policy/Legal Reference: MN Stat. 473.541(3) and Council Policy 3-1-1

Staff Prepared/Presented: Richard Koop, Senior Manager, 651-602-1629

Division/Department: Regional Administration/Finance

Proposed Action

That the Metropolitan Council approves the attached parameters Resolution 2016-27 to authorize the Regional Administrator to execute a loan agreement with the Minnesota Public Facilities Authority (PFA) in substantially the same form as the attached agreement. And further, to issue the related General Obligation Sewer Note securing the loan agreement substantially in the form of the Note referenced in the resolution.

Background

This approval does not authorize any capital spending, which is done via the adoption of the capital budget, but does provide a negotiated low-cost instrument to finance capital project expenses that are already approved. MCES capital projects that will be funded by this loan are ongoing. The 2015 PFA loan for eligible projects has \$17.9 million in remaining capacity as of the end of September 2016 and at the current projected monthly spending rate will be completely used in March of 2017.

The \$40 million available from this loan is expected to provide funds to finance the cash flows on those MCES capital projects that are or will be PFA-eligible for about 12 months beginning when the current loan is completed on or around March of 2017. PFA finalized the 2017 Intended Use Plan (IUP) at the end of September. Due to the legislature not passing a bonding bill, the 2017 IUP can only provide financing to carryover projects that were included on the 2016 IUP and certified by the Minnesota Pollution Control Agency by June 30, 2016. Capital borrowing for MCES that is beyond what can be funded by PFA loans typically comes from bonds issued by the Council or from wastewater fees (“pay-as-you-go”).

The default loan structure provided by PFA for this 20-year loan used level principal payments but was modified to better fit with existing debt service requirements and smooth the total debt service component of the MCES wastewater budget and fees.

Parameters Resolution

This action item authorizes staff to administer the issuance of the Notes as summarized in the below Rationale section and specified in the attached parameters resolutions. The parameters provide specific up-front information to the Council and provide

flexibility in setting the interest rate lock-in date so as to optimize conditions in the market place and allow for minor adjustments to the loan.

Attachments to this item are:

Attachment A: Staff summary of the key terms of the transaction

Attachment B: The proposed Resolution with draft Note (drafted by Kennedy and Graven, our bond counsel)

Attachment C: The proposed Commitment and Loan Agreement (drafted by PFA and reviewed by our bond counsel).

Rationale

Conventional PFA loans are less expensive than Council bonding because of the PFA subsidy mechanism. At current interest rates, the savings compared to a traditional Council tax-exempt bond is about \$4.8 million in present value dollars as calculated by the Council.

Terms of the loan provide these savings and are deemed by staff, our financial advisors (Springsted) and our bond counsel (Kennedy & Graven) to be acceptable.

The parameters established for the proposed action are included in the attached resolutions and their exhibits and appendices. Council staff will keep the loan within the following parameters:

90	Loan authorization period (days)
\$40	Maximum par Note to issue (\$million)
3%	Maximum interest rate

Thrive Lens Analysis

Stewardship – The loan program through PFA provides the Council another financing tool which is historically 1% to 1.5% lower than the interest rate that could be obtained by issuing our own AAA debt. This saves the Council millions of dollars in interest costs over the course of 20 years.

Funding

This loan/note, and all MCES debt service, is expected and has always been paid from revenues of the Wastewater system; however, the note carries the general obligation backing of the Council.

Since the interest rate on this loan will tentatively be locked in sometime between the preparation of this Business Item and the unspecified closing date, the attached amortization table is a draft and is subject to change. The final interest rate is currently expected to be about 1-2%. The rate is typically determined by the market and a formula in PFA rules; however, 1.0% is the lowest rate the PFA will allow.

Known Support / Opposition

None.

KEY TERMS OF THE PROPOSED LOAN AGREEMENTS

- 1) The Council is financing \$40 million for various portions of approved wastewater projects and will pay debt service on the Loan over the next 20 years.
- 2) The Council must agree to complete all the projects, funded in any part by these loans, regardless of the availability of future PFA loans.
- 3) PFA funds are not drawn down by the Council until after eligible expenses are incurred (that is, on a “reimbursement basis”). Interest will accrue on the debt only as money is disbursed to the Council.
- 4) The net interest rate to be paid to the PFA is currently expected to be approximately 1-2%.
- 5) The principal repayment schedule provides a modification to level annual debt service so as to smooth Wastewater’s overall annual debt service requirements. As a result, the average length of time that the funds are loaned to us is slightly longer than a loan structure with even payments every year.
- 6) The Council must execute a General Obligation Note pledging its full faith and credit to secure repayment of the loan. This means that should wastewater revenues become inadequate, the Council must levy taxes to provide the necessary funds. However, no property taxes have ever been levied or anticipated for these PFA Notes or any other wastewater debt.
- 7) The Council agrees that under this loan agreement, the Project 8059, Metro Plant Rehabilitation and Facilities Improvement family of projects will be designated as coming from state bond funds and are thereby subject to extra restrictions for the life of the project and possibly repayment of the funds if the facility were sold. In addition, a declaration of these covenants must be recorded against the benefitted real estate parcel titles.
- 8) Unlike past loans, if either the PFA or the Council subsequently issue refinancing debt associated with this loan, neither party will be sharing with the other any part of the net present value of savings from the refinancing (refunding) process. The Council is required to get PFA approval to prepay the loan.
- 9) The Council agrees to standard terms and conditions of PFA’s financing and state law. Among these terms are:
 - A. Sale of any benefitted project facilities are restricted;
 - B. Funds can not be used for “private uses”;
 - C. Insurance requirements must be met;
 - D. Information disclosure requirements for the investment community must be met;
 - E. Projects funded must meet EPA diversity requirements; and,
 - F. Loan funded contractors must pay prevailing wages in accordance with state and federal requirements.

Impact of PFA Subsidy

For \$40 million PFA 2016 loan

(\$ millions)	Total Debt Service	Present Value
2.64% Council bond	\$52.6	\$39.5
1.13% PFA loan	45.3	34.4
Interest savings to ratepayers	\$7.3	\$4.1
Bond underwriters discount		\$0.3
Cost of issuance saved		\$0.1
Funds received only after capital spending occurs		\$0.3
Total Present Value Savings		\$4.8

CERTIFICATION OF EXTRACT FROM MINUTES
RELATING TO A GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2016D

Issuer: Metropolitan Council, Minnesota

Governing Body: Council Members

Kind, date, time and place of meeting: A regular meeting held Wednesday, November 9, 2016, at 4:00 o'clock P.M., at 390 North Robert Street, St. Paul, Minnesota.

Members Present:

Members Absent:

Documents Attached:

Extract of minutes of said meeting including:

RESOLUTION NO. 2016-____
ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2016D PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
EXECUTION OF A PROJECT LOAN AGREEMENT

I, the undersigned, being the duly qualified and acting Recording Secretary of the Metropolitan Council, the public corporation issuing the notes referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been extracted; that said documents are correct and accurate copies of the resolution and related documents approved by the Council at its regular meeting held on November 9, 2016, so far as they relate to said Note; and that said meeting was duly held by the governing body at the time and place and was attended by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such Recording Secretary on _____, 2016.

Emily Getty, Recording Secretary

After some discussion, Council Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. 2016-____
ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2016D PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
EXECUTION OF A PROJECT LOAN AGREEMENT

The motion for the adoption of the foregoing resolution was seconded by Council Member _____ and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

and the following were absent for the vote:

and the following were absent for the vote:

whereupon the resolution was declared duly passed and adopted and was signed by the Chair whose signature was attested by the Recording Secretary.

RESOLUTION NO. 2016-_____
ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A GENERAL OBLIGATION
WASTEWATER REVENUE NOTE PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
EXECUTION OF A PROJECT LOAN AGREEMENT FOR THE NOTE

BE IT RESOLVED by the Metropolitan Council (the “Council” or the “Issuer”) as follows:

Section 1. Recitals.

- a) The Minnesota Public Facilities Authority (the “PFA”) is authorized pursuant to Minnesota Statutes, Chapters 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 Clean Water Revolving Fund, to provide loans to political subdivisions of the state to fund eligible costs of construction of sanitary sewer collection and wastewater treatment systems (the “Program”).

- (b) The Issuer is authorized to issue its obligations pursuant to Minnesota Statutes, Sections 473.541, subd. 3 and Chapter 475 (the “Act”), for the purpose of financing the acquisition and betterment of improvements to the Issuer’s interceptor or treatment works (the “Project”).

- (c) The Issuer has applied for a loan from the PFA pursuant to the Program, and the PFA has offered to make a loan to the Issuer in a principal amount not to exceed \$40,000,000, to be disbursed and repaid in accordance with the terms of a Bond Purchase and Project Loan Agreement (the “Project Loan Agreement”) to be executed by the Issuer and the PFA within 90 days of the date hereof, in substantially the form now on file with the Council Secretary.

- (d) In accordance with Section 475.60, subdivision 2(4) of the Act, the Issuer 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.

- (e) Contracts for the Project have been or will be made by the Issuer 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 Issuer hereby accepts the offer of the PFA to purchase the General Obligation Wastewater Revenue Note, Series 2016D (the “Note”) to be issued by the Issuer in an original aggregate principal amount not to exceed \$40,000,000 at the rate of interest set forth in the Project Loan Agreement, and to pay therefor the par amount of the Note as provided below, 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 reimbursed or paid, all as provided in the Project Loan Agreement. The terms set forth in this resolution relating to the 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, the Project Loan Agreement will control. The Council hereby delegates to the Chief Financial Officer/Treasurer, or the Chief Financial Officer/Treasurer’s designee, authority to lock the interest rate on the Note, provided such rate of interest shall not exceed 3% and to determine, in consultation with the PFA, the original aggregate principal amount of the Note in an amount not to exceed \$40,000,000.
- (b) The Note is to be issued in an aggregate principal amount not to exceed \$40,000,000, originally and nominally dated as of the date of delivery as a fully registered Note without coupons. The Note will be in the denomination of the entire principal amount thereof, numbered R-1 and bear interest and mature in installment amounts as set forth therein.
- (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, as executed, a draft of which is attached as Exhibit A, are payable by wire transfer, or if by check or draft of the Issuer or its designated Registrar, mailed no later than 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 15th day (whether or not a business day) of the calendar month next preceding the interest payment date.

Section 3. Date: Denomination: Interest Rates. The Note will be a fully registered negotiable obligation, dated as of date of delivery and issued forthwith. The Note shall be in substantially the form set forth on **Exhibit A** attached hereto. The approval hereby given to the Note includes approval of a series designation and such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the Council and by the Chief Financial Officer/Treasurer prior to its execution; and Chief Financial Officer/Treasurer is hereby authorized to approve said changes on behalf of the Council as evidenced by a certificate of the Chief Financial Officer/Treasurer to be executed upon issuance of the Note. The execution and delivery of the Note as provided in Section 4 is conclusive evidence of the approval of the Note in accordance with the terms hereof.

Section 4. Execution. The Note is to be executed on behalf of the Council by the signatures of the Chair and Chief Financial Officer/Treasurer, the Council having no seal; provided; however, that one of such signatures may be a printed or photocopied facsimile on the Note as permitted by law. In the event of disability or resignation or other absence of any 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 5. Delivery: Application of Proceeds. The Note when so prepared and executed will be delivered by the Chief Financial Officer/Treasurer to the PFA prior to disbursements pursuant to the Project Loan Agreement. The purchaser is not obliged to see to the proper application thereof.

Section 6. PFA Sewer Revenue Note Fund, Pledges, Appropriations.

(i) Sewer Revenue Note Fund. There is hereby established a 2016D PFA Sewer Revenue Note Fund (the "Note Fund") in the Council's Debt Service Fund. The Note Fund shall be held in the custody of the Chief Financial Officer/Treasurer, deposited in one or more banks duly qualified as depositories of Council funds, and invested and reinvested in accordance with resolutions of the Council and Minnesota Statutes, Chapter 118A, and the Project Loan Agreement, and shall be used only to pay principal and interest and related expenses (including paying agency, registration, swap agreement or investment service expenses and rebate of arbitrage earnings) payable with respect to the Note or PFA Bonds and any other general obligation wastewater revenue obligations of the Council, as may be directed by the Council to be paid from the Note Fund, until all such principal and interest and expenses have been fully paid; provided that if any payment falls due when the balance in the Note Fund is insufficient to pay it, the deficiency shall be paid out of any other funds of the Council available for that purpose, and advances so made may be repaid from the Note Fund when a sufficient balance is available therein.

(ii) Other Appropriations. The following sums are hereby pledged and appropriated and shall be credited as received to the Note Fund:

(a) All income and gain from investment of the Note Fund (to which all loss from such investment shall also be charged).

(b) All payments by local government units of debt service costs for obligations payable out of the Note Fund hereafter allocated to such units in each annual budget of the Council under the provisions of Minnesota Statutes, Sections 473.517 and 473.521, provided that such debt service allocation payments shall be transferred by the Council to the Note Fund in such amounts and at such times during the budget year as is required under subparagraph (iv) hereof.

(c) All sums collected from taxes levied, extended and assessed under the provisions of subparagraph (iv) below.

(iii) Pledge of Revenues and Note Proceeds. Pursuant to the provisions of Minnesota Statutes, Section 473.541, subdivision 3, the Council irrevocably pledges and appropriates to the Note Fund, from the revenues receivable under the provisions of Minnesota Statutes, Sections 473.517 and 473.521, all sums received from businesses and local government units for the payment of the principal of and interest on the Note and any other obligations hereafter made payable out of the Note Fund and all related expenses payable out of the Note Fund. The Note shall be secured equally and ratably with all other obligations heretofore or hereafter issued and made payable from the Note Fund by the pledge of all assets appropriated to the Note Fund.

(iv) Taxes; Pledges. It is estimated that the revenues pledged for the payment of the Note, together with other available monies designated by the Council for such purposes, will produce sums in an amount not less than 5% in excess of the amounts needed to meet when due payments of principal of and interest on the Note, and accordingly no tax is levied by this Resolution for that purpose. The Council shall deposit in the Note Fund revenues pledged to the payment of the Note in such amounts and at such times as are directed by the Chief Financial Officer/Treasurer of the Council so that as of the interest payment dates for the Note (i.e. February 20 and August 20 of each year as set forth in the Note) (each an "Interest Payment Date") during the term of the Note, the amount held in the Note Fund is sufficient to pay principal (if any) of and interest on the Note (and any other obligations payable from the Note Fund) payable on that Interest Payment Date and so that all related expenses payable out of the Note Fund are paid when due.

(v) Note Record. The Chief Financial Officer/Treasurer of the Council is directed to keep on file in the Council office a tabulation of the dates and amounts of the principal and interest payments to become due on all obligations payable from the Note Fund, and of the balance required in the Note Fund on each Interest Payment Date in lieu of taxes then otherwise required to be levied for the security of such Note.

(vi) Separate Council Funds. In its annual budget, the Council shall allocate all wastewater debt service costs, together with operations and maintenance costs of the metropolitan disposal system and any other applicable costs, to local government units pursuant to Minnesota Statutes, Section 473.517, as amended.

Section 7. Disposition of Note Proceeds. All disbursements of Note proceeds made under the Project Loan Agreement shall be made and applied as provided in the Project Loan Agreement.

Section 8. General Obligation Pledge. The full faith and credit and taxing powers of the Issuer will be, and are 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 wastewater system appropriated and pledged to the payment of principal and interest on the Note, together with other funds irrevocably appropriated to the Debt Service Fund referred to in Section 6 are at any time insufficient to pay such principal and interest when due, the Issuer covenants and agrees to levy, without limitation as to rate or amount, for collection the following year a general ad valorem tax upon all taxable property in the "metropolitan area" within the meaning of Minnesota Statutes, Section 473.121, subdivision 2, in an amount sufficient to pay such principal and interest as the same become due. If the balance in the Debt Service Fund is ever insufficient to pay all principal

and interest then due on the Note and any other obligations payable therefrom, the deficiency will be promptly paid out of any other funds of the Issuer which are available for such purpose, and those other funds may be reimbursed, with or without interest, from the Debt Service Fund when a sufficient balance is available in that Fund.

Section 9. Certificate of Registration. The Chief Financial Officer/Treasurer is authorized and directed to file a certified copy of this resolution with the County Auditors of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties, Minnesota, together with such other information as the County Auditors may require, and to obtain from the County Auditors their certificates that the Note has been entered in the County Auditors' Bond Registers.

Section 10. Project Loan Agreement. The Project Loan Agreement is approved in substantially the form presented to the Council, and in the form executed is incorporated by reference and made a part of this resolution. The provisions of this resolution relating to the 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 Note, that provision controls. The approval hereby given to the Project Loan Agreement includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the Council and by the Regional Administrator prior to its execution; and Regional Administrator is hereby authorized to approve said changes on behalf of the Council. The execution and delivery of the Project Loan Agreement by the Regional Administrator is hereby authorized. The execution of the Project Loan Agreement by the Regional Administrator is conclusive evidence of the approval of the Project Loan Agreement in accordance with the terms hereof. The Project Loan Agreement may be attached to the Note, and must be attached to the Note if the holder of the Note is any person other than the PFA.

Section 11. Records and Certificates. The officers of the Council 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 Council relating to the Note and to the financial condition and affairs of the Council, and such other affidavits, certificates, agreements and information as are required to show the facts relating to the legality and marketability of PFA Bonds, if any were used as a source of financing for this loan, 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 Council as to the facts recited therein.

Section 12. Negative Covenants as to Use of Proceeds and Project. The Issuer 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 arrangement for the cost of the Project, in such a manner as to cause the Note to be private activity bond within the meaning of Section 103 and 141 through 150 of the Code. The Issuer reasonably expects that no action 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 government purpose of the issue. The Issuer 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 13. Tax-Exempt Status of the Note: Rebate. The Issuer will 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 Note, including without limitation (i) requirements relating to temporary periods for investments; (ii) limitations on amounts invested at a yield greater than the yield on the PFA Bonds; and (iii) the rebate of excess investment earnings to the United States.

Section 14. Tax-Exempt Status of the PFA Bonds; Rebate. The Issuer with respect to the Note will 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 PFA Bonds, if any were used to fund the Loan, 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 United States. The Issuer covenants and agrees with the PFA and holders of the Note that the investments of proceeds of the Note, including the investment of any revenues pledged to the Note, which may be considered gross proceeds of PFA Bonds under the applicable regulations, and accumulated sinking funds, if any, will be limited as to amount and yield in such manner that such PFA Bonds will 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 Issuer certifies that it is not expected that the proceeds of the Note, will be used in such manner to cause such PFA Bonds to be arbitrage bonds under Section 148 of the Code, and any regulations thereunder. The Note Registrar will furnish a certificate to the PFA addressing the foregoing certification at the time of delivery of the Note to the PFA.

The Issuer covenants and agrees that the PFA and holders of the Note that the investments of proceeds of the Note, including the investment of any revenues pledged to the Note, which are considered gross proceeds of any such PFA Bonds under the applicable regulations and accumulated sinking funds, if any, will be limited as to amount(s) and yield(s) in such manner that such PFA Bonds will 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 Issuer hereby certifies that it is not expected that the proceeds of the Note will be used in such manner as to cause such PFA Bonds to be arbitrage bonds under Section 148 of the Code and any regulations thereunder. The Regional Administrator and Chief Financial Officer/Treasurer will furnish an arbitrage certificate to the PFA addressing the foregoing certification at the time of delivery of the Note to the PFA.

Section 15. Severability. If any section, paragraph or provision of this resolution is held to be invalid or unenforceable for any reason, the validity or unenforceability of such section, paragraph or provision will not affect any of the remaining provisions of this resolution.

Section 16. 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.

Adopted: November 9, 2016

Emily Getty, Recording Secretary

Adam Duininck, Chair

EXHIBIT A
TO SALE RESOLUTION

FORM OF NOTE

No. R-1

\$_____

UNITED STATES OF AMERICA
STATE OF MINNESOTA
ANOKA, CARVER, DAKOTA, HENNEPIN, RAMSEY, SCOTT AND
WASHINGTON COUNTIES
METROPOLITAN COUNCIL
(Minneapolis-St. Paul metropolitan area)

GENERAL OBLIGATION WASTEWATER REVENUE NOTE, SERIES 2016D

Date of Original Issue: _____, 2016

The METROPOLITAN COUNCIL, a body corporate and politic having jurisdiction over the Minneapolis-St. Paul metropolitan area comprising the Counties of Anoka, Carver, Dakota (excluding the City of Northfield), Hennepin (excluding the Cities of Hanover and Rockford), Ramsey, Scott (excluding the City of New Prague), and Washington, Minnesota (the "Issuer"), certifies that it is indebted for value received and promises to pay to the Minnesota Public Facilities Authority or registered assigns, the principal sum of \$_____, or so much thereof as may have been disbursed, on August 20, in the years and in the installments as follows:

<u>Year</u>	<u>Installment</u>	<u>Year</u>	<u>Installment</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 may be disbursed from time to time as provided in the Project 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 ____% per annum (calculated on the basis of a 360-day year of twelve 30-day months) on February 20, 2017 and semiannually thereafter on each February 20 and August 20.

Principal and Interest Payments. Interest accrues only on the aggregate amount of this Note that has been disbursed under the Public Facilities Authority Bond Purchase and Project Loan Agreement dated as of _____, 2016, by and between the Issuer and the Minnesota Public Facilities Authority (the “Project Loan Agreement”). The principal installments that will be paid in the amounts scheduled 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 (i.e., the remaining principal payment schedule is to be reamortized to provide similar reductions in the annual installments of total debt service payments).

Interest on this Note includes amounts treated by the Minnesota Public Facilities Authority as service fees. 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 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 as provided in the Project Loan Agreement.

Purpose: General Obligation. This Note has been issued pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, thereunto enabling, including Minnesota Statutes, Sections 473.541 and Chapter 475 for the purpose of providing money to finance eligible project costs of the acquisition or betterment of improvements to the Issuer’s interceptor and treatment works (the “Wastewater System”), and is payable out of the PFA Debt Service Fund of the Issuer, to which fund have been pledged certain net revenues of the Issuer’s Wastewater System. This Note constitutes a general obligation of the Issuer and the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged to provide money for the prompt and full payment of the principal installments of and interest on this Note when the same become due.

Registration: Transfer. This Note must be registered in the name of the payee on the books of the Issuer by presenting this Note for registration to the Council’s Chief Financial Officer/Treasurer (the “Note Registrar”), who will endorse 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, and the Issuer 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 Note Registrar.

Fees Upon Transfer or Loss. The Note Registrar 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.

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 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 Issuer intends that the interest on this Note will be excluded from gross income for United States income tax purposes or from both gross income and taxable net income for State of Minnesota income tax purposes.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by 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 required by law; and that this 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 limitation of indebtedness.

IN WITNESS WHEREOF, the Metropolitan Council (Minneapolis-St Paul metropolitan area), Anoka, Carver, Dakota, Hennepin, Ramsey Scott and Washington Counties, Minnesota, has caused this Note to be executed with the manual signatures of its Chair and its Chief Financial Officer/Treasurer, both as of the nominal date of original issue specified above.

METROPOLITAN COUNCIL
Anoka, Carver, Dakota, Hennepin, Ramsey,
Scott and Washington Counties, Minnesota

By _____
Chair

By _____
Chief Financial Officer/Treasurer

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is the Note described above and has been registered as to the principal and interest in the name of the Registered Owner identified below on the registration books of the Note Registrar. 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 Note Registrar</u>
_____, 2016	Minnesota Public Facilities Authority Federal Employer I.D. No. 41-6007162 _____	_____

**MINNESOTA PUBLIC FACILITIES AUTHORITY
BOND PURCHASE AND PROJECT LOAN AGREEMENT**

**CLEAN WATER REVOLVING FUND LOAN
(TAX-EXEMPT Note from Borrower)**

MPFA-CWRF-L-xxx-FYxx

THIS BOND PURCHASE AND PROJECT LOAN AGREEMENT (the "Agreement"), is between the Minnesota Public Facilities Authority (the "Authority") and the **Metropolitan Council** (the "Borrower") and is dated October 6, 2016.

ARTICLE I - TERMS AND CONDITIONS

Section 1.1. Terms. The Authority hereby commits, subject to the availability of funds and the conditions hereinafter set forth, and pursuant to Minnesota Statutes, Section 446A.01, as amended, and Minnesota Rules Chapter 7380, as amended to provide **FORTY MILLION DOLLARS (\$40,000,000)** to the Borrower for the purpose of financing eligible project costs of the Clean Water Revolving Fund project described as follows: Clean Water Revolving Fund loan to the Met Council as annual cash flow of a portion of their capital budget items, all as detailed in the Minnesota Pollution Control Agency project certification dated (the "Project"). The Project is further described in the Borrower's application which is incorporated here.

The Project financing consists of a loan from the Clean Water Revolving Fund Loan in the amount of **FORTY MILLION DOLLARS (\$40,000,000)** (the "Loan") which shall be evidenced by the Note described in Section 1.3 of this Agreement (the "Note"). The final maturity date of the Loan shall be August 20, 2036. The aggregate principal amount of the Loan disbursed and outstanding with interest and servicing fees collectively at the rate of X.XXX% per annum shall be paid from and after the date of the Note described in Section 1.3 through the date on which no principal of the Loan remains unpaid and all accrued interest and servicing fees thereon have been paid.

Section 1.2. Authority Sources of Funds. The Borrower acknowledges that the Loan provided by the Authority shall be paid with the proceeds of one or more series of the Authority's revenue bonds (the "Bonds"), general capitalization grants, proceeds of state general obligation bonds or other funds of the Authority or a combination thereof, and that the Authority may, at any time, pledge the Loan as security for its Bonds. The Authority in its sole discretion may allocate the Loan to one or more such sources of funds and may from time to time reallocate the Loan to one or more different sources of funds, including one or more different series of Bonds (whether or not such series of Bonds refunded the series of Bonds to which the Loan was originally allocated), or may secure the Loan if permitted by the documents relating to its Bonds.

At the written request of the Borrower, the Authority will provide information with respect to the funding of the Loan, from time to time in such detail as may be reasonably required for the purpose of assisting the Borrower in complying with any provision of Article III of this Agreement.

Section 1.3. Security. (a) The Borrower shall issue to the Authority its General Obligation Revenue Note (the "Note"), evidencing its obligation to repay the Loan. It is a condition of any disbursements hereunder that the Borrower deliver to the Authority the executed Note, a certified copy of resolutions or other authority by the appropriate governing body or bodies as shall legally authorize the execution and performance of this Agreement and the Note, and such opinions, certificates and documents as requested by and in a form acceptable to the Authority.

(b) The Borrower hereby represents and specifically agrees that the Note constitutes a general obligation debt of the Borrower and will be shown as such on its financial statements and be treated in all respects as a general

obligation debt of the Borrower. For purposes of permitting sale of the Note to the Authority, the Authority represents that it is a "board, department or agency" of the State of Minnesota within the meaning of Minnesota Statutes, Section 475.60, subdivision 2, clause (4), as amended.

(c) The obligations of the Borrower under the Note evidence amounts payable under the Loan. Each payment made pursuant to the Note will be deemed to be a credit against the corresponding obligation of the Borrower under the Loan and any such payment will fulfill the Borrower's obligation to pay such amount hereunder.

Section 1.4. Disbursements. (a) No funds will be disbursed by the Authority to the Borrower until the Borrower has delivered its Note to the Authority as set forth in Section 1.3.

(b) All Borrower disbursement requests will be subject to Authority approval and will be disbursed on a cost reimbursement basis, consistent with the budget presented in the Borrower's application. The Authority may withhold or disallow all or part of the amount requested if the Authority determines the request is not in compliance with this Agreement, applicable federal and state laws, regulations or rules as then in effect.

(c) The Authority will disburse funds pursuant to approved disbursement requests complying with the provisions of this Agreement. Each disbursement request must be for eligible costs for completed work on the Project and must be submitted at such deadlines established by the Authority and in the form prescribed by the Authority. Each disbursement request must include supporting invoices and billing statements and be signed by an employee or elected official of the Borrower.

(d) The Authority will reimburse the Borrower for eligible Project costs incurred prior to the execution of this Agreement only to the extent approved in connection with the Authority's approval of the Borrower's application. The Authority reserves the right to reimburse the Borrower for approved costs incurred prior to the execution of this Agreement by making disbursements therefor over a two-year period in eight equal quarterly payments.

(e) Disbursements will be made by the Authority to the Borrower within 30 days of receipt of the Borrower's request, unless the Authority determines to withhold disbursement in accordance with the provisions of this Agreement. The Authority will endeavor to pay disbursement requests submitted by the Borrower not later than the 15th day of the month by the end of the same month.

(f) If the entire amount specified in Section 1.1 is not fully disbursed by June 30, 2020, no further disbursements will be made. In such event of a final eligible Project costs are less than the total financing amount specified in Section 1.1, the undisbursed balance of the Loan amount not disbursed will be applied to the outstanding principal installments of the Loan on a pro rata basis or as otherwise determined by the Authority. The Authority will revise Exhibit A to this Agreement to reflect the reduction in principal amount and promptly deliver a copy to the Borrower.

Section 1.5. Mandatory Payments. (a) The principal amount of the Loan, together with accrued interest and servicing fees collectively, will be repaid in the amounts and on the dates set forth in Exhibit A attached hereto (notwithstanding the rate of disbursement of the proceeds of the Loan), subject to adjustment as set forth in Section 1.4 or 1.6. The interest payment shown on Exhibit A is for informational purposes only; the actual interest payment will be the amount of interest which has accrued to the date of payment. The Authority will be entitled to retain for its own purposes any interest earnings on Loan proceeds that are not disbursed and will not be obligated to credit against any required repayment of principal or payment of interest and servicing fees any such interest earnings. Any payment of principal or interest received by the Authority in excess of the amounts set forth in Exhibit A, as then in effect, which is not a mandatory payment as designated in paragraph (b), or not expressly designated by the Borrower to be treated as an optional prepayment may, in the sole discretion of the Authority, be (i) held without interest payable by the Authority and applied to a future payment due on the Loan in a manner determined by the Authority, (ii) treated as a prepayment of principal on the Loan,

or (iii) returned to the Borrower as an overpayment. Other than prepayments, the Authority will apply any payments received under the Note as follows: first, to the payment of any costs or expenses incurred by the Authority in enforcing any provision of the Note or this Agreement; second, to the payment of accrued and unpaid interest and servicing fees on the Note; and third, to the payment of principal of the Note then due.

(b) If the Borrower has pledged to the repayment of the Loan revenues subject to prepayment or lump-sum payment by a third party, such as special assessments or connection charges from another municipality, the Borrower agrees, to notify the Authority immediately upon receipt of any such payment. The Authority, in its sole discretion, may direct the Borrower to use the funds for the payment of eligible construction costs of the Project, or to transmit the funds to the Authority for payment on the Loan, immediately or at a later date. Any such payment received by the Authority may be applied to reduce each unpaid annual principal installment of the Loan in the proportion that such installment bears to the total of all unpaid principal installments, or, in the sole discretion of the Authority, may be applied to one or more future principal payments on the Loan in a manner determined by the Authority.

Section 1.6. Optional Prepayments. (a) The Loan may not be prepaid except upon written consent of the Authority. If the Authority has consented, then upon the Borrower's prior written notice to the Authority (or such lesser period as the Authority may accept), the Borrower may prepay the Loan and the Note, in whole or in part, on any February 20 or August 20 at a price equal to 100% of the principal amount to be prepaid, together with accrued interest and servicing fees thereon to the redemption date and a premium equal to all fees and expenses of the Authority, if any, in connection with the prepayment, including any fees, expenses or other costs relating to the payment and redemption of its Bonds as determined by the Authority.

(b) The Authority may require that the Borrower, at its sole cost and expense, deliver to the Authority an opinion from a law firm, selected by the Authority, having a national reputation in the field of municipal law whose legal opinions are generally accepted by purchasers of municipal bonds ("Bond Counsel") to the effect that such prepayment will not be the interest of the Note is not included in the gross income of the recipient thereof for federal income tax purposes.

(c) Any prepayment of the Note shall be applied as follows: first, to the payment of fees, expenses and other costs of the Authority as provided in Section 1.6(a); second, to the payment of interest and servicing fees on the principal amount of the Note to be prepaid; and third, to the principal of the Note. The principal amount of a partial prepayment, in the sole discretion of the Authority, (i) be applied to one or more future principal payments on the Loan in a manner determined by the Authority, or (ii) be applied to reduce each unpaid annual principal installment of the Loan in the proportion that such installment bears to the total of all unpaid principal installments (and the remaining principal payment schedule shall be re-amortized to provide proportionately reduced principal payments in each year).

ARTICLE II - BORROWER RESPONSIBILITIES AND PROJECT COMPLIANCE

Section 2.1. Borrower Responsibilities with Respect to the Project. (a) The Borrower shall meet all requirements in the loan application submitted to the Authority as to compliance with federal and state laws, rules and regulations and shall include in any contract or subcontract related to the Project, provisions requiring contractor and subcontractor compliance with applicable state and federal laws. The requirements, including compliance with the reporting requirements of Minnesota Statutes, Section 16A.633 subdivision 4, "Report on Jobs Created or Retained", in such loan application are hereby incorporated by reference.

(b) The Borrower agrees to commence construction and complete the Project with reasonable diligence, regardless of the sufficiency of loans or grants therefor from the Authority to pay eligible project costs.

(c) The Borrower will not enter into a sale, lease, transfer or other use agreement of any part of the Project, or change the use of the Project, without the prior written approval of the Authority if such sale, lease, transfer, agreement or change in use would (i) violate the covenants set forth in Article III or Article IV, or (ii) violate the conditions under which any capitalization grants were furnished by the United States Environmental Protection Agency (the "EPA"), or (iii) otherwise violate any terms or conditions of this Agreement.

(d) The Borrower must maintain adequate property insurance coverage for the Project in such amounts with such limits as it determines in good faith to be reasonable or in such amounts and with such limits as may be required by the Authority from time to time. The Borrower may substitute adequate, actuarially sound self-insurance or risk retention program(s) for property insurance coverage, so long as such program(s) are consistent with applicable laws and state and federal regulations.

(e) The Borrower must complete the Project in accordance with all applicable federal, state and local statutes, rules, regulations, ordinances, reporting requirements, approvals, and state agency certifications governing the design and construction of the Project, and will operate its sewer system in compliance with all applicable federal and state laws and regulations and permit requirements.

(f) The Borrower agrees to exert all reasonable efforts to investigate claims which the Borrower may have against third parties with respect to the construction of the Project and, in appropriate circumstances, take whatever action, including legal action, the Borrower reasonably determines to be appropriate.

Section 2.2. Construction Compliance. (a) The Borrower will comply with the provisions of prevailing wage requirements set forth in Minnesota Statutes, Sections 177.01 to 177.44, as then in effect.

(b) In addition to the prevailing wage requirements under subsection (a), the Borrower will comply and require that all laborers and mechanics employed by contractors or subcontractors on the Project be paid wages at rates not less than those paid on projects of a similar character in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. sec. 276a through 276a-5), as amended.

(c) If requested, the Borrower will submit to the Authority, within 20 days of the end of the annual reporting period, EPA Form 5700-52A to report on the award of prime contracts or subcontracts to any certified Minority and Women Business Enterprises (M/WBEs) until the Project is complete.

(d) The Borrower will comply with Minnesota Statute, Section 290.9705, as then in effect, by withholding to the extent required eight percent (8%) of payments made to all out-of-state contractors once cumulative payments made to the contractor for work done in Minnesota exceed \$50,000 in a calendar year, unless an exemption is granted by the Department of Revenue. Withheld amounts are required to be deposited with the Minnesota Department of Revenue.

(e) The Borrower will comply with the American Iron and Steel requirements of Section 608 of the Federal Water Pollution Control Act until the Project is granted a waiver from the federal EPA.

Section 2.3. Revenue Sufficiency Covenant. The Borrower shall impose and collect rates and charges in compliance with Minnesota Statutes and in accordance with the Borrower's approved service charge system, so that sufficient gross revenues are available for the payment of system costs, including operation and maintenance and, together with other sources as may be applicable, debt service. The Borrower shall annually review and assure the revenue stream is sufficient for the payment of system costs including debt service.

ARTICLE III - TAX EXEMPTION

Section 3.1. Covenants. The Borrower acknowledges that the Note is intended to bear interest which is excluded from gross income of the owner thereof for federal and State of Minnesota income tax purposes (a "Tax-exempt Note") and may be funded by the Authority from the proceeds of the Authority's Bonds which are intended to bear interest which is excluded from gross income of the owner thereof for federal and State of Minnesota income tax purposes ("Tax-exempt Bonds"). The Borrower also acknowledges that, regardless of the source of funding, the Authority may pledge the Loan and the related Note as security for, and as a source of, the payment of debt service on any or all of its Tax-exempt Bonds. In consideration of these facts, the Borrower covenants and agrees with the Authority, whether or not strict compliance with such agreements is required to maintain the Note as a Tax-exempt Note or the Authority's Bonds as Tax-exempt Bonds, as follows:

(a) The Borrower will not take, or to the extent under its control permit, any action which would cause the Note not to be a Tax-exempt Note or any Authority Bonds not to be Tax-exempt Bonds and will not omit from taking, or cause to be taken, any action required to maintain the Note as a Tax-exempt Note or the Authority's Bonds as Tax-exempt Bonds.

(b) The Borrower will take all actions with respect to the Note necessary to comply with all instructions and requests of the Authority relating to maintaining the Authority's Bonds as Tax-exempt Bonds and the Note as a Tax-exempt Note or compliance with the agreements set forth in this section or any Tax Compliance Certificate (hereinafter defined).

(c) The Borrower agrees to comply with the requirements of any certificate or agreement ("Tax Compliance Certificate") executed and delivered by it in connection with the issuance of the Note.

(d) The Borrower will promptly notify the Executive Director of the Authority in writing of any action or event which adversely affects the status of the Note as a Tax-exempt Note or any of the Authority's Bonds as Tax-exempt Bonds.

(e) None of the proceeds of the Loan may be used to pay the costs of any facility used or to be used during the term of the loan for any private business or to make a private loan within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, the "Code."

(f) No loan repayments may be made from, or secured by, property used or to be used for a private business use or payments in respect of such property within the meaning of Section 141 of the Code, except as specifically permitted in writing by the Authority.

(g) The Borrower will not establish any fund or account, other than a bona fide debt service fund, securing the payment of the Tax-exempt Note or Tax-exempt Bonds or from which the Borrower reasonably expects to pay debt service on the Loan, or in any other respect create "gross proceeds," within the meaning of the Code, of the Tax-exempt Note or Tax-exempt Bonds, except as specifically permitted in writing by the Authority. In addition, any gross proceeds 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 such investment would cause the Tax-Exempt Note or Tax-exempt Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(h) The Borrower will not invest any moneys constituting "gross proceeds" of the Tax-exempt Note or Tax-exempt Bonds other than in a fair market, arms' length transaction and at a yield, within the meaning of the Code, in excess of the lesser of the yield on the Tax-exempt Note or the Tax-exempt Bonds applicable to the Loan and shall apply all Loan proceeds within five days of the receipt thereof by the Borrower consistent with the terms of the Borrower's disbursement request.

(i) Except as permitted under Treasury Regulations, Section 1.150-2, and Section 1.4(d) hereof, the Borrower will not use Loan proceeds to reimburse itself for any payments of project costs which the Borrower made from other funds, if the original payment was made prior to the earlier of the issuance of the Authority Bonds used to fund the Loan or the execution and delivery of this Agreement or if the original payment was made from the proceeds of other debt of the Borrower.

(j) Other than as provided in Section 4.1 hereof, the Borrower agrees that the allocation by the Authority of funds it uses to purchase the Loan, including different series of Tax-exempt Bonds, shall be at the sole discretion of the Authority and such allocation shall be binding on the Borrower.

(k) With respect to any gross proceeds of the Tax-exempt Bonds created by the Borrower, the Borrower shall be liable to the Authority for the amount required to be rebated as ~~gross~~ investment earnings to the United States.

(l) The Authority may, in its sole discretion and only upon receipt of the opinion of counsel to the Authority, waive any of the agreements set forth in this Article III.

ARTICLE IV – COMPLIANCE WITH STATE BOND REQUIREMENTS

Section 4.1. State Bond Financed Property. The Borrower and the Authority acknowledge and agree that the Borrower's ownership interest in the Project consisting of ~~the~~ property, and, if applicable, all facilities located, or that will be constructed and located on such real property and all equipment that is a part thereof that was purchased with the proceeds of general obligation bond proceeds constitute "State Bond Financed Property", as such term is used in Minnesota Statutes, Section 16A.695 and the "Fourth Order Amending Order of the Commissioner of Finance Relating to Use and Sale of State Bond Financed Property" dated July 30, 2012 (the "Order") as such may be amended, modified, supplemented, or replaced from time to time and therefore, the provisions contained in such statute and Order apply to the Borrower's ownership interest in the Project and any Use contracts relating hereto. The Borrower agrees that the proceeds of the Loan must be used and the Project must be operated in a manner that complies with Minnesota Statutes, Section 16A.695 and the Order. The Borrower must file the required state bond financed property declaration as provided in the Order and provide a copy of the filed declaration to the Authority, unless the filing requirement is waived in writing by the Commissioner of Minnesota Management and Budget.

Section 4.2. Lease or Management Contract. The Borrower agrees that: any lease or management or similar contract (each a "Use Agreement") entered into by the Borrower with respect to property constituting all or a part of the State Bond Financed Property must comply with the following requirements:

(a) It must be for the express purpose of carrying out of a governmental program established or authorized by law and established by official action of the Borrower.

(b) It must be approved, in writing, by the Commissioner of Minnesota Management and Budget.

(c) It must be for a term, including any renewals that are solely at the option of the lessee or manager, that is substantially less than the useful life of the property subject to such lease or management contract, but may allow renewal beyond that term upon determination by the Borrower that the use continues to carry out the governmental program.

- (d) It must be terminable by the Borrower if the other contracting party defaults under the contract, or if the governmental program is terminated or changed.
- (e) It must provide for oversight by the Borrower of the operation of the property that is the subject of the Use Agreement.
- (f) It must specifically identify the statute that provides the Borrower authority to enter into the Use Agreement.
- (g) It must contain a provision stating that the Use Agreement is being entered into in order to carry out a governmental program and must specifically identify the governmental program.

Section 4.3. Sale. The Borrower must not sell any property constituting all or a part of the State Bond Financed Property unless the sale complies with the following requirements:

- (a) The Borrower determines by official action that such property is no longer usable or needed by the Borrower to carry out the governmental program for which it was acquired or constructed.
- (b) The sale must be made as authorized by law.
- (c) The sale must be for fair market value as defined in Minnesota Statutes, Sections 16A.05 as then in effect.
- (d) The Borrower must obtain the prior written consent of the Commissioner of Minnesota Management and Budget.

Section 4.4. Changes to Minnesota Statute 16A.695 or the Order. In the event that Minnesota Statutes Section 16A.695 or the Order is amended in a manner that relieves any requirement imposed upon the Borrower, or if the Borrower's interest in the State Bond Financed Property is exempt from Minnesota Statutes, Section 16A.695 or the Order, then upon written request by the Borrower, the Authority will enter into and execute an amendment to the Agreement to implement therein such amendment to or exempt the interest in the Project from Minnesota Statutes, Section 16A.695 and the Order or both.

Section 4.5. Waiver. The Authority may waive the requirements of Article IV at any time upon determination by the Authority, and after receiving approval by the Commissioner of Minnesota Management and Budget that the Loan has not been and will not be funded from the proceeds of state general obligation bonds.

ARTICLE V - DISCLOSURE

Section 5.1. Information for Disclosure Documents. (a) The Borrower agrees to provide to the Authority such information with respect to the Borrower, its duties, operations and functions as may be reasonably requested by the Authority, and hereby consents to its inclusion in the Authority's official statement(s) used in connection with issuance and sale or the re-marketing of its Bonds or continuing disclosure with respect to its Bonds (collectively, the "Disclosure Documents"), whether or not all or a portion of the proceeds of Bonds were or will be loaned to the Borrower.

(b) At the request of the Authority, the Borrower will certify and represent that such information with respect to the Borrower in any Disclosure Document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading; provided, however, that in no event shall the Borrower be required to make any representation about any other information in the Disclosure Documents or as to any Disclosure Document in its entirety. If for any reason the Borrower determines that it shall not be able to make such certification and

representation, it will provide such information to the Authority as is necessary for inclusion in the Disclosure Documents so as to enable it to make such certification and representation.

(c) If at any time during the period ending 90 days after the date the Borrower provides information to Authority for inclusion in a Disclosure Document any event occurs which the Borrower believes would cause the information with respect to the Borrower in the Disclosure Document to omit a material fact or make the statements therein misleading, the Borrower shall promptly notify the Authority in writing of such event and provide information for inclusion in the Disclosure Document or an amendment thereof or a supplement thereto. At the request of the Authority, the Borrower will also provide the certification and representation required in (b) above with respect to such information.

(d) The Borrower will provide such information as may be reasonably requested by any rating agency in connection with rating the Bonds of the Authority.

Section 5.2. Continuing Disclosure. If the Authority, in its sole discretion, determines, at any time prior to payment of the Loan in full, (i) that the Borrower is a material "obligated person," as the term "obligated person" is defined in Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto ("Rule 15c2-12") or (ii) that an event has occurred with respect to the Borrower or the Loan that must be disclosed under Rule 15c2-12, or that any other act of the Borrower has occurred which the Authority determines in its sole discretion is material to an investor in Bonds of the Authority, the materiality under clause (i) being determined by the Authority pursuant to criteria established, from time to time, by the Authority in its sole discretion and set forth in a resolution or official statement of the Authority, the Borrower hereby covenants that it will authorize and provide to the Authority, for inclusion in a Disclosure Document, all statements and information relating to the Borrower deemed material by the Authority for the purpose of satisfying Rule 15c2-12 as well as Rule 10b-5 promulgated pursuant to the Securities Exchange Act of 1934, as amended or supplemented, including any successor regulation or statute thereto ("Rule 10b-5"), including certificates and written representations of the Borrower evidencing satisfaction of the requirements of Rule 15c2-12 and Rule 10b-5 and the Borrower hereby covenants that the Borrower (if determined to be such a material obligated person) shall execute and deliver a continuing disclosure agreement, in such form as the Authority shall determine to be necessary, desirable or convenient, in its sole discretion, for the purpose of meeting the requirements of Rule 15c2-12, pursuant to the terms and provisions of such continuing disclosure agreement, and the Borrower shall thereafter provide ongoing disclosure with respect to all annual and event information and financial statements relating to the Borrower required by a continuing disclosure undertaking under Rule 15c2-12 and pursuant to the terms and provisions of such continuing disclosure agreement, and the Borrower further agrees that the Authority shall have the right to disclose any information about the Borrower or the Loan, whether or not received from the Borrower, determined by the Authority in its sole discretion, to be material with respect to any of its Bonds.

ARTICLE VI - DEFAULT AND REMEDIES

Section 6.1. Events of Default. Any of the following are events of default under this Agreement:

- (a) Failure of the Borrower to make a payment when due;
- (b) Failure of the Borrower to comply with any other provision of this Agreement or the Note after written notice from the Authority and the Borrower fails for a three-month period to cure such default or provide a written plan acceptable to the Authority providing for such cure or, if the Authority accepts a plan for cure, the Borrower fails to cure any defaults within the time period specified therein.

Section 6.2. Remedies. (a) For an event of default under Section 6.1(a) of this Agreement, the Authority shall impose an interest penalty as provided in Minn. Rules Part 7380.0475, Subpart 1. The Authority may also exercise one or more of the following remedies: (1) withhold approval of any disbursement request, (2) reject any pending application by the Borrower for financial assistance, (3) to the extent permitted by law, demand immediate payment of the Loan and the Note in full and, upon such demand, the outstanding principal amount of the Loan and Note will be immediately due and payable, with interest accrued thereon to the date of payment, or (4) exercise any other remedy available to the Authority at law or in equity, including under Minnesota Rules, Chapter 7380, as amended.

(b) For an event of default under Section 6.1(b) of this Agreement, the Authority shall impose an immediate increase in the interest rate on the Loan by eliminating all interest rate discounts that were applied in determining the interest rate under Minnesota Rules, Part 7380.0442. The Authority may also exercise one or more of the following remedies: (1) withhold approval of any disbursement request, (2) reject any pending application by the Borrower for financial assistance, (3) to the extent permitted by law, demand immediate payment of the Loan and the Note in full and, upon such demand, the outstanding principal amount of the Loan and Note will be immediately due and payable, with interest accrued thereon to the date of payment, or (4) exercise any other remedy available to the Authority at law or in equity, including under Minnesota Rules, Chapter 7380, as amended. If the Authority subsequently determines that the Borrower has cured all events of default, the interest rate on any unpaid Loan principal will revert back to the original interest rate.

ARTICLE VII FINANCIAL RECORDS AND AUDITS

Section 7.1. Financial Recordkeeping. For all expenditures of funds made pursuant to this Agreement, the Borrower must keep financial accounts and records in accordance with generally accepted accounting principles including invoices, contracts, receipts, vouchers and other documents sufficient to evidence in proper detail the nature and amount of the expenditures and investments made with proceeds of the Loan or other "gross proceeds" of the Note or the Tax-exempt bonds of the Authority. Such accounts and records shall be accessible and available for a minimum of ten years from the date of initiation of operation of the Project and for so long as the Note is outstanding for examination by authorized representatives of: the Authority, the Legislative Auditor, Office of the State Auditor and the EPA Office of Inspector General.

Section 7.2. Annual Audit Requirements. (a) The Borrower must annually provide to the Authority for the term of the Loan a copy of an independent annual audit. All audit reports must be submitted within 30 days after the completion of the audit but no later than one year after the end of the fiscal year to be audited. The audits must be conducted in accordance with generally accepted government auditing standards and in compliance with the single audit act requirements of the federal Office of Management and Budget, circular A-133, or as superseded by 2 CFR 200 Subpart F, effective for fiscal years beginning on or after December 26, 2014.

(b) The Borrower must list the Borrower's general obligation debt of the Borrower in its annual audits for the term of the Loan.

ARTICLE VIII - THIS ARTICLE INTENTIONALLY LEFT BLANK

ARTICLE IX – GOVERNMENT DATA PRACTICES

Section 9.1. General. The Borrower agrees with respect to any data that it possesses regarding the Project, to comply with all of the provisions and restrictions contained in the Minnesota Government Data Practices Act contained in Chapter 13 of the Minnesota Statutes that exists as of the date of this Agreement and as such may subsequently be amended, modified or replaced from time to time.

ARTICLE X - ADMINISTRATION

Section 10.1. Amendments. Any amendments to this Agreement must be in writing and be executed by the Borrower by the same officials who signed the Agreement, or their successors.

Section 10.2. Fee. The Borrower acknowledges that the Authority may apply up to 2% of any loan repayment to payment of administrative costs and that such application will not increase the amount of any repayments or extend the period of repayment.

Section 10.3. Notices. In addition to any notice required under applicable law or given in another manner, any notices required hereunder must be in writing, and shall be sufficient if delivered by courier or overnight delivery service or sent by certified mail (return receipt requested), postage prepaid, to the address of the party to whom it is directed. Such address shall be that address specified below or such different address as may hereafter be specified, by either party by written notice to the other.

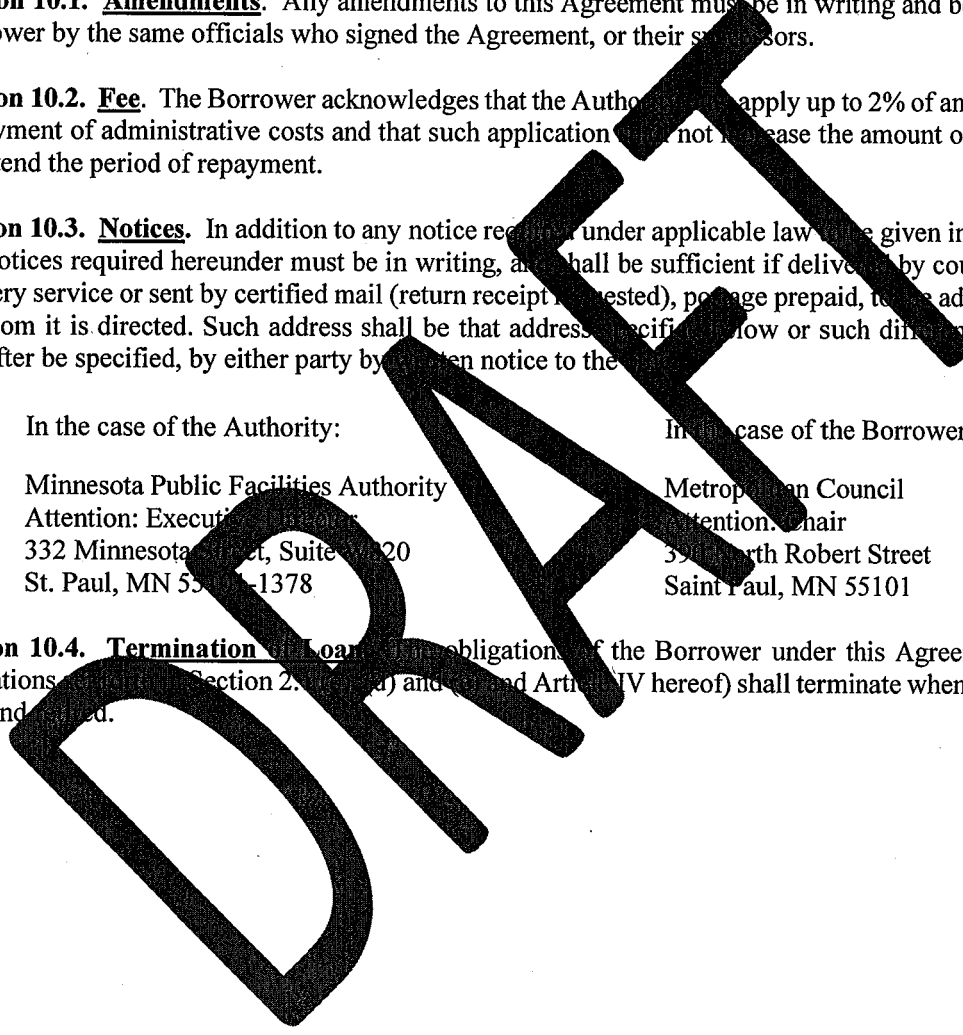
In the case of the Authority:

Minnesota Public Facilities Authority
Attention: Executive Director
332 Minnesota Street, Suite 20
St. Paul, MN 55101-1378

In the case of the Borrower:

Metropolitan Council
Attention: Chair
350 North Robert Street
Saint Paul, MN 55101

Section 10.4. Termination of Loan. The obligations of the Borrower under this Agreement (except the obligations under Section 2.1 (a) and (b) and Article IV hereof) shall terminate when the Loan is fully paid and discharged.



Project Number: MPFA-CWRF-L-XXX-FYXX
Borrower Name: Metropolitan Council

The Authority and the Borrower have caused this Agreement to be duly executed by their duly authorized undersigned representatives. Statutory Cities must execute this Agreement as provided in Minnesota Statutes, Section 412.201, as amended. Home Rule Charter Cities must execute this Agreement as provided in Minnesota Statutes, Chapter 410, as amended.

BORROWER: We have read and we agree to all of the above provisions of this Agreement.

By _____
Wes Kooistra
Title Regional Administrator
Date _____

MINNESOTA PUBLIC FACILITIES AUTHORITY

By _____
Shelley Hardy, or delegate
Title Chair
Date _____

ENCUMBERED:
Minnesota Public Facilities Authority

By _____

Encumbered B2401 3-xxx xx/xx/xxxx
Official signing certified that funds have been
encumbered as required by Minnesota Statute 16A)

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Exhibit A (Draft for Cash Flow Projections)
Loan Amortization Schedule

Metropolitan Council - cw28

MPFA-

funding dates:

40,000,000.00

Rate: 1.132%

Date:

Maturity: 08/20/36

private activity:

final loan amount:

40,000,000.00

Date	Effective	Source	Disbursement	Repayment	Interest	Principal	Loan Balance	Annl Debt Srv
projected	12/28/16	Op Res	40,000,000.00				40,000,000.00	
	08/20/17			491,804.45	291,804.45	200,000.00	39,800,000.00	491,804.45
	02/20/18			225,268.00	225,268.00		39,800,000.00	
	08/20/18			1,725,268.00	225,268.00	1,500,000.00	38,300,000.00	1,950,536.00
	02/20/19			216,778.00	216,778.00		38,300,000.00	
	08/20/19			1,216,778.00	216,778.00	1,000,000.00	37,300,000.00	1,433,556.00
	02/20/20			211,118.00	211,118.00		37,300,000.00	
	08/20/20			1,011,118.00	211,118.00	800,000.00	36,500,000.00	1,222,236.00
	02/20/21			206,590.00	206,590.00		36,500,000.00	
	08/20/21			1,206,590.00	206,590.00	1,000,000.00	35,500,000.00	1,413,180.00
	02/20/22			200,930.00	200,930.00		35,500,000.00	
	08/20/22			2,400,930.00	200,930.00	2,200,000.00	33,300,000.00	2,601,860.00
	02/20/23			188,478.00	188,478.00		33,300,000.00	
	08/20/23			2,588,478.00	188,478.00	2,400,000.00	30,900,000.00	2,776,956.00
	02/20/24			174,894.00	174,894.00		30,900,000.00	
	08/20/24			2,474,894.00	174,894.00	2,300,000.00	28,600,000.00	2,649,788.00
	02/20/25			161,876.00	161,876.00		28,600,000.00	
	08/20/25			2,361,876.00	161,876.00	2,200,000.00	26,400,000.00	2,523,752.00
	02/20/26			149,424.00	149,424.00		26,400,000.00	
	08/20/26			2,349,424.00	149,424.00	2,200,000.00	24,200,000.00	2,498,848.00
	02/20/27			136,972.00	136,972.00		24,200,000.00	
	08/20/27			2,336,972.00	136,972.00	2,200,000.00	22,000,000.00	2,473,944.00
	02/20/28			124,520.00	124,520.00		22,000,000.00	
	08/20/28			2,324,520.00	124,520.00	2,200,000.00	19,800,000.00	2,449,040.00
	02/20/29			112,068.00	112,068.00		19,800,000.00	
	08/20/29			2,312,068.00	112,068.00	2,200,000.00	17,600,000.00	2,424,136.00
	02/20/30			99,616.00	99,616.00		17,600,000.00	
	08/20/30			2,299,616.00	99,616.00	2,200,000.00	15,400,000.00	2,399,232.00
	02/20/31			87,164.00	87,164.00		15,400,000.00	
	08/20/31			2,287,164.00	87,164.00	2,200,000.00	13,200,000.00	2,374,328.00
	02/20/32			74,712.00	74,712.00		13,200,000.00	
	08/20/32			2,474,712.00	74,712.00	2,400,000.00	10,800,000.00	2,549,424.00
	02/20/33			61,128.00	61,128.00		10,800,000.00	
	08/20/33			2,761,128.00	61,128.00	2,700,000.00	8,100,000.00	2,822,256.00
	02/20/34			45,846.00	45,846.00		8,100,000.00	
	08/20/34			2,745,846.00	45,846.00	2,700,000.00	5,400,000.00	2,791,692.00
	02/20/35			30,564.00	30,564.00		5,400,000.00	
	08/20/35			2,730,564.00	30,564.00	2,700,000.00	2,700,000.00	2,761,128.00
	02/20/36			15,282.00	15,282.00		2,700,000.00	
	08/20/36			2,715,282.00	15,282.00	2,700,000.00	-	2,730,564.00
totals			40,000,000.00	45,338,260.45	5,338,260.45	40,000,000.00		45,338,260.45

Calculation of Loan Rate for Metropolitan Council - cw28

MPFA-

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Date	Principal	10/05/16 Rate Scales		Cash flow using principal schedule and these rate scales:		Present Value of Cash Flows and these rate scales *:	
		PFA Bonds	MMD AAA	PFA Bonds	MMD AAA	PFA Bonds	MMD AAA
12/28/16	(40,000,000.00)			(40,000,000.00)	(40,000,000.00)	(40,000,000.00)	(40,000,000.00)
08/20/17	200,000.00	0.401%	0.78%	781,885.00	645,027.56	768,818.83	637,186.36
02/20/18	-			451,061.50	344,500.00	437,762.40	337,098.02
08/20/18	1,500,000.00	0.560%	0.85%	1,951,061.50	1,844,500.00	1,868,939.41	1,787,822.56
02/20/19	-			446,861.50	338,125.00	422,492.27	324,639.84
08/20/19	1,000,000.00	0.680%	0.91%	1,446,861.50	1,338,125.00	1,350,188.35	1,272,623.66
02/20/20	-			443,461.50	333,575.00	408,455.63	314,250.21
08/20/20	800,000.00	0.800%	0.98%	1,243,461.50	1,133,575.00	1,130,427.91	1,057,818.41
02/20/21	-			440,261.50	329,655.00	395,041.57	304,718.84
08/20/21	1,000,000.00	0.900%	1.06%	1,440,261.50	1,329,655.00	1,275,542.73	1,217,467.53
02/20/22	-			435,761.50	324,355.00	380,911.50	294,183.15
08/20/22	2,200,000.00	1.060%	1.14%	2,635,761.50	2,524,355.00	2,274,065.14	2,267,913.04
02/20/23	-			424,101.50	311,815.00	361,150.46	277,492.82
08/20/23	2,400,000.00	1.250%	1.25%	2,824,101.50	2,711,815.00	2,373,669.37	2,390,526.60
02/20/24	-			409,101.50	296,815.00	339,384.94	259,178.01
08/20/24	2,300,000.00	1.450%	1.36%	2,709,101.50	2,596,815.00	2,218,238.98	2,246,115.51
02/20/25	-			392,426.50	281,175.00	317,148.71	240,905.41
08/20/25	2,200,000.00	1.600%	1.49%	2,592,426.50	2,481,175.00	2,067,914.80	2,105,746.20
02/20/26	-			374,826.50	264,785.00	295,106.00	222,597.76
08/20/26	2,200,000.00	1.730%	1.60%	2,574,826.50	2,464,785.00	2,000,862.71	2,052,509.73
02/20/27	-			355,796.50	247,185.00	272,893.10	203,895.23
08/20/27	2,200,000.00	2.047%	1.71%	2,555,796.50	2,447,185.00	1,934,811.79	1,999,542.04
02/20/28	-			333,279.50	228,375.00	249,024.81	184,837.92
08/20/28	2,200,000.00	2.323%	1.81%	2,533,279.50	2,428,375.00	1,868,265.93	1,946,870.41
02/20/29	-			307,726.50	208,465.00	223,996.92	165,551.54
08/20/29	2,200,000.00	2.550%	1.89%	2,507,726.50	2,408,465.00	1,801,685.10	1,894,607.20
02/20/30	-			279,676.50	187,675.00	198,324.45	146,239.28
08/20/30	2,200,000.00	2.740%	1.96%	2,479,676.50	2,387,675.00	1,735,548.99	1,842,941.75
02/20/31	-			249,536.50	166,115.00	172,384.22	127,005.94
08/20/31	2,200,000.00	2.936%	2.02%	2,449,536.50	2,366,115.00	1,670,201.61	1,791,966.14
02/20/32	-			217,240.50	143,895.00	146,199.99	107,948.95
08/20/32	2,400,000.00	3.088%	2.08%	2,617,240.50	2,543,895.00	1,738,488.20	1,890,386.84
02/20/33	-			180,184.50	118,935.00	118,131.88	87,546.74
08/20/33	2,700,000.00	3.198%	2.13%	2,880,184.50	2,818,935.00	1,863,766.74	2,055,389.44
02/20/34	-			137,011.50	90,180.00	87,508.42	65,132.55
08/20/34	2,700,000.00	3.297%	2.18%	2,837,011.50	2,790,180.00	1,788,444.54	1,996,176.01
02/20/35	-			92,502.00	60,750.00	57,555.53	43,051.84
08/20/35	2,700,000.00	3.386%	2.23%	2,792,502.00	2,760,750.00	1,714,948.20	1,937,988.72
02/20/36	-			46,791.00	30,645.00	28,362.30	21,308.98
08/20/36	2,700,000.00	3.466%	2.27%	2,746,791.00	2,730,645.00	1,643,335.59	1,880,818.82
totals	-			12,617,102.00	12,617,102.00	-	-

* yields that equates PV of cash flows to \$-0-

less discounts applied to the higher of the two yields:

estimated savings: \$7,278,842

WAM: 11.8 years

base discount: 1.500%

MHI below average:

Avg residential cost:

resulting loan rate (min=1%): 1.132%