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Title: Substitute resolution authorizing the sale and issuance of up to \$38,000,000 Water System Revenue Bonds.

Sponsors: THE CHAIR

Indexes: BONDS, GOVERNMENT

Attachments: 1. Comptroller Letter, 2. Exhibit A (As of 9-12-16), 3. Fiscal Impact Statement, 4. Hearing Notice List

Date	Ver.	Action By	Action	Result	Tally
12/15/2015	0	COMMON COUNCIL	ASSIGNED TO		
1/7/2016	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
1/13/2016	0	FINANCE & PERSONNEL COMMITTEE	HELD TO CALL OF THE CHAIR	Pass	5:0
9/9/2016	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
9/9/2016	0	FINANCE & PERSONNEL COMMITTEE	HEARING NOTICES SENT		
9/12/2016	1	CITY CLERK	DRAFT SUBMITTED		
9/14/2016	1	FINANCE & PERSONNEL COMMITTEE	RECOMMENDED FOR ADOPTION	Pass	5:0
9/20/2016	1	COMMON COUNCIL	ADOPTED	Pass	15:0
9/28/2016	1	MAYOR	SIGNED		

151256

Substitute 1

The Chair

Substitute resolution authorizing the sale and issuance of up to \$38,000,000 Water System Revenue Bonds.

This resolution authorizes and provides for the sale of Water System Revenue Bonds for financing the costs of improvements to the City’s Water System. The City will use the Water System Revenue Bonds to borrow for water purposes from the State of Wisconsin Safe Drinking Water Loan Program. The Safe Drinking Water Loan Program is one of the State’s subsidized loan programs included in the Environmental Improvement Fund. The Safe Drinking Water Loan program provides loans to municipalities at subsidized rates for drinking water projects.

Whereas, The City of Milwaukee, Milwaukee County, Wisconsin (the “Municipality”) owns and operates a

water system (the “System”) which is operated for a public purpose as a public utility by the Municipality; and

Whereas, Certain improvements to the System are necessary to meet the needs of the Municipality and the residents thereof, consisting of the construction of one or more capital improvements of the System each constituting a “Project” eligible for funding under the Safe Drinking Water Loan Program administered by the State of Wisconsin Department of Natural Resources (the “Department of Natural Resources”); and

Whereas, Under the provisions of Chapter 66 of the Wisconsin Statutes any municipality may, by action of its governing body, provide for purchasing, acquiring, constructing, extending, adding to, improving, operating and managing a public utility from the proceeds of bonds, which bonds are to be payable only from the revenues received from any source by such utility, including all rentals and fees; and

Whereas, The Municipality deems it to be necessary, desirable and in its best interest to authorize and sell water system revenue bonds of the Municipality payable solely from the revenues of the System, pursuant to the provisions of Section 66.0621 of the Wisconsin Statutes, to pay the costs of the Projects; and

Whereas, Other than “preliminary expenditures” as defined in the Treas. Reg. 26 CFR 1.150-2 in an amount not exceeding 20% of the principal amount of the bonds authorized to be issued by this resolution, or other than a “de minimis” amount as defined in Treas. Reg. 26 CFR 1.150-2 in an amount not exceeding the lesser of \$100,000 or 5% of the principal amount of the bonds authorized to be issued by this resolution, all of the proceeds loaned to the Municipality will be used for Project costs paid by the Municipality subsequent to (i) the date which is 60 days prior to the date on which the Municipality adopted a “declaration of intent” pursuant to Treas. Reg. 26 CFR 1.150-2 stating its intent to reimburse other funds of the Municipality previously used to finance the Projects, or (ii) the date on which the bonds authorized herein are issued; and

Whereas, On December 9, 1998, this Common Council adopted Resolution File Number 981240 authorizing the issuance of Water System Revenue Bonds, Series 1998, of the Municipality (the “1998 Bonds”); and

Whereas, On December 22, 1998, the 1998 Bonds were issued by the Municipality to the State of Wisconsin Safe Drinking Water Loan Program in the maximum principal amount of \$19,358,172 and \$2,283,492.65 principal amount thereof is currently outstanding; and

Whereas, On December 17, 2013, this Common Council adopted Resolution File Number 120976 authorizing the issuance of Water System Revenue Bonds, Series 2013, of the Municipality (the “2013 Bonds”); and

Whereas, On December 26, 2013, the 2013 Bonds were issued by the Municipality to the State of Wisconsin Safe Drinking Water Loan Program in the maximum principal amount of \$7,823,139 and \$5,466,000.66 principal amount thereof is currently outstanding; and

Whereas, On September 23, 2014, this Common Council adopted Resolution File Number 140263 authorizing the issuance of Water System Revenue Bonds, Series 2014, of the Municipality (the “2014 Bonds”); and

Whereas, On October 22, 2014, the 2014 Bonds were issued by the Municipality to the State of Wisconsin Safe Drinking Water Loan Program in the maximum principal amount of \$8,548,447 and \$6,712,620.00 principal amount thereof is currently outstanding; and

Whereas, On July 22, 2014, this Common Council adopted Resolution File Number 131057, a master resolution (the “Master Resolution”) providing for the issuance in the future on water system revenue bonds of the Municipality (the “First Lien Bonds”) payable from and secured by a first lien on and security interest in the

revenues of the System; and

Whereas, The State of Wisconsin, acting through the Department of Natural Resources has agreed that, upon the issuance of any First Lien Bonds pursuant to the Master Resolution, the 1998 Bonds, the 2013 Bonds, the 2014 Bonds and the bonds authorized and issued pursuant to this Resolution shall constitute “Subordinate Obligations” as defined in the Master Resolution payable from the Subordinate Obligation Fund established by the Master Resolution and shall be secured by a lien on and security interest in the revenues of the System that will be junior and subordinate to the lien and security interest in such System revenues in favor of the First Lien Bonds; and

Whereas, Except for the 1998 Bonds, the 2013 Bonds and the 2014 Bonds no other bonds or obligations payable from and having a lien on the revenues of the System are now outstanding: now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee that:

Section 1. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by implication requires otherwise:

“Act” means Section 66.0621 of the Wisconsin Statutes;

“Bond Anticipation Note” means any bond anticipation note issued pursuant to Section 3.06 of the Master Resolution;

“Bond Registrar” means the Municipal Treasurer, who shall act as Paying Agent for the Bonds;

“Bonds” mean the Water System Revenue Bonds of the Municipality dated their date of issuance, authorized to be issued by this Resolution and to be issued from time to time in one or more series in an aggregate principal amount not exceeding \$38,000,000;

“Bond Year” means the twelve-month period ending on each May 1;

“Current Expenses” means the reasonable and necessary costs of operating, maintaining, administering and repairing the System, including salaries, wages, costs of materials and supplies, insurance, and audits, but shall exclude depreciation, debt service, tax equivalents and capital expenditures;

“Debt Service Fund” means the Debt Service Fund of the Municipality created and established by Section 6 of the 1998 Bond Resolution, which is the “special redemption fund” as such term is defined in the Act and on the First Lien Bond Issuance Date, the Debt Service Fund shall become a special account within the Subordinate Obligation Fund called the “State Loan Program Debt Service Account”;

“Financial Assistance Agreement” means one or more Financial Assistance Agreement(s) by and between the State of Wisconsin by the Department of Natural Resources and the Department of Administration and the Municipality pursuant to which the Bonds are to be issued and sold to the State, substantially in the form of the Financial Assistance Agreement with respect to the 2014 Bonds;

“First Lien Bond” means any Water System Revenue Bond of the Municipality heretofore or hereafter issued under and pursuant to the Master Resolution and does not include any Bond Anticipation Note or any Subordinate Obligation;

“First Lien Bond Issuance Date” means the earliest date that a First Lien Bond is issued under the Master Resolution;

“Fiscal Year” means the twelve-month period ending on each December 31;

“Governing Body” means the Common Council, or such other body as may hereafter be the chief legislative body of the Municipality;

“Master Resolution” means Common Council File Number 131057 adopted by the Governing Body on July 22, 2014;

“Municipal Treasurer” means the Treasurer of the Municipality, who shall act as Bond Registrar and Paying Agent;

“Municipality” means the City of Milwaukee, Wisconsin;

“Net Revenues” means the gross earnings of the System after deduction of Current Expenses; gross earnings shall include earnings of the System derived from water charges imposed by the Municipality, all payments to the Municipality under any water service agreements between the Municipality and any contract users of the System, and any other monies received from any source including all rentals and fees and any special assessments levied and collected in connection with the Project;

“1998 Bond Resolution” means Resolution File Number 981240, adopted by the Governing Body on December 9, 1998;

“1998 Bonds” means the Water System Revenue Bonds, Series 1998, of the Municipality, authorized by and issued pursuant to the 1998 Bond Resolution.

“Parity Bonds” means bonds payable from the revenues of the System other than First Lien Bonds, Bond Anticipation Notes, the 1998 Bonds, the 2013 Bonds, the 2014 Bonds and the Bonds but issued on a parity and equality with the 1998 Bonds, the 2013 Bonds, the 2014 Bonds and the Bonds pursuant to the restrictive provisions of Section 11 of this Resolution;

“Project” means each of the capital improvements to the System eligible for funding under the Safe Drinking Water Loan Program administered by the State of Wisconsin Department of Natural Resources and described in a Financial Assistance Agreement. All elements of the Project are to be owned and operated by the Municipality as part of the System as described in the preamble hereto;

“Record Date” means the close of business on the fifteenth day of the calendar month next preceding any principal or interest payment date;

“Second Lien Revenues” means, after the First Lien Bond Issuance Date, the amounts in the Subordinate Obligation Fund as may be available from time to time for the payment of the Bonds, including any amount deposited into the State Loan Program Debt Service Account of the Subordinate Obligation Fund;

“Subordinate Obligation” means any bond, note or other evidence of indebtedness of the Municipality payable from the Net Revenues, other than First Lien Bonds and Bond Anticipation Notes;

“Subordinate Obligation Fund” means the fund so named and, after the First Lien Bond Issuance Date, to be maintained under the Master Resolution;

“System” means the entire water system of the Municipality, specifically including that portion of the Project owned by the Municipality and including all property of every nature now or hereafter owned by the Municipality for the collection, treatment, storage and distribution of water, including all improvements and extensions thereto made by the Municipality while any of the 1998 Bonds, 2013 Bonds, the 2014 Bonds, the Bonds, and Parity Bonds remain outstanding, including all real and personal property of every nature constituting part of or used or useful in connection with such water system and including all appurtenances, contracts, leases, franchises, and other intangibles;

“2013 Bond Resolution” means Resolution File Number 120976 adopted by the Governing Body on December 17, 2013; and

“2013 Bonds” means the Water System Revenue Bonds, Series 2013, of the Municipality authorized by and issued pursuant to the 2013 Bond Resolution.

“2014 Bond Resolution” means Resolution File Number 140263 adopted by the Governing Body on September 23, 2014;

“2014 Bonds” means the Water System Revenue Bonds, Series 2014, of the Municipality authorized by and issued pursuant to the 2014 Bond Resolution;

Section 2. Authorization of the Bonds and the Financial Assistance Agreement. For the purpose of paying the cost of the Project (including legal, fiscal, engineering and other expenses and the funding of any commercial paper notes issued by the Municipality for the interim financing of Project costs), there shall be borrowed on the credit of the income and revenue of the System up to the sum of \$38,000,000; and fully registered revenue bonds of the Municipality are authorized to be issued in evidence thereof,

from time to time in one or more series of bonds, and sold to the State of Wisconsin Safe Drinking Water Loan Program in accordance with the terms and conditions of the Financial Assistance Agreement, which is incorporated herein by this reference and approved and the proper City officers of the Municipality are hereby authorized, by and on behalf of the Municipality, to execute the Financial Assistance Agreement, with such changes as may be recommended by the City Attorney.

Section 3. Terms of the Bonds. The Bonds shall constitute a series of “Parity Bonds” under the provisions of Section 11 of the 1998 Bond Resolution, Section 11 of the 2013 Bond Resolution and Section 11 of the 2014 Bond Resolution.

It is hereby delegated to the Commissioners of the Public Debt of the Municipality, subject to the limitations as contained herein, the power with respect to the Bonds to determine and carry out the following: (a) the series designation, the date or dates, maturity date or dates, principal amount of each maturity, and the amount and date of each Sinking Fund Installment, if any; provided, however, that the Bonds shall mature at any such time or times not exceeding 40 years from the date of issuance; (b) the interest rate or rates, if any, of the Bonds or the manner of determining such rate or rates, the date from which interest on the Bonds shall accrue, the dates on which interest on the Bonds shall be payable, if any; provided, however, that the interest rate for the Bonds maturing in any year shall not exceed 8% per annum; (c) the redemption price or prices, if any, the redemption terms; (d) the provisions for the sale or exchange of the Bonds and for the delivery thereof; (e) directions for the application of the proceeds of the Bonds, including the interest on such Bonds to be capitalized from the proceeds thereof, if any, and the date or dates to which such capitalized interest shall accrue; and (f) any other provisions that are not in conflict with this resolution. The Commissioners of the Public Debt of the Municipality shall adopt in one or more resolutions actions taken pursuant to the authority granted herein, which resolutions shall be filed with the City Clerk of the Municipality.

The Bonds may be issued only upon satisfaction of all of the conditions precedent to the issuance of the Bonds set forth in Section 11 of the 1998 Bond Resolution, Section 11 of the 2013 Bond Resolution and Section 11 of the 2014 Bond Resolution.

Section 4. Form, Execution, Registration and Payment of the Bonds. The Bonds shall be issued as registered obligations in substantially the form attached to this Resolution as Exhibit A and incorporated herein by this reference.

The Bonds shall be executed in the name of the Municipality by the manual or facsimile signatures of its Mayor, Clerk, and Comptroller (at least one of which is manual), and shall be sealed with its official or corporate seal.

The principal of, premium, if any, and interest on the Bonds shall be paid by the Municipal Treasurer, who is hereby appointed as the Municipality’s registrar (the “Bond Registrar”).

Both the principal of and interest on the Bonds shall be payable in lawful money of the United States of America by the Bond Registrar. Payment of principal of the final maturity on the Bonds will be payable upon presentation and surrender of the Bonds to the Bond Registrar. Payment of principal on the Bonds (except the final maturity) and each installment of interest shall be made to the registered owner of each Bond who shall appear on the registration books of the Municipality, maintained by the Bond Registrar, on the Record Date and shall be paid by electronic transfer or by check or draft of the Municipality and mailed to such registered owner at his or its address as appears on such registration books or at such other address as may be furnished in writing to such registered owner to the Bond Registrar.

Section 5. Security for the Bonds. The Bonds, together with interest thereon, shall not constitute an indebtedness of the Municipality nor a charge against its general credit or taxing power. The Bonds, together with interest thereon, shall be payable only out of the Debt Service Fund created and established by Section 6 of the 1998 Bond Resolution, and, on a parity with the 1998 Bonds, the 2013 Bonds and the 2014 Bonds, shall be a valid claim of any holder thereof only against such Debt Service Fund and the revenues of the System pledged to the Debt Service Fund. Sufficient revenues are hereby pledged to said Debt Service Fund, and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds, and Parity Bonds, as the same becomes due.

From and after the First Lien Bond Issuance Date, the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and all Parity Bonds shall become Subordinate Obligations payable solely out of the State Loan Program Debt Service Account of the Subordinate Obligation Fund and shall be secured by a pledge of and lien on Second Lien Revenues.

The City covenants that it will not adopt any amendment of the Master Resolution that would be detrimental to the interests of the owners of the Bonds.

Section 6. Funds and Accounts. (A) Prior to the First Lien Bond Issuance Date, in accordance with the Act, for the purpose of the application and proper allocation of the revenues of the System, and to secure the payment of the principal of and interest on

the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and Parity Bonds, certain funds of the System created and established by the 1998 Bond Resolution shall continue to be administered by the Municipality while any of the Bonds remain outstanding and which shall be used solely for the following respective purposes:

(1) Revenue Fund, into which shall be deposited as received the entire gross earnings of the System, which money shall then be divided among the Operation and Maintenance Fund, the Debt Service Fund, the Depreciation Fund and the Surplus Fund in the amounts and in the manner set forth in Section 7 hereof and used for the purposes described below.

(2) Operation and Maintenance Fund, which shall be used for the payment of Current Expenses.

(3) Debt Service Fund, which shall be used for the payment of the principal of, premium, if any, and interest on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds as the same becomes due.

(4) Depreciation Fund, which may be expended for repairs, replacements, new construction, extensions or additions to the System. Any money on deposit in the Depreciation Fund not required during the current Fiscal Year for purposes of the Depreciation Fund, may be transferred to the Surplus Fund.

(5) Surplus Fund, which shall first be used whenever necessary to pay principal of, premium, if any, or interest on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and Parity Bonds when the Debt Service Fund shall be insufficient for such purpose, and thereafter shall be disbursed as follows: (a) at any time, to remedy any deficiency in any of the Funds provided in this Section 6; and (b) money thereafter remaining in the Surplus Fund at the end of any Fiscal Year may be transferred to any of the Funds or accounts created herein or to reimburse the general fund of the Municipality for advances made by the Municipality to the System or for any other lawful purpose.

(B) From and after the First Lien Bond Issuance Date, in accordance with the Act, and pursuant to Section 6.01 of the Master Resolution, the City will establish and maintain the Water System Revenue Fund (the "Revenue Fund"); the Operation and Maintenance Fund, the Rebate Fund, the Water System Special Redemption Fund, the Reserve Fund and Reserve Accounts therein, the Renewal and Replacement Fund, the Subordinate Obligation Fund (with the State Loan Project Debt Service Account as an account therein) and the Surplus Fund. The deposit and the application of revenues and other moneys held in these Funds shall be as set forth in Article VI of the Master Resolution. From and after the First Lien Bond Issuance Date the Municipality shall deposit and apply System revenues in accordance with the provisions of the Master Resolution.

Section 7. Application of Revenues. (A) Prior to the First Lien Bond Issuance Date the entire gross earnings of the System shall be deposited as collected in the Revenue Fund and shall be transferred monthly to the funds listed below in the following order of priority and in the manner set forth below:

(1) To the Operation and Maintenance Fund, an amount equal to the estimated Current Expenses for such month and for the following month (after giving affect to available amounts in said Fund from prior deposits);

(2) To the Debt Service Fund, an amount equal to one-sixth (1/6) of the next installment of interest coming due on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds coming due during such Bond Year (after giving affect to available amounts in said account from accrued interest, any premium or any other source);

(3) To the Depreciation Fund, an amount determined by the Governing Body to be sufficient to provide a proper and adequate depreciation account for the System;

(4) To the Surplus Fund, any amount remaining in the Revenue Fund after the monthly transfers required above have been completed.

Transfers from the Revenue Fund to the Operation and Maintenance Fund, the Debt Service Fund, the Depreciation Fund and the Surplus Fund shall be made monthly not later than the tenth day of each month, and such transfer shall be applicable to monies on deposit in the Revenue Fund as of the last day of the month preceding. Any other transfers and deposits to any Fund required or permitted by subsection (a) through (c) of this Section, except transfers or deposits which are required to be made immediately or annually, shall be made on or before the tenth day of the month. Any transfer or deposit required to be made at the end of any Fiscal Year shall be made within sixty (60) days after the close of such Fiscal Year. If the tenth day of any month shall fall on a day other than a business day, such transfer or deposit shall be made on the next succeeding business day.

(B) From and after the First Lien Bond Issuance Date, in accordance with the Act and pursuant to the Master Resolution, the

Municipality will establish and maintain within the Subordinate Obligation Fund a special trust fund known as the "State Loan Program Debt Service Account", for the purpose of the application and proper allocation of Second Lien Revenues and to secure the payment of the principal of and interest on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and the Parity Bonds, as Subordinate Obligations under the Master Resolution. The moneys held in the State Loan Program Debt Service Account shall be used for the payment of the principal of, premium, if any, and interest on the Bonds as the same shall become due and payable. On the fifth day prior to the end of each month, and in accordance with the provisions of Paragraph (B) of Section 6.02 of the Master Resolution, the Municipality shall withdraw from the Revenue Fund and deposit in the Subordinate Obligation Fund, the amount required to be deposited therein to satisfy the then current deposit requirements for the State Loan Program Debt Service Account. Immediately upon such deposit to the Subordinate Obligation Fund, the City shall allocate and deposit into the State Loan Program Debt Service Account within the Subordinate Obligation Fund the current deposit requirement, being the sum of, an amount equal to one sixth (1/6) of the next installment of interest coming due on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and Parity Bonds then outstanding and an amount equal to one twelfth (1/12) of the installment of principal of the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and Parity Bonds then outstanding coming due during such Bond Year (after giving effect to available amounts in the State Loan Program Debt Service Account from accrued interest, any premium or any other source).

(C) It is the express intent and determination of the Governing Body that the amounts transferred from the Revenue Fund and deposited in the Debt Service Fund (and into the State Loan Program Debt Service Account and after the First Lien Bond Issuance Date) shall be sufficient in any event to pay the interest on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds as the same accrues and the principal thereof as the same matures.

Section 8. Deposits and Investments. The Debt Service Fund (and from and after the First Lien Bond Issuance Date, the State Loan Program Debt Service Account) shall be kept apart from monies in the other Funds and Accounts and the same shall be used for no purpose other than the prompt payment of principal of and interest on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds as the same becomes due and payable. All monies therein shall be deposited in special and segregated accounts in a public depository selected under Chapter 34 of the Wisconsin Statutes and may be temporarily invested until needed in legal investments subject to the provisions of Section 66.0603 of the Wisconsin Statutes. The other funds herein created (except the Water System SDWLP 2016 Project Fund hereinafter created) may be combined in a single account in a public depository selected in the manner set forth above and may be temporarily invested until needed in legal investments subject to the provisions of Section 66.0603 of the Wisconsin Statutes.

Section 9. Service to the Municipality and Rate Covenant. The reasonable cost and value of services rendered to the Municipality by the System by furnishing water services for public purposes shall be charged against the Municipality and shall, to the extent permitted by law, be paid in monthly installments as the service accrues, out of the current revenues of the Municipality collected or in the process of collection, exclusive of the revenues derived from the System; that is to say, out of the tax levy of the Municipality made by it to raise money to meet its necessary current expenses. The reasonable cost and value of such service to the Municipality in each year shall be equal to an amount which, together with other revenues of the System, will produce in each Bond Year Net Revenues equivalent to not less than the annual principal and interest requirements on the First Lien Bonds, the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds, any Parity Bonds, and any other debt obligations payable from the revenues of the System then outstanding times the greater of (i) 110%, or (ii) the highest debt service coverage ratio required with respect to any debt obligations payable from the revenues of the System then outstanding. However, such payment out of the tax levy shall be subject to (a) approval of the Public Service Commission, or successors to its function, if applicable, (b) yearly appropriations therefor, and (c) applicable levy limitations, if any; but neither this Resolution nor such payment shall be construed as constituting an obligation of the Municipality to make any such appropriation over and above the reasonable cost and value of the services rendered to the Municipality and its inhabitants or to make any subsequent payment over and above such reasonable cost and value.

Section 10. Operation of System; Municipality Covenants. It is covenanted and agreed by the Municipality with the owner or owners of the Bonds, and each of them, that the Municipality will perform all of the obligations as set forth in the Financial Assistance Agreement.

Section 11. Additional Bonds. The issuance of First Lien Bonds is not limited by or subject to any provisions of this Resolution. Except with the written consent of the holders of the Bonds, no bonds or obligations payable out of the revenues of the System (other than First Lien Bonds and Bond Anticipation Notes) may be issued in such manner as to enjoy priority over the Bonds. Additional obligations may be issued if the lien and pledge is junior and subordinate to that of the Bonds. Parity Bonds may be issued only under the following circumstances:

(A) Parity Bonds may be issued for the purpose of completing the Project and for the purpose of financing costs of the Project, which are ineligible for payment under the State of Wisconsin Safe Drinking Water Loan Program. However, such additional Parity

Bonds shall be in an aggregate amount not to exceed 20% of the face amount of the Bonds; or

(B) Parity Bonds may also be issued if all of the following conditions are met:

(1) The Net Revenues of the System for the Fiscal Year immediately preceding the issuance of such Parity Bonds must have been in an amount at least equal to the greater of (i) 110% of the maximum annual interest and principal requirements on the First Lien Bonds, the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and Parity Bonds outstanding payable from the revenues of the System, and on the Parity Bonds then to be issued or (ii) the highest debt service coverage ratio required with respect to any debt obligations payable from the revenues of the system then outstanding. Should an increase in permanent rates and charges, including those made to the Municipality, be properly ordered and made effective during the Fiscal Year immediately prior to the issuance of such additional bonds or during that part of the Fiscal Year of issuance prior to such issuance, then Net Revenues for purposes of such computation shall include such additional revenues as an independent certified public accountant, consulting professional engineer or the Wisconsin Public Service Commission may certify would have accrued during the prior Fiscal Year had the new rates been in effect during that entire immediately prior Fiscal Year.

(2) The payments required to be made into the Funds enumerated in Section 6 of this Resolution must have been made in full.

(3) All Parity Bonds must have principal maturing on May 1 of each year and interest falling due on May 1 and November 1 of each year.

(4) The proceeds of the Parity Bonds must be used only for the purpose of providing extensions or improvements to the System, or to refund obligations issued for such purpose.

Section 12. Sale of Bonds. The sale of the Bonds to the State of Wisconsin Safe Drinking Water Loan Program for the purchase price of up to \$38,000,000, and at par, is ratified and confirmed; and the proper officers of the Municipality are authorized and directed to do any and all acts, including executing the Financial Assistance Agreement and the Bonds as herein above provided, with such changes as may be recommended by the City Attorney, necessary to conclude delivery of the Bonds to said purchaser, as soon after adoption of this Resolution as is convenient. The purchase price for the Bonds shall be paid upon requisition therefor as provided in the Financial Assistance Agreement.

Section 13. Application of Bond Proceeds. The proceeds of the sale of the Bonds shall be deposited by the Municipality into a special fund designated as "Water System SDWLP 2016 Project Fund." The Water System SDWLP 2016 Project Fund shall be used solely for the purpose of paying the costs of the Project (including capitalized interest, if any, on the Bonds) as more fully described in the preamble hereof and in the Financial Assistance Agreement. Moneys in the Water System SDWLP 2016 Project Fund shall be disbursed within three (3) business days of their receipt from the State of Wisconsin and shall not be invested in any interest-bearing account.

Section 14. Amendment to Resolution. After the issuance of any of the Bonds, no change or alteration of any kind in the provisions of this Resolution may be made until all of the Bonds have been paid in full as to both principal and interest, or discharged as herein provided, except: (a) the Municipality may, from time to time, amend this Resolution without the consent of any of the owners of the Bonds, but only to cure any ambiguity, administrative conflict, formal defect, or omission or procedural inconsistency of this Resolution; and (b) this Resolution may be amended, in any respect, with a written consent of the owners of not less than two-thirds (2/3) of the principal amount of the Bonds then outstanding, exclusive of Bonds held by the Municipality; provided, however, that no amendment shall permit any change in the pledge of revenues derived from the System or the maturity of any Bond issued hereunder, or a reduction in the rate of interest on any Bond, or in the amount of the principal obligation thereof, or in the amount of the redemption premium payable in the case of redemption thereof, or change the terms upon which the Bonds may be redeemed or make any other modification in the terms of the payment of such principal or interest without the written consent of the owner of each such Bond to which the change is applicable.

Section 15. Defeasance. When all Bonds have been discharged, all pledges, covenants and other rights granted to the owners thereof by this Resolution shall cease. The Municipality may discharge all Bonds due on any date by irrevocably depositing in escrow with a suitable bank or trust company a sum of cash and/or bonds or securities issued or guaranteed as to principal and interest by the U.S. Government, or by a commission, board or other instrumentality of the U.S. Government, which, together with earnings thereon, are sufficient to provide for the payment of the Bonds and the interest to accrue on each of said Bonds to its maturity or, at the Municipality's option, if said Bond is prepayable to any prior date upon which it may be called for redemption, and to pay and redeem the principal amount of each such Bond at maturity, or at the Municipality's option, if said Bond is prepayable, at its earliest redemption date, with the premium required for such redemption, if any, provided that notice of the redemption of all prepayable

Bonds on such date has been duly given or provided for.

Section 16. Tax Covenants and Rebate Fund. The Municipality shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on any Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Bond is subject on the date of original issuance thereof.

The Municipality shall not permit any of the proceeds of the Bonds, or any facilities financed with such proceeds, to be used in any manner that would cause any Bond to constitute a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986.

The Municipality shall not permit any of the proceeds of the Bonds or other moneys to be invested in any manner that would cause any Bond to constitute an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986 or a "hedge bond" within the meaning of Section 149(g) of the Internal Revenue Code of 1986.

Pursuant to the 1998 Bond Resolution the Municipality has established and has agreed to maintain, so long as the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds are outstanding, a separate account to be known as the "Rebate Fund". The Rebate Fund is for the sole purpose of paying rebate to the United States of America, if any, on amounts of Bond Proceeds held by the Municipality. The Municipality hereby covenants and agrees that it shall pay from the Rebate Fund the rebate amounts as required to the United States of America.

The Municipality may engage the services of accountants, attorneys or other consultants necessary to assist it in determining rebate amounts.

So long as any 1998 Bond is outstanding, subject to applicable exceptions provided by the Internal Revenue Code, the rebate amounts are equal to the sum of the following:

(i) The excess of

(a) the aggregate amounts earned from the date of issuance and delivery of the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds on all nonpurpose obligations in which gross proceeds of the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds have been invested (other than nonpurpose obligations attributable to an excess described herein) over

(b) the aggregate amounts which would have been earned if the yield on such nonpurpose obligations (other than nonpurpose obligations attributable to an excess described herein) had been equal to the yield on the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds, plus

(ii) Any income attributable to the excess described in clause (i) above.

The rebate amounts payable to the United States shall be determined on or prior to the end of the fifth (5th) Bond Year of the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds or any Parity Bonds and the fifth (5th) anniversary of such date by the Municipality for each Bond Year during which the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds remain outstanding and upon retirement of the 1998 Bonds, the 2013 Bonds, the 2014 Bonds and any Parity Bonds. Such rebate amounts shall be deposited in the Rebate Fund. The rebate amounts shall be paid to the United States in installments, as follows:

(I) Subject to clause (III) below, the first such installment shall be paid no later than thirty (30) days after the end of the fifth (5th) Bond Year of the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds;

(II) Subject to clause (III) below, an additional installment shall be paid on or prior to the last day of each additional installment payment period during which the 1998 Bonds, the Bonds and any Parity Bonds remain outstanding. For purposes of this clause (II), an installment payment period shall commence on the last day on which a preceding installment of the rebate amount was required to be paid, and shall end on the day preceding the fifth (5th) anniversary of such payment date;

(III) Anything herein to the contrary notwithstanding, the last installment shall be paid no later than sixty (60) days after the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds have been retired; and

(IV) Each installment shall be in an amount which, when aggregated with the amount of any prior installments paid to the United States hereunder, will equal at least ninety percent (90%) of the total rebate amount payable to the United States hereunder as of the

date such installment is paid; provided, however, that the last installment shall be in an amount equal to the entire remaining balance of the rebate amount payable to the United States hereunder.

Amounts held in the Rebate Fund and the investment income therefrom are not pledged as security for the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds and may only be used to pay amounts to the United States. After no 1998 Bond remains outstanding, excess amounts in a Rebate Fund may be transferred at any time to another Rebate Fund, and if not needed, to the Revenue Fund.

The Municipality shall maintain or cause to be maintained records of such determinations for each Bond Year until six (6) years after payment in full of the 1998 Bonds, the 2013 Bonds, the 2014 Bonds, the Bonds and any Parity Bonds and shall make such records available upon reasonable request therefor.

The Municipality hereby agrees it will disburse all monies in the Rebate Fund to the United States of America at the times and in the manner set forth in the applicable income tax regulations.

Section 17. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Municipality and the owner or owners of the Bonds, and after issuance of any of the Bonds no change or alteration of any kind in the provisions of this Resolution may be made, except as provided in Section 14, until all of the Bonds have been paid in full as to both principal and interest, or the Bonds have been defeased as provided in Section 15. The owner or owners of any of the Bonds shall have the right in addition to all other rights, by mandamus or other suit or action in any court of competent jurisdiction, to enforce such owner's or owners' rights against the Municipality, the Governing Body, and any and all officers and agents thereof including, but without limitation, the right to require the Municipality, its Governing Body and any other authorized body, to fix and collect rates and charges fully adequate to carry out all of the provisions and agreements contained in this Resolution.

Section 18. Continuing Disclosure. The officers of the Municipality are hereby authorized and directed, if requested by the State, to provide to the State of Wisconsin Safe Drinking Water Loan Program (the "SDWLP") and to such other persons or entities as directed by the SDWLP such ongoing disclosure regarding the Municipality's financial condition and other matters, at such times and in such manner as the SDWLP may require, in order that securities issued by the Municipality and the SDWLP satisfy rules and regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended or may be amended from time to time imposed on brokers and dealers of municipal securities before the brokers and dealers may buy, sell, or recommend the purchase of such securities.

A Continuing Disclosure Certificate for the Bonds, in substantially the form of a Supplemental Certificate authorized by File Number 100846 adopted on November 23, 2010, is authorized to be executed and delivered by the Comptroller.

Notwithstanding any other provision of this Resolution, failure of the City to perform in accordance with the Continuing Disclosure Certificate shall not constitute a default under the Resolution and the Continuing Disclosure Certificate may be enforced only as provided therein.

Section 19. Conflicting Resolutions. All ordinances, resolutions, or orders, or parts thereof heretofore enacted, adopted or entered, in conflict with the provisions of this Resolution, are hereby repealed, and this Resolution shall be in effect from and after its passage.

Comptroller

Comptroller

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