



## Legislation Text

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### Fiscal Note

This resolution authorizes the sale and issuance of \$4,675,000 Subordinate Water Utility Revenue Bonds, Series 2023. Through this resolution, the City is authorizing a loan from the State of Wisconsin Safe Drinking Water Loan (SDWL) of \$4,675,000, to be repaid from Water Utility Revenues at an annual interest rate of 2.145% over the next 20 years. The Bonds do not represent an indebtedness of the City nor a charge against its general credit or taxing power (i.e., it is not a general obligation debt). The Bonds will serve as security for the repayment of the SDWL, as required by state law. Proceeds of the SDWL will be used to partially repay a \$20 million Bond Anticipation Note (BAN) issued in 2019 in anticipation of the City's participation in the SDWL Program. The BAN is due to be repaid by November 2024. Annual debt service on the SDWL is estimated to be \$287,700.

### Title

Resolution Authorizing the Sale and Issuance of \$4,675,000 Subordinate Water Utility Revenue Bonds, Series 2023; and Providing for Other Details and Covenants With Respect Thereto

### Body

WHEREAS, the City of Madison, 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 were necessary to meet the needs of the Municipality and the residents thereof, consisting of certain additions, extensions, improvements, renewals, or replacements to the System identified in the Municipality's 2019, 2020, and 2021 Water Utility Projected Annual Capital Spending Plans (the "**2019 BAN Project**"), which included the replacement or rehabilitation of water mains along certain streets (the "**Project**") specified in Exhibit F to the Financial Assistance Agreement (as defined herein), which Project has been assigned Safe Drinking Water Loan Program Project No. 4837-06 by the State of Wisconsin Department of Natural Resources (the "**Department of Natural Resources**"), and as defined in Department of Natural Resources approval letters for the plans and specifications, or portions thereof, issued under Wisconsin Statutes Section 281.41, (i) approved May 25, 2021 and assigned number W-2021-0412, (ii) approved January 29, 2021 and assigned number W-2020-1028, (iii) approved June 1, 2021 and assigned number W-2021-0427, (iv) approved July 2, 2021 and assigned number W-2021-0491, (v) approved September 9, 2021 and assigned number W-2021-0753, (vi) approved September 9, 2021 and assigned number W-2021-0752, (vii) approved July 24, 2020 and assigned number W-2020-0632, (viii) approved May 1, 2020 and assigned number W-2020-0335, (ix) approved April 28, 2020 and assigned number W-2020-0306, and (x) approved July 22, 2020 and assigned number W-2020-0633; and

WHEREAS, under the provisions of Section 66.0621 of the Wisconsin Statutes, as amended (the "**Act**"), any municipality may, by action of its governing body, provide for purchasing, acquiring, constructing, extending, adding to, improving, operating or managing a public utility from the proceeds of municipal obligations, including revenue bonds, which bonds shall be secured by a pledge of the revenues of the public utility to the owners of the bonds; and

WHEREAS, pursuant to resolutions adopted by the Governing Body on November 6, 2007 (the “**2007 Resolution**”), November 17, 2009, November 27, 2012, December 3, 2013, December 1, 2015, December 18, 2016, December 4, 2018, and December 3, 2019 (collectively, including the 2007 Resolution, the “**Senior Resolutions**”), the Municipality has issued multiple series of its water utility revenue bonds (the “**Senior Bonds**”) to finance and refinance capital expenditures related to the System; and

WHEREAS, in addition to the Senior Bonds issued under Senior Resolutions adopted on December 3, 2019, the Municipality has previously authorized, sold, and issued its \$20,000,000 City of Madison, Wisconsin Water Utility Revenue Bond Anticipation Notes, Series 2019, dated December 19, 2019 (the “**2019 BAN**”), pursuant to a resolution adopted by the Governing Body on December 3, 2019 (the “**2019 BAN Resolution**”); the 2019 BAN is currently outstanding in the aggregate principal amount of \$20,000,000; and

WHEREAS, the 2019 BAN was issued junior and subordinate to the Senior Bonds to finance the 2019 BAN Project on an interim basis and is payable solely out of the funds and revenues pledged in the 2019 BAN Resolution;

WHEREAS, the 2019 BAN is further secured by a statutory lien on the funds derived from the issuance and sale of revenue bonds of the System issued pursuant to Section 66.0621 of the Wisconsin Statutes to provide permanent financing for the 2019 BAN Project subsequent to the issuance of the 2019 BAN; and

WHEREAS, no other outstanding obligations are payable from the income and revenues derived from the operation of the System; and

WHEREAS, the Municipality deems it to be necessary, desirable, and in its best interest (i) to provide permanent financing for the Project initially financed by the 2019 BAN, (ii) to sell and issue \$4,675,000 Subordinate Water Utility Revenue Bonds, Series 2023 (the “**Bonds**”), and (iii) thereby to fund an equal portion of the 2019 BAN (the “**Funding**”) and provide, together with funds of the Municipality, for the early redemption of a portion of the 2019 BAN equal to the Funding amount; and

WHEREAS, the Bonds will be payable, on a junior and subordinate basis *first* to the Senior Bonds and *second* to the 2019 BAN for as long as the 2019 BAN remains outstanding, solely from the revenues of the System pursuant to the provisions of the Act; and

WHEREAS, the Bonds constitute “Project Bonds” as described in the 2019 BAN Resolution; and

WHEREAS, in accordance with Section 66.0621(4)(a)2 of the Wisconsin Statutes and this resolution, (i) interest on the Bonds will be payable at least annually, and (ii) payment of principal on the Bonds will commence not later than three years after the date of issuance of the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Municipality that:

**Section 1. Definitions.**

In addition to the capitalized terms defined in the recitals above, capitalized terms not otherwise defined in this resolution shall have the meanings set forth below unless the context requires another meaning.

- (a) “**Act**” means Section 66.0621 of the Wisconsin Statutes;
- (b) “**Bond Registrar**” means the Municipal Treasurer, who shall act as registrar and paying agent for the Bonds;
- (c) “**Bonds**” means the Municipality’s \$4,675,000 Subordinate Water Utility Revenue Bonds, Series 2023, dated their date of issuance, authorized to be issued by this Resolution;

- (d) **“Bond Year”** means the twelve-month period ending on each May 1;
- (e) **“Current Expenses”** means the reasonable and necessary cost of operating, maintaining, administering, insuring, and repairing the System. Current Expenses shall be determined in accordance with generally accepted accounting principles and shall include, but not be limited to, salaries and wages, premiums for insurance, and the cost of materials, supplies, and audits. Current Expenses shall exclude allowances for depreciation, debt service on obligations of the System, tax equivalents, and capital expenditures;
- (f) **“Debt Service Fund”** means the Water Utility Subordinate Special Redemption Fund of the Municipality created and established under Section 6 of this Resolution for payment of the Bonds and any Parity Bonds, which fund shall be the “special redemption fund”, as such term is defined in the Act, with respect to the Bonds;
- (g) **“Financial Assistance Agreement”** means the Financial Assistance Agreement 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 SDWLP, substantially in the form presented to the Governing Body and incorporated herein by reference;
- (h) **“Fiscal Year”** means the twelve-month period ending on each December 31;
- (i) **“Funded BAN”** has the meaning set forth in Section 20.
- (j) **“Funding”** has the meaning set forth in the recitals to this resolution.
- (k) **“Governing Body”** means the Municipality’s Common Council, or such other body as may hereafter be the chief legislative body of the Municipality;
- (l) **“Gross Earnings”** means the gross revenues of the System from all sources, excluding (i) customer deposits, (ii) collected taxes imposed by other governmental entities, and (iii) earnings on amounts held in the Special Redemption Fund, the Depreciation Fund, and any construction fund funded with proceeds of the Bonds or any issue of Parity Bonds;
- (m) **“Municipal Treasurer”** means the Treasurer of the Municipality;
- (n) **“Municipality”** means the City of Madison, Wisconsin;
- (o) **“Net Revenues”** means Gross Revenues after deduction of Current Expenses, plus earnings on amounts held in the Special Redemption Fund;
- (p) **“Parity Bonds”** means bonds payable from the revenues of the System other than the Bonds, issued on a parity and equality with the Bonds pursuant to the restrictive provisions of Section 11(b) of this Resolution, and subordinate to the Senior Bonds and the 2019 BAN.
- (q) **“Project”** means the Project defined in the recitals to this Resolution, all elements of which are owned and operated by the Municipality as part of the System;
- (r) **“Record Date”** means the close of business on the fifteenth day of the calendar month next preceding any principal or interest payment date;
- (s) **“Redemption Date”** means October 13, 2023.
- (t) **“SDWLP”** means the State of Wisconsin Safe Drinking Water Loan Program, which is the purchaser of the Bonds;
- (u) **“Senior Bonds”** has the meaning set forth in the recitals to this Resolution;

(v) “**Senior Resolutions**” has the meaning set forth in the recitals to this Resolution;

(w) “**System**” means the water utility of the Municipality, which shall include all property of every nature now or hereafter owned by the Municipality for the extraction, collection, storage, treatment, transmission, distribution, metering, and discharge of domestic, industrial, and potable public water, or constituting part of, or used or useful in connection with, the water utility of the Municipality, including all appurtenances, contracts, leases, franchises, and other intangibles relating thereto; and

(x) “**2019 BAN**” has the meaning set forth in the recitals to this Resolution.

## **Section 2. Authorization of the Bonds and the Financial Assistance Agreement.**

For the purpose of paying the costs of the Funding, thereby providing permanent financing for a portion of the 2019 BAN Project initially financed by the 2019 BAN (including legal, fiscal, engineering and other expenses), there shall be borrowed on the credit of the income and revenues of the System \$4,675,000 and fully registered revenue bonds of the Municipality are authorized to be issued in evidence thereof and sold to the SDWLP in accordance with the terms and conditions of the Financial Assistance Agreement, which is incorporated herein by this reference. The Mayor and the Clerk of the Municipality are hereby authorized, by and on behalf of the Municipality, to execute the Financial Assistance Agreement.

## **Section 3. Terms of the Bonds.**

The Bonds shall be designated “Subordinate Water Utility Revenue Bonds, Series 2023”; shall be dated their date of issuance; shall be numbered one and upward; shall bear interest at the rate of 2.145% per annum, calculated on the basis of a 360-day year made up of twelve 30-day months; shall be issued in denominations of \$0.01 or any multiple thereof; and shall mature on the dates and in the amounts as set forth in Exhibit B of the Financial Assistance Agreement and in the form of Bond attached hereto as Exhibit A. Interest on the Bonds shall be payable semiannually on May 1 and November 1 of each year, commencing May 1, 2024. The Bonds shall not be subject to redemption prior to maturity except as provided in the Financial Assistance Agreement.

The schedule of maturities of the Bonds is found to be such that the amount of annual debt service payments, taking in to account the debt service payments on the Senior Bonds and the 2019 BAN, is reasonable in accordance with prudent municipal utility practices

## **Section 4. Form, Execution, Registration, and Payment of the Bonds.**

The Bonds shall be issued as registered obligations in substantially the form attached hereto as Exhibit A and incorporated herein by this reference.

The Bonds shall be executed in the name of the Municipality by the manual signatures of the Mayor and the Clerk of the Municipality, and shall be sealed with its official or corporate seal, if any.

The principal of, premium, if any, and interest on, the Bonds shall be paid by the Municipal Treasurer, who is hereby appointed as 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 (the “**Register**”), maintained by the Bond Registrar, on the Record Date and shall be paid by electronic money transfer or by check of the Municipality, sent by first class mail, to such registered owner at the address shown on the Register or at such other address may be furnished in writing by such registered owner to the Bond Registrar.

Each Bond is transferable only upon the Register at the office of the Bond Registrar, by the registered owner in person or its duly authorized attorney, upon surrender of the Bond, together with a written instrument of transfer (which may be endorsed hereon) satisfactory to the Bond Registrar, duly executed by the registered owner or its duly authorized attorney. Thereupon a replacement Bond shall be issued to the transferee in exchange therefor. The Municipality may

deem and treat the person in whose name each Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest hereof and for all other purposes.

**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 hereinafter created and established, and shall be a valid claim of the registered owner or owners thereof only against such Debt Service Fund and the revenues of the System pledged to such fund, junior and subordinate to *first* the pledge of Net Revenues in the Special Redemption Fund (as defined in the Senior Resolutions) granted to the owners of the Senior Bonds and *second* the pledge of amounts in the Surplus Fund granted to the owners of the 2019 BAN and any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution. Sufficient revenues of the System are hereby pledged to the Debt Service Fund and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

**Section 6. Funds and Accounts.**

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, premium, if any, and interest on, the Bonds and any Parity Bonds, the Municipality affirms, continues, and creates, as applicable, the following funds and accounts of the System, some of which were originally created, continued, or renamed, as applicable, under Section 34 of the 2007 Resolution and continued under the remaining Senior Resolutions (collectively, the “**Funds and Accounts**”), to provide for the collection, distribution, and use of the Gross Revenues and proceeds of the Bonds and Parity Bonds, which shall be used solely for the following respective purposes:

(a) Water Utility Revenue Fund (the “**Revenue Fund**”), into which shall be deposited as received the entire Gross Revenues of the System after deduction of amounts required by the Senior Resolutions to be deposited in the funds and accounts for the Senior Bonds, which money shall then be divided among the Operation and Maintenance Fund, the Special Redemption Fund, the Depreciation Fund, and the Surplus Fund, and from the Surplus Fund to the Debt Service Fund in the amounts and in the manner set forth in Section 7 hereof and used for the purposes described below.

(b) Water Utility Operation and Maintenance Fund (the “**Operation and Maintenance Fund**”), which will be used to hold amounts expected to be used for the payment of the reasonable and necessary expenses of operating and maintaining the System, including salaries, wages, materials, supplies, and insurance, unless the balance in the Operation and Maintenance Fund exceeds the estimated operating and maintenance expenses of the System for the next succeeding 90 days, in which case the excess amount, (i) after deduction of amounts required by the Senior Resolutions to be deposited in the funds and accounts for the Senior Bonds and the Surplus Fund for the payment of the 2019 BAN, must be transferred to the Debt Service Fund to remedy any deficiency in the Debt Service Fund, and (ii) if or to the extent that no such deficiency exists, then the remaining excess amount may be transferred to the Surplus Fund.

(c) Water Utility Special Redemption Fund (the “**Special Redemption Fund**”), which is divided into the following three accounts: (i) the “Interest and Principal Account”, (ii) the “Earnings Account”, and (iii) the “Reserve Account.” Amounts held in the Interest and Principal Account and the Earnings Account will be used only to pay principal of, and premium, if any, and interest on, the Senior Bonds and any Senior Parity Bonds as provided in the Senior Resolutions. Amounts held in the Reserve Account will be used to pay principal of, or interest on, the Senior Bonds or any Senior Parity Bonds on any date when amounts in the Interest and Principal Account and the Earnings Account are insufficient to make such payments as provided in the Senior Resolutions.

(d) Water Utility Depreciation Fund (the “**Depreciation Fund**”), which will be used to hold amounts expected to be used to pay for repairs, replacements, extensions, or additions to the System, *provided*, that amounts in the Depreciation Fund can be used only if such amounts are not needed to make up any deficiency in the Interest and Principal Account or the Reserve Account described in (c) above, or in the Surplus Fund for the payment of the 2019 BAN, and the deposit to the Debt Service Fund for the payment of the Bonds and Parity

Bonds.

(e) Water Utility Surplus Fund (the “**Surplus Fund**”), which shall be applied *first*, as required by the Senior Resolutions, to pay principal of, or interest on, the Senior Bonds when the Special Redemption Fund for the Senior Bonds is insufficient for that purpose, and to remedy any deficiency in any of the Funds and Accounts as described in the Senior Resolutions, *second*, to pay the principal of and interest on the 2019 BAN and any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution until they have been paid in full, and *third*, as required by this Resolution, to make deposits to the Debt Service Fund described in (f) below to provide for the payment of the principal of, and interest on, the Bonds and any Parity Bonds as the same becomes due, and to remedy any deficiency in any of the Funds and Accounts. Notwithstanding the provisions of the Senior Resolutions and the 2019 BAN Resolution, amounts in the Surplus Fund shall not be used for any other purpose except to the extent such amounts are in excess of the amounts required to pay the principal of, and interest coming due on, the Senior Bonds, the 2019 BAN and any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution, the Bonds, and any Parity Bonds on their next respective interest payment dates. If at the close of any Fiscal Year there is no such deficiency, then such amounts may be disbursed as follows:

(i) to retire Bonds or Parity Bonds in advance of maturity by redemption; or

(ii) to rebate payments made by customers of the System pursuant to any plan adopted by the Governing Body of the Municipality; or

(iii) to the general fund of the Municipality.

(f) Water Utility Subordinate Special Redemption Fund (the “**Debt Service Fund**”), which shall be used for the payment of the principal of, premium, if any, and interest on the Bonds and Parity Bonds as the same become due.

(g) 2023 Water Utility SDWLP Project Fund, which shall be used to provide for the redemption of a portion of the 2019 BAN on the Redemption Date and thereby provide permanent financing for a portion of the 2019 BAN Project as described in Sections 13 and 20 hereof.

(h) 2023 Rebate Fund, which shall be used for the purpose of paying any rebate liability with respect to the Bonds as described in Section 16 hereof.

The Special Redemption Fund created under the Senior Resolutions for the Senior Bonds, including the Earnings Account and the Reserve Account therein, is not pledged to the payment of principal of or interest on the 2019 BAN or any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution, the Bonds, or any Parity Bonds, and amounts on deposit in the Special Redemption Fund shall not be used for the payment of principal of or interest on the 2019 BAN and any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution, the Bonds, or any Parity Bonds as the same becomes due.

## **Section 7. Application of Revenues.**

Until all Bonds and any Parity Bonds have been retired, or until there is on deposit in the Debt Service Fund an amount sufficient to provide for the payment of the Bonds and any Parity Bonds, together with interest thereon to maturity, the Gross Revenues 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:

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

(b) to the Special Redemption Fund, amounts sufficient to fund the accounts therein as required under the Senior Resolutions.

(c) 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;

(d) to the Surplus Fund, any amount remaining in the Revenue Fund after the monthly transfers required in (a) through (c) above have been completed, to be further applied as described in Section 6(e) above, which includes payment of the 2019 BAN and any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution until they have been paid in full, and the deposit to the Debt Service Fund described below; and.

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

Transfers from the Revenue Fund to the Operation and Maintenance Fund, the Special Redemption Fund, the Depreciation Fund, and the Surplus Fund, and from the Surplus Fund to the Debt Service Fund, shall be made monthly in the order indicated above, on such dates as are necessary to carry out the purposes of the respective funds, and such transfer shall be applicable to monies on deposit in the Revenue Fund as of the last day of the preceding month.

Any other transfers and deposits to any fund required or permitted by subsection (a) through (e) of this Section 7, except transfers or deposits which are required to be made immediately or annually, shall be made on such dates as are necessary to carry out the purposes of the respective funds. Any transfer or deposit required to be made at the end of any Fiscal Year shall be made within 60 days after the close of such Fiscal Year.

It is the express intent and determination of the Governing Body that the amounts transferred from the Surplus Fund and deposited in the Debt Service Fund shall be sufficient in any event to pay the interest on the Bonds and any Parity Bonds and the principal thereof as the same becomes due.

#### **Section 8. Deposits and Investments.**

The Debt Service Fund 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, premium if any, and interest on, the Bonds and any Parity Bonds as the same become 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(1m) of the Wisconsin Statutes. The other funds herein created (except the 2023 Water Utility SDWLP Project Fund created in Section 6 hereof) 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(1m) of the Wisconsin Statutes.

#### **Section 9. Service to the Municipality.**

The reasonable cost and value of services rendered to the Municipality by the System by furnishing water and sewer 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 Fiscal Year Net Revenues equivalent to not less than the annual principal and interest requirements on the Bonds and 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 Wisconsin 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 its obligations as set forth in the Financial Assistance Agreement.

**Section 11. Additional Bonds.**

Additional obligations payable out of the revenues of the System that have a priority over the Bonds and any Parity Bonds may be issued as provided in the Senior Resolutions and in the 2019 BAN Resolution. Additional obligations may be issued if the lien and pledge is junior and subordinate to that of the Bonds, the Senior Bonds, the 2019 BAN and any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution. Parity Bonds may be issued only if all of the following conditions are met:

(i) The Net Revenues of the System for the Fiscal Year immediately preceding the issuance of such additional Parity Bonds must have been in an amount at least equal to the maximum annual interest and principal requirements on all bonds outstanding payable from the revenues of the System (other than obligations subordinate to the Bonds), and on the bonds then to be issued, times the greater of (a) 1.10 or (b) the highest debt service coverage ratio to be required with respect to any Parity Bonds 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 Parity 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.

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

(iii) In the case of Parity Bonds, the additional obligations must have principal maturing on May 1 of each year and interest falling due on May 1 and November 1 of each year.

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

(v) Additional Parity Bonds may, at the discretion of the Municipality, be issued with the additional security of a reserve fund but any such reserve fund shall not be available as additional security for the Bonds.

**Section 12. Sale of Bonds.**

The sale of the Bonds to the SDWLP Program for the purchase price of \$4,675,000, and at par, is ratified and confirmed; and the 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, necessary to conclude delivery of the Bonds to the SDWLP, 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. The officers of the Municipality are authorized to prepare and submit to the SDWLP any requisitions or disbursement requests in anticipation of the execution of the Financial Assistance Agreement and the issuance of the Bonds.

**Section 13. Application of Bond Proceeds.**

The proceeds of the sale of the Bonds shall be deposited by the Municipality into the “**2023 Water Utility SDWLP Project Fund**” created and established under Section 6 hereof. The 2023 Water Utility SDWLP Project Fund shall be used solely for the purpose of paying the costs of the Funding as more fully described in the recitals of this Resolution and in the Financial Assistance Agreement. Moneys in the 2023 Water Utility SDWLP Project Fund shall be disbursed within three business days of their receipt from the SDWLP and shall not be invested in any interest-bearing account.



**Section 14. Amendment to Resolution.**

After the issuance 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 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 United States, or by a commission, board, or other instrumentality of the United States, maturing on the dates and bearing interest at the rates required to provide funds sufficient to pay when due the interest to accrue on each of the Bonds to 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. Rebate Fund.**

Unless the Bonds are exempt from the rebate requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), the Municipality shall establish and maintain, so long as the Bonds are outstanding, a separate account to be known as the "**2023 Rebate Fund.**" The sole purpose of the 2023 Rebate Fund is to provide for the payment of any rebate liability with respect to the Bonds under the relevant provisions of the Code and the Treasury Regulations promulgated thereunder (the "**Regulations**"). The 2023 Rebate Fund shall be maintained by the Municipality until all required rebate payments with respect to the Bonds have been made in accordance with the relevant provisions of the Code and the Regulations.

The Municipality hereby covenants and agrees that it shall pay to the United States Treasury from the 2023 Rebate Fund, on the dates and in the amounts and manner required by the Code and the Regulations, the portion of the "rebate amount" (as defined in Section 1.148-3(b) of the Regulations) that is due as of each "computation date" (within the meaning of Section 1.148-3(e) of the Regulations). As of the date of this Resolution, the provisions of the Regulations specifying the required amounts of rebate installment payments and the time and manner of such payments are contained in Sections 1.148-3(f) and (g) of the Regulations, respectively. Amounts held in the 2023 Rebate Fund and the investment income therefrom are not pledged as security for the Bonds or any Parity Bonds and may only be used for the payment of any rebate liability with respect to the Bonds.

The Municipality may engage the services of a qualified rebate determination provider to assist it in determining the rebate payments, if any, owed to the United States with respect to the Bonds. The Municipality shall maintain or cause to be maintained records of determinations of rebate liability made with respect to the Bonds for each computation date until three (3) years after the April 15th of the calendar year immediately preceding the retirement of the last Bond. The Municipality shall make such records available to the SDWLP upon reasonable request therefor.

**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 the Bonds have been paid in full as to both principal and interest. The owner or owners of any 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 SDWLP, to provide to 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.

**Section 19. Application of Surplus Fund.**

From and after the Original Issue Date, and while any of the Bonds and Parity Bonds shall be outstanding, amounts in the Surplus Fund shall be applied (i) *first*, as required by the Senior Resolutions, to pay principal of, or interest on, the Senior Bonds when the Special Redemption Fund is insufficient for that purpose, and to remedy any deficiency in any of the Funds or Accounts, (ii) *second*, as required by the 2019 BAN Resolution, to pay principal of, and interest on, the 2019 BAN and any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution until they have been paid in full, and (iii) *third*, as required by this Resolution, to make deposits to the Debt Service Fund to provide for the payment of the principal of, and interest on, the Bonds and any Parity Bonds as the same becomes due, and to remedy any deficiency in any of the Funds and Accounts. Notwithstanding the provisions of the Senior Resolutions and the 2019 BAN Resolution, amounts in the Surplus Fund shall not be used for any other purpose except to the extent such amounts are in excess of the amounts required to pay the principal of, and interest coming due on, the Senior Bonds, the 2019 BAN and any obligations issued on a parity with the 2019 BAN as provided in the 2019 BAN Resolution, the Bonds, and any Parity Bonds on their next respective interest payment dates, as described in Section 6(e) of this Resolution.

**Section 20. Funding of a portion of the 2019 BAN.**

To effect the Funding and to provide for the redemption of a portion of the 2019 BAN in the principal amount of \$4,675,000 on the Redemption Date (the "**Funded BAN**"), the appropriate officer of the Municipality is directed to transfer proceeds of the Bonds to the fiscal agent for the 2019 BAN appointed under the 2019 BAN Resolution. The transfer shall be made prior to 10:00 a.m. on the Redemption Date. The amount transferred shall be sufficient, together with the other funds appropriated by the Governing Body for such purpose, to pay the redemption price of the Funded BAN on the Redemption Date.

**Section 21. Redemption of a Portion of the 2019 BAN.**

The Municipality irrevocably directs that the Funded BAN be redeemed and paid in full in advance of its stated maturity date on the Redemption Date; *provided, however*, that the appropriate officers of the Municipality may revoke the redemption of the Funded BAN as permitted by the 2019 BAN Resolution by sending a notice by first class mail, not less than 15 days before the proposed redemption date, to the registered owners of the Funded BAN which has been called for redemption. The appropriate officers of the Municipality are directed to instruct the fiscal agent for the 2019 BAN to take all actions required to call the Funded BAN for redemption on the Redemption Date, including giving notice in the manner required by the 2019 BAN Resolution. The Municipality ratifies and approves any action that has been taken prior to the date of this resolution in connection with the Funding and the redemption of the Funded BAN.

**Section 22. Publication of Notice.**

The Clerk of the Municipality shall publish notice that the Municipality has agreed to sell the Bonds. The notice shall be published promptly after the execution of the Financial Assistance Agreement in the Municipality's official newspaper as a class 1 notice under Chapter 985 of the Wisconsin Statutes. The notice shall be in substantially the form attached hereto as in Exhibit B. The Clerk shall obtain proof, in affidavit form, of the publication, and shall compare the published notice with the attached form to confirm that no mistake was made in publication.

**Section 23. Conflicting Resolutions.**

In case any part of a prior action of the Governing Body conflicts with this Resolution, that part of the prior action is hereby rescinded; except that this Section shall not be interpreted as rescinding any part of the Senior Resolutions. In the case of any conflict between this Resolution and the Senior Resolutions or the 2019 BAN Resolution, the Senior Resolutions or the 2019 BAN Resolution, as the case may be, shall control as long as any Senior Bonds or the 2019 BAN are outstanding.

Passed: October 3, 2023

Approved: October \_\_\_\_, 2023

Conway, Mayor

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Satya Rhodes-

Attest:

-Behl, Clerk

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Maribeth Witzel