State of Minnesota
County of Fillmore

City of Canton

Resolution #2026-13

RESOLUTION OF THE CITY OF CANTON, MINNESOTA, APPROVING AND AUTHORIZING AN ADVANCE AGREEMENT WITH MINNESOTA RURAL WATER FINANCE AUTHORITY AND AUTHORIZING PARTICIPATION IN JOINT POWERS AUTHORITY

WHEREAS, the City Council ("Governing Body") of the City of Canton, Minnesota (the "Governmental Unit"), has previously determined that it is in the public interest to construct certain facilities and improvements to the Governmental Unit's water system (the "System"), including but not limited to, replacement of water and sewer mains (the "Project"); and

WHEREAS, in order to obtain monies to provide temporary financing for the Project, the Governmental Unit determines that it is necessary and expedient to enter into an Advance Agreement (the "Advance Agreement") by and between Minnesota Rural Water Finance Authority , a Minnesota joint powers entity (the "Authority") organized under a Joint Powers Agreement dated November 1, 1999, as amended (the "Joint Powers Agreement") and the Governmental Unit; and

WHEREAS, under the Advance Agreement, the Authority will make a loan to the Governmental Unit which will be evidenced by the Governmental Unit's General Obligation Bond Anticipation Note payable to the Authority in an amount not to exceed $3,741,000 (the "Governmental Master Note"); and

WHEREAS, the principal of the Governmental Master Note is payable from a loan approved by the United States Department of Agriculture acting through Rural Development in an amount equal to the principal amount of the Governmental Master Note (the "Permanent Financing").

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of the Governmental Unit as follows:

SECTION 1. Authorization of Advance Agreement. The Governing Body approves and authorizes the Advance Agreement substantially in the form on file with the Governmental Unit for the purpose of providing the necessary financing for the Project and authorizes the issuance of the Governmental Master Note in an amount not to exceed $3,741,000, subject to adjustment as to principal and interest as provided in the Advance Agreement.

SECTION 2. Execution of Advance Agreement. The Mayor and Clerk-Treasurer are designated as authorized offices (the "Authorized Officers")and are authorized, directed and empowered to execute the Advance Agreement, the Governmental Master Note and any other necessary or appropriate documents or agreements, and to otherwise act on behalf of the Governmental Unit to effect such financing.

SECTION 3. General Obligation. The Governmental Master Note is a general obligation of the Governmental Unit to which the full faith, credit and taxing powers of the Governmental Unit are pledged and is payable from the sources described in the Advance Agreement.

SECTION 4. Approval of Joint Powers Agreement. The Joint Powers Agreement is approved or affirmed, as applicable. The Governmental Unit shall take such additional action as may be necessary for the Governmental Unit to remain a participating member of the Authority and a participant in the Program described in the Joint Powers Agreement. The Clerk-Treasurer is appointed to be the representative of the Governmental Unit under the Joint Powers Agreement.

SECTION 5. Extension Agreement. In the event permanent financing for the Project is not obtained prior to the stated Maturity Date of the Governmental Master Note, the Authorized Officers are authorized, directed and empowered to approve an extension of the stated Maturity Date, which approval shall be evidenced by execution of the Extension Certificate attached to form of Governmental Master Note in the Advance Agreement.

SECTION 6. Funds and Accounts. There is created a special fund to be designated the "2026 Bond Anticipation Note Fund" (the "Fund") to be administered and maintained by the Governmental Unit as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the Governmental Unit. The Fund shall be maintained in the manner herein specified until the Governmental Master Note has been fully paid. There shall be maintained in the Fund two separate accounts, to be designated the "Construction Account" and "Debt Service Account," respectively:

(a) *Construction Account.* Each disbursement of the proceeds of the Governmental Master Note shall be credited to the Construction Account as received. Proceeds from the Governmental Master Note on deposit in the Construction Account shall be used from time to time to pay, or reimburse the Governmental Unit, for payment of the capital costs of the Project and costs of issuance of the Governmental Master Note as such become due. Upon completion of the Project, any amounts left in the Construction Account will be transferred to the Debt Service Account.

(b) *Debt Service Account.* The Debt Service Account shall be maintained in the manner herein specified until the Governmental Master Note has been fully paid. The money in the Debt Service Account shall be used for no purpose other than the payment of principal of and interest on the Governmental Master Note. There is pledged and irrevocably appropriated and there shall be credited to the Debt Service Account (the "Pledged Revenues"): (i) special assessments levied to property benefited by the Project, if any, and interest thereon; (ii) Net Revenues (as defined below) in the amount necessary to pay interest on Governmental Master Note; (iii) all funds remaining in the Construction Fund after completion of the Project and payment of the costs thereof, if any; (iv) any and all other monies which are properly available and are appropriated by the Governing Body to the Debt Service Account; (v) investment earnings on the monies identified in the foregoing clauses (i) through (iv); and (vi) the proceeds of the Permanent Financing, or if necessary, the proceeds of additional temporary bonds or definitive bonds issued and credited to the Debt Service Account when received.

(c) *Investments.* Monies on deposit in the Fund, the Construction Account and the Debt Service Account may, at the discretion of the Governmental Unit, be invested in securities permitted by Minnesota Statues, Chapter 118A; proved, that any such investments shall mature at such times and in such amounts as will permit payment of the principal and interest of the Governmental Master Note when due.

(d) *Payment of Governmental Master Note; Tax Levy; General Obligation.* If the balances in the Debt Service Account are ever insufficient to pay all principal and interest then due to the Governmental Master Note after depletion of all available funds in the Construction Account or from Pledged Revenues, the Treasurer is authorized and directed to provide sufficient money from any other funds of the Governmental Unit which are available for that purpose.

(e) *General Obligation.* In accordance with its statutory duties under Minnesota Statues, Section 475.61, Subdivision 5, the Governmental Unit covenants and agrees with the holder of the Governmental Master Note that if the Governmental Master Note cannot by paid on the Maturity Date, as applicable, from the Pledged Revenues, the Governmental Master Note will be paid from the proceeds of definitive obligations which will be issued and sold prior to the Maturity Date, as applicable, or exchanged for definitive obligations in the manner provided in Minnesota Statues, Section 475.61, Subdivision 1. It is recognized, however, that the Governmental Unit's liability on the Governmental Master Note is not limited to the Pledged Revenues, and the Governmental Unit covenants and agrees that it will levy upon all taxable property within the Governmental Unit, and cause to be extended, assessed, and collected, any taxes found necessary for full payment of the principal of and interest of the Governmental Master Note and any definitive obligations, without limitation as to rate or amount.

(f) *No Tax Levy.* It is estimated that the Pledged Revenues are in an amount not less than five percent in excess of the amounts needed to meet when due the principal and interest payments on the Governmental Master Note and, accordingly, no tax is presently levied for this purpose.

(g) *Net Revenues.* For purposes of this resolution, "Net Revenues" means the revenues of the System form time to time received in excess of the amounts needed to pay current operation and maintenance expenses of the System and to maintain a reasonable operating reserve.

(h) *Surplus Revenues.* Surplus System revenues from time to time accumulated in the Fund, in excess of payments due from and reserves required to be maintained in the Fund, Construction Account and the Debt Service Fund, may be used for necessary capital expenditures for the improvement of the System, for the prepayment and redemption of bonds constituting a lien on the System, and for any other proper municipal purpose consistent with policies established by resolutions of the Governmental Unit.

SECTION 7. Certificate of Proceedings.

(a) *Filing with County Auditor.* The Clerk-Treasurer or Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel ("Bond Counsel"), acting on behalf of the Governmental Unit is directed to file a certified copy of this resolution with the Fillmore County Auditor (the "Auditor") along with such other information as the Auditor may require, and to obtain from the Auditor a certificate stating that the Governmental Master Note has been duly entered on the Auditor's register.

(b) *Additional Proceedings.* The Authorized Officers and other officers of the Governmental Unit are authorized and directed to prepare and furnish to the holder of the Governmental Master Note and to Bond Counsel certified copies of all proceedings and records of the Governmental Unit relating to the authorization and issuance of the Governmental Master Note and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Governmental Master Note as such facts appear form the official books and records in the officers' custody or otherwise known to them. All of such certified copies, certificates and affidavits, including any heretofore furnished, constitute representations of the Governmental Unit as to the correctness of facts recited therein and the actions stated therein to have been taken.

(c) *Absent or Disabled Officers.* In the event of the absence or disability of the Authorized Officers or other officer of the Governmental Unit, such officers or members of the Governing Body as in the opinion of the Governmental Unit's attorney may act in their behalf shall, without further act or authorization, execute and deliver the Governmental Master Note, and do all things and execute all instruments and documents required to be done or executed by such absent of disabled officers.

SECTION 8. Construction: Effective Date. Capitalized terms not defined in this resolution have the meanings given in the Advance Agreement. This resolution shall take effect at the earliest time provided by law.

Adopted on August 12, 2026.

CITY OF CANTON, MINNESOTA

Kristy Ziegler, Mayor

ATTESTED TO:

Anne Koliha

Anne Koliha, City Clerk-Treasurer

CERTIFICATE

I, the undersigned, certify that I am duly qualified and acting Clerk-Treasurer of the City of Canton, Minnesota; that the foregoing is a full, true and correct copy of a Resolution adopted by the Governing Body of the City of Canton at a meeting duly held on August 12, 2026; that said official action appears as a matter of public record in the official records or journal of the Governing Body; that said meeting was held in accordance with all applicable requirements of Minnesota law, that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 12th day of August, 2026.

Anne Kolitha

Clerk-Treasurer