

City of Canton

Resolution #2026-20

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A \$383,387 TAXABLE GRANT ANTICIPATION REVENUE NOTE SERIES 2026C, AND PROVIDING FOR ITS PAYMENT

BE IT RESOLVED, by the City Council of the City of Canton, Fillmore County, Minnesota (the "City" or "Issuer"), as follows:

Section 1. Note Purpose and Authorization.

1.01 Under and pursuant to the provisions of Minnesota Statutes, Sections 444.075, 475.61, subdivision 5, Chapter 475, and other pertinent provisions of said statutes, the City is authorized to issue its revenue note to provide funds for the payment of costs of improvements to the municipal water utility (the "Water Utility"). The City has applied for and received a commitment from the Minnesota Public Facilities Authority (the "PFA") for a grant and loan for the payment of improvements to the Water Utility, for replacement of lead service lines as identified in the City's applications to the Authority (the "Project").

1.02 The City authorizes the issuance and sale of a taxable grant anticipation note to be designated the "Taxable Grant Anticipation Note, Series 2026C" in the principal amount of \$383,387 (the "Note") for the Project to the PFA, in substantially the form attached hereto as Exhibit A, pursuant to a Minnesota Public Facilities Authority Master Loan (Bond Purchase) and/or Grant Agreement dated September 18, 2026, between the PFA and the City (the "Master Agreement") and the Project Order ID Canton_LSLR_00 (MDH Project ID 1230001-1) between the PFA and the City (the "Project Order"). The Master Agreement is attached hereto as Exhibit B, and is ratified or authorized and approved, as applicable.

1.03 The principal of the Note shall be paid primarily from the LSLR Grant (defined below), Net Revenues (defined below) of the Water Utility, or long-term definitive obligations which the City shall offer for sale in advance of the maturity of the Note if not paid from the LSLR Grant or Net Revenues.

1.04 Pursuant to the Project Order, the PFA will award a grant to the City in the amount of the Note (the "LSLR Grant"), which will be used to pay the principal of the Note.

Section 2. Execution and Delivery of Note, Master Agreement, and Project Order.

2.01 The Note to be issued hereunder shall be dated as of the date of delivery to PFA, shall be issued in the principal amount of \$383,387, in fully registered form and lettered and numbered R-1. The Note shall not bear interest. The Note is payable as to principal only on the Maturity Date, as set forth on Exhibit A to the Note. If the principal only payments are paid by check and mailed to the registered holder of the Note, such payment shall be mailed by the City at least five business days prior to the payment date.

2.02 The Note shall be prepared for execution in accordance with the approved form and shall be signed by the manual signature of the Mayor and attested by the manual signature of the Clerk-Treasurer. In case any officer whose signature shall appear on the Note shall cease to be an officer before delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. The Master Agreement and the Project Order shall be prepared for execution in accordance with the approved form and shall be signed by the manual or electronic signature of the Mayor and attested by the manual or electronic signature of the Clerk-Treasurer. All actions of the officers of the City regarding the Master Agreement and Project Order are ratified, confirmed and approved as of the date of the Master Agreement or Project Order.

2.03. The City will cause to be kept at its offices a register in which, subject to such reasonable regulations as the City may prescribe, the City shall provide for the registration of transfers of ownership of the Note. The Note shall be initially registered in the name of the PFA and shall be transferable upon the register by the PFA in person or by its agent duly authorized in writing, upon surrender of the Note, together with a written instrument of transfer satisfactory to the Clerk-Treasurer, duly executed by the PFA or its duly authorized agent.

2.04. Delivery of the Note shall be made at a place mutually satisfactory to the City and the PFA. The Note shall be furnished by the City without cost to the PFA. The Note, when prepared in accordance with this Resolution and executed, shall be delivered to the PFA by and under the direction of the Clerk-Treasurer. Disbursement of the proceeds of the Note shall be made pursuant to the Master Agreement and Project Order.

2.05. In the event of an inconsistency between a provision of this Resolution and a provision of the Master Agreement, the provision of the Master Agreement shall govern.

Section 3. Accounts and Tax Levies.

3.01. Water Fund. The Issuer covenants and agrees with the holder of the Note as follows:

(i) It will impose and collect just and equitable charges for all use and for the availability of all facilities of the Water Utility at the times and in the amounts required to pay the normal, reasonable, and current expenses of operating and maintaining such Water Utility, and also to produce Net Revenues, which together with other funds of the Issuer pledged herein, will be at least adequate at all times to pay the principal on the Note and the principal interest on all other notes and bonds heretofore or hereafter issued and made payable from said Net Revenues, and will operate the Water Utility and segregate and account for the revenues thereof as provided in this Section.

(ii) It will place all such charges for the use and availability of the Water Utility, when collected, and all money received from the sale of any facilities or equipment of the Water Utility in the Water Utility fund (the "Water Fund"). Except as provided in this Section, this Water Fund shall be used only to pay claims duly approved and allowed for payment of expenses which, under generally accepted accounting principles, constitute normal, reasonable, and current expenses of operating and maintaining the Water Utility, and to maintain such reasonable reserves for such expenses as the City Council shall determine to be necessary from time to time. Sums in excess of those required to make such payments and maintain such revenues constitute the net revenues ("Net Revenues") a portion of which are herein pledged and appropriated to pay the principal of when due on the Note.

(iii) Surplus Water Utility revenues from time to time received in the Water Fund, in excess of payments due from and reserves required to be maintained in the Water Fund and in the Debt Service Account, may be used for necessary capital expenditures for the improvement of the Water Utility, for the prepayment and redemption of notes and bonds constituting a lien on the Water Utility, and for any other proper municipal purpose consistent with policies established by resolution of the City Council.

3.02 There are created in the Fund the following accounts: the 2026C Minnesota Public Facilities Authority Note Construction Account (the "Construction Account") and the 2026C Minnesota Public Facilities Authority Note Debt Service Account (the "Debt Service Account") which shall be separate restricted accounts in the Water Fund until the Note has been fully paid.

(i) Construction Account. Each disbursement of proceeds of the Note which is received pursuant to the terms of the Master Agreement and Project Order shall be credited to the Construction Account. Monies on deposit in the Construction Account shall be used from time to time to pay the capital costs of the Project, including but not limited to costs of planning, engineering, legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Note, as such

payments become due. Upon completion of the Project, any amounts left in the Construction Account shall be transferred to the Debt Service Account.

(ii) Debt Service Account. The money in the Debt Service Account shall be used for no purpose other than the payment of principal of the Note and other notes similarly authorized; provided, however, that if any payment of principal shall become due when there is not sufficient money in the Debt Service Account, the Clerk-Treasurer shall pay the same from any other funds of the Issuer and said funds shall be reimbursed for such advance from the Debt Service Account when a sufficient balance is available therein. The Issuer irrevocably appropriates the LSLR Grant to the Debt Service Account for payment of the principal the Note. If proceeds of the LSLR Grant are insufficient to pay principal of the Note when due, the Clerk-Treasurer shall transfer from the Water Fund to the Debt Service Account amounts of Net Revenues which together with proceeds of additional temporary obligations or definitive obligations are sufficient for payment of principal then due on the Note.

3.03. Investments. Monies on deposit in the Construction Account and the Debt Service Account may, at the discretion of the Clerk-Treasurer, be invested in any securities permitted by Minnesota Statutes, Chapter 118A and in accordance with resolutions of the Issuer; provided, however, such investments shall mature at such times and in such amounts as will permit payments by the Issuer for authorized purposes, when due.

3.04 In accordance with its statutory duties under Minnesota Statutes, Section 475.61, Subdivision 5, the City covenants and agrees with the holders of the Note that if the Note cannot be paid at maturity from the LSLR Grant and Net Revenues or from other funds appropriated by the City, the Note will be paid from the proceeds of definitive obligations which the City Council shall offer for sale in advance of the maturity of the Note.

Section 4. Certificate of Proceedings.

4.01 The Clerk-Treasurer is directed to file with the county auditor a certified copy of this resolution and such other information as the county auditor may require, and to obtain from the county auditor a certificate stating that the Note herein authorized has been duly entered on his register.

4.02 The officers of the City are authorized and directed to prepare and furnish to the purchaser and to bond counsel certified copies of all proceedings and records of the City relating to the authorization and issuance of the Note and other affidavits and certificates as may reasonably be requested to show the facts relating to the legality and marketability of the Note as such facts appear from the official books and records of the officers' custody or otherwise known to them. All of such certified copies, certificates and affidavits, including any heretofore furnished, constitute representations of the City as to the correctness of facts recited therein and the actions stated therein to have been taken.

Approved by the Council on October 14, 2026.



Mayor – Kristy Ziegler

Attest:



Clerk-Treasurer – Anne Koliha

