

M Management Committee
For the Metropolitan Council meeting of February 8, 2012

ADVISORY INFORMATION

Date Prepared: January 30, 2012

Subject: Authorization To Execute Loan Agreement With The Public Facilities Authority (PFA)
And Issuance Of General Obligation Sewer Note Included in Resolution #2012-1.

Proposed Action:

That the Metropolitan Council approves the attached Resolution 2012-1 to authorize the Regional Administrator to execute a loan agreement with the Minnesota Public Facilities Authority (PFA) in substantially the same form as the attached agreement. And further, to issue the related General Obligation Sewer Note securing the loan agreement substantially in the form of the Note referenced in the resolution.

Summary of Committee Discussion / Questions:

Jason Willett gave a PowerPoint presentation summarizing historical participation with the PFA, future capital finance projections for the wastewater system, the savings this financing vehicle presents and the key loan agreement terms. There was discussion about how much debt is too much and the comparative data for other wastewater agencies presented.

The Committee approved the Proposed Action.

Management Committee

Meeting date: January 25, 2012

ADVISORY INFORMATION

Date: January 19, 2012
Subject: Authorization To Execute Loan Agreements With The Public Facilities Authority (PFA) And Issuance Of General Obligation Sewer Note Included in Resolution #2012-1.
District(s), Member(s): All
Policy/Legal Reference: MN Stat. 473.541(3) and Council Policy 3-1-1
Staff Prepared/Presented: Jason Willett, MCES Finance Director, 651-602-1196
Division/Department: MCES c/o Bill Moore, Division Director, 651-602-1162

Proposed Action

That the Metropolitan Council approves the attached Resolution 2012-1 to authorize the Regional Administrator to execute a loan agreement with the Minnesota Public Facilities Authority (PFA) in substantially the same form as the attached agreement. And further, to issue the related General Obligation Sewer Note securing the loan agreement substantially in the form of the Note referenced in the resolution.

Background

This approval does not authorize any capital spending, which is done via the adoption of the capital budget, but rather provides a low-cost instrument to finance capital project expenses that are already approved. MCES capital projects that will be funded by this loan are ongoing. The prior loan for eligible projects was exhausted in December (except for funds needed for two projects to complete green project reserve requirements).

The \$60 million available from this loan is expected to provide funds to finance the cash flows on those MCES capital projects that are PFA-eligible for about 12-16 months, in addition to December 2011 and January 2012 expenses incurred since the prior PFA loan was exhausted. Capital borrowing beyond what can be funded by PFA loans typically comes from bonds issued by the Council or from wastewater fees ("pay-as-you-go").

Attachments to this item are:

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

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

Attachment C: The proposed Commitment and Loan Agreement (drafted by Briggs and Morgan, PFA's bond counsel; reviewed by our bond counsel).

Funding

The interest rate on the Loan has been locked in at 1.60% (137.5 basis point discount below market rate per formula in PFA rules).

Rationale

Conventional PFA loans are less expensive than Council bonding. At current interest rates, the savings compared to a traditional Council tax-exempt bond is about \$8 million in present value dollars.

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

Known Support / Opposition

None.

Attachment A

KEY TERMS OF THE PROPOSED LOAN AGREEMENTS

- 1) The Council is financing \$60 million for about 20 approved wastewater projects, and will pay debt service on the Loan over the next 20 years.
- 2) The Council must agree to complete all the projects, funded in any part by these loans, regardless of the availability of future PFA loans.
- 3) PFA funds are not drawn down by the Council until after eligible expenses are incurred (that is, on a “reimbursement basis”). Interest will accrue on the debt only as money is disbursed to the Council.
- 4) The net interest rate to be paid to the PFA will be 1.603%.
- 5) The principal repayment schedule provides a slight modification to level annual debt service. To aid in smoothing total annual debt service for all wastewater debt over the next several years, a portion of principal payments in 2015-2018 were moved to future years, which increased the average life of this loan from 10.9 years to 11.6 years.
- 6) The Council must execute a General Obligation Note pledging its full faith and credit to secure repayment of the loan. This means that should wastewater revenues become inadequate, the Council must levy taxes to provide the necessary funds. However, no property taxes have ever been levied or are anticipated for these PFA Notes or any other wastewater debt.
- 7) The Council agrees that funds for the Metro Plant Rehab and Facilities Improvement projects (project #8059 family) funded by the loan will be designated as coming from state bond funds and are thereby subject to extra restrictions for the life of the project and possibly repayment of the funds if the facility were sold. In addition a declaration of these covenants must be recorded against the real estate titles.
- 8) If the PFA refunds bonds, the Council will get 50% of the net present value of the savings from the portion of such PFA bonds used as the source of funds for this loan, if any. Also note, the Council is required to get PFA approval to prepay the loan and if the Council sells a bond to prepay the loan, the Council will share 50% of the savings with the PFA as a prepayment fee.
- 9) The Council agrees to standard terms and conditions of PFA’s financing and state law. Among these terms are: 1) sale of project facilities are restricted; 2) funds can not be used for “private uses”; 3) insurance requirements must be met; 4) information disclosure requirements for the investment community must be met; 5) projects funded must meet EPA diversity requirements, and 6) Loan funded contractors must pay federally designated prevailing wages.

CERTIFICATION OF EXTRACT FROM MINUTES
RELATING TO GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2012A

Issuer: Metropolitan Council, Minnesota

Governing Body: Council Members

Kind, date, time and place of meeting: A regular meeting held Wednesday, February 8, 2012, at 4:00 o'clock P.M., at 390 North Robert Street, St. Paul, Minnesota.

Members Present:

Members Absent:

Documents Attached:

Extract of minutes of said meeting including:

RESOLUTION NO. 1

ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A \$60,000,000 GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2012A PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
EXECUTION OF A PROJECT LOAN AGREEMENT

I, the undersigned, being the duly qualified and acting Recording Secretary of the Metropolitan Council, the public corporation issuing the notes referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been extracted; that said documents are correct and accurate copies of the resolution and related documents approved by the Council at its regular meeting held on February 8, 2012, so far as they relate to said Note; and that said meeting was duly held by the governing body at the time and place and was attended by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such Recording Secretary on _____, 2012.

Susan Harder, Recording Secretary

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

RESOLUTION NO. 1

ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A \$60,000,000 GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2012A PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
EXECUTION OF A PROJECT LOAN AGREEMENT

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

and the following voted against the same:

and the following were absent for the vote:

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

RESOLUTION NO. 1

ACCEPTING THE OFFER OF THE MINNESOTA
PUBLIC FACILITIES AUTHORITY TO
PURCHASE A \$60,000,000 GENERAL OBLIGATION
WASTEWATER REVENUE NOTE, SERIES 2012A PROVIDING
FOR ITS ISSUANCE, AND AUTHORIZING
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BE IT RESOLVED by the Metropolitan Council (the “Council” or the “Issuer”) as follows:

Section 1. Recitals.

- a) The Minnesota Public Facilities Authority (the “PFA”) is authorized pursuant to Minnesota Statutes, Chapters 446A as amended, to issue its bonds (the “PFA Bonds”) and to use the proceeds thereof, together with certain other funds of the agency available for such purpose in the Clean Water Revolving Fund, to provide loans to political subdivisions of the state to fund eligible costs of construction of sanitary sewer collection and wastewater treatment systems (the “Program”).
- (b) The Issuer is authorized to issue its obligations pursuant to Minnesota Statutes, Sections 473.541, subd. 3 and Chapter 475 (the “Act”), for the purpose of financing improvements to the Issuer’s interceptor or treatment works (the “Project”).
- (c) The Issuer has applied for a loan from the PFA pursuant to the Program, and the PFA has committed to make a loan to the Issuer in the principal amount of \$60,000,000, to be disbursed and repaid in accordance with the terms of a Bond Purchase and Project Loan Agreement (the “Project Loan Agreement”) dated as of December 21, 2011 to be executed by the Issuer and the PFA, in substantially the form now on file with the Council Secretary.
- (d) In accordance with Section 475.60, subdivision 2(4) of the Act, the Issuer is authorized to issue obligations to a board, department or agency of the State of Minnesota by negotiation and without advertisement for bids and the PFA is, and has represented that it is a board, department or agency of the State of Minnesota.
- (e) Contracts for the Project have been or will be made by the Issuer with the approval of the PFA and all other state and federal agencies of whose approval is required.

Section 2. Acceptance of Offer: Payment.

- (a) The Issuer hereby accepts the offer of the PFA to purchase the General Obligation Wastewater Revenue Note, Series 2012A (the "Note") to be issued by the Issuer in the original aggregate principal amount of \$60,000,000 at the rate of interest hereinafter set forth, and to pay therefor the par amount of the Note as provided below, is accepted, and the sale of the Note is awarded to the PFA. Payment for the Note is to be disbursed in installments as eligible costs of the Project reimbursed or paid, all as provided in the Project Loan Agreement. The terms set forth in this resolution relating to the Note are intended to be consistent with the provisions of the Project Loan Agreement, and to the extent that any provision in the Project Loan Agreement is in conflict with this resolution, the Project Loan Agreement will control.
- (b) The Note is to be issued in the aggregate principal amount of \$60,000,000, originally and nominally dated as of date of delivery as a fully registered Note without coupons. The Note will be in the denomination of the entire principal amount thereof, numbered R-1 and bear interest and mature in installment amounts as specified in Section 3 hereof.
- (c) The Note is subject to redemption and prior payment as provided in the Project Loan Agreement.
- (d) Interest and principal in the installment amounts set out in Exhibit A to the Note are payable by wire transfer, or if by check or draft of the Issuer or its designated Registrar, mailed no later than five (5) business days prior to the payment date to the registered holder thereof at the holder's address as it appears on the bond register at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date.

Section 3. Date: Denomination: Interest Rates. The Note will be a fully registered negotiable obligation, dated as of date of delivery and issued forthwith. The Note shall be in substantially the following form set forth on Exhibit A attached hereto:

Section 4. Execution. The Note is to be executed on behalf of the Council by the signatures of the Chair and Treasurer, the Council having no seal; provided; however, that one of such signatures may be a printed or photocopied facsimile on the Note as permitted by law. In the event of disability or resignation or other absence of any of such officers, the Note may be signed by any officer who is authorized to act on behalf of such absent or disabled officer. If an officer whose signature will appear on the Note ceases to be such officer before the delivery of the Note, such officer's signature will nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

Section 5. Delivery: Application of Proceeds. The Note when so prepared and executed will be delivered by the Treasurer to the PFA prior to disbursements pursuant to the Project Loan Agreement and the purchaser is not obliged to see to the proper application thereof.

Section 6. 2012A (PFA) Sewer Revenue Note Account, Pledges, Appropriations.

(i) Sewer Revenue Note Account. There is hereby established a 2012A (PFA) Sewer Revenue Note Account (the "Note Account") in the Council's Debt Service Fund. The Note Account shall be held in the custody of the Treasurer, deposited in one or more banks duly qualified as depositories of Council funds, and invested and reinvested in accordance with resolutions of the Council and Minnesota Statutes, Chapter 118A, and the Project Loan Agreement, and shall be used only to pay principal and interest and related

expenses (including paying agency, registration, swap agreement or investment service expenses and rebate of arbitrage earnings) payable with respect to the Note or PFA Bonds and any other general obligation wastewater revenue obligations of the Council, as may be directed by the Council to be paid from the Note Account, until all such principal and interest and expenses have been fully paid; provided that if any payment falls due when the balance in the Note Account is insufficient to pay it, the deficiency shall be paid out of any other funds of the Council available for that purpose, and advances so made may be repaid from the Note Account when a sufficient balance is available therein.

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

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

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

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

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

(iv) Taxes; Pledges. It is estimated that the revenues pledged for the payment of the Note, together with other available monies designated by the Council for such purposes, will produce sums in an amount not less than 5% in excess of the amounts needed to meet when due payments of principal of and interest on the Note, and accordingly no tax is levied by this Resolution for that purpose. The Council shall deposit in the Note Account revenues pledged to the payment of the Note in such amounts and at such times as are directed by the Treasurer of the Council so that as of the interest payment dates for the Note (i.e. February 20 and August 20 of each year commencing from and after the later of August 20, 2012, or the date on which principal is first disbursed under the Project Loan Agreement) (each an "Interest Payment Date") during the term of the Note, the amount held in the Note Account is sufficient to pay principal (if any) of and interest on the Note (and any other obligations payable from the Note Account) payable on that Interest Payment Date and so that all related expenses payable out of the Note Account are paid when due. In the event that such pledged revenues or other sufficient funds are not so deposited by the Council, the Council covenants that it will levy for collection the following year a general ad valorem tax upon all taxable property in the "metropolitan area" within the meaning of Minnesota Statutes, Section 473.121, subdivision 2, in an amount equal to the deficiency.

(v) Note Record. The Chief Financial Officer of the Council is directed to keep on file in the Council office a tabulation of the dates and amounts of the principal and interest payments to become due on all obligations payable from the Note Account, and of the balance required in the Note

Account on each Interest Payment Date in lieu of taxes then otherwise required to be levied for the security of such Note.

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

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

Section 8. General Obligation Pledge. The full faith and credit and taxing powers of the Issuer will be, and are irrevocably pledged for the prompt and full payment of the principal of and interest on the Note as the same respectively become due. If the net revenues of the wastewater system appropriated and pledged to the payment of principal and interest on the Note, together with other funds irrevocably appropriated to the Debt Service Account referred to in Section 6 are at any time insufficient to pay such principal and interest when due, the Issuer covenants and agrees to levy, without limitation as to rate or amount, an ad valorem tax upon all taxable property in the Issuer sufficient to pay such principal and interest as the same become due. If the balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Note and any other obligations payable therefrom, the deficiency will be promptly paid out of any other funds of the Issuer which are available for such purpose, and those other funds may be reimbursed, with or without interest, from the Debt Service Account when a sufficient balance is available in that Account.

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

Section 10. Project Loan Agreement. The Project Loan Agreement is approved in substantially the form presented to the Council, and in the form executed is incorporated by reference and made a part of this resolution. The provisions of this resolution relating to the Note are intended to be consistent with the provisions of the Project Loan Agreement, and to the extent that any provision in the Project Loan Agreement is in conflict with this resolution as it relates to the Note, that provision controls. The execution and delivery of the Project Loan Agreement by the Chair is hereby authorized and ratified. The execution of the Project Loan Agreement by the appropriate officer is conclusive evidence of the approval of the Project Loan Agreement in accordance with the terms hereof. The Project Loan Agreement may be attached to the Note, and must be attached to the Note if the holder of the Note is any person other than the PFA.

Section 11. Records and Certificates. The officers of the Council are hereby authorized and directed to prepare and furnish to the PFA, and to the attorneys approving the legality of the issuance of the Note, certified copies of all proceedings and records of the Council relating to the Note and to the financial condition and affairs of the Council, and such other affidavits, certificates, agreements and information as are required to show the facts relating to the legality and marketability of PFA Bonds, if any were used as a source of financing for this loan, as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the Council as to the facts recited therein.

Section 12. Negative Covenants as to Use of Proceeds and Project. The Issuer covenants not to use the proceeds of the Note or to use the Project, or to cause or permit them to be used, or to enter into any

deferred payment arrangement for the cost of the Project, in such a manner as to cause the Note to be private activity bond within the meaning of Section 103 and 141 through 150 of the Code. The Issuer reasonably expects that no action will be taken over the term of the Note that would cause it to be a private activity bond, and the average term of the Note is not longer than reasonably necessary for the government purpose of the issue. The Issuer covenants not to use the proceeds of the Note in such a manner as to cause the Note to be a “hedge bond” within the meaning of Section 149(g) of the Code.

Section 13. Tax-Exempt Status of the Note: Rebate. The Issuer will comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Note, including without limitation (i) requirements relating to temporary periods for investments; (ii) limitations on amounts invested at a yield greater than the yield on the PFA Bonds; and (iii) the rebate of excess investment earnings to the United States.

Section 14. Tax-Exempt Status of the PFA Bonds; Rebate. The Issuer with respect to the Note will comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the PFA Bonds, if any were used to fund the Loan, including without limitation (i) requirements relating to temporary periods for investments; (ii) limitations on amounts invested at a yield in excess of the applicable yield restrictions imposed by the Code; and (iii) the rebate of excess investment earnings to the United States. The Issuer covenants and agrees with the PFA and holders of the Note that the investments of proceeds of the Note, including the investment of any revenues pledged to the Note, which may be considered gross proceeds of PFA Bonds under the applicable regulations, and accumulated sinking funds, if any, will be limited as to amount and yield in such manner that such PFA Bonds will not be arbitrage bonds within the meaning of Section 148 of the Code and any regulations thereunder. On the basis of the existing facts, estimates and circumstances, including, the foregoing findings and covenants, the Issuer certifies that it is not expected that the proceeds of the Note, will be used in such manner to cause such PFA Bonds to be arbitrage bonds under Section 148 of the Code, and any regulations thereunder. The Note Registrar will furnish a certificate to the PFA addressing the foregoing certification at the time of delivery of the Note to the PFA.

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

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

Section 16. Headings. Headings in this resolution are included for convenience of reference only and are not a part hereof, and do not limit or define the meaning of any provision hereof.

Adopted: February 8, 2011

Susan Harder, Recording Secretary

Susan Haigh, Chair

EXHIBIT A
TO SALE RESOLUTION

FORM OF NOTE

No. R-1

\$ _____

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

GENERAL OBLIGATION WASTEWATER REVENUE NOTE, SERIES 2012A

Date of Original Issue:

The METROPOLITAN COUNCIL, a body corporate and politic having jurisdiction over the Minneapolis-St. Paul metropolitan area comprising the Counties of Anoka, Carver, Dakota (excluding the City of Northfield), Hennepin (excluding the Cities of Hanover and Rockford), Ramsey, Scott (excluding the City of New Prague), and Washington, Minnesota (the “Issuer”), certifies that it is indebted for value received and promises to pay to the Minnesota Public Facilities Authority or registered assigns, the principal sum of \$60,000,000, or so much thereof as may have been disbursed, on August 20, in the years and in the installments as follows:

<u>Year</u>	<u>Installment</u>	<u>Year</u>	<u>Installment</u>
2012	\$20,000	2022	\$3,794,000
2013	2,697,000	2023	3,842,000
2014	2,738,000	2024	3,890,000
2015	1,780,000	2025	3,900,000
2016	1,823,000	2026	3,580,000
2017	1,367,000	2027	3,640,000
2018	1,911,000	2028	3,680,000
2019	2,956,000	2029	3,685,000
2020	3,601,000	2030	3,697,000
2021	3,748,000	2031	3,651,000

and to pay interest on so much of the principal amount of the debt as may be disbursed from time to time as provided in the Project Loan Agreement (as defined below) and remains unpaid, from the date of this Note for disbursements made on or prior to that date or from the date of each later disbursement until the principal amount hereof is paid or has been provided for, at the rate of 1.603% per annum on August 20, 2012 and semiannually thereafter on each February 20 and August 20.

Principal and Interest Payments. Interest accrues only on the aggregate amount of this Note that has been disbursed under the Public Facilities Authority Bond Purchase and Project Loan Agreement dated as of December 21, 2011, by and between the Issuer and the Minnesota Public Facilities Authority (the “Project Loan Agreement”). The principal installments that will be paid in the amounts scheduled above even if at the time of payment the full principal amount of this Note has not been disbursed; provided that to the extent any principal amount of this Note is

never disbursed, the amount of the principal not disbursed is to be applied to reduce each unpaid principal installment in the proportion that such installment bears to the total of all unpaid principal installments (i.e., the remaining principal payment schedule is to be reamortized to provide similar reductions in the annual installments of total debt service payments).

Interest on this Note includes amounts treated by the Minnesota Public Facilities Authority as service fees. Principal, interest and any premium due under this Note will be paid on each payment date by wire transfer of immediately available funds, or by check or draft mailed at least five (5) business days prior to the payment date to the person in whose name this Note is registered in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Redemption. This Note is subject to redemption and prepayment in whole or in part as provided in the Project Loan Agreement.

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

Registration: Transfer. This Note must be registered in the name of the payee on the books of the Issuer by presenting this Note for registration to the Council's Chief Financial Officer (the "Note Registrar"), who will endorse the date of registration opposite the name of the payee in the certificate of registration attached hereto. Thereafter this Note may be transferred to a bona fide purchaser only by delivery with an assignment duly executed by the registered owner or owner's legal representative, and the Issuer may treat the registered owner as the person exclusively entitled to exercise all the rights and powers of an owner until this Note is presented with such assignment for registration of transfer, accompanied by assurance of the nature provided by law that the assignment is genuine and effective, and until such transfer is registered on said books and noted hereon by the Note Registrar.

Fees Upon Transfer or Loss. The Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer of this Note and any legal or unusual costs regarding transfers and lost notes.

Project Loan Agreement. The terms and conditions of the Project Loan Agreement are incorporated herein by reference and made a part hereof. The Project Loan Agreement may be attached to this Note and must be attached to this Note if the holder of this Note is any person other than the Minnesota Public Facilities Authority.

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

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed precedent to and in the issuance of this Note, have been done, have happened and have been performed in regular and due form, time and manner required by law; and that this Note, together with all other debts of the Issuer outstanding on the date hereof, being the date of its actual issuance and delivery, does not exceed any constitutional, or statutory limitation of indebtedness.

IN WITNESS WHEREOF, the Metropolitan Council (Minneapolis-St Paul metropolitan area), Anoka, Carver, Dakota, Hennepin, Ramsey Scott and Washington Counties, Minnesota, has caused this Note to be executed

with the manual signatures of its Chair and its Treasurer, both as of the nominal date of original issue specified above.

METROPOLITAN COUNCIL
ANOKA, CARVER, DAKOTA,
HENNEPIN, RAMSEY, SCOTT AND
WASHINGTON COUNTIES, MINNESOTA

By _____
Chair

By _____
Treasurer

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This is the Note described above and has been registered as to the principal and interest in the name of the Registered Owner identified below on the registration books of the Note Registrar. The transfer of ownership of the principal amount of this Note may be made only by the Registered Owner or by the Registered Owner's legal representative last noted below.

Date of Registration

Registered Owner

Signature of
Note Registrar

February __, 2012

Minnesota Public
Facilities Authority
Federal Employer I.D.
No. 41-6007162
