

MEMORANDUM

TO: Finance, Expenditure and Legal Subcommittee

FROM: Justin Novak, Project Manager

SUBJECT: Issuance of a Water System Revenue Bond-Dakota County Rural Water

DATE: September 28, 2022

The issuance of a Water System Revenue Bond through the USDA Rural Utility Services is for the construction of Dakota County Rural Water-Kramper Lake Water Main Extension project. This project has a final design, all land rights have been acquired, funds have been obligated at an interest rate not to exceed 2.625% and are awaiting final approval by the USDA to begin the process for construction. The annual payment is \$79,489.00 for a term of 40 years based upon the current interest rate. Below is a table that shows how the total project costs are split upon the bond, grant and dollars contributed by Dakota County Rural Water.

Water System Revenue Bond:	\$1,954,000
USDA Rural Development Grant:	\$1,762,000
<u>Dakota County Rural Water Contribution:</u>	<u>\$200,000</u>
Total Estimated Project Cost:	\$3,916,000

Management recommends that the Subcommittee recommend to the Board of Directors that the Board approve the proposed resolution issuing not to exceed \$1,954,000 in Water System Revenue Bond subject to approval by District Legal Counsel and the General Manager.

**EXTRACT FROM MINUTES OF MEETING
OF THE BOARD OF DIRECTORS
OF PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT**

A meeting of the Board of Directors (the "Board") of the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "District") was held at ____ p.m. on October ____, 2022, at the District's Omaha Office, 8901 S. 154 Street, Omaha, Nebraska, in a publicly convened session, the same being open to the attendance of the public and having been preceded by advance publicized notice, said advance publicized notice having been given in strict accordance with the provisions of Article 14, Chapter 84, Reissue Revised Statutes of Nebraska, as amended, and having set forth (a) the time, date, and place of this meeting; (b) that this meeting would be open to the attendance of the public; and (c) that an agenda of then known subjects to be taken up at the meeting could be obtained from the office of the District. A copy of the affidavit of publication of said advance publicized notice was ordered annexed to the minutes of this meeting. Additionally, reasonable efforts were made to provide advance notification of the meeting to all news media requesting the same of the time, date, and place of the meeting. All proceedings hereafter shown were taken while the meeting was open to the attendance of the public.

The following members were present: _____

_____. Absent were: _____.

A quorum being present and the meeting duly commenced, the following proceedings were had and done. At the beginning of the meeting the Chairperson of the Board publicly stated

to all in attendance that a current copy of the Nebraska Open Meetings Act was posted for review and indicated the location of such copy in the room where the meeting was being held.

Board Member _____ then introduced the following resolution and moved its adoption:

RESOLUTION NO. ____

A RESOLUTION OF THE PAPIO-MISSOURI RIVER NATURAL RESOURCE DISTRICT, IN THE STATE OF NEBRASKA, AUTHORIZING THE ISSUANCE OF A WATER SYSTEM REVENUE BOND, SERIES 2022, IN THE AMOUNT OF ONE MILLION NINE HUNDRED FIFTY-FOUR THOUSAND DOLLARS (\$1,954,000) FOR THE PURPOSE OF PAYING THE COSTS OF CONSTRUCTING ADDITIONS AND IMPROVEMENTS TO THE WATER SYSTEM OF THE DISTRICT; PRESCRIBING THE FORM OF SAID BOND; PLEDGING THE REVENUES AND EARNINGS FROM THE DISTRICT'S WATER SYSTEM TO PAY THE SAME; AND PROVIDING FOR PUBLICATION OF THIS RESOLUTION IN PAMPHLET FORM

BE IT RESOLVED BY THE CHAIRPERSON AND THE BOARD OF DIRECTORS OF THE PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT, IN THE STATE OF NEBRASKA:

Section 1. The Chairperson and Board of Directors of the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "District"), hereby find and determine:

(a) the District previously established a system of waterworks and water supply pursuant to Sections 2-3252 to 2-3255, R.R.S. Neb., as amended, designated as the Dakota County Rural Water System, to serve portions of Dakota County, Nebraska (including any and all additions, improvements and extensions thereto hereafter constructed or acquired, the "Water System");

(b) the Water System constitutes and is determined to be a revenue producing facility and undertaking under the provisions of Section 2-3226, R.R.S. Neb. 2012 (the "Act");

(c) the District currently has no outstanding indebtedness for which the revenues of the Water System have been pledged;

(b) the District currently proposes to acquire and construct additions, extensions and improvements, including equipment therefor, for the Water System (the "Project") for which the cost is not less than \$3,916,000 and for which the District shall need to borrow, in the aggregate, not less than \$1,954,000;

(c) the United States of America acting through the Rural Utilities Service or successor Agency, United States Department of Agriculture (“USDA/RUS”) has set forth its willingness to provide both grant and loan assistance for such Project in a letter of conditions, dated August 24, 2022; and

(d) all conditions, acts and things required by law to exist or to be done precedent to and in the issuance of the District’s Water System Revenue Bond, Series 2022, in the principal amount of \$1,954,000 (the “Bond”) to evidence a loan from USDA/RUS do exist, have happened and been done and performed in regular and due time and form as provided by law and specifically in the Act.

Section 2. In addition to the definitions provided in parentheses in Section 1 hereof and elsewhere in this resolution, the following definitions of terms shall apply, unless the context shall clearly indicate otherwise:

The term “Deposit Securities” shall mean direct obligations of or obligations the principal and interest which are unconditionally guaranteed by the United States of America, including obligations issued in book-entry form.

The term “Revenues” shall mean any and all of the rentals, fees, charges, income, receipts and other monies derived from the ownership or operation of the Water System, including, without limitation, (a) any and all “accounts” (as such term is defined in the Uniform Commercial Code (the “Code”), whether or not the Code applies to the pledge provided for in this Resolution) and (b) any and all investment income derived from amounts held in the Water System Fund or any account thereof (as defined and described in Section 9 hereof).

Section 3. To pay a portion of the cost of the Project, there shall be and there is hereby ordered issued one fully registered Bond of the Papio-Missouri River Natural Resources District, in the State of Nebraska, to be designated as a “Water System Revenue Bond, Series 2022” in the principal amount of \$1,954,000 to be dated on the date of the closing of the purchase thereof (the “Date of Delivery”); the unpaid principal balance of said Bond shall bear interest at the rate of not to exceed 2.625% per year from Date of Delivery thereof until paid, provided, however that if the

USDA/RUS offers a rate of interest lower than 2.625% to the District, the Chairperson or Vice Chairperson of the Board of Directors or the Treasurer and/or General Manager the District (each, an “Authorized Officer”) are hereby authorized to agree to such lower rate on behalf of the District and any such lower rate of interest shall be binding upon the District as if set forth in this resolution. The principal of and interest on the Bond shall be payable in equal annual installments of not to exceed \$79,489.00, with the first installment due one year from the Closing Date, and such payments shall continue to be due on each annual anniversary of the Closing Date for a term of 39 years thereafter until the outstanding principal balance on the Bond has been paid in full, provided, however that the Chairperson and the Board of Directors are hereby authorized to agree to an annual installment lower than \$79,489.00, to the extent of and relating to amortization over the same period corresponding to any lower rate of interest agreed to on behalf of the District by an Authorized Officer as set forth above, and any such lower annual installment amount shall be binding upon the District as if set forth in this resolution. Notwithstanding the foregoing, the entire remaining principal balance, if not sooner paid, shall fall due on the 40th anniversary date of the closing of the issuance of the Bond and shall be in such amount as will pay in full the outstanding principal balance, plus all accrued but unpaid interest thereon. Each installment payment shall be applied first to accrued interest and then to principal. The District reserves the right and option of prepaying any or all of the unpaid principal balance at any time, without penalty or redemption premium. Notice of any such redemption shall be given by mail to the registered owner not less than ten days prior to the date fixed for redemption, provided that such requirement for notice may be waived by such registered owner. Such required notice shall automatically be altered to conform with any redemption notice procedure established by regulations of USDA/RUS, so long as the initial registered owner remains the registered owner for the Bond. The District shall cause books for registration and for transfer of the Bond, as provided in this resolution, to be kept by the District

Treasurer. The ownership of the Bond shall be registered as to principal and interest on such books kept by the District Treasurer, who shall make notation of such registration therein and on the Bond. The initial registered owner shall be the United States of America, acting through the Rural Utilities Service or successor Agency, United States Department of Agriculture, and on or before closing of the purchase of the Bond, said Bond shall be registered in such name. The transfer of the Bond may be registered only upon assignment duly executed by said initial registered owner or by its registered assigns or its legal representatives or attorneys in such form as shall be satisfactory to the District Treasurer, such registration to be made on such books and endorsed on the Bond by the District Treasurer. The principal of and interest on the Bond shall be payable only to or upon the order of the registered owner or such owner's legal representative, and neither the District nor the District Treasurer shall be affected by any notice to the contrary, but registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid. No charge shall be made to the registered owner for the registration and transfer of the Bond. Payments of principal and interest on the Bond shall be made by the District Treasurer, as paying agent, to the registered owner of the Bond in such manner and to such address as the registered owner shall from time to time in writing direct said paying agent. Any and all payments made by the District Treasurer, as paying agent in accordance with the terms of this resolution, to the registered owner, shall be sufficient to satisfy the obligation of the District on the Bond.

Section 4. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

STATE OF NEBRASKA
PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

WATER SYSTEM REVENUE BOND, SERIES 2022

\$1,954,000

KNOW ALL PERSONS BY THESE PRESENTS: That the Papio-Missouri River Natural Resources District, in the State of Nebraska (the "District"), for value received, promises to pay, but only from the special fund hereinafter described, to the United States of America, acting through the Rural Utilities Service or successor Agency, United States Department of Agriculture, as initial registered owner hereof, or registered assigns, the sum of One Million Nine Hundred Fifty-Four Thousand Dollars (\$1,954,000) in lawful money of the United States of America, with interest on the unpaid principal balance thereof from the date hereof until paid at 2.625% per year. The principal hereof and interest hereon shall be payable in equal annual installments of \$79,489.00 due on _____, of each year, commencing on _____, and continuing for a term of 39 years until the outstanding principal balance thereof has been paid in full, provided that the entire remaining principal balance, together with all accrued interest thereon, if not sooner paid, shall fall due and payable on _____, 20__ (insert date which is the fortieth anniversary of the closing of the loan evidenced by this bond). All such payments shall be applied first to accrued interest and then to principal. Interest and principal installment payments on this Bond shall be payable by the District Treasurer of the Papio-Missouri River Natural Resources District, in the State of Nebraska, as paying agent, for remittance by said paying agent to the registered owner of this Bond in accordance with written instructions on file with said paying agent.

The District, however, reserves the right and option of prepaying any or all of the unpaid principal balance hereof at any time without penalty or redemption premium. Refunds and extra payments as defined in the regulations of the United States Department of Agriculture, according to the source of the funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of the District to pay remaining installments as scheduled herein.

This Bond in the principal amount of \$1,954,000 is issued by the District for the purpose of paying the costs of constructing additions and improvements to the Water System of the District under the provisions of Section 2-3226, R.R.S. Neb. 2012. The issuance of this Bond has been authorized by a resolution lawfully enacted and by proceedings duly had by the Chairperson and Board of Directors of said District (the "Resolution").

The "Revenues" of the Water System (as defined in the Resolution) have been pledged and hypothecated for the payment of the Bond, both principal and interest, and this Bond is a lien only upon said revenues and earnings and not a general obligation of the Papio-Missouri River Natural Resources District.

The Resolution sets forth the covenants and obligations of the District with respect to its Water System and the application of the revenues to be derived therefrom which revenues are under

the terms of said Resolution to be deposited into the "Water System Fund" and disbursed to pay costs of operation and maintenance, make payments of principal and interest on this Bond and make other payments as specified in said Resolution. Said Resolution also designates the terms and conditions upon which additional bonds of lien equal to that of this Bond may be issued in the future.

It is hereby certified and warranted that all conditions acts and things required by law to exist or to be done precedent to and in the issuance of this Bond did happen and were done in regular and due form and time as provided by law.

The District hereby covenants and agrees with the registered owner of this Bond to keep and perform all covenants and agreements contained in the Resolution. This Bond shall be registered as to both principal and interest and shall be transferable only in accordance with the provisions printed on this Bond and subject to the terms and conditions set out in the Resolution.

The registered owner hereof may request that the indebtedness evidenced by this Bond be repaid prior to the maturity hereof subject to and in accordance with the terms of the Resolution. Defeasance of this Bond shall be made in accordance with the terms of the Resolution.

To the extent provided in the Resolution, the provisions of this Bond or of the Resolution, including any amendment or supplement thereto, may be modified or amended by the District only with the written consent of the registered owner hereof, and it shall not be necessary to note hereon any reference to such modification or amendment.

As and to the extent the terms of this Bond conflict with the terms of the Loan Resolution, as defined in the Resolution, the terms of the Loan Resolution shall be controlling.

IN WITNESS WHEREOF, the Chairperson and the Board Members of the Papio-Missouri River Natural Resources District, in the State of Nebraska, have caused this Bond to be executed on behalf of the District by being signed by the Chairperson and Secretary.

DATED this ____ day of _____, 2022.

PAPIO-MISSOURI RIVER NATURAL
RESOURCES DISTRICT, IN THE STATE OF
NEBRASKA

By: _____ (do not sign)
Chairperson

ATTEST:

(do not sign)
Secretary

PROVISIONS FOR REGISTRATION

The ownership of this Bond shall be registered as to both principal and interest on the books and records of the Papio-Missouri River Natural Resources District, in the State of Nebraska, kept by the District Treasurer of said District, who shall make notation of such registration in the registration blank below, and the transfer of this Bond may thereafter be registered only upon an assignment duly executed by the registered owner or such owner's attorney or legal representative, in such form as shall be satisfactory to the District Treasurer, such registration of transfer to be made on such books and endorsed hereon by the District Treasurer. The principal and interest of this Bond shall be payable only to or upon the order of the registered owner or such owner's legal representative.

Date of Registration	Name of Registered Owner	Signature of District Treasurer
	United States of America, acting through the Rural Utilities Service, United States Department of Agriculture	

Section 5. The Bond shall be executed on behalf of the District with the signatures of the Chairperson and Secretary. Upon execution and registration of said Bond, it shall be delivered to the District Treasurer, who is hereby authorized to register and deliver it to the United States of America, acting through the Rural Utilities Service or successor Agency, United States Department of Agriculture, as purchaser thereof, upon receipt of the principal amount of said Bond, and said Treasurer is hereby authorized to date said Bond as of the Date of Delivery and insert the appropriate date of final payment therein. The Secretary, in connection with the issuance and sale of the Bond, is hereby authorized to prepare and certify such number of complete transcripts of the proceedings had and done precedent to the issuance of the Bond as shall be required by said purchaser and bond counsel.

Section 6. The principal amount received from the sale of the Bond shall be deposited in a separate fund, to be designated as the “Papio-Missouri River Natural Resources District Water System Revenue Construction Fund,” with some bank, in an amount which is insured by the Federal Deposit Insurance Corporation, and shall be used by the District solely for the purpose of paying the costs of the Project as described in Section 1 hereof. Any amounts from the proceeds of the Bond which are attributable to and required to pay capitalized interest on the Bond shall be paid into the “Water System Revenue Bond Payment Account,” as hereinafter created. Any Bond proceeds remaining in said Construction Fund after completion of construction which are not required to pay the unpaid costs of construction shall be applied to the payment of principal of the Bond, as an extra payment, as defined by the regulations of Rural Utilities Service, United States Department of Agriculture.

Section 7. The District hereby pledges and hypothecates the Revenues for the payment of the Bond. The pledge and hypothecation for the Bond and any Additional Bonds provided for in this Resolution is intended to and shall provide for a first and prior pledge for, lien upon and

security interest in the Revenues superior to any pledge, lien or security interest made or given with respect to any other indebtedness of the District as to its Water System and is intended as a full exercise of the powers of the District provided for in Section 2-3226, R.R.S. Neb. 2012, as now or hereafter amended, with respect to the District's Water System.

Section 8. The District agrees that it shall maintain and collect rates and charges for all service furnished by the Water System adequate to produce Revenues sufficient at all times:

- (a) To provide moneys in the District's Water System Fund sufficient to pay interest on and principal of the Bond as the same falls due.
- (b) To pay all reasonable costs of operation and maintenance of the Water System and to pay for necessary repairs, replacements and extensions to the Water System.
- (c) To provide funds sufficient to provide for the required deposits to be made to those Accounts as are described in Section 9 of this Resolution.

Section 9. The Revenues derived from the operation of the Water System shall be set aside as collected and deposited in a separate fund, which is hereby ordered, created and established and designated as the "Water System Fund". The District hereby agrees with the holder of the Bond to establish and maintain in the Water System Fund accounts as follows:

(1) WATER SYSTEM REVENUE BOND PAYMENT ACCOUNT - There is hereby ordered created and established an account designated as the "Water System Revenue Bond Payment Account" into which the District shall deposit, out of the Water System Fund, the following amounts:

- (a) Commencing with the fifteenth day of the month following the Date of Delivery (the "Initial Deposit Date"), and continuing on the same day of each month thereafter, an amount which, when combined with additional equal monthly amounts to be deposited pursuant to this subparagraph prior to the next falling interest payment date, will be sufficient to provide funds to pay the installment of interest due with respect to the Bond; and
- (b) Commencing with the Initial Deposit Date, and continuing on the corresponding day of each month thereafter, an amount which, when combined with additional equal monthly amounts to be deposited pursuant to this subparagraph prior to the next principal maturity will be sufficient to provide funds to pay such maturing principal amount (or make such mandatory sinking fund redemption payment, if applicable) on such date.

The District Treasurer is hereby authorized and directed, without further authorization, to withdraw monies credited to the Water System Revenue Bond Payment Account, or if the monies in such Account are insufficient, then first from the Surplus Account and next thereafter from the Debt Service Reserve Account, an amount sufficient to pay, when due, the principal of and interest on the Bond or any Additional Bonds and to transfer the appropriate amounts due the owner or owners of the Bond (including any automatic bank account withdrawals required by USDA/RUS while being the registered owner). Upon the issuance of any Additional Bonds pursuant to this Resolution, appropriate additional credits to the Water System Revenue Bond Payment Account shall be provided for sufficient to pay principal and interest on said Additional Bonds;

(2) OPERATION AND MAINTENANCE ACCOUNT - There is hereby ordered created and established an account designated as the "Operation and Maintenance Account" into which the District shall deposit, out of the Water System Fund, such amounts as the District shall from time to time determine to be necessary to pay the reasonable and necessary expenses of operating and maintaining the Water System and the District may withdraw funds credited to the Operation and Maintenance Account as necessary from time to time to pay such expenses;

(3) DEBT SERVICE RESERVE ACCOUNT – There is hereby ordered created and established an account designated as the "Debt Service Reserve Account" into which there shall be deposited each month the sum of \$663.00, with such sum to be so deposited monthly until the amount of \$79,489 has been accumulated in the account. Amounts may be withdrawn from such account to make payments on the Bond, if needed, as described in Section 9(1) above. Provided, however, that so long as USDA/RUS is the owner of the Bond, any withdrawals from such Debt Service Reserve Account must be approved in writing by USDA/RUS prior to any such withdrawal;

(4) SHORT-LIVED RESERVE ACCOUNT - There is hereby ordered created and established an account designated as the "Short-Lived Reserve Account" into which the District shall deposit the sum of \$17,037.00 annually, and the District shall annually review the funding requirements of such Short-Lived Reserve Account, and may adjust the annual contribution to account for inflation, until the Bond is no longer outstanding or so long as the USDA/RUS is the holder of the Bond. Amounts may be withdrawn from such account for replacement of short-lived assets. Amounts in the Short-Lived Reserve Account are not directly or indirectly pledged to pay principal or interest on the Bond, and are not reasonably expected to be available to pay principal or interest on the issue even if the District encounters financial difficulties. Provided, however, that so long as USDA/RUS is the owner of the Bond, any withdrawals from such Short-Lived Reserve Account must be approved in writing by USDA/RUS prior to any such withdrawal. So long as the Bond remains outstanding and unpaid, the District covenants and agrees that it will maintain said account as a separate bookkeeping account and will administer the same in accordance with the provisions contained in this Resolution; and

(5) SURPLUS ACCOUNT - There is hereby ordered, created and established an account designated as the "Surplus Account." Monies in the Water System Fund remaining after the

credits required in the foregoing Subsections 9(1), 9(2), 9(3) and 9(4) shall be credited to the Surplus Account. Monies in the Surplus Account may be used to make up any deficiencies in any of the preceding Accounts, to provide for any additional reserves as may now or hereafter be required by USDA/RUS under any applicable regulations or contract terms, to retire the Bond or any portion thereof or any Additional Bonds prior to their maturity, to pay principal of and interest on any junior lien indebtedness incurred with respect to the Water System or to provide for improvements or replacements for the Water System.

The provisions of this Section shall require the District to maintain a set of books and records in accordance with such accounting methods and procedures as are generally applicable to municipal utility enterprises, which books and records shall show credits to and expenditures from the several sub-accounts required by this Section. The District shall not be required to establish separate bank or investment accounts for said Accounts in this Section.

Moneys in any of the above-described Accounts may be invested in securities eligible for investment of other District funds. Income from or profit realized from any such investment shall be credited to the respective Account from which such investment is made until such Account contains the maximum amount required to be therein and thereafter such income or profit shall be transferred to the Water System Fund and treated as other revenues from the operation of the Water System.

Section 10. The term "Additional Bonds" as used in this Resolution shall refer only to such bonds as are issued in accordance with the provisions of this Section 10. To provide funds for the purpose of extending, improving enlarging and equipping the Water System, the District may issue Additional Bonds payable from the revenues of the Water System fund, having equal priority to and being on a par with the Bond only upon compliance with the following conditions:

(a) Such Additional Bonds shall be issued only pursuant to a resolution which shall provide for an increase in the monthly allocations to be made of monies in the Water System to the appropriate accounts in amounts sufficient to pay when due the principal of and interest on the Bond and such Additional Bonds.

(b) The District shall have Net Revenues derived by it from the Water System for the fiscal year next preceding the issuance of such Additional Bonds which shall have been at least

equal to 1.20 times the average annual debt service requirements of the Bond and of any Additional Bonds, then outstanding, and of the proposed Additional Bonds. For purpose of such determination “Net Revenues” shall mean the Revenues (excluding receipts from insurance or attributable to condemnation of the Water System or any part thereof) less ordinary expenses of operating and maintaining the Water System payable from the Operation and Maintenance Account. Operation and Maintenance expenses for such purpose shall not include depreciation, amortization or interest on any bonds or other indebtedness. Also for such purposes “average annual debt service” shall be determined by adding all the principal and interest which will become due when computed to the absolute maturity on the Bond and any Additional Bonds then outstanding and together with the total principal and interest which will become due when computed to absolute maturity on the proposed Additional Bonds and dividing such total by the number of years remaining that the longest bond of any such issue of bonds has to run to maturity, including the proposed Additional Bonds.

Anything in this Section 10 to the contrary notwithstanding, no Additional Bonds shall be issued without the prior written consent of the USDA/RUS so long as the USDA/RUS is the holder of the Bond.

Section 11. The District reserves the right to issue bonds or notes which are inferior in lien to the Bond and any Additional Bonds, with the principal and interest of such bonds or notes to be payable from any unrestricted monies in the District’s Surplus Account, as provided in Section 9 above. Anything in this Section 11 to the contrary notwithstanding, no bonds or notes which are inferior in lien to the Bond or any Additional Bonds shall be issued without the prior written consent of the USDA/RUS so long as the USDA/RUS is the holder of the Bond.

Section 12. With the consent of the initial registered owner, evidenced by a writing signed by the State Director for the State of Nebraska of Rural Utilities Service, United States Department of Agriculture, or such director’s successor or equivalent under the Statutes and Regulations of the United States of America then in force the District may issue Additional Bonds without compliance with the requirements of Section 10 of this Resolution and any such Additional Bonds issued with such consent shall have the rights and standing under the terms of this Resolution as if such bonds had been issued after full compliance with Section 10.

Section 13. The District hereby finds and determines and certifies that it is unable to obtain sufficient credit, without purchase of the Bond by the initial registered owner as described herein, to finance its actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in or near its community for similar purposes and periods of time. In accordance with 7 U.S.C. § 1983, the District hereby covenants and agrees with the initial registered owner hereof that, in consideration of advantages accruing to the District from said initial registered owner's purchase of the Bond, if at any time while the Bond is held by said initial registered owner, it shall appear to said initial registered owner that the District may be able to obtain credit from other sources at reasonable rates and terms for loans for similar purposes and periods of time, the District, within the limitations of its then existing legal powers, at the request of said initial registered owner, will make an effort in good faith to pay in full all principal remaining on the Bond then held by said initial registered owner, by issuing refunding bonds or otherwise.

Section 14. The Bond or the interest payments thereon shall be deemed to have been paid and discharged within the meaning of this Resolution if there has been deposited with a commercial bank or trust company located in the State of Nebraska and having full trust powers, at or prior to the stated maturity or redemption date of said Bond, in trust for and irrevocably appropriated thereto, money and/or Defeasance Obligations (as hereinafter defined) which, together with the interest to be earned thereon, will be sufficient for the payment of the principal or redemption price of said Bond, and interest to accrue on such Bond to the stated maturity or redemption date, as the case may be; provided, however, that if the Bond shall be redeemed prior to the stated maturity thereof, (1) the District shall have elected to redeem such Bond, and (2) either notice of such redemption shall have been given, or the District shall have given irrevocable instructions to the District Treasurer to redeem such Bond in accordance with the terms of this Resolution. Any money and Defeasance Obligations that at any time shall be deposited with a commercial bank or

trust company by or on behalf of the District, for the purpose of paying and discharging the Bond or the interest payments thereon, shall be and are hereby assigned, transferred and set over to such bank or trust company in trust for the registered owner of the Bond, and such money and Defeasance Obligation shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All moneys and Defeasance Obligations deposited with such bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Resolution.

Notwithstanding anything in this Resolution to the contrary, as long as the Bond is owned or insured by USDA/RUS, the District will not issue any additional bonds or other obligations for the purpose of providing funds to refund all or part of the Bond unless either (i) the bond is paid, retired and cancelled concurrently with the issuance of such refunding bonds or obligations or at the next occurring stated maturity, or (ii) written consent to the issuance of such refunding bonds or obligations is given by USDA/RUS.

Section 15. For purposes of this Resolution, the phrase "Defeasance Obligations" shall mean any United States Government Obligations that are not subject to redemption in advance of their maturity dates.

Section 16. The District will maintain the Water System, including extensions and improvements, in good condition and operate the same in an efficient manner and at a reasonable cost. The District agrees with the registered owner from time to time of the Bond that the District will continue to own, free from all liens and encumbrances (other than as permitted under the terms of this Resolution) and will adequately maintain and efficiently operate the Water System and the District will not incur or suffer to be created any lien or charges on or pledge of the revenues of the Water System which shall be superior to or on a parity with the lien, charge and pledge in favor of the Bond, except as provided for in Sections 10 and 12 of this Resolution.

Section 17. So long as the Bond is outstanding, the District hereby covenants and agrees as follows:

(a) The District will maintain the Water System in good condition and will continuously operate the same in a reasonable and efficient manner, and the District will punctually perform all the duties with reference to said system required by the statutes of the State of Nebraska, but this covenant shall not prevent the District from discontinuing the use and operation of all or any portion of the Water System so long as the revenues derived from the District's ownership of the properties constituting the Water System shall be sufficient to fulfill the District's obligations under this Resolution.

(b) The District will not grant any franchise or right to any person, firm or corporation to own or operate any utility system in competition with the Water System or any part thereof.

(c) The District will maintain insurance on the property constituting the Water System (other than such portions of the Water System as are not normally insured against loss by casualty) in the amounts and against the risks customarily carried by similar utilities, but including fire and extended coverage insurance in an amount which would enable the District to repair, restore or replace the property damaged to the extent necessary to make the Water System operable in an efficient and proper manner to carry out the District's obligations under this Resolution. The Chairperson and Board Members shall annually, within one month after the end of each fiscal year adopted by the District for the Water System examine the amount of insurance carried with respect to the Water System and shall evidence approval of such insurance by resolution. The proceeds of any such insurance received by the District shall be used to repair, replace or restore the property damaged or destroyed to the extent necessary to make the Water System operable in an efficient and proper manner, and any amount of insurance proceeds not so used shall be used to make an extra payment on the Bond. In the event of any such insured casualty loss, the District may advance funds to make temporary repairs or provide for an advance on costs of the permanent repair, restoration or replacement from the Operation and Maintenance Account and any such advances shall be repaid from insurance proceeds received.

(d) The District will keep proper books, records and accounts separate from all other records and accounts in which complete and correct entries will be made of all transactions relating to the Water System. The District will have its operating and financial statements relating to the Water System audited annually by a certified public accountant or firm of certified public accountants in accordance with Staff Instruction 1780-4 of the United States Department of Agriculture, Rural Utilities Service. The District will furnish to the registered owner (or owners) of the Bond, as soon as practicable after the end of each fiscal year of the Water System, a copy of the financial statements for the Water System and the report thereon of the certified public accountants.

(e) The District shall cause each person handling any of the monies in the Water System Fund to be bonded by an insurance company licensed to do business in Nebraska in an amount or amounts sufficient to cover at all times the maximum amount of money belonging to the Water System Fund in the possession or control of any such person. The

amount of such bond or bonds shall be fixed by the Chairperson and Board Members and the costs thereof shall be paid as an operating and maintenance expense from the Operation and Maintenance Account.

Section 18. The terms and provisions of this Resolution do and shall constitute a contract between the District and the registered owner or owners of the Bond and no changes, variations or alterations of any kind (except for changes necessary to cure any ambiguity, formal defect or omission) shall be made to this Resolution without the written consent of said registered owner or owners. The registered owner or owners of the Bond may, either in law or in equity, by suit, action, mandamus or other proceeding, enforce or compel performance of any and all of the acts and duties required by this Resolution, and any court of competent jurisdiction may, on application of any such owner, appoint a receiver to take charge of the Water System and operate the same and apply the earnings thereof in accordance with the provisions hereof.

Section 19. The Authorized Officers of the District are hereby authorized to do all things and execute all such documents as may by them be deemed necessary and proper to complete the issuance and sale of the Bond as contemplated by this Resolution.

Section 20. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Resolution.

Section 21. References herein made to the "Loan Resolution" shall mean that certain loan resolution previously adopted, or adopted contemporaneously herewith, by the District as required by USDA/RUS with respect to the loan evidenced by the Bond. As and to the extent the terms of this Resolution conflict with the terms of the Loan Resolution, the terms of the Loan Resolution shall be controlling.

Section 22. The District hereby covenants to the registered owner of the Bond that it will make no use of the proceeds of said Bond, including monies held in any sinking fund attributable to

said Bond, which would cause the Bond to be “arbitrage bonds” within the meaning of Sections 103(b) and 148 of the Internal Revenue Code of 1986, as amended, and further covenants to comply with said Sections 103(b) and 148 and all applicable regulations thereunder throughout the term of said issue. The District hereby covenants and agrees to take all action necessary under the Internal Revenue Code of 1986, as amended, to maintain the tax-exempt status (as to taxpayers generally) of interest payable on the Bond. The District hereby designates the Bond as one of its “qualified tax-exempt obligations” pursuant to Section 265(b)(3)(B)(i)(III) of the Internal Revenue Code of 1986, as amended, and covenants and warrants that it does not reasonably expect to issue bonds or other obligations aggregating in principal amount more than \$10,000,000 during calendar 2022.

Section 23. In order to promote compliance with certain federal tax and securities laws relating to the bonds herein authorized (as well as other outstanding bonds) the policy and procedures attached hereto as Exhibit “A” (the “Post-Issuance Compliance Policy and Procedures”) are hereby adopted and approved in all respects. To the extent that there is any inconsistency between the attached Post-Issuance Compliance Policy and Procedures and any similar policy or procedures previously adopted and approved, the Post-Issuance Compliance Policy and Procedures shall control.

Section 24. This Resolution shall be published in pamphlet form and shall be in full force and effect from and after its passage and publication as provided by law.

PASSED AND APPROVED this ____ day of _____, 2022.

Chairperson

Secretary

EXHIBIT "A"
POLICY AND PROCEDURES

[SEE ATTACHED]

**Policy and Procedures
Federal Tax Law and Disclosure Requirements for
Tax-Exempt Bonds and other Federally Tax-Advantaged Bonds**

ISSUER NAME: PAPIO-MISSOURI RIVER NATURAL RESOURCES DISTRICT

COMPLIANCE OFFICER (BY TITLE): General Manager

POLICY

It is the policy of the Issuer identified above (the “Issuer”) to comply with all Federal tax requirements and securities law continuing disclosure obligations for its obligations issued as tax-exempt bonds and other federally tax-advantaged bonds.

PROCEDURES

Compliance Officer. Review of compliance with Federal tax requirements and securities law continuing disclosure obligations as generally outlined below shall be conducted by the Compliance Officer identified above (the “Compliance Officer”). To the extent more than one person has been delegated specific responsibilities, the Compliance Officer shall be responsible for ensuring coordination of all compliance review efforts.

Training. The Compliance Officer shall evaluate and review educational resources regarding post-issuance compliance with Federal tax and securities laws, including periodic review of resources published for issuers of tax-exempt obligations by the Internal Revenue Service (either on its website at <http://www.irs.gov/taxexemptbond>, or elsewhere) and the Municipal Securities Rulemaking Board (either on its Electronic Municipal Market Access website [“EMMA”] at <http://www.emma.msrb.org>, or elsewhere).

Compliance Review. A compliance review shall be conducted at least annually by or at the direction of the Compliance Officer. The review shall occur at the time the Issuer’s annual audit takes place, unless the Compliance Officer otherwise specifically determines a different time period or frequency of review would be more appropriate.

Scope of Review.

Document Review. At the compliance review, the following documents (the “Bond Documents”) shall be reviewed for general compliance with covenants and agreements and applicable regulations with respect to each outstanding bond issue:

- (a) the resolution(s) and/or ordinance(s), as applicable, adopted by the governing body of the Issuer authorizing the issuance of its outstanding bonds, together with any documents setting the final rates and terms of such bonds (the “Authorizing Proceedings”),

- (b) the tax documentation associated with each bond issue, which may include some or all of the following (the “Tax Documents”):
 - (i) covenants, certifications and expectations regarding Federal tax requirements which are described in the Authorizing Proceedings;
 - (ii) Form 8038 series filed with the Internal Revenue Service;
 - (iii) tax certificates, tax compliance agreements, tax regulatory agreement or similar documents;
 - (iv) covenants, agreements, instructions or memoranda with respect to rebate or private use;
 - (v) any reports from rebate analysts received as a result of prior compliance review or evaluation efforts; and
 - (vi) any and all other agreements, certificates and documents contained in the transcript associated with the Authorizing Proceedings relating to federal tax matters.
- (c) the Issuer’s continuing disclosure obligations, if any, contained in the Authorizing Proceedings or in a separate agreement (the “Continuing Disclosure Obligations”), and
- (d) any communications or other materials received by the Issuer or its counsel, from bond counsel, the underwriter or placement agent or its counsel, the IRS, or any other material correspondence relating to the tax-exempt status of the Issuer’s bonds or relating to the Issuer’s Continuing Disclosure Obligations.

Use and Timely Expenditure of Bond Proceeds. Expenditure of bond proceeds shall be reviewed by the Compliance Officer to ensure (a) such proceeds are spent for the purpose stated in the Authorizing Proceedings and as described in the Tax Documents and (b) that the proceeds, together with investment earnings on such proceeds, are spent within the timeframes described in the Tax Documents, and (c) that any mandatory redemptions from excess bond proceeds are timely made if required under the Authorizing Proceedings and Tax Documents.

Arbitrage Yield Restrictions and Rebate Matters. The Tax Documents shall be reviewed by the Compliance Officer to ensure compliance with any applicable yield restriction requirements under Section 148(a) of the Internal Revenue Code (the “Code”) and timely calculation and payment of any rebate and the filing of any associated returns pursuant to Section 148(f) of the Code. A qualified rebate analyst shall be engaged as appropriate or as may be required under the Tax Documents.

Use of Bond Financed Property. Expectations and covenants contained in the Bond Documents regarding private use shall be reviewed by the Compliance Officer to ensure compliance. Bond-financed properties shall be clearly identified (by mapping or other reasonable means). Prior to execution, the Compliance Officer (and bond counsel, if deemed appropriate by the Compliance Officer) shall review (a) all proposed leases, contracts related to operation or management of bond-financed property, sponsored research agreements, take-or-pay contracts or other agreements or arrangements or proposed uses which have the potential to give any entity any special legal entitlement to the bond-financed property, (b) all proposed agreements which would result in disposal of any bond-financed property, and (c) all proposed uses of bond-financed property which were not anticipated at the time the bonds were issued. Such actions could be prohibited by the Authorizing Proceedings, the Tax Documents or Federal tax law.

Continuing Disclosure. Compliance with the Continuing Disclosure Obligations with respect to each bond issue shall be evaluated (a) to ensure timely compliance with any annual disclosure requirement, and (b) to ensure that any material events have been properly disclosed as required by the Continuing Disclosure Obligation.

Record Keeping. If not otherwise specified in the Bond Documents, all records related to each bond issue shall be kept for the life of the indebtedness associated with such bond issue (including all tax-exempt refundings) plus six (6) years.

Incorporation of Tax Documents. The requirements, agreements and procedures set forth in the Tax Documents, now or hereafter in existence, are hereby incorporated into these procedures by this reference and are adopted as procedures of the Issuer with respect to the series of bonds to which such Tax Documents relate.

Consultation Regarding Questions or Concerns. Any questions or concerns which arise as a result of any review by the Compliance Officer shall be raised by the Compliance Officer with the Issuer's counsel or with bond counsel to determine whether non-compliance exists and what measures should be taken with respect to any non-compliance.

VCAP and Remedial Actions. The Issuer is aware of (a) the Voluntary Closing Agreement Program (known as "VCAP") operated by the Internal Revenue Service which allows issuers under certain circumstances to voluntarily enter into a closing agreement in the event of certain non-compliance with Federal tax requirements and (b) the remedial actions available to issuers of certain bonds under Section 1.141-12 of the Income Tax Regulations for private use of bond financed property which was not expected at the time the bonds were issued.

The motion for adoption was seconded by Board Member _____. The Chairperson then stated the question was, "Shall this Resolution be passed and adopted?" Upon roll call vote, the following Board Members voted YEA: _____

_____;

the following voted NAY: _____. The passage and adoption of said resolution having been concurred in by two thirds of all members of the Board, the Chairperson declared the resolution adopted and the Chairperson, in the presence of the Board of Directors, signed and approved the resolution and the Secretary attested the passage and approval of the same and affixed his signature thereto.

DATED THIS October __, 2022.

ATTEST:

Chairperson

Secretary