FINANCE COMMITTEE

11-0550R

RESOLUTION AUTHORIZING THE ISSUANCE AND PROVIDING FOR THE SALE OF GENERAL OBLIGATION SEWER UTILITY REVENUE REFUNDING BONDS, SERIES 2011D.

CITY PROPOSAL:

BE IT RESOLVED, by the City Council of the City of Duluth, Minnesota, as follows:

1. Authorization of Bonds. It is hereby found, determined, and declared to be necessary, and in the best interests of the City and its residents, that the City should issue its approximately $2,260,000 General Obligation Sewer Utility Revenue Refunding Bonds, Series 2011D (the "Bonds"), pursuant to Minnesota Statutes, Chapter 475, and Section 115.46 and 444.075, and Section 55 of the Home Rule Charter of the City for the purpose of refunding the 2014 through 2020 maturities of the City's General Obligation Sewer Utility Revenue Bonds, Series 2004D, dated December 1, 2004.

2. Issuance and sale of Bonds. The terms and conditions of the Bonds and the sale thereof are set forth in the official terms of offering on file with the city clerk as Public Document No. _____. Each and all of the terms and provisions set forth in the official terms of offering are adopted and confirmed as the terms and conditions of the Bonds and the sale thereof, and the City Council shall meet at the time and place fixed herein to consider bids for the purchase of the Bonds.

3. Competitive sale of Bonds. Public Financial Management, Inc., independent financial advisor to the City, is hereby authorized to provide the notice of the sale of the Bonds in accordance with Minnesota Statutes, Section 475.60, subdivision 3, and in accordance with the official terms of offering.

4. Subsequent resolution. The form, specifications and provisions for repayment of the Bonds shall be set forth in a subsequent resolution of this City Council.

Approved:

Department Director

Approved for presentation to council:

Chief Administrative Officer

Approved as to form:

Attorney

Approved:

Auditor

FINANCE RET:CW:rlb 10/13/2011

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize the issuance of General Obligation Sewer Utility Revenue Refunding Bonds in the approximate amount of $2,260,000 to refinance the 2014 through 2020 maturities of an outstanding City bond issue issued for the sewer utility. Based upon present interest rates (as of October 12, 2011), the refunding would provide a net present value savings of approximately $87,476.

OFFICIAL TERMS OF OFFERING

CITY OF DULUTH, MINNESOTA
$2,260,000* GENERAL OBLIGATION
SEWER UTILITY REVENUE REFUNDING BONDS, SERIES 2011D

Bids for the obligations described above (the "Obligations") will be received by the City of Duluth, Minnesota (the "City"), on Monday, November 14, 2011, at 10:30 a.m., Central time, at the office of Public Financial Management, Inc., 800 Nicollet Mall, Suite 2710, Minneapolis, Minnesota, at which time they will be opened and tabulated. Consideration of the bids for award of the Obligations shall be by the City Council at 7:00 p.m., Central time, on the same day.

TYPE AND PURPOSE OF OBLIGATIONS

The Obligations are general obligations of the City for which its full faith, credit and taxing powers will be pledged and are issued pursuant to Minnesota Statutes, Chapter 475 (the "Act") and Section 475.67, Subdivisions 1 through 12 of the Act, for the purpose of refunding, on an advance refunding basis, a portion of the City's General Obligation Sewer Utility Revenue Bonds, Series 2004D, dated December 1, 2004. The Obligations will be payable primarily from net revenues to be derived from operation of the municipal sewer utility.

DETAILS OF OBLIGATIONS

The Obligations will be dated the date of delivery, and will bear interest payable on August 1, 2012, and semiannually thereafter on each February 1 and August 1 (each referred to herein as an "Interest Payment Date"). Interest on the Obligations will be payable by check or draft mailed to the registered owner thereof shown on the bond registration records maintained by the Bond Registrar at the close of business on the 15th day (whether or not on a business day) of the month immediately preceding each Interest Payment Date. The Obligations will be in the denomination of $5,000 or any integral multiple thereof and shall be in fully registered form.

The Obligations will mature February 1 in the years and amounts as follows:

Year	Amount*
2013	$ 20,000
2014	300,000
2015	305,000
2016	310,000
2017	320,000
2018	325,000
2019	335,000
2020	345,000

* Following the receipt of the bids, the City reserves the right to adjust the principal amount of the Obligations or any maturity. If the issue size is adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e. the percentage resulting from dividing (i) the aggregate difference between the offering price of the Obligations to the public and the price to be paid to the City (excluding accrued interest), by (ii) the principal amount of the Obligations) remains constant.

REDEMPTION

The Obligations are not subject to redemption or prepayment prior to their stated maturities.

TYPE OF BID

A bid for not less than $2,248,700 (99.5% of par) plus accrued interest on the total principal amount of the Obligations shall be filed with Public Financial Management, Inc. prior to the time set for the opening of the bids. A good faith deposit (the "Deposit") in the amount of $22,600 shall be provided to the City by a wire transfer by the successful bidder payable to the City (as instructed by the City), no later than 3:30 p.m. Central time on Monday, November 14, 2011. In the event the successful bidder fails to provide the Deposit in accordance with the preceding sentence, the City reserves the right to reject the successful bidder's bid.

No interest on the Deposit will accrue to the successful bidder. The Deposit will be applied to the purchase price of the Obligations. In the event the successful bidder fails to honor its accepted bid, the Deposit will be retained by the City as liquidated damages.

SUBMISSION OF BIDS

Public Financial Management, Inc. will assume no liability for the inability of the bidder to reach Public Financial Management, Inc. prior to the time of sale specified above. All bidders are advised that each bid shall be deemed to constitute a contract between the bidder and the City to purchase the Obligations regardless of the manner by which the bid is submitted.

Sealed Bidding. Bids may be submitted in a sealed envelope marked "Bid for $2,260,000 General Obligation Sewer Utility Revenue Refunding Bonds, Series 2011D" or by fax (612) 338-7264 to Public Financial Management, Inc. Signed bids, without final price or coupons, may be submitted to Public Financial Management, Inc. prior to the time of sale. The bidder shall be responsible for submitting to Public Financial Management, Inc. the final bid price and coupons, by telephone (612) 338-3535 or fax (612) 338-7264 for inclusions in the submitted bid.

OR

Electronic Bidding. Electronic Bids may be submitted through PARITY® for purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of the Official Terms of Offering.* Neither the City, its agents nor PARITY® shall have any duty or obligation to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor PARITY® shall be responsible for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Obligations, and PARITY® is not an agent of the City.

If any provisions of this Official Terms of Offering conflict with information provided by PARITY®, this Official Terms of Offering shall control. Further information about PARITY®, including any fee charged, may be obtained from:

> PARITY®, 40 W. 23rd Street, 5th Floor, New York City, New York 10010, Customer Support (212) 404-8102.

RATES

Interest rates offered by bidders should be expressed in integral multiples of 1/8 or 1/20 of one percent. No rate specified for a maturity shall exceed the rate specified for any subsequent maturity. No rate nor the net effective rate for the entire issue of the Obligations shall exceed the maximum rate permitted by law. Obligations of the same maturity shall bear a single rate from the date of the Obligations to the date of maturity.

AWARD

The sale of the Obligations will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. TIC is computed as the discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments as of the date of the Obligations, produces an amount equal to the purchase price. In the event of a tie, the sale of the Obligations will be awarded by lot. The City's computation of the TIC of each bid, in accordance with customary practice, will be controlling.

The City reserves the right to: (i) waive non-substantive informalities of any bid or of matters related to the receipt of bids and award of the Obligations; (ii) reject all bids without cause; (iii) reject any bid in which the City determines that the bidder failed to comply with the terms herein; and (iv) adjourn the sale if deemed expedient.

BOOK-ENTRY-ONLY SYSTEM

The Obligations will be issued as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository of the Obligations. Individual purchases of the Obligations will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Individual purchasers will not receive physical delivery of bond certificates representing their interest in the Obligations purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants, for subsequent disbursement to the beneficial owners of the Obligations.

TERM-BOND OPTION

The purchaser shall have the option of designating the Obligations as serial bonds or term bonds, or both. The bid must designate whether each of the principal amounts represent a serial maturity or a mandatory redemption requirement for a term bond maturity. In any event, the above principal amount scheduled shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both.

THE BOND REGISTRAR

The City will appoint a qualified bond registrar, transfer agent, authenticating agent and paying agent (the "Bond Registrar") for the Obligations. The City will pay the reasonable and customary charges for the services of the Bond Registrar.

CUSIP NUMBERS

If the Obligations qualify for assignment of CUSIP numbers, such numbers will be typed on the Obligations, but neither the failure to type such numbers on any Obligations nor any error with respect

thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Obligations. The CUSIP Service Bureau's charge for the assignment of CUSIP identification numbers shall be paid by the purchaser. Application for CUSIP numbers is the obligation of the purchaser.

SETTLEMENT

Within 40 days after the sale, the City will deliver to the Bond Registrar the typed Obligations ready for completion, authentication and delivery to DTC. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Fryberger, Buchanan, Smith & Frederick, P.A. of Duluth, Minnesota, and of customary closing papers, including a nonarbitrage certificate and a no-litigation certificate. Payment for the Obligations shall be made by the purchaser in federal or equivalent funds and shall be received by the City at its office or its designee not later than 1:00 p.m., Central time, of the day of settlement. Except as compliance with the terms of payment shall have been made impossible by action of the City or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's noncompliance with said terms for payment.

At settlement, the purchaser will be furnished a certificate signed by an appropriate officer of the City to the effect that the official statement prepared by the City did not, as of the date of the official statement, and does not, as of the date of settlement, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Simultaneously with or before delivery of the Obligations, the successful bidder shall furnish to the City a certificate acceptable to bond counsel to the effect that (1) the successful bidder has made a bona fide public offering of the Obligations and the initial reoffering prices, and (2) a substantial amount of the Obligations was sold to the public (excluding bond houses, brokers, and other intermediaries), at such initial reoffering prices.

TAX-EXEMPT STATUS

In the opinion of bond counsel, assuming compliance with certain covenants made by the City Council to satisfy pertinent requirements of present law, interest on the Obligations is not, under present law, includable in gross income of the recipient for federal income tax purposes or in taxable net income of individuals, trusts and estates for Minnesota income tax purposes, but such interest is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax.

Interest on the Obligations is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts, but for purposes of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings.

The Obligations will not be designated as "qualified tax-exempt obligations."

CONTINUING DISCLOSURE

In order to assist bidders for the Obligations to comply with SEC Rule 15c2-12(b)(5), the City will agree, for the benefit of the holders from time to time of the outstanding Obligations, in a continuing disclosure certificate, to provide annual reports of specified information and notice of the occurrence of certain material events. The City is the only "obligated person" with respect to the Obligations within the meaning of such rule. A description of the undertaking is set forth in the Official Statement. Failure

of the City to enter into an undertaking substantially similar to that described in the Official Statement would relieve the successful bidder of its obligation to purchase the Obligations.

OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Obligations, and said Official Statement will serve as a nearly-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Obligations, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Obligations, as that term is defined in Rule 15c2-12. By awarding the Obligations to any underwriter or underwriting syndicate submitting a bid therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Obligations are awarded a reasonable number of copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Obligations are awarded as its agent for purposes of distributing copies of the Final Official Statement to each participating underwriter. Any underwriter delivering a bid with respect to the Obligations agrees thereby that if its bid is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all participating underwriters of the Obligations for purposes of assuring the receipt by each such participating underwriter of the Final Official Statement.

Any further information relating to the aforesaid sale will be furnished upon request to Public Financial Management, Inc., Financial Consultant to the City, 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402; telephone (612) 338-3535.

Dated: October 24, 2011.

BY ORDER OF THE CITY COUNCIL
Jeffrey J. Cox, City Clerk

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