FINANCE COMMITTEE

12-0508R

RESOLUTION AUTHORIZING THE ISSUANCE AND PROVIDING FOR THE SALE OF TAXABLE GENERAL OBLIGATION TAX INCREMENT REFUNDING BONDS, SERIES 2012F.

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 $10,315,000 Taxable General Obligation Tax Increment Refunding Bonds, Series 2012F (the "Bonds"), pursuant to Minnesota Statutes, Chapter 475 (the "Act"), and Section 475.67, Subdivisions 1 through 12 of the Act for the purpose of refunding the 2015 through 2026 maturities of the City's Taxable General Obligation Tax Increment Bonds, Series 2005G, dated December 16, 2005.

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:rb 09/28/2012

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize the issuance of Taxable General Obligation Tax Increment Refunding Bonds in the approximate amount of $10,315,000 to refinance the 2015 through 2026 maturities of an outstanding City bond issue issued for the construction of the medical district parking ramp. Based upon present interest rates (as of September 19, 2012), the refunding would provide a net present value savings of approximately $932,904.

OFFICIAL TERMS OF OFFERING

CITY OF DULUTH, MINNESOTA
$10,315,000* TAXABLE GENERAL OBLIGATION
TAX INCREMENT REFUNDING BONDS, SERIES 2012F

Bids for the obligations described above (the "Obligations") will be received by the City of Duluth, Minnesota (the "City"), on Thursday, November 8, 2012, 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 5:15 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 Tax Increment Bonds, Series 2005G, dated December 16, 2005. The Obligations will be payable primarily from certain tax increment, net revenues from the financed parking ramp and annual ad valorem taxes.

DETAILS OF OBLIGATIONS

The Obligations will be dated the date of delivery, and will bear interest payable on August 1, 2013, 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:

* 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) less any bond insurance premiums to be paid by the successful bidder, by (ii) the principal amount of the Obligations) remains constant.

Year	Amount*
2014	$140,000
2015	770,000
2016	780,000
2017	785,000
2018	795,000
2019	805,000
2020	820,000
2021	840,000
2022	855,000
2023	880,000
2024	910,000
2025	950,000
2026	985,000

REDEMPTION

The Obligations are subject to optional redemption and prepayment prior to their respective maturities, in whole or in part, at the option of the City at a redemption price equal to the "Make Whole Redemption Price."

The "Make Whole Redemption Price" is equal to the greater of (i) the amortized issue price of the Obligations set forth in the Official Statement (but not less than 100%) of the principal amount of the Obligations to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Obligations to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Obligations are to be redeemed, discounted to the date on which the Obligations are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 50 basis points (0.50%), plus, in each case, accrued interest on the Obligations to be redeemed to the redemption date.

The "Treasury Rate" is, with respect to any redemption date for a particular Obligation, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity, excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the call notice date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Obligations to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

In connection with any optional redemption, the Make Whole Redemption Price will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense. The City may conclusively rely on such determination of the Make Whole Redemption Price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

TYPE OF BID

A bid for not less than $10,253,110 (99.4% 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 $103,000 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 Thursday, November 8, 2012. 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 $10,315,000 Taxable General Obligation Tax Increment Refunding Bonds, Series 2012F" 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 1/100 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.

BOND INSURANCE AT PURCHASER'S OPTION

If the Obligations qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Obligations. Any increased costs of issuance of the Obligations resulting from such purchase of insurance shall be paid by the purchaser, except that, if the City has requested and received a rating on the obligations from a rating

agency, the City will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Obligations have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Obligations.

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.

TAXABILITY OF INTEREST

The interest to be paid on the Obligations is includable in gross income of the recipient for federal and State of Minnesota income tax purposes and is subject to Minnesota corporate and bank excise taxes measured by net income.

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, 800 Nicollet Mall, Suite 2710, Minneapolis, Minnesota 55402; telephone (612) 338-3535.

Dated: October 8, 2012.

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

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