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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: February 19, 2013

Re: Resolution Approving a Loan Agreement and Providing for the Issuance of \$1,115,000 General Obligation Refunding Bonds, Series 2013, and Providing for the Levy of Taxes to Pay the Same

Introduction and Background:

Public Financial Management, Inc. (PFM), the City's financial consultant, analyzed and proposed a refunding of the final three years of the City's June 1, 2006 general obligation bond issue. These bonds have interest rates of 3.90%, 3.95%, and 4.0%, for the bonds maturing June 1 of 2014, 2015, and 2016, respectively. These bonds are callable effective June 1, 2013.

The City received bids on the refunding bonds on February 7, 2013 and the bid was awarded to Central State Bank at the City Council meeting that evening. The bid from Central State Bank had a net interest cost of \$19,619.83 and a true interest rate of .7857%. The City will realize a savings of \$48,465.17 from this refunding issue over the next three years.

Recommendation:

The agenda for the February 21, 2013 City Council meeting, will include a resolution to approve the final documents on this issue. This resolution will approve the Loan Agreement and provide for the issuance of \$1,115,000 in General Obligation Refunding Bonds, Series 2013 and provide for the levying of taxes to pay the same. The refunding bond transaction will settle with Central State Bank on March 7, 2013.

Please contact me if you have any questions or need additional information.

RESOLUTION NO. _____

Resolution approving a Loan Agreement and providing for the issuance of \$1,115,000 General Obligation Refunding Bonds, Series 2013 and providing for the levy of taxes to pay the same

WHEREAS, the City of Muscatine (the “City”), in Muscatine County, State of Iowa, previously issued its \$2,990,000 General Obligation Corporate Purpose Bonds, dated June 1, 2006 (the “2006 Bonds”) a portion of which currently remain outstanding, maturing on such dates and in such amounts and bearing interest at such rates as follows:

Maturity Date (June 1)	Principal	Rate
2014	\$350,000	3.900%
2015	\$365,000	3.950%
2016	\$380,000	4.000%

WHEREAS, pursuant to the resolution (the “2006 Issuance Resolution”) authorizing the issuance of the 2006 Bonds the City reserved the right to call the 2006 Bonds maturing in the years 2014 through 2016 (the “Callable 2006 Bonds”) for early redemption on any date on or after June 1, 2013, subject to the provisions of the 2006 Issuance Resolution; and

WHEREAS, the City heretofore proposed to enter into a General Obligation Refunding Loan Agreement (the “Loan Agreement”) and borrow money in a principal amount not to exceed \$1,200,000 pursuant to the provisions of Section 384.24A of the Code of Iowa for the purpose of paying the cost, to that extent, of current refunding the Callable 2006 Bonds, and pursuant to law and a notice duly published, the City Council has held a public hearing on such proposal on January 17, 2013; and

WHEREAS, a Terms of Offering document (the “Offering Document”) has been prepared to facilitate the sale of \$1,115,000 General Obligation Refunding Bonds, Series 2013 (the “Bonds”) in evidence of the obligation of the City under the Loan Agreement, and the City has made provision for the approval of the Offering Document and has authorized its use by Public Financial Management, Inc. (the “Financial Advisor”); and

WHEREAS, pursuant to advertisement of sale, bids for the purchase of \$1,115,000 General Obligation Refunding Bonds, Series 2013 (the “Bonds”) to be issued in evidence of the City’s obligation under the Loan Agreement were received and canvassed on behalf of the City and the substance of such bids noted in the minutes of the City Council meeting on February 7, 2013; and

WHEREAS, upon final consideration of all bids, the City’s financial advisor determined the bid of Central State Bank, Muscatine, Iowa, (the “Purchaser”) is the best, such bid proposing the lowest interest cost to the City; and

WHEREAS, the City previously authorized the calling of the Callable 2006 Bonds (the “Outstanding Bonds”) for early redemption on June 1, 2013 (the “Redemption Date”); and

WHEREAS, it is necessary at this time to authorize and approve the Loan Agreement and to make provision for the issuance of the Bond in evidence of the obligation of the City under the Loan Agreement;

NOW, THEREFORE, Be It Resolved by the City Council of the City of Muscatine, Iowa, as follows:

Section 1. The City shall enter into the Loan Agreement with the Purchaser in substantially the form as has been placed on file with the City Council, providing for a loan to the City in the principal amount of \$1,115,000, for the purpose set forth in the preamble hereof.

The Mayor and City Clerk are hereby authorized and directed to sign the Loan Agreement on behalf of the City, and the Loan Agreement is hereby approved.

Section 2. The Bonds are hereby authorized to be issued in evidence of the obligation of the City under the Loan Agreement, in the total aggregate principal amount of \$1,115,000, to be dated March 7, 2013, in the denomination of \$5,000 each, or any integral multiple thereof, maturing on June 1 in each of the years, in the respective principal amounts and bearing interest at the respective rates, as follows:

Maturity Date (June 1)	Principal	Rate
2014	\$370,000	0.55%
2015	\$370,000	0.75%
2016	\$375,000	0.90%

Section 3. The City Finance Director is hereby designated as the registrar and paying agent for the Bond and may be hereinafter referred to as the "Registrar" or the "Paying Agent."

The City reserves the right to prepay principal of the Bonds in whole or in part on any date prior to and in inverse order of maturity on terms of par and accrued interest. If less than all of the Bonds of any like maturity are to be redeemed, the particular part of those Bonds to be redeemed shall be selected by the Registrar by lot. The Bonds may be called in part in one or more units of \$5,000.

All of the interest on the Bonds shall be payable semiannually on the first day of June and December in each year, commencing December 1, 2013. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months. Payment of interest on the Bonds shall be made to the registered owners appearing on the registration books of the City at the close of business on the fifteenth day of the month next preceding the interest payment date and shall be paid by check or draft mailed to the registered owners at the addresses shown on such registration books. Principal of the Bonds shall be payable in lawful money of the United States of America to the registered owners or their legal representatives upon presentation and surrender of the Bond or Bonds at the office of the Paying Agent.

The Bonds shall be executed on behalf of the City with the official manual or facsimile signature of the Mayor and attested with the official manual or facsimile signature of the City

Clerk and shall be fully registered Bonds without interest coupons. In case any officer whose signature or the facsimile of whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds, such signature or such facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

The Bonds shall not be valid or become obligatory for any purpose until the Certificate of Authentication thereon shall have been signed by the Registrar.

The Bonds shall be fully registered as to principal and interest in the names of the owners on the registration books of the City kept by the Registrar, and after such registration, payment of the principal thereof and interest thereon shall be made only to the registered owners or their legal representatives or assigns. Each Bond shall be transferable only upon the registration books of the City upon presentation to the Registrar, together with either a written instrument of transfer satisfactory to the Registrar or the assignment form thereon completed and duly executed by the registered owner or the duly authorized attorney for such registered owner.

The record and identity of the owners of the Bonds shall be kept confidential as provided by Section 22.7 of the Code of Iowa.

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

(Form of Bond)

**UNITED STATES OF AMERICA
STATE OF IOWA COUNTY OF MUSCATINE
CITY OF MUSCATINE**

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013

No. R-__ \$ _____

RATE	MATURITY DATE	BOND DATE
_____%	June 1, 201__	March 7, 2013

The City of Muscatine (the "City"), in the County of Muscatine, State of Iowa, for value received, promises to pay on the maturity date of this Bond to

Central State Bank
Muscatine, Iowa

or registered assigns, the principal sum of

THOUSAND DOLLARS

in lawful money of the United States of America upon presentation and surrender of this Bond at the office of Finance Director, Muscatine, Iowa (hereinafter referred to as the "Registrar" or the "Paying Agent"), with interest on said sum, until paid, at the rate per annum specified above from the date of this Bond, or from the most recent interest payment date on which interest has been paid, on June 1 and December 1 of each year, commencing December 1, 2013, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto. Interest on this Bond is payable to the registered owner appearing on the registration books of the City at the close of business on the fifteenth day of the month next preceding the interest payment date, and shall be paid by check or draft mailed to the registered owner at the address shown on such registration books. Interest shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

This Bond is one of a series of General Obligation Refunding Bonds, Series 2013 (the "Bonds") issued by the City to evidence its obligation under a certain loan agreement, dated as of March 7, 2013 (the "Loan Agreement"), entered into by the City for the purpose of paying the cost, to that extent, of current refunding the General Obligation Corporate Purpose Bonds, dated June 1, 2006.

The Bonds are issued pursuant to and in strict compliance with the provisions of Chapters 384 and 76 of the Code of Iowa, 2013, and all other laws amendatory thereof and supplemental thereto, and in conformity with a resolution of the City Council adopted on February 21, 2013, authorizing and approving the Loan Agreement and providing for the issuance and securing the payment of the Bonds (the "Resolution"), and reference is hereby made to the Resolution and the Loan Agreement for a more complete statement as to the source of payment of the Bonds and the rights of the owners of the Bonds.

The City reserves the right to prepay principal of the Bonds in whole or in part on any date prior to and in inverse order of maturity on terms of par and accrued interest. If less than all of the Bonds of any like maturity are to be redeemed, the particular part of those Bonds to be redeemed shall be selected by the Registrar by lot. The Bonds may be called in part in one or more units of \$5,000. If less than the entire principal amount of any Bond in a denomination of more than \$5,000 is to be redeemed, the Registrar will issue and deliver to the registered owner thereof, upon surrender of such original Bond, a new Bond or Bonds, in any authorized denomination, in a total aggregate principal amount equal to the unredeemed balance of the original Bond. All of such Bonds as to which the City reserves and exercises the right of redemption and for the redemption of which funds are duly provided, shall cease to bear interest on the redemption date.

This Bond is fully negotiable but shall be fully registered as to both principal and interest in the name of the owner on the books of the City in the office of the Registrar, after which no transfer shall be valid unless made on said books and then only upon presentation of this Bond to the Registrar, together with either a written instrument of transfer satisfactory to the Registrar or the assignment form hereon completed and duly executed by the registered owner or the duly authorized attorney for such registered owner.

The City, the Registrar and the Paying Agent may deem and treat the registered owner hereof as the absolute owner for the purpose of receiving payment of or on account of principal hereof, premium, if any, and interest due hereon and for all other purposes, and the City, the Registrar and the Paying Agent shall not be affected by any notice to the contrary.

And It Is Hereby Certified and Recited that all acts, conditions and things required by the laws and Constitution of the State of Iowa, to exist, to be had, to be done or to be performed precedent to and in the issue of this Bond were and have been properly existent, had, done and performed in regular and due form and time; that provision has been made for the levy of a sufficient continuing annual tax on all the taxable property within the City for the payment of the principal of and interest on this Bond as the same will respectively become due; that the faith, credit, revenues and resources and all the real and personal property of the City are irrevocably pledged for the prompt payment hereof, both principal and interest; and that the total indebtedness of the City, including this Bond, does not exceed any constitutional or statutory limitations.

Signature guaranteed:

(Signature guarantee must be provided in accordance with the prevailing standards and procedures of the Registrar and Transfer Agent. Such standards and procedures may require signatures to be guaranteed by certain eligible guarantor institutions that participate in a recognized signature guarantee program.)

NOTICE: The signature to this Assignment must correspond with the name of the registered owner as it appears on this Bond in every particular, without alteration or enlargement or any change whatever.

Section 6. The Bonds shall be executed as herein provided as soon after the adoption of this resolution as may be possible, and thereupon they shall be delivered to the Registrar for registration, authentication and delivery to the Purchaser, upon receipt of the loan proceeds (the "Loan Proceeds"), and all action heretofore taken in connection with the Loan Agreement is hereby ratified and confirmed in all respects.

The Loan Proceeds received from the sale of the Bonds shall be used to (1) make sufficient deposit into the Debt Service Fund to carry out the refunding of the Callable 2006 Bonds, on the Redemption Date; and (2) pay costs of issuance of the Bonds. To the extent that Loan Proceeds remain after the full payment of the costs set forth in (1) and (2) in the preceding sentence, such Loan Proceeds shall be deposited in the Debt Service Fund and used for the payment of interest on the Bonds. The City shall keep a detailed and segregated accounting of the expenditure of, and investment earnings on, the Loan Proceeds to ensure compliance with the requirements of the Internal Revenue Code, as hereinafter defined.

Section 7. For the purpose of providing for the levy and collection of a direct annual tax sufficient to pay the principal of and interest on the Bonds as the same become due, there is hereby ordered levied on all the taxable property in the City in each of the years while the Bonds are outstanding, a tax sufficient for that purpose, and in furtherance of this provision, but not in limitation thereof, there is hereby levied on all the taxable property in the City the following direct annual tax for collection in each of the following fiscal years, to-wit:

For collection in the fiscal year beginning July 1, 2013,
sufficient to produce the net annual sum of \$380,095;

For collection in the fiscal year beginning July 1, 2014,
sufficient to produce the net annual sum of \$376,150;

For collection in the fiscal year beginning July 1, 2015,
sufficient to produce the net annual sum of \$378,375;

Section 8. A certified copy of this resolution shall be filed with the County Auditor of Muscatine County, and the County Auditor is hereby instructed to enter for collection and assess the tax hereby authorized. When annually entering such taxes for collection, the County Auditor shall include the same as a part of the tax levy for Debt Service Fund purposes of the City and when collected, the proceeds of the taxes shall be converted into the Debt Service Fund of the City and set aside therein as a special account to be used solely and only for the payment of the principal of and interest on the Bonds hereby authorized and for no other purpose whatsoever. Any amount received by the City as accrued interest on the Bonds shall be deposited into such special account and used to pay interest due on the Bonds on the first interest payment date.

Pursuant to the provisions of Section 76.4 of the Code of Iowa, each year while the Bonds remain outstanding and unpaid, any funds of the City which may lawfully be applied for such purpose, may be appropriated, budgeted and, if received, used for the payment of the principal of and interest on the Bonds as the same become due, and if so appropriated, the taxes for any given fiscal year as provided for in Section 7 of this Resolution, shall be reduced by the amount of such alternate funds as have been appropriated for said purpose and evidenced in the City's budget.

Section 9. The interest or principal and both of them falling due in any year or years shall, if necessary, be paid promptly from current funds on hand in advance of taxes levied and when the taxes shall have been collected, reimbursement shall be made to such current funds in the sum thus advanced.

The City hereby pledges the faith, credit, revenues and resources and all of the real and personal property of the City for the full and prompt payment of the principal of and interest on the Bonds.

Section 10. It is the intention of the City that interest on the Bonds be and remain excluded from gross income for federal income tax purposes pursuant to the appropriate provisions of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations in effect with respect thereto (all of the foregoing herein referred to as the "Internal Revenue Code"). In furtherance thereof, the City covenants to comply with the provisions of the Internal Revenue Code as they may from time to time be in effect or amended and further covenants to comply with the applicable future laws, regulations, published rulings and court decisions as may be necessary to insure that the interest on the Bonds will remain excluded from gross income for federal income tax purposes. Any and all of the officers of the City are hereby authorized and directed to take any and all actions as may be necessary to comply with the covenants herein contained.

The City hereby designates the Bonds as "Qualified Tax Exempt Obligations" as that term is used in Section 265(b)(3)(B) of the Internal Revenue Code.

Section 11. All resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 12. This resolution shall be in full force and effect immediately upon its adoption and approval, as provided by law.

Passed and approved February 21, 2013.

Mayor

Attest:

City Clerk

STATE OF IOWA
COUNTY OF MUSCATINE
CITY OF MUSCATINE

SS:

I, the undersigned, City Clerk of the City of Muscatine, do hereby certify that as such City Clerk I have in my possession or have access to the complete corporate records of the City and of its Council and officers and that I have carefully compared the transcript hereto attached with the aforesaid corporate records and that the transcript hereto attached is a true, correct and complete copy of all the corporate records in relation to the adoption of a resolution authorizing and approving a certain Loan Agreement and providing for the issuance of \$1,115,000 General Obligation Refunding Bonds, Series 2013 of said City evidencing the City's obligation under the Loan Agreement and that the transcript hereto attached contains a true, correct and complete statement of all the measures adopted and proceedings, acts and things had, done and performed up to the present time with respect thereto.

I further certify that no appeal has been taken to the District Court from the decision of the City Council to enter into the Loan Agreement, to issue the Bonds or to levy taxes to pay the principal of and interest on the Bonds.

WITNESS MY HAND this _____ day of _____, 2013.

City Clerk

STATE OF IOWA

SS:

COUNTY OF MUSCATINE

I, the undersigned, County Auditor of Muscatine County, in the State of Iowa, do hereby certify that on the _____ day of _____, 2013, the City Clerk of the City of Muscatine filed in my office a certified copy of a resolution of such City shown to have been adopted by the City Council and approved by the Mayor thereof on February 21, 2013, entitled: "Resolution approving a Loan Agreement and providing for the issuance of \$1,115,000 General Obligation Refunding Bonds, Series 2013 and providing for the levy of taxes to pay the same" and that I have duly placed the copy of the resolution on file in my records.

I further certify that the taxes provided for in that resolution will in due time, manner and season be entered on the State and County tax lists of this County for collection in the fiscal year beginning July 1, 2013, and subsequent years as provided in the resolution.

WITNESS MY HAND this _____ day of _____, 2013.

County Auditor