

TO: MAYOR AND CITY COUNCIL

FROM: LANELL ENDRES, INTERIM CITY ADMINISTRATOR/FINANCE DIR

SUBJECT: RESOLUTION FOR ISSUANCE OF EQUIPMENT CERTIFICATE FOR PURCHASE OF FIRE TRUCK

DATE: JUNE 19, 2018

BACKGROUND

The City Council previously authorized the purchase of a new fire truck with the understanding that a portion of the funding would be from General Obligation Equipment Certificates. On behalf of the City, George Eilertson, from Northland Securities, contacted the three local banks regarding the equipment certificates. Mr. Eilertson will be present to provide the results of the competitive bids.

STAFF RECOMMENDATION AND REQUESTED COUNCIL ACTION

Staff recommends Council approval of the resolution providing for the issuance of General Obligation Equipment Certificates for the purchase of a new fire truck.

Attachment:
Resolution

EXTRACT OF MINUTES OF A MEETING
OF THE CITY COUNCIL
CITY OF CANNON FALLS, MINNESOTA

HELD: June 19, 2018

Pursuant to due call and notice thereof, a regular or special meeting of the City Council of the City of Cannon Falls, Goodhue County, Minnesota, was duly held at the City Hall on June 19, 2018, at 6:30 P.M., for the purpose, in part, of considering proposals and awarding the sale of \$360,000 General Obligation Equipment Certificate of Indebtedness, Series 2018B.

The following members were present:

and the following were absent:

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NUMBER 2364

**RESOLUTION AWARDING THE SALE OF \$360,000 GENERAL OBLIGATION
EQUIPMENT CERTIFICATE OF INDEBTEDNESS, SERIES 2018B AND LEVYING A
TAX FOR THE PAYMENT THEREOF**

A. WHEREAS, the City of Cannon Falls, Minnesota (the "City"), has heretofore determined and declared that it is necessary and expedient to issue \$360,000 General Obligation Equipment Certificate of Indebtedness, Series 2018B (the "Certificate"), pursuant to Minnesota Statutes, Chapter 475 and Minnesota Statutes, Section 412.301, to finance the purchase of various items of capital equipment for the City (the "Equipment"); and

B. WHEREAS, each item of equipment to be financed by the Certificate has an expected useful life at least as long as the term of the Certificate; and

C. WHEREAS, the amount of the Certificate to be issued does not exceed one-quarter of one percent (0.25%) of the estimated market value of the taxable property in the City (\$_____ times 0.25% is \$_____); and

D. WHEREAS, the City has retained Northland Securities, Inc., in Minneapolis, Minnesota ("Northland"), as its independent municipal adviser for the sale of the Bonds and was therefore authorized to sell the Bonds by private negotiation in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9) and proposals to purchase the Bonds have been solicited by Northland; and

E. WHEREAS, it is in the best interests of the City that the Certificate be issued in typewritten form as hereinafter provided; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Cannon Falls, Minnesota, as follows:

1. Acceptance of Offer. The proposal of _____, [City], [State] (the "Purchaser"), to purchase the Certificate, and to pay therefor the sum of \$360,000 plus interest accrued to settlement, all in accordance with the terms and at the rates of interest hereinafter set forth, is hereby accepted.

2. Terms; Original Issue Date; Denominations; Maturities; Interest. The City shall forthwith issue the Bond, which shall be in fully registered form without interest coupons, shall be dated, mature, bear interest and be payable as provided in the form of the Certificate.

3. Purpose. The Certificate shall provide funds to finance the Equipment, particularly for the acquisition of capital equipment having a useful life at least as long as the Certificate. The total cost of the Equipment, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the amount of the Certificate.

4. Registrar. The City Administrator, City of Cannon Falls, Minnesota, is appointed to act as registrar and transfer agent with respect to the Certificate (the "Registrar"), and shall do so unless and until a successor Registrar is duly appointed, all pursuant to any contract the City and Registrar shall execute which is consistent herewith. The Registrar shall also serve as paying agent unless and until a successor paying agent is duly appointed. Principal and interest on the Certificate shall be paid to the registered holders (or record holders) of the Certificate in the manner set forth in the form of Certificate.

5. Form of Certificate. The Certificate, together with the Certificate of Registration, shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
GOODHUE COUNTY
CITY OF CANNON FALLS

R-1

\$360,000

GENERAL OBLIGATION EQUIPMENT CERTIFICATE OF INDEBTEDNESS,
SERIES 2018B

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
___%	February 1, 2028	July 18, 2018	_____

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: THREE HUNDRED SIXTY THOUSAND DOLLARS

THE CITY OF CANNON FALLS, GOODHUE COUNTY, MINNESOTA (the "Issuer"), certifies that it is indebted and for value received promises to pay to the registered owner specified above, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, unless called for prior redemption, and to pay interest thereon semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2019, at the rate per annum specified above (calculated on the basis of a 360-day year of twelve 30-day months) until the principal sum is paid or has been provided for. This Certificate will bear interest from the most recent Interest Payment Date to which interest has been paid or, if no interest has been paid, from the date of original issue hereof. The principal of and premium, if any, on this Certificate are payable upon presentation and surrender at maturity (or optional redemption) hereof at the principal office of the City Administrator at the City Hall, in Cannon Falls, Minnesota (the "Registrar"), acting as paying agent, or any successor paying agent duly appointed by the Issuer. Mandatory redemption principal payments are payable without presentation and surrender to the Registrar. Interest on this Certificate will be paid on each Interest Payment Date and will be paid by check or draft mailed to the person in whose name this Certificate is registered (the "Owner") on the registration books of the Issuer maintained by the Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month of such Interest Payment Date (the "Regular Record Date"). Any interest not so timely paid shall cease to be payable to the person who is the Owner hereof as of the Regular Record Date, and shall be payable to the person who is the Owner hereof at the close of business on a date (the "Special Record Date") fixed by the Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record Date shall be given to the Owner not less than ten days prior to the Special Record Date. The principal of and premium, if any, and interest on this Certificate are payable in lawful money of the United States of America shall be paid by check or draft mailed to the Registered Owner.

Redemption. This Certificate is subject to redemption and prepayment at the option of the Issuer on February 1, 2026, and on any payment date thereafter at a price of par plus accrued interest, in whole or in multiples of \$1,000, upon written notice to the Registered Owner, at the redemption price equal to par plus accrued interest to date of prepayment. If redemption is in part, the Issuer may select the specific principal installments hereof, or applicable portions thereof, to be prepaid.

Mandatory Redemption. The Certificate shall be redeemed by lot in the following years and principal amounts, without any premium, plus accrued interest thereon to such redemption dates:

Mandatory Redemption Schedule

February 1, 2028 Term Certificate

<u>Year</u>	<u>Principal Amount</u>
2020	\$
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028 (maturity)	

or, if less than such amount is then outstanding, an amount equal to the aggregate principal amount of the Certificate then outstanding.

Issuance; Purpose; General Obligation. This Certificate is issued as a single instrument pursuant to and in full conformity with the City Charter, the Constitution and laws of the State of Minnesota and pursuant to a resolution adopted by the City Council on June 19, 2018 (the "Resolution"), for the purpose of providing money to finance the purchase of various items of capital equipment for the Issuer. This Certificate is payable out of the General Obligation Equipment Certificate of Indebtedness, Series 2018B Fund of the Issuer. This Certificate constitutes a general obligation of the Issuer and to provide moneys for the prompt and full payment of its principal, premium, if any, and interest when the same become due, the full faith and credit and taxing powers of the Issuer have been and are hereby irrevocably pledged.

Date of Payment Not a Business Day. If the nominal date for payment of any principal of or interest on this Certificate shall not be a business day of the Issuer or of the Registered Owner, then the date for such payment shall be the next such business day and payment on such business day shall have the same force and effect as if made on the nominal date of payment.

Transfer. This Certificate is transferable by the Registered Owner in person or the Registered Owner's attorney duly authorized in writing at the principal office of the Registrar

upon presentation and surrender hereof to the Registrar, all subject to the terms and conditions provided in the Resolution and to reasonable regulations of the Issuer contained in any agreement with the Registrar. Thereupon the Issuer shall execute and the Registrar shall authenticate and deliver, in exchange for this Certificate, one or more new fully registered Certificates in the name of the transferee (but not registered in blank or to "bearer" or similar designation), of an authorized denomination or denominations, in aggregate principal amount equal to the principal amount of this Certificate, of the same maturity and bearing interest at the same rate.

Fees upon Loss. The Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with any legal or unusual costs regarding lost Certificates.

Qualified Tax-Exempt Obligation. This Certificate has been designated by the Issuer as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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

IN WITNESS WHEREOF, the City of Cannon Falls, Goodhue County, Minnesota, by its City Council has caused this Certificate to be executed on its behalf by the manual signatures of its Mayor and its Interim City Administrator, the corporate seal of the Issuer having been intentionally omitted as permitted by law.

Date of Registration:

CITY OF CANNON FALLS
GOODHUE COUNTY, MINNESOTA

July 18, 2018

REGISTRABLE BY AND
PAYABLE AT

/s/ _____
Mayor

City Administrator
City of Cannon Falls, Minnesota

/s/ _____
Interim City Administrator

CERTIFICATE OF REGISTRATION

The transfer of ownership of the principal amount of the attached Certificate may be made only by the registered owner or the registered owner's legal representative last noted below:

DATE OF
REGISTRATION

REGISTERED OWNER

SIGNATURE OF
REGISTRAR

July 18, 2018

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

6. Execution. The Certificate shall be in typewritten form, shall be executed on behalf of the City by the signatures of its Mayor and Interim City Administrator, the seal of the City have been omitted as provided by law. In the event of disability or resignation or other absence of either officer who may act on behalf of the absent or disabled officer. In case either officer whose signature shall appear on the Certificate shall cease to be such officer before the delivery of the Certificate, the signature shall nevertheless be valid and sufficient for all purposes, the same as if the officer had remained in office until delivery.

7. Delivery; Application of Proceeds. The Certificate when so prepared and executed shall be delivered by the Interim City Administrator to the Purchaser upon receipt of the purchase price and the Purchaser shall not be obliged to see to the proper application thereof.

8. Fund and Accounts. There is hereby created a special fund to be designated the "General Obligation Equipment Certificate of Indebtedness, Series 2018B Fund" (the "Fund") to be administered and maintained by the City Administrator as a bookkeeping account separate and apart from all other funds maintained in the official financial records of the City. The Fund shall be maintained in the manner herein specified until the Certificate have been fully paid. There shall be maintained in the Fund the following separate accounts:

(a) Capital Account. To the Capital Account there shall be credited the proceeds of the sale of the Certificate. From the Capital Account there shall be paid all costs and expenses of the acquisition of the Equipment including all costs incurred and to be incurred of the kind authorized in Minnesota Statutes, Section 475.65; and the moneys in the Capital Account shall be used for no other purpose except as otherwise provided by law; provided that the proceeds of the Certificate may also be used to the extent necessary to pay interest on the Certificate due prior to the anticipated date of commencement of the collection of taxes herein levied.

(b) Debt Service Account. There are hereby irrevocably appropriated and pledged to, and there shall be credited to, the Debt Service Account: (i) all taxes herein and hereafter levied for the payment of the Certificate; (ii) available City funds in the amount of \$_____ to provide sufficient funds to pay interest due on the Certificate on or before February 1, 2019; (iii) all funds remaining in the Capital Account after the payment of all costs of acquisition of the Equipment; (iv) all investment earnings on funds held in the Debt Service Account; and (v) any and all other moneys which are properly available and are appropriated by the governing body of the City to the Debt Service Account. The Debt Service Account shall be used solely to pay the principal and interest of the Certificate and any other general obligation certificates of the City hereafter issued by the City and made payable from said account as provided by law.

No portion of the proceeds of the Certificate shall be used directly or indirectly to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except (i) for a reasonable temporary period until such proceeds are needed for the purpose for which the Certificate were issued and (ii) in addition to the above in an amount not greater than the lesser of five percent of the proceeds of the Certificate or \$100,000. To this effect, any proceeds of the Certificate and any sums from time to time held in the Capital Account or Debt Service Account (or any other City account which will be used to

pay principal or interest to become due on the certificates payable therefrom) in excess of amounts which under then-applicable federal arbitrage regulations may be invested without regard to yield shall not be invested at a yield in excess of the applicable yield restrictions imposed by said arbitrage regulations on such investments after taking into account any applicable "temporary periods" or "minor portion" made available under the federal arbitrage regulations. Money in the Fund shall not be invested in obligations or deposits issued by, guaranteed by or insured by the United States or any agency or instrumentality thereof if and to the extent that such investment would cause the Certificate to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Tax Levy; Coverage Test. To provide moneys for payment of the principal and interest on the Certificate there is hereby levied upon all of the taxable property in the City a direct annual ad valorem tax which shall be spread upon the tax rolls and collected with and as part of other general property taxes in the City for the years and in the amounts as follows:

<u>Year of Tax Levy</u>	<u>Year of Tax Collection</u>	<u>Amount</u>
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See Attached Tax Levy Schedule

The tax levies are such that if collected in full they will produce at least five percent in excess of the amount needed to meet when due the principal and interest payments on the Certificate. The tax levies shall be irrevocable so long as the Certificate is outstanding and unpaid, provided that the City reserves the right and power to reduce the levies in the manner and to the extent permitted by Minnesota Statutes, Section 475.61, Subdivision 3.

10. Defeasance. When the Certificate has been discharged as provided in this paragraph, all pledges, covenants and other rights granted by this resolution to the registered owner of the Certificate shall, to the extent permitted by law, cease. The City may discharge its obligations with respect to any installment of principal of the Certificate which are due on any date by irrevocably depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or if any installment of principal of the Certificate should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The City may also at any time discharge its obligations with respect to any installment of principal of the Certificate, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a suitable banking institution qualified by law as an escrow agent for this purpose, cash or securities described in Minnesota Statutes, Section 475.67, Subdivision 8, bearing interest payable at such times and at such rates and maturing on such dates as shall be required, without regard to sale and/or reinvestment, to pay all amounts to become due thereon to maturity or, if notice of redemption as herein required has been duly provided for, to such earlier redemption date.

11. Compliance with Reimbursement Bond Regulations. The provisions of this paragraph are intended to establish and provide for the City's compliance with United States Treasury Regulations Section 1.150-2 (the "Reimbursement Regulations") applicable to the "reimbursement proceeds" of the Certificate, being those portions thereof which will be used by the City to reimburse itself for any expenditure which the City paid or will have paid prior to the

Closing Date (a "Reimbursement Expenditure"). The City hereby certifies and/or covenants as follows:

(a) Not later than sixty days after the date of payment of a Reimbursement Expenditure, the City (or person designated to do so on behalf of the City) has made or will have made a written declaration of the City's official intent (a "Declaration") which effectively (i) states the City's reasonable expectation to reimburse itself for the payment of the Reimbursement Expenditure out of the proceeds of a subsequent borrowing; (ii) gives a general and functional description of the property, project or program to which the Declaration relates and for which the Reimbursement Expenditure is paid, or identifies a specific fund or account of the City and the general functional purpose thereof from which the Reimbursement Expenditure was to be paid (collectively the "Project"); and (iii) states the maximum principal amount of debt expected to be issued by the City for the purpose of financing the Project; provided, however, that no such Declaration shall necessarily have been made with respect to: (i) "preliminary expenditures" for the Project, defined in the Reimbursement Regulations to include engineering or architectural, surveying and soil testing expenses and similar prefatory costs, which in the aggregate do not exceed twenty percent of the "issue price" of the Certificate, and (ii) a de minimis amount of Reimbursement Expenditures not in excess of the lesser of \$100,000 or five percent of the proceeds of the Certificate.

(b) Each Reimbursement Expenditure is a capital expenditure or a cost of issuance of the Certificate or any of the other types of expenditures described in Section 1.150-2(d)(3) of the Reimbursement Regulations.

(c) The "reimbursement allocation" described in the Reimbursement Regulations for each Reimbursement Expenditure shall and will be made forthwith following (but not prior to) the issuance of the Certificate and in all events within the period ending on the date which is the later of three years after payment of the Reimbursement Expenditure or one year after the date on which the Project to which the Reimbursement Expenditure relates is first placed in service.

(d) Each such reimbursement allocation will be made in a writing that evidences the City's use of bond proceeds to reimburse the Reimbursement Expenditure and, if made within thirty days after the Certificate is issued, shall be treated as made on the day the Certificate is issued.

Provided, however, that the City may take action contrary to any of the foregoing covenants in this paragraph upon receipt of an opinion of its Bond Counsel for the Certificate stating in effect that such action will not impair the tax-exempt status of the Certificate.

12. General Obligation Pledge. For the prompt and full payment of the principal and interest on the Certificate, as the same respectively become due, the full faith, credit and taxing powers of the City shall be and are hereby irrevocably pledged. If the balance in the Debt Service Account is ever insufficient to pay all principal and interest then due on the Certificate and any other certificates payable therefrom, the deficiency shall be promptly paid out of any other funds of the City which are available for such purpose, and such other funds may be reimbursed with or without interest from the Debt Service Account when a sufficient balance is available therein.

13. Certificate of Registration and Tax Levy. A certified copy of this resolution is hereby directed to be filed with the County Auditor of Goodhue County, Minnesota, together with such other information as each such County Auditor shall require, and to obtain the County Auditor's certificate that the Certificate has been entered in the County Auditor's Register and that the tax levy required by law has been made.

14. Records and Certificate. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser, and to the attorneys approving the legality of the issuance of the Certificate, certified copies of all proceedings and records of the City relating to the Certificate and to the financial condition and affairs of the City, and such other affidavits, certificates and information as are required to show the facts relating to the legality and marketability of the Certificate as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the facts recited therein.

15. Negative Covenant as to Use of Proceeds and Equipment. The City hereby covenants not to use the proceeds of the Certificate or the equipment financed thereby, or to cause or permit them to be used, or to enter into any deferred payment arrangements for the cost of the equipment, in such a manner as to cause the Certificate to be "private activity bonds" within the meaning of Sections 103 and 141 through 150 of the Code.

16. Tax-Exempt Status of the Certificate; Rebate. The City shall comply with requirements necessary under the Code to establish and maintain the exclusion from gross income under Section 103 of the Code of the interest on the Bonds, including without limitation (i) requirements relating to temporary periods for investments, (ii) limitations on amounts invested at a yield greater than the yield on the Bonds, and (iii) the rebate of excess investment earnings to the United States if the Bonds (together with other obligations reasonably expected to be issued and outstanding at one time in this calendar year) exceed the small-issuer exception amount of \$5,000,000.

For purposes of qualifying for the small issuer exception to the federal arbitrage rebate requirements for governmental units issuing \$5,000,000 or less of bonds, the City hereby finds, determines and declares that (i) the Bonds are issued by a governmental unit with general taxing powers; (ii) no Bond is a private activity bond; (iii) 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the City (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the City); and (iv) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the City (and all entities subordinate to, or treated as one issuer with the City) during the calendar year in which the Bonds are issued and outstanding at one time is not reasonably expected to exceed \$5,000,000, all within the meaning of Section 148(f)(4)(D) of the Code.

17. Designation of Qualified Tax-Exempt Obligations. In order to qualify the Certificate as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, the City hereby makes the following factual statements and representations:

- (a) the Certificate is issued after August 7, 1986;
- (b) the Certificate is not "private activity bonds" as defined in Section 141 of the Code;
- (c) the City hereby designates the Certificate as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code;
- (d) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds, treating qualified 501(c)(3) bonds as not being private activity bonds) which will be issued by the City (and all entities treated as one issuer with the City, and all subordinate entities whose obligations are treated as issued by the City) during this calendar year 2018 will not exceed \$10,000,000;
- (e) not more than \$10,000,000 of obligations issued by the City during this calendar year 2018 have been designated for purposes of Section 265(b)(3) of the Code; and
- (f) the aggregate face amount of the Certificate does not exceed \$10,000,000.

The City shall use its best efforts to comply with any federal procedural requirements which may apply in order to effectuate the designation made by this paragraph.

18. Severability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions hereof.

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

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

and the following voted against the same:

Whereupon the resolution was declared duly passed and adopted this 19th day of June, 2018.

CITY OF CANNON FALLS

Lyman M. Robinson
Mayor

ATTEST: _____
Lanell Endres
Interim City Administrator

STATE OF MINNESOTA
COUNTY OF GOODHUE
CITY OF CANNON FALLS

I, the undersigned, being the duly qualified and acting Interim City Administrator of the City of Cannon Falls, Minnesota, DO HEREBY CERTIFY that I have compared the attached and foregoing extract of minutes with the original thereof on file in my office, and that the same is a full, true and complete transcript of the minutes of a meeting of the City Council, duly called and held on the date therein indicated, insofar as the minutes relate to providing for the issuance and the sale of a \$360,000 General Obligation Equipment Certificate of Indebtedness, Series 2018B.

WITNESS my hand on June 19, 2018.

Interim City Administrator