



Legislation Text

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RESOLUTION OF THE CITY OF DULUTH, MINNESOTA, AMENDING RESOLUTION 21-0175R ADOPTED MARCH 22, 2021, AND RESOLUTION 20-08664 ADOPTED DECEMBER 14, 2020, MODIFYING THE ISSUE SIZE AND CAPITAL EQUIPMENT LIST ASSOCIATED WITH THE PROPOSED CAPITAL EQUIPMENT NOTES.

CITY PROPOSAL:

BE IT RESOLVED, by the city council (the "Council") of the city of Duluth, Minnesota (the "City"), as follows:

Section 1. Under and pursuant to the provisions of Minnesota Statutes, sections 410.32 and 412.301 (the "Act"), and Minnesota Statutes, Chapter 475, and the City Charter, the City is authorized to issue its general obligation capital equipment notes to provide funds to purchase capital equipment having an expected useful life at least as long as the term of the capital equipment notes.

Section 2. The Council, in Resolution No. 20-0866R adopted December 14, 2020 (the "Original Resolution"), declared the intent of the City to issue capital equipment notes in 2021 in an amount up to \$3,350,000 to finance the purchase of capital equipment authorized by the Act and to pay costs of issuance of the capital equipment notes and discount, and in Resolution No. 21-0175R adopted March 22, 2021 (the "Amended Resolution"), the Council amended the Original Resolution to revise the list of capital equipment to be financed.

Section 3. Exhibit A to the Amended Resolution listed the capital equipment to be financed, which list of equipment was approved for purchase in 2021.

Section 4. Due to changing needs of the City and due to the COVID-19 pandemic causing supply shortages, the list of capital equipment to be financed and which is authorized to be purchased in 2021 is hereby amended in its entirety as set forth on Exhibit A, and the City declares its intent to issue capital equipment notes in 2021 in an increased amount up to \$4,665,000 to finance the purchase of capital equipment authorized by the Act and to pay costs of issuance of the capital equipment notes and discount. Specific capital equipment to be acquired and financed shall be approved by the Council, or if the cost of the item of capital equipment is less than \$150,000, the Finance Director shall approve the equipment to be acquired. Except as modified by this Resolution, the Original Resolution remains in full force and effect and is hereby ratified and approved.

Section 5. The additional item of equipment on Exhibit A is a fire department vehicle replacement. Ladder 222, a 1995 Pierce Arrow, was removed from service following a recent inspection due to an operator noticing wear marks on the main drive shaft. It was determined that the frame of the truck had rusted, which allowed the frame to flex and the drive shaft to contact the body of the truck. In addition to the frame issues, the mechanics noted a number of mechanical issues with

the truck, including a leaking fuel tank, worn suspension bushings and a failed engine intercooler. Even if the costly mechanical repairs were to be completed, there would be no practical way to reinforce the frame to prevent the drive shaft from contacting the body of the truck.

Section 6. This resolution constitutes a declaration of official intent under Treasury Regulations Section 1.150-2. The City reasonably expects to acquire all or a portion of the capital equipment prior to the issuance of the capital equipment notes and to reimburse expenditures incurred with respect to such capital equipment purchase program with the proceeds of the capital equipment notes.

STATEMENT OF PURPOSE: This resolution amends Resolution No. 21-0175R, which states the City's intent to issue general obligation capital equipment notes in 2021 to finance the purchase of capital equipment in an amount of \$3,110,000 plus an additional amount for costs of issuance and discount. Due to the recent inspection of the ladder truck and need to replace the vehicle, the City intends to issue general obligation capital equipment notes in 2021 to finance the purchase of capital equipment in an amount of \$4,387,450 plus an additional amount for costs of issuance and discount.

The sale price of the aerial tower fire truck is \$1,287,450 less a prepayment discount of \$24,785. An additional amount of \$14,785 is necessary to outfit the vehicle. The additional amount of capital equipment notes to finance the ladder truck is \$1,277,450. The City intends to fund the additional debt payments using reserves from the debt service fund. The debt service fund has built up a reserve balance over the years due to a compilation of capitalizing on low interest rates and refunding opportunities, high property tax collection rates, and lower debt payments replacing higher debt payments.

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