

City of Hills

Council Members

Bruce Endris
Steve Harris
Merle Hill
Thom Kirkpatrick
Cathy Knebel

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Mayor

Tim Kemp
Clerk
Bonnie Hansen
Deputy Clerk
Leanne Sommers

Hills City Council
Regular Meeting

Hills Fire Department Meeting Room @ 7:00 PM
August 11, 2014

- **Consent Agenda:**
 - Minutes from meeting July 25
 - Bills from July 25 - August 8
 - Approve Casey's beer license
- **Public Discussion**
- **New Business**
 - Resolution 2014-19 approving 2014 Road Use Report
 - Resolution 2014-20 approving and authorizing a Loan and Disbursement Agreement and providing for the issuance of \$2,000,000 General Obligation Water Improvement Bond and providing for the levy of taxes to pay the same
 - Resolution 2014-21 accepting the deed and easement agreement with Stutsman's Inc.
- **Previous Business**
 - Second Reading of water rate ordinance
 - Discussion and possible action on Water utility
- **Council Action List, Comments, Concerns, Reports**
 - Mayor
 - Attorney
 - City Administrator
 - Water
 - Maintenance
 - Fire Department
 - Clerk Office
- **Adjournment**

Hills City Council
Meeting
July 28, 2014
7:00 PM
Hills Fire Station Meeting Room

The regular Hills City Council meeting was called to order at 7:00 PM on Monday, July 28, 2014 at the Hills Fire Station Meeting Room.

Mayor Tim Kemp called the meeting to order at 7:00 PM. Council members present were: Bruce Endris, Steve Harris, and Cathy Knebel. Absent: Merle Hill and Thom Kirkpatrick

A motion was made by Knebel and seconded by Endris to approve the consent agenda of the minutes and bills. Ayes: 3. Motion passed.

Public Discussion:

Council Meeting

New Business:

The public hearing on the General Obligation Water Improvement Loan and Disbursement Agreement was opened at 7:02 PM. The Public Hearing was closed at 7:04 with little discussion.

Resolution 2014-16 regarding taking addition action to enter into General Obligation Water Improvement Loan and Disbursement was read. A motion was made by Endris and seconded by Knebel to accept this resolution. Roll Call was held. Ayes: 3 Resolution passed.

Resolution 2014-17 approving purchase of Stutsman's Inc. well was presented. A motion was made by Knebel and seconded by Harris to accept this resolution. Roll Call was held. Ayes: 3 Resolution passed.

Discussion of the fact sheet regarding TIF and tax abatement was held. Discussion was held regarding pros and cons of all proposals. Attorney Sittig was asked to see if Stutsman's would be willing to pay for the bond attorney fees if the City went with the 10 tax abatement. Attorney Sittig will get back to the Council.

Discussion of the LOST ballot issue was held. The County is asking for 10% of the proceeds for the Johnson County Justice Center. Discussion was held and will be continued at the next meeting.

A motion was made by Endris and seconded by Harris to accept the bid from ILIowa for crack sealing streets. Ayes: 3 Bid accepted.

Discussion of the easements for the water utility was held. Resolution 2014-17 regarding the easements was presented. A motion was made by Knebel and seconded by Harris to accept this resolution. Roll call was held. Ayes: 3 Resolution passed.

The first reading of the water rate ordinance was held. A motion was made by Knebel and seconded by Endris to accept this ordinance. Roll Call was held. Ayes: 3 First Reading passed. The second reading will be held August 11.

The third reading of the water protection ordinance was read. A motion was made by Harris and seconded by Endris to accept this reading. Roll Call was held. Ayes: 3 Ordinance passed.

The second reading of the City Administrator Ordinance was read. A motion was made by Knebel and seconded by Endris to accept this reading. Roll Call was held. Ayes: 3 A motion was made by Endris and seconded by Knebel to waive the third reading. Roll Call was held. Ayes: 3 Motion passed. Third reading waived. Cathy Fitzmaurice-Hill was introduced at the new City Administrator.

There will be a water construction meeting held on Wednesday, July 30 at 10:00 at the Hills Fire Station meeting room.

Reports:

Attorney: No report.

Fire Chief: No report

Maintenance: update on crack sealing and what would be done

Sewer: fixed aerator, flows are coming down and conference calls with IDNR/EPA report.

Mayor: Mayor reported on call from Brian Stevens and some requests from him. Nominations for a position on Planning and Zoning are being accepted

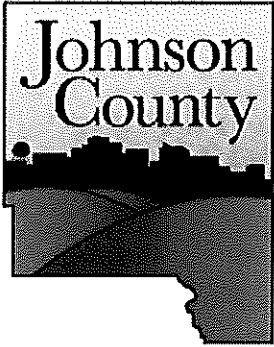
Clerk: - No report

A motion was made by Knebel and seconded by Endris to adjourn the meeting at 7:55 PM.

Ayes: 3 Motion passed.

Tim Kemp, Mayor

Bonnie Hansen, Clerk



To: Johnson County municipalities
From: Andy Johnson, Executive Assistant to the Board of Supervisors
Kingsley Botchway II, Deputy Auditor for Elections
Date: August 8, 2014

The Board of Supervisors has requested you be provided with the following information regarding the Local Option Sales Tax (LOST) referendum.

The Board previously sent a request that all Johnson County communities consider allocating 10% of the LOST revenue toward payment of the bond costs of the courthouse annex, should that referendum pass. This proposal was discussed at the recent joint entities meeting on July 28th.

The intention of this request is to lower the taxes paid by property owners in Johnson County for the courthouse bond. The countywide debt levy affects all property owners in Johnson County, including those in TIF districts. This proposal would lessen the tax impact for ALL property tax payers. It is projected that, if the bond referendum passes, the County's annual bond payments would be approximately \$2.5 million annually. The owner of a home with taxable value of \$100,000 (assessed value of \$184,000) would pay approximately \$34 a year in property tax to fund this bond payment.

The LOST revenues are estimated to be about \$17 million a year countywide. If all communities dedicated their respective 10% of LOST revenue, the County would only need to tax residents \$800,000 a year for the bond payments, thus reducing the tax burden to Johnson County property owners. Instead of paying \$34 for the bond payment, the average homeowner would only pay approximately \$11 annually. The Board of Supervisors sees the dedication of LOST revenue as a benefit to all property owners in funding a project that benefits the entire county.

Some of the communities have requested model language. The following is a draft that has had a preliminary review by our bond counsel.

10% for payment of principal and interest related to general obligation bonds issued by Johnson County for the purpose of erecting and equipping a County Courthouse Annex, but only if the bond referendum for the courthouse annex is approved by voters in the November, 2014 general election. In the event that the bond referendum for a courthouse annex is not approved the remaining revenue will be allocated to _____ (insert city purpose).

The Board of Supervisors intends to include this ballot language for unincorporated voters if similar language is presented to a majority of municipal voters. It is the consensus of the Board that the remaining 90% of the revenue to the County will be dedicated to improvement and/or maintenance of secondary roads and bridges.

Further, Iowa Code gives the Board of Supervisors the authority to set the sunset for the sales tax. A uniform sunset can be set countywide, or different sunsets may be set for different communities.

While a formal vote has not been taken, the Board of Supervisors has given direction that it is the intention of the Supervisors to set a 10 year sunset for all communities that agree to the ballot language above dedicating a portion of the revenue toward the courthouse annex bond. It is the intention of the Board of Supervisors to set a three year sunset for all communities that choose not to include this provision. Once the LOST sunsets in a community, reinstating the tax would be governed by Iowa Code Chapter 423B.

The deadline for ballot language is August 27th at 5:00 PM. Ballot language will be accepted, including revisions and amendments, until that time.

The Board of Supervisors Office and the Auditor's Office welcomes your input and questions about the sales tax. Contact information is provided below. In addition, the Board plans to include an opportunity for public input on the LOST at its meeting on Thursday, August 14th at 5:30 PM.

Contact information:

Board of Supervisors: 319-356-6000, supes@co.johnson.ia.us

Terrence Neuzil, chair: tneuzil@co.johnson.ia.us

Pat Harney, vice-chair: pharney@co.johnson.ia.us

John Etheredge : jetheredge@co.johnson.ia.us

Janelle Rettig: jrettig@co.johnson.ia.us

Rod Sullivan: rsullivan@co.johnson.ia.us

County Auditor Travis Weipert: 319-356-6004, tweipert@co.johnson.ia.us

Deputy Auditor Kingsley Botchway II: 319-356-6004, kbotchwa@co.johnson.ia.us

Executive Assistant Andy Johnson: 319-356-6000, ajohnson@co.johnson.ia.us

INVOICE#/LN	TY	DUE DATE	INV DATE	REFERENCE	GROSS	DISCOUNT	NET	DISCOUNT TAKEN	PAYMENT AMOUNT	DIST	MAN	CHCK	CK SQ
HILLS BANK & TRUST GENERAL													
1151 BARRON MOTOR SUPPLY													
AUG 14	1	I	8/11/2014	8/11/2014 429812	38.99		38.99		38.99	001			1
	2	I		429899	75.94		75.94		75.94	001			1
	3	I		430017	79.35		79.35		79.35	001			1
	4	I		430028	6.89		6.89		6.89	001			1
	5	I		430090 STUTSMAN REPAIR	23.39		23.39		23.39	001			1
				* INVOICE TOTALS	224.56		224.56		224.56				
				** VENDOR TOTALS *	224.56		224.56		224.56				
1010 CASEY'S GENERAL STORE CORPORAT													
AUG14	2	I	8/11/2014	8/11/2014 FD ICE FOR FAIR	17.97		17.97		17.97	001			1
				** VENDOR TOTALS *	17.97		17.97		17.97				
1013 CITY OF IOWA CITY													
28824	1	I	8/11/2014	8/11/2014 AUG FEES	606.25		606.25		606.25	001			1
				** VENDOR TOTALS *	606.25		606.25		606.25				
1280 DEERY BROTHERS IOWA CITY													
118433	1	I	8/11/2014	8/11/2014 FD REPAIRS	706.10		706.10		706.10	001			1
				** VENDOR TOTALS *	706.10		706.10		706.10				
1101 JOHNSON COUNTY SHERIFF													
AUGUT14	1	I	8/11/2014	8/11/2014 AUGUST FEES	2167.75		2167.75		2167.75	001			1
				** VENDOR TOTALS *	2167.75		2167.75		2167.75				
1057 K.D. ENGINEERING													
19569	1	I	8/11/2014	8/11/2014 COMPUTER REPAIR	74.00		74.00		74.00	001			1
				** VENDOR TOTALS *	74.00		74.00		74.00				
1349 IOWA OFFICE SUPPLY INC													
295149	1	I	8/11/2014	8/11/2014 COPIER	64.63		64.63		64.63	001			1
295434	1	I	8/11/2014	8/11/2014 COPIER	106.48		106.48		106.48	001			1
				** VENDOR TOTALS *	171.11		171.11		171.11				
1193 SHARON TELEPHONE													
AUG14	1	I	8/11/2014	8/11/2014 224 1/2 FIRE DEPT	35.65		35.65		35.65	001			1
	2	I		224 1/2 FIRE DEPT	35.65		35.65		35.65	001			1
	4	I		223 MAINT SHED	33.64		33.64		33.64	001			1
	5	I		513 CLERK OFFICE	145.23		145.23		145.23	001			1
				* INVOICE TOTALS	250.17		250.17		250.17				
				** VENDOR TOTALS *	250.17		250.17		250.17				
1203 STUTSMAN INC													
166853	1	I	8/11/2014	8/11/2014 TRUCK 81 MAINTAINANCE	460.00		460.00		460.00	001			1
166899	1	I	8/11/2014	8/11/2014 OIL BATH SEAL TRUCK 81	67.83		67.83		67.83	001			1
				** VENDOR TOTALS *	527.83		527.83		527.83				
1216 U S POST OFFICE													
AUGUST14	1	I	8/11/2014	8/11/2014 COMMUNITY MEETING MAILI	34.22		34.22		34.22	001			1

INVOICE#/LN	TY	DUE DATE	INV DATE	REFERENCE	GROSS	DISCOUNT	NET	DISCOUNT TAKEN	PAYMENT AMOUNT	DIST	MAN	CHCK	CK SQ
** VENDOR TOTALS *					34.22		34.22		34.22				
GENERAL					4779.96		4779.96		4779.96				
ROAD USE TAX													
1010 CASEY'S GENERAL STORE CORPORAT													
AUG14	1 I	8/11/2014	8/11/2014	CITY GAS	329.95		329.95		329.95	110			1
** VENDOR TOTALS *					329.95		329.95		329.95				
1202 SEYDEL AUTO SERVICE													
22065	1 I	8/11/2014	8/11/2014	OIL CHANGE LUBE	65.45		65.45		65.45	110			1
** VENDOR TOTALS *					65.45		65.45		65.45				
ROAD USE TAX					395.40		395.40		395.40				
WATER													
1133 ACTION SEWER & SEPTIC													
74241	1 I	8/11/2014	8/11/2014	LOCATING WATER LINES	227.50		227.50		227.50	600			1
** VENDOR TOTALS *					227.50		227.50		227.50				
1136 AERO RENTAL													
86740	1 I	8/11/2014	8/11/2014	METAL DETECTOR RENTAL	22.00		22.00		22.00	600			1
** VENDOR TOTALS *					22.00		22.00		22.00				
1261 FOX ENGINEERING													
36900	1 I	8/11/2014	8/11/2014	WATER ENGINEERING	8928.43		8928.43		8928.43	600			1
** VENDOR TOTALS *					8928.43		8928.43		8928.43				
1354 MAGUIRE IRON													
PAYMENT #2	1 I	8/11/2014	8/11/2014	CONTRACT PAYMENT #2	27409.11		27409.11		27409.11	600			1
** VENDOR TOTALS *					27409.11		27409.11		27409.11				
1203 STUTSMAN INC													
WELL	1 I	8/11/2014	8/11/2014	PURCHASE OF WELL	120556.18		120556.18		120556.18	600			1
** VENDOR TOTALS *					120556.18		120556.18		120556.18				
WATER					157143.22		157143.22		157143.22				
SEWER													
1261 FOX ENGINEERING													
36900A	1 I	8/11/2014	8/11/2014	ENGINEERING WASTE WATER	1470.00		1470.00		1470.00	610			1
** VENDOR TOTALS *					1470.00		1470.00		1470.00				
1287 KEYSTONE LABORATORIES													
6168	1 I	8/11/2014	8/11/2014	TESTS	58.68		58.68		58.68	610			1
** VENDOR TOTALS *					58.68		58.68		58.68				
1193 SHARON TELEPHONE													
AUG14	3 I	8/11/2014	8/11/2014	2107 LIFT STATION	32.83		32.83		32.83	610			1
** VENDOR TOTALS *					32.83		32.83		32.83				

INVOICE#/LN	TY	DUE DATE	INV DATE	REFERENCE	GROSS	DISCOUNT	NET	DISCOUNT TAKEN	PAYMENT AMOUNT	DIST	MAN	CHCK	SQ	CK

1216 U S POST OFFICE														
AUG14	BILL 1	I	8/11/2014	8/11/2014	SEWER BILLING	63.07		63.07	63.07	610				1
					** VENDOR TOTALS *	63.07		63.07	63.07					
1218 VAN METER INDUSTRIAL INC														
8093841	1	I	8/11/2014	8/11/2014	OAKCREST LIFT STATION	400.05		400.05	400.05	610				1
					** VENDOR TOTALS *	400.05		400.05	400.05					
					SEWER	2024.63		2024.63	2024.63					
LANDFILL/GARBAGE														
1014 CITY OF IOWA CITY LANDFIL														
AUG14	1	I	8/11/2014	8/11/2014	JULY LANDFILL FEES	219.24		219.24	219.24	670				1
					** VENDOR TOTALS *	219.24		219.24	219.24					
1100 JOHNSON COUNTY REFUSE, INC														
71227	1	I	8/11/2014	8/11/2014	JULY FEES	1230.25		1230.25	1230.25	670				1
					** VENDOR TOTALS *	1230.25		1230.25	1230.25					
1216 U S POST OFFICE														
AUG14	BILL 2	I	8/11/2014	8/11/2014	GARBAGE BILLING	63.07		63.07	63.07	670				1
					** VENDOR TOTALS *	63.07		63.07	63.07					
					LANDFILL/GARBAGE	1512.56		1512.56	1512.56					
					BANK TOTALS	165855.77		165855.77	165855.77					
									TOTAL MANUAL CHECKS				.00	
									TOTAL E-PAYMENTS				.00	
									TOTAL PURCH CARDS				.00	
									TOTAL OPEN PAYMENTS				165855.77	
					GRAND TOTALS	165855.77		165855.77	165855.77					

RESOLUTION NO 2014-19

RESOLUTION APPROVING ROAD USE REPORT

WHEREAS, the City Clerk of Hills, Iowa has prepared the Road Use Tax Report for the Department of Transportation; and

WHEREAS, the City Council has reviewed said report and finds that it should be approved.

NOW THEREFORE, be it resolved by the City Council of Hills, Iowa:

1. That the attached report for road use taxes by the City Clerk of Hills, Iowa. is hereby approved.
2. That the Mayor and the City Clerk are hereby authorized and directed to execute said report and forward said report to the Department of Transportation.

It was moved by _____ and seconded by _____ that the resolution be adopted and upon roll call there were:

	AYES	NAYS	ABSENT
Steve Harris	_____	_____	_____
Merle Hill	_____	_____	_____
Tim Kemp	_____	_____	_____
Thomas Kirkpatrick	_____	_____	_____
Cathy Knebel	_____	_____	_____

Passed and approved this 11 day of August, 2014

Tim Kemp , Mayor

ATTEST: _____
Bonnie Hansen, City Clerk

LOAN AND DISBURSEMENT AGREEMENT
\$2,000,000 GENERAL OBLIGATION WATER IMPROVEMENT BONDS
(INCLUDES A PORTION AS A FORGIVABLE LOAN)

This Loan and Disbursement Agreement (the "Agreement") is made and entered into as of August 22, 2014 by and between the City of Hills, Iowa (the "Participant") and the Iowa Finance Authority, an agency and public instrumentality of the State of Iowa (the "Issuer").

WHEREAS, the Issuer, in cooperation with the Iowa Department of Natural Resources (the "Department"), is authorized to undertake the creation, administration and financing of the Iowa Drinking Water Facilities Financing Program (the "Program") established in Iowa Code Sections 16.131 through 16.135 and Sections 455B.291 through 455B.299, including, among other things, the making of loans to Water Systems for purposes of the Program; and

WHEREAS, the Participant desires to participate in the Program as a means of financing all or part of the construction of certain drinking water treatment facilities serving the Participant and its residents; and

WHEREAS, to assist in financing the Project (defined herein), the Issuer desires to make a loan to the Participant in the amount set forth in Section 2 hereof; and

WHEREAS, pursuant to Federal requirements applicable to the Federal Fiscal Year 2010 Capitalization Grants, the Issuer desires to make a portion of such loan to the Participant forgivable, pending satisfaction of Program requirements, all as set forth in Section 16 hereof;

NOW, THEREFORE, the parties agree as follows:

Section 1. Definitions. In addition to other definitions set forth herein, the following terms as used in this Agreement shall, unless the context clearly requires otherwise, have the following meanings:

(a) "Bonds" shall mean any State Revolving Fund Revenue Bonds that were or in the future are issued by the Issuer for the purpose of providing moneys to finance the Loan to the Participant.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended, and all lawfully promulgated regulations thereunder.

(c) "General Obligation" shall mean the general obligation bond or capital loan note issued by the Participant to evidence its obligations under this Agreement.

(d) "Project" shall mean the particular construction activities approved by the Department and being undertaken by the Participant with respect to the operation or infrastructure of the Water System for the purpose of providing safe drinking water to the customers thereof, as described in the Resolution.

(e) "Regulations" shall mean the administrative rules of the Department relating to the Program, set forth in Title 567, Chapter 44 of the Iowa Administrative Code, and the administrative rules of the Issuer relating to the Program set forth in Title 265, Chapter 26 of the Iowa Administrative Code.

(f) "Resolution" shall mean the resolution of the City Council of the Participant, adopted on August 11, 2014, approving and authorizing the execution of this Agreement and the issuance of the General Obligation.

(g) "Water System" shall mean the drinking water system of the Participant, all facilities being used in conjunction therewith and all appurtenances and extensions thereto, including but not limited to the water facilities which the Participant is financing under this Agreement.

Section 2. Loan; Purchase of General Obligation. The Issuer agrees to purchase the General Obligation in order to make a loan to the Participant, and will disburse proceeds as set forth herein. The Participant agrees to borrow and accept from the Issuer, a loan in the principal amount of \$2,000,000 (the "Loan").

The Participant shall use the proceeds of the Loan strictly (a) to finance a portion of the costs of construction of the Project and (b), where applicable, to reimburse the Participant for a portion of the costs of the Project, which portion was paid or incurred in anticipation of reimbursement through the Program and which is eligible for such reimbursement under and pursuant to the Regulations and the Code.

Section 3. Disbursements. Proceeds of the Loan shall be made available to the Participant in the form of one or more periodic disbursements as provided in this Section. The Issuer thereafter shall make disbursements of a portion of the Loan for payment of costs of the Project upon receipt of the following:

(a) a completed payment request on a form acceptable to and available from the Issuer;

(b) current construction payment estimates;

(c) engineering service statements;

(d) purchase orders or invoices for items not included within other contracts; and

(e) evidence that the costs for which the disbursement is requested have been incurred.

Solely with respect to the request for the final disbursement of proceeds of the Loan, the Participant shall submit to the Issuer, in addition to items (a) through (e) above, a certification of completion and acceptance of the Project by the Participant or evidence of an acceptable settlement if the Project is subject to a dispute between the Participant and any contractor;

Disbursements shall be made in a timely fashion following the receipt of the information as set forth above. Unless otherwise agreed to in writing by the Issuer, funds shall be payable to the Participant via automated clearinghouse system transfer to the account specified by the Participant.

Section 4. Completion of Project. The Participant covenants and agrees (i) to exercise its best efforts in accordance with prudent water treatment utility practices to complete the Project; and (ii) to provide from its own fiscal resources all monies, in excess of the total amount of Loan proceeds it receives under the Agreement, required to complete the Project.

Section 5. Repayment of Loan; Issuance of General Obligation. The Participant's obligation to repay the Loan and interest thereon shall be evidenced by in the principal amount of the Loan, complying in all material respects with the Regulations and being in substantially the form set forth in the Resolution. The General Obligation shall be delivered to the Issuer as the original purchaser and registered holder thereof at the closing of the Loan. The General Obligation shall be accompanied by a legal opinion of bond counsel, in form satisfactory to the Issuer, to evidence the legality, levy of debt service taxes and tax-exempt status of interest on the General Obligation. The parties agree that a payment of principal of or interest on the General Obligation shall be deemed to be a payment of the same on the Loan and a payment of principal of or interest on the Loan shall be deemed to be a payment of the same on the General Obligation. Unless otherwise agreed to in writing by the Issuer, all payments of principal and interest due under the Loan shall be made via automated clearinghouse transfer, from an account specified by the Participant.

The General Obligation shall be dated the date of delivery to the Issuer, with interest and the Servicing Fee (together, the "Interest Rate" as set forth in Section 6 hereof) payable semiannually on June 1 and December 1 of each year from the date of each advancement of a part of the Loan from the Issuer to the Participant (which are initially expected to be on approximately the dates set forth on Exhibit A attached hereto and incorporated herein). The first repayment of principal of the Loan shall be due and

payable not later than one year after substantial completion of the Project and payments of principal, interest and the Servicing Fee shall continue thereafter until the Loan is paid in full. Following the final disbursement of Loan proceeds to the Participant, Exhibit A shall be adjusted by the Issuer, (i) with the approval of the Participant, based upon actual advances to the Participant under the Agreement, and (ii) taking into account the forgiveness by the Issuer of the portion of the Loan principal described in Section 16 below. Such revised Exhibit A thereafter shall be deemed to be incorporated herein by reference and made a part hereof and shall supersede and replace that initially attached hereto and to the General Obligation.

The General Obligation shall be subject to optional redemption by the Participant at a price of par plus accrued interest (i) on any date with the prior written consent of the Issuer, or (ii) in the event that all or substantially all of the Project is damaged or destroyed. Any such optional redemption of the General Obligation by the Participant may be made from any funds regardless of source, in whole or from time to time in part, upon not less than thirty (30) days notice of redemption by e-mail, facsimile or by certified or registered mail to the Issuer (or any other registered owner of the General Obligation). The General Obligation is also subject to mandatory redemption in the event the costs of the Project are less than initially projected, in which case the amount of the Loan shall be reduced to an amount equal to the actual Project costs advanced. The Participant and the Issuer agree that following such adjustment, the principal amount due under the General Obligation shall be automatically reduced to equal the principal amount of the adjusted Loan (and that the principal amount of the adjusted Loan will take into account any Loan forgiveness under Section 16 hereof).

In the Resolution, provisions shall be made for the levy of a sufficient continuing annual tax on all the taxable property within the corporate boundaries of the Participant for the payment of the principal of and interest on the General Obligation as the same will respectively become due, and by its execution of this Agreement and the issuance of the General Obligation to the Issuer pursuant to the Resolution, the Participant hereby irrevocably pledges the faith, credit, revenues and resources and all the real and personal property of the Participant for the full and prompt payment of the principal of and interest on the General Obligation.

Section 6. Interest Rate, Initiation Fee and Servicing Fees. (a) The Participant agrees to pay to the Issuer, as additional consideration for the Loan, a loan initiation fee (the "Initiation Fee") equal to one-half of one percent (0.50%) of the amount of the Loan (\$10,000), which shall be due and payable on the date of this Agreement. Unless the Issuer shall be otherwise notified by the Participant that the Participant intends to pay such Initiation Fee from other funds, and has received such other funds from the Participant on the date hereof, the Issuer shall be authorized to deduct the full amount of the Initiation Fee from the proceeds of the Loan being made hereunder, and such

deduction by the Issuer shall be deemed to be an expenditure by the Participant of the Loan proceeds.

(b) The Participant agrees to pay a Loan servicing fee (the "Servicing Fee") to the Issuer in an amount equal to 0.25% per annum of the principal amount of the Loan outstanding. The Servicing Fee shall be paid as described in Section 5 and Section 6(c) hereof.

(c) The Loan shall bear interest at 1.75% per annum (the "Rate"). As described in Section 5, payments hereunder shall be calculated based on the Rate plus the Servicing Fee (such 2.00%, the "Interest Rate").

Section 7. Compliance with Applicable Laws, Performance Under Loan Agreement; Rates. The Participant covenants and agrees (i) to comply with all applicable State of Iowa and federal laws, rules and regulations (including but not limited to the Regulations), judicial decisions, and executive orders in the performance of the Agreement and in the financing, construction, operation, maintenance and use of the Project and the Water System; (ii) to maintain its Water System in good repair, working order and operating condition; (iii) to cooperate with the Issuer in the observance and performance of their respective duties, covenants, obligations and agreements under the Agreement; (iv) to comply with all terms and conditions of the Resolution; and (v) to establish, levy and collect rents, rates and other charges for the products and services provided by its Water System, which rents, rates and other charges shall be at least sufficient to comply with all covenants pertaining thereto contained in, and all other provisions of, any bond resolution, trust indenture or other security agreement, if any, relating to any bonds or other evidences of indebtedness issued or to be issued by the Participant.

Section 8. Exclusion of Interest from Gross Income. Unless otherwise agreed to by the Issuer in writing, the Participant covenants and agrees as follows:

(a) The Participant shall not take any action or omit to take any action which would result in a loss of the exclusion of the interest on the Bonds from gross income for federal income taxation as that status is governed by Section 103(a) of the Code.

(b) The Participant shall not take any action or omit to take any action, which action or omission would cause its General Obligation or the Bonds (assuming solely for this purpose that the proceeds of the Bonds loaned to the Participant represent all of the proceeds of the Bonds) to be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, unless the Participant receives the prior written approval of the Issuer, the Participant shall not (A) permit any of the proceeds of the Bonds loaned to the Participant or the Project financed with such proceeds to be used, either directly or indirectly, in any

manner that would constitute “private business use” within the meaning of Section 141(b)(6) of the Code, taking into account for this purpose all such use by persons other than governmental units on an aggregate basis, (B) use, either directly or indirectly, any of the proceeds of the Bonds loaned to the Participant to make or finance loans to persons other than governmental units (as such term is used in Section 141(c) of the Code) or (C) use, either directly or indirectly, any of the proceeds of the Bonds loaned to the Participant to acquire any “non-governmental output property” within the meaning of Section 141(d)(2) of the Code.

(c) The Participant shall not directly or indirectly use or permit the use of any proceeds of the Bonds (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action, which use or action or omission would (assuming solely for this purpose that the proceeds of the Bonds loaned to the Participant represent all of the proceeds of the Bonds) cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

(d) The Participant shall not directly or indirectly use or permit the use of any proceeds of the Bonds to pay the principal of or interest on any issue of State or local governmental obligations (“refinancing of indebtedness”) unless the Participant shall establish to the satisfaction of the Issuer that such refinancing of indebtedness will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and the Participant delivers an opinion to such effect of bond counsel acceptable to the Issuer.

(e) The Participant shall not directly or indirectly use or permit the use of any proceeds of the Bonds to reimburse the Participant for any portion of the cost of the Project unless such cost was paid or incurred by the Participant in anticipation of reimbursement from the proceeds of the Bonds or other State or local governmental borrowing in accordance with the Code, published rulings of the Internal Revenue Service and the Regulations.

(f) The Participant shall not use the proceeds of the Bonds (assuming solely for this purpose that the proceeds of the Bonds loaned to the Participant represent all of the proceeds of the Bonds) in any manner which would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code or “hedge bonds” within the meaning of Section 149(g) of the Code.

(g) The Participant shall comply with all provisions of the Code relating to the rebate of any profits from arbitrage attributable to the Participant, and shall indemnify and hold the Issuer harmless therefrom.

Section 9. Insurance; Audits; Disposal of Property. The Participant covenants and agrees (a) to maintain insurance on, or to self-insure, the insurable portions of the

Water System of a kind and in an amount which normally would be carried by private companies engaged in a similar type of business, (b) to keep proper books and accounts adapted to the Water System, showing the complete and correct entry of all transactions relating thereto, and to cause said books and accounts to be audited by an independent auditor or the State Auditor (i) at such times and for such periods as may be required by the federal Single Audit Act of 1984, OMB Circular A-133 or State law, and (ii) at such other times and for such other periods as may be requested at any time and from time to time by the Issuer (which requests may require an audit to be performed for a period that would not otherwise be required to be audited under State law), and (c) not to sell, lease or in any manner dispose of the Water System, or any capital part thereof, including any and all extensions and additions which may be made thereto, until the General Obligation shall have been paid in full or otherwise discharged as provided in the Resolution; provided, however, that the Participant may dispose of any property which in the judgment of its governing body is no longer useful or profitable to use in connection with the operation of the Water System or essential to the continued operation thereof.

Section 10. Maintenance of Documents; Access. The Participant agrees to maintain separate financial records, in accordance with generally accepted government accounting standards, for construction cost accounting, operating revenue of the Water System, and Loan repayments.

The Participant agrees to permit the Issuer or its duly authorized representative access to all files and documents relating to the Project for purposes of conducting audits and reviews in accordance with any of the Regulations.

Section 11. Continuing Disclosure. As a means of enabling the Issuer to comply with the "continuing disclosure" requirements set forth in Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, the Participant agrees, during the term of the Loan, to provide the Issuer with (i) the comprehensive audit report of the Participant, prepared and certified by an independent auditor or the State Auditor not later than 180 days after the end of each fiscal year for which the report was prepared and (ii) such other information and operating data as the Issuer may reasonably request from time to time with respect to the Water System, the Project or the Participant.

The Participant hereby consents to the inclusion of all or any portion of the foregoing information and materials in a public filing made by the Issuer under the Rule. The Participant agrees to indemnify and hold harmless the Issuer, and its officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the disclosure of information permitted under this Section; provided that no such indemnification shall be required for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Issuer in the disclosure of such information.

Section. 12. Events of Default. If any one or more of the following events occur, it is hereby defined as and declared to constitute an “Event of Default” under this Agreement:

(a) Failure by the Participant to pay, or cause to be paid, any Loan repayment (including the Servicing Fee) required to be paid under this Agreement when due, which failure shall continue for a period of fifteen (15) days.

(b) Failure by the Participant to make, or cause to be made, any required payments of principal, redemption premium, if any, and interest on any bonds, notes or other obligations of the Participant (other than the Loan and the General Obligation), the payment of which are secured by the levy of debt services taxes.

(c) Failure by the Participant to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under the Agreement or the Resolution, other than the obligation to make Loan repayments, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Participant by the Issuer, unless the Issuer shall agree in writing to an extension of such time prior to its expiration or the failure stated in such notice is correctable but cannot be corrected in the applicable period, in which case the Issuer may not unreasonably withhold its consent to an extension of such time up to one hundred twenty (120) days from the delivery of the written notice referred to above if corrective action is commenced by the Participant within the applicable period and diligently pursued until the Event of Default is corrected.

Section 13. Remedies on Default. Whenever an Event of Default shall have occurred and be continuing, the Issuer shall have the right to take, any action authorized under the Regulations, the General Obligation or this Agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the Participant under the Agreement or the Resolution.

Section. 14. Amendments. This Agreement may not be amended, supplemented or modified except by a writing executed by all of the parties hereto.

Section 15. Termination. The Participant understands and agrees that the Loan may be terminated at the option of the Issuer if construction of the Project has not commenced within one year of the date of execution of this Agreement, all as set forth in the Regulations.

Section 16. Principal Forgiveness. Notwithstanding any provision of this Agreement to the contrary, following completion of the Project and receipt by the Issuer

of a certificate of completion from the Participant, a portion of the Loan in an amount equal to the forgiveness percentage identified in Exhibit A applied to the aggregate amount of disbursements under the Loan (the "Principal Forgiveness") shall be forgiven by the Issuer, and no payments of principal or interest shall be due with respect to the Principal Forgiveness after the date of such Principal Forgiveness (provided, however, that any accrued interest due on such portion up to, but not including, the date of such forgiveness shall be paid as otherwise required by under this Agreement). The Issuer will provide written notification to the Participant of the applicable Principal Forgiveness, which notification may be in the form of the final Exhibit A delivered pursuant to Section 5.

Section 17. Rule of Construction. This Agreement is executed pursuant to the provisions of Section 384.24A of the Code of Iowa and shall be read and construed as conforming to all provisions and requirements of that statute.

In the event of any inconsistency or conflict between the terms and conditions of the General Obligation and this Agreement or the Regulations, the parties acknowledge and agree that the terms of this Agreement or the Regulations, as the case may be, shall take precedence over any such terms of the General Obligation and shall be controlling, and that the payment of principal and interest on the Loan shall at all times conform to the schedule set forth on Exhibit A, as adjusted, and the Regulations.

IN WITNESS WHEREOF, we have hereunto affixed our signatures all as of the date first above written.

CITY OF HILLS, IOWA

By: _____
Mayor

Attest:

City Clerk

IOWA FINANCE AUTHORITY

By: _____
Its: Executive Director

EXHIBIT A

**ESTIMATED ADVANCEMENTS AND
DEBT SERVICE REPAYMENT SCHEDULE**

UNITED STATES OF AMERICA
STATE OF IOWA
COUNTY OF JOHNSON
CITY OF HILLS
GENERAL OBLIGATION WATER IMPROVEMENT BOND, SERIES 2014

No. R-1

\$2,000,000

RATE	MATURITY DATE	BOND DATE
1.75%	June 1, 2034	August 22, 2014

The City of Hills (the "City"), in the County of Johnson, State of Iowa, for value received, promises to pay from the source and as hereinafter provided, on the maturity date of this Bond to

IOWA FINANCE AUTHORITY

or registered assigns, the principal sum of

TWO MILLION DOLLARS

Interest at the rate specified above shall be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2014, and principal shall be due and payable in installments in the amounts shown on the Principal Payment Schedule hereon on June 1, 2015, and annually thereafter on June 1 in each year until the principal and interest are fully paid, except that the final installments of the entire balance of principal and interest, if not sooner paid, shall become due and payable on June 1, 2034. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The City Clerk shall act as Registrar and Paying Agent and may be hereinafter referred to as the "Registrar" or the "Paying Agent".

Payment of the principal of and interest on this Bond and premium, if any, shall be payable at the office of the Paying Agent by mailing of a check, wire transfer or automated Clearinghouse System transfer, to the registered owners thereof appearing on the registration books of the City at the addresses shown on such registration books. All such payments, except full redemption, shall be made to the registered owners appearing on the registration books at the close of business on the fifteenth day of the month next preceding the payment date. Final payment of principal shall only be made upon surrender of this Bond to the Paying Agent.

This Bond is one of a series of bonds (the "Bonds") issued by the City to evidence its obligation under a certain Loan and Disbursement Agreement, dated the date hereof (the "Agreement") entered into by the City for the purpose of providing funds to pay a portion of the cost of planning, designing and constructing improvements to the Municipal Waterworks Utility System (the "Project").

The Bonds are issued pursuant to and in strict compliance with the provisions of Chapter 384 and Chapter 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 authorizing and approving the 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 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 Bonds shall be subject to optional redemption by the City at a price of par plus accrued interest (i) on any date with the prior written consent of the Iowa Finance Authority, or (ii) in the event that all or substantially all of the Project is damaged or destroyed. Any optional redemption of the Bonds by the City may be made from any funds regardless of source, in whole or from time to time in part, in inverse order of maturity upon not less than thirty (30) days' notice of redemption by e-mail, facsimile, certified or registered mail to the Iowa Finance Authority (or any other registered owner of the Bonds). The Bonds are also subject to mandatory redemption as set forth in Section 5 of the Agreement.

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.

IN TESTIMONY WHEREOF, the City of Hills, Iowa, has caused this Bond to be executed by its Mayor and attested by its City Clerk, all as of the Bond Date.

CITY OF HILLS, IOWA

By _____
Mayor

Attest:

City Clerk

ABBREVIATIONS

The following abbreviations, when used in this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UTMA _____	
TEN ENT	- as tenants by the entireties		(Custodian)
JT TEN	-	As Custodian for _____	(Minor)
	as joint tenants with right of survivorship and not as tenants in common		under Uniform Transfers to Minors Act
		_____	(State)

Additional abbreviations may also be used though not in the list above.

ASSIGNMENT

For valuable consideration, receipt of which is hereby acknowledged, the undersigned assigns this Bond to

(Please print or type name and address of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

and does hereby irrevocably appoint _____, Attorney, to transfer this Bond on the books kept for registration thereof with full power of substitution.

Dated: _____

Signature guaranteed:

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.

PRINCIPAL PAYMENT SCHEDULE

<u>Due</u>	<u>Amount</u>	<u>Due</u>	<u>Amount</u>
<u>June 1</u>		<u>June 1</u>	
2015	\$1,000	2025	\$105,000
2016	\$87,000	2026	\$107,000
2017	\$89,000	2027	\$109,000
2018	\$91,000	2028	\$111,000
2019	\$93,000	2029	\$113,000
2020	\$95,000	2030	\$115,000
2021	\$97,000	2031	\$118,000
2022	\$99,000	2032	\$120,000
2023	\$100,000	2033	\$122,000
2024	\$103,000	2034	\$125,000

CLOSING CERTIFICATE

We, the undersigned Mayor and City Clerk, of the City of Hills, Iowa (the "City"), do hereby certify as of August 22, 2014 (the "Dated Date"), that we are now and were at the time of the execution of the City's \$2,000,000 General Obligation Water Improvement Bond, Series 2014, dated as of the date hereof (the "Series 2014 Bond"), the officers respectively above indicated; and that in pursuance of Chapter 384 of the Code of Iowa, a resolution adopted by the City Council on August 11, 2014, and a Loan and Disbursement Agreement (the "Agreement"), by and between the City and the Iowa Finance Authority, Des Moines, Iowa, as lender (the "Lender"), the Series 2014 Bond has been heretofore lawfully authorized and this day by us lawfully issued and delivered to the Lender and pursuant to the Agreement, the Lender shall loan to the City the maximum sum of \$2,000,000.

The Series 2014 Bond has been executed by the aforesaid officers; and the Series 2014 Bond has been fully registered as to principal and interest in the name of the Lender on the registration books of the City.

We further certify that the Series 2014 Bond is being issued to evidence the City's obligation under the Agreement entered into by the City for the purpose of providing funds to pay a portion of the cost of planning, designing and constructing improvements and extensions to the Municipal Waterworks System (the "Project") of the City.

We further certify that no controversy or litigation is pending, prayed or threatened involving the incorporation, organization, existence or boundaries of the City, or the titles of the aforesaid officers to their respective positions, or the validity of the Series 2014 Bond, or the power and duty of the City to provide and apply adequate taxes for the full and prompt payment of the principal of and interest on the Series 2014 Bond, and that none of the proceedings incident to the authorization and issuance of the Series 2014 Bond has been repealed or rescinded.

We further certify that no appeal of the decision of the City Council to enter into the Agreement and to issue the Series 2014 Bond has been taken to the district court.

We further certify that all meetings held in connection with the Series 2014 Bond were open to the public at a place reasonably accessible to the public and that notice was given at least 24 hours prior to the commencement of all meetings by advising the news media who requested notice of the time, date, place and the tentative agenda and by posting such notice and agenda at the City Hall or principal office of the City on a bulletin board or other prominent place which is easily accessible to the public and is the place designated for the purpose of posting notices of meetings.

We further certify as follows:

1. The Total Project Costs, including engineering expenses, are currently estimated to be \$6,150,000.
2. The net sales proceeds of the Series 2014 Bond are \$2,000,000 (the "Net Sales Proceeds"), the same being the Issue Price thereof.
3. The Net Sales Proceeds, including investment earnings thereon, will be invested by the City without restriction as to yield for a period not to exceed three years from the date hereof (the "Three Year Temporary Period"), the following three tests being reasonably expected to be satisfied by the City:
 - a. Time Test: The City has entered into or, within six months of the date hereof, will enter into binding contracts for the Project with third parties (e.g. engineers or contractors);
 - (i) which are not subject to contingencies directly or indirectly within the City's control;
 - (ii) which provide for the payment by the City to such third parties of an amount equal to at least 5% of the Net Sales Proceeds;
 - b. Expenditure Test: At least 85% of Net Sales Proceeds will be applied to the payment of Total Project Costs within the Three Year Temporary Period; and
 - c. Due Diligence Test: Acquisition and construction of the Project to completion and application of the Net Sales Proceeds to the payment of Total Project Costs will proceed with due diligence.
4. The Series 2014 Bond is payable from ad valorem taxes levied against all taxable property within the City which will be collected in a Debt Service Fund and applied to the payment of interest on the Series 2014 Bond on each June 1 and December 1 and principal of the Series 2014 Bond on each June 1 (the 12-month period ending on each June 1 being herein referred to as a "Bond Year"); the Debt Service Fund is used primarily to achieve a proper matching of taxes with principal and interest payments within each Bond Year; the Debt Service Fund will be depleted at least once each Bond Year except for a reasonable carryover amount not to exceed the greater of (i) the earnings on the fund for the immediately preceding Bond Year; or (ii) 1/12 of the principal and interest payments on the Series 2014 Bond for the immediately preceding Bond Year; amounts on deposit in the Debt Service Fund will be invested by the City without restriction as to yield for a period of 13 months after their date of deposit.
5. The City Council adopted a resolution on July April 28, 2014 declaring its official intent to acquire and construct the Project and finance the same with bonds or other obligations (the "Intent Resolution").

The City certifies that none of the costs of the Project to be paid for from the Net Sales Proceeds are for expenditures made more than 60 days prior to the date of adoption of the Intent

Resolution, except for (i) costs of issuance of the Series 2014 Bond; (ii) costs aggregating an amount not in excess of the lesser of \$100,000 or 5% of the Net Sales Proceeds; (iii) costs for preliminary expenditures (including architectural, engineering, surveying, soil testing, and similar costs incurred prior to commencement of acquisition or construction of the Project, other than land acquisition, site preparation and similar costs) not in excess of 20% of the Net Sales Proceeds of the Series 2014 Bond; the City will allocate Net Sales Proceeds to reimbursement of such expenditures no later than 3 years after the later of (i) the date any such expenditure was originally paid or (ii) the date the Project is placed in service (or abandoned); and such allocations will be made by the City in writing.

The City will seek reimbursement of prior expenditures already paid by the City from the proceeds of the Series 2014 Bond in the amount of \$ _____.

6. Not more than 50% of the Net Sales Proceeds will be invested in nonpurpose investments [as defined in Section 148(f)(6)(A) of the Internal Revenue Code of 1986, as amended (the "Code")] having a substantially guaranteed yield for four years or more (e.g., a four-year guaranteed investment contract or a Treasury Obligation that does not mature for four years).

7. The weighted average maturity of the Series 2014 Bond does not exceed the reasonably expected economic life of the Project.

8. To our best knowledge and belief, there are no facts, estimates or circumstances which would materially change the foregoing conclusions.

On the basis of the foregoing, it is not expected that the Net Sales Proceeds will be used in a manner that would cause the Series 2014 Bond to be an "arbitrage Bond" under Section 148 of the Code and the regulations prescribed under that section. The City has not been notified of any listing or proposed listing of it by the Internal Revenue Service as a bond issuer whose arbitrage certifications may not be relied upon.

We further certify that the City does not currently have outstanding tax exempt obligations issued during the current calendar year, including the Series 2014 Bond, equal to or in excess of \$10,000,000, nor will the City issue additional tax exempt obligations during the current calendar year which, when added to the City's current tax exempt obligations issued during the current calendar year, including the Series 2014 Bond, would be equal to or in excess of \$10,000,000.

We further certify that due provision has been made for the collection of taxes sufficient to pay the principal of and interest on the Series 2014 Bond when due. All payments coming due before the collection of any such taxes will be paid promptly when due from legally available funds.

IN WITNESS WHEREOF, we have hereunto affixed our hands on the Dated Date.

CITY OF HILLS, IOWA

By _____
Mayor

Attest:

City Clerk

August 7, 2014

VIA EMAIL

Bonnie Hansen
City Clerk/City Hall
Hills, Iowa

Re: Hills, Iowa
\$2,000,000 SRF General Obligation Water Improvement Loan and Disbursement
Agreement
File No. 420816-6

Dear Bonnie:

We have prepared and attach proceedings to be used at the August 11th City Council meeting to enable the Council to adopt the resolution (the "Resolution") approving the Loan and Disbursement Agreement and providing for the issuance of the General Obligation Water Improvement Bonds (the "Bonds").

The proceedings attached include the following items:

1. Minutes of the August 11th meeting providing for the adoption of the Resolution with the actual Resolution following. The form of Bond and Assignment included as part of the Resolution should not be completed or executed.
2. Certificate attesting to the transcript.
3. Certificate of the County Auditor attesting to the filing of a copy of the Resolution, in their office.

On August 11th, the Council should meet as scheduled and proceed with the adoption of the attached Resolution. All members of the Council present should vote upon the adoption of the Resolution, and the vote of each member should be called and recorded by name.

When completed and executed, a certified copy of the Resolution must be filed with the Johnson County Auditor, and you should print an extra copy of the resolution for this purpose.

Beginning in the 2015-2016 fiscal year, the County Auditor will have a mandatory duty to make a levy of taxes to pay principal of and interest on the Bonds unless the City's budget each year affirmatively shows that the tax should not be levied because other funds will be applied to the payment of the Bonds for that budget year. To the extent the City determines that property tax levies will be needed for payment of the Bonds in any year, the tax levy amounts needed must be certified for that year in the City's budget as part of the debt service fund, and the funds derived from sources other than taxes must be shown on the appropriate budget document.

Additionally, we are attaching the Loan and Disbursement Agreement for execution by you and the Mayor. **Please print three copies of the Agreement and have them executed as indicated.** After they have been signed, please return all of these copies to us so that we can have them signed on behalf of the Iowa Finance Authority, after which we will furnish you with a signed original for the City's records.

We have also included the Closing Certificate for execution by you and the Mayor. Please print the closing certificate and have it executed as indicated. After the certificate has been signed, please return the original to us for our files.

Finally, we have prepared and attached the printed General Obligation Water Improvement Bond, Series 2014 (the "Bond"). Please have the Bond signed as indicated, and return it to us so that we can deliver it to the lender at the time of closing. Please note that you and the Mayor must sign the Bond.

Please call John Danos or me if you have questions.

Kind Regards,

Amy Bjork

Enclosures

cc: Tracy Scebold
Steve Troyer
Erek Sittig
Maggie Burger

(Issuance - GO)

420816-6

Hills, Iowa

August 11, 2014

The City Council of the City of Hills, Iowa, met on August 11, 2014, at _____ o'clock
____.m., at the _____, Hills, Iowa. The meeting was called to order by the
Mayor, and the roll was called showing the following Council Members present and absent:

Present: _____

Absent: _____.

The Council took up for consideration a resolution approving and authorizing a Loan and
Disbursement Agreement and providing for the issuance of General Obligation Water
Improvement Bonds and providing for the levy of taxes to pay the same.

After due consideration and discussion, Council Member _____
introduced the following resolution and moved its adoption, seconded by Council Member
_____. The Mayor put the question upon the adoption of said resolution, and
the roll being called, the following Council Members voted:

Ayes: _____

Nays: _____.

Whereupon, the Mayor declared the resolution duly adopted as hereinafter set out.

RESOLUTION NO. _____

Resolution approving and authorizing a Loan and Disbursement Agreement and providing for the issuance of \$2,000,000 General Obligation Water Improvement Bonds and providing for the levy of taxes to pay the same

WHEREAS, pursuant to the provisions of Section 384.24A of the Code of Iowa, the City of Hills (the "City"), in the County of Johnson, State of Iowa, has heretofore proposed to contract indebtedness and enter into a certain General Obligation Water Improvement Loan Agreement in a principal amount not to exceed \$2,000,000 to provide funds to pay a portion of the cost of planning, designing and constructing improvements to the Municipal Waterworks Utility System (the "Project"), and has published notice of the proposed action and has held a hearing thereon on July 28, 2014; and

WHEREAS, it is necessary at this time for the City Council to approve a certain General Obligation Water Improvement Loan and Disbursement Agreement (the "Agreement") with the Iowa Finance Authority, an agency and public instrumentality of the State of Iowa, as lender (the "Lender") and to issue General Obligation Water Improvement Bonds, Series 2014 (the "Bonds") in evidence thereof in the principal amount of \$2,000,000 in order to pay certain costs of the Project; and

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

Section 1. It is hereby determined that the City shall enter into the Agreement with the Lender. The Agreement shall be in substantially the form as has been placed on file with the City and shall provide for a loan (the "Loan") to the City in the amount of \$2,000,000, for the purpose as set forth in the preamble hereof.

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

Section 2. The Bonds are hereby authorized to be issued in evidence of the obligation of the City under the Agreement, in the total aggregate principal amount of \$2,000,000, to be dated the date of delivery to or upon the direction of the Lender, and bearing interest from the date of each advancement made at the rate of 1.75% per annum pursuant to the Agreement, until payment thereof, as set forth in Exhibit A attached to the Agreement.

The Bonds may be in the denomination of \$1,000 each or any integral multiple thereof and, at the request of the Lender, shall be initially issued as a single bond in the denomination of \$2,000,000 and numbered R-1.

The City Clerk is hereby designated as the Registrar and Paying Agent for the Bonds and may be hereinafter referred to as the "Registrar" or the "Paying Agent".

Payment of the principal of and interest on the Bonds shall be payable at the office of the Paying Agent to the registered owners thereof appearing on the registration books of the City.

All such payments, except full redemption, shall be made to the registered owners appearing on the registration books at the close of business on the fifteenth day of the month next preceding the payment date. Final payment of principal shall only be made upon surrender of the Bond or Bonds to the Paying Agent.

In addition to the payment of principal of and interest on the Bonds, the City also agrees to pay the Initiation Fee and the Servicing Fee (defined in the Agreement) in accordance with the terms of the Agreement.

The Bonds shall be subject to optional redemption by the City at a price of par plus accrued interest (i) on any date with the prior written consent of the Lender, or (ii) in the event that all or substantially all of the Project is damaged or destroyed. Any optional redemption of the Bonds by the City may be made from any funds regardless of source, in whole or from time to time in part, in inverse order of maturity upon not less than thirty (30) days' notice of redemption by e-mail, facsimile, certified or registered mail to the Lender (or any other registered owner of the Bonds). The Bonds are also subject to mandatory redemption as set forth in Section 5 of the Agreement.

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 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 without cost to the registered owner thereof 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 3. 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 and delivery to the Lender, upon receipt of the loan proceeds (the "Loan Proceeds"), and all action heretofore taken in connection with the Agreement is hereby ratified and confirmed in all respects.

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

(Form of Bond)

**UNITED STATES OF AMERICA
STATE OF IOWA
COUNTY OF JOHNSON
CITY OF HILLS
GENERAL OBLIGATION WATER IMPROVEMENT BOND, SERIES 2014**

No. R-1 \$2,000,000

RATE	MATURITY DATE	BOND DATE
1.75%	June 1, 2034	August 22, 2014

The City of Hills (the "City"), in the County of Johnson, State of Iowa, for value received, promises to pay from the source and as hereinafter provided, on the maturity date of this Bond to

IOWA FINANCE AUTHORITY

or registered assigns, the principal sum of

TWO MILLION DOLLARS

Interest at the rate specified above shall be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2014, and principal shall be due and payable in installments in the amounts shown on the Principal Payment Schedule hereon on June 1, 2015, and annually thereafter on June 1 in each year until the principal and interest are fully paid, except that the final installments of the entire balance of principal and interest, if not sooner paid, shall become due and payable on June 1, 2034. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

The City Clerk shall act as Registrar and Paying Agent and may be hereinafter referred to as the "Registrar" or the "Paying Agent".

Payment of the principal of and interest on this Bond and premium, if any, shall be payable at the office of the Paying Agent by mailing of a check, wire transfer or automated Clearinghouse System transfer, to the registered owners thereof appearing on the registration books of the City at the addresses shown on such registration books. All such payments, except full redemption, shall be made to the registered owners appearing on the registration books at the close of business on the fifteenth day of the month next preceding the payment date. Final payment of principal shall only be made upon surrender of this Bond to the Paying Agent.

This Bond is one of a series of bonds (the "Bonds") issued by the City to evidence its obligation under a certain Loan and Disbursement Agreement, dated the date hereof (the "Agreement") entered into by the City for the purpose of providing funds to pay a portion of the cost of planning, designing and constructing improvements to the Municipal Waterworks Utility System (the "Project").

The Bonds are issued pursuant to and in strict compliance with the provisions of Chapter 384 and Chapter 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 authorizing and approving the 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 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 Bonds shall be subject to optional redemption by the City at a price of par plus accrued interest (i) on any date with the prior written consent of the Iowa Finance Authority, or (ii) in the event that all or substantially all of the Project is damaged or destroyed. Any optional redemption of the Bonds by the City may be made from any funds regardless of source, in whole or from time to time in part, in inverse order of maturity upon not less than thirty (30) days' notice of redemption by e-mail, facsimile, certified or registered mail to the Iowa Finance Authority (or any other registered owner of the Bonds). The Bonds are also subject to mandatory redemption as set forth in Section 5 of the Agreement.

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.

IN TESTIMONY WHEREOF, the City of Hills, Iowa, has caused this Bond to be executed by its Mayor and attested by its City Clerk, all as of the Bond Date.

CITY OF HILLS, IOWA

By (Do Not Sign) _____
Mayor

Attest:

(Do Not Sign) _____
City Clerk

ABBREVIATIONS

The following abbreviations, when used in this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UTMA _____
TEN ENT	- as tenants by the entireties	(Custodian)
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	As Custodian for _____
		(Minor)
		under Uniform Transfers to Minors Act

		(State)

Additional abbreviations may also be used though not in the list above.

ASSIGNMENT

For valuable consideration, receipt of which is hereby acknowledged, the undersigned assigns this Bond to

(Please print or type name and address of Assignee)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

and does hereby irrevocably appoint _____, Attorney, to transfer this Bond on the books kept for registration thereof with full power of substitution.

Dated: _____

Signature guaranteed:

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.

PRINCIPAL PAYMENT SCHEDULE

<u>Due</u> <u>June 1</u>	<u>Amount</u>	<u>Due</u> <u>June 1</u>	<u>Amount</u>
2015	\$1,000	2025	\$105,000
2016	\$87,000	2026	\$107,000
2017	\$89,000	2027	\$109,000
2018	\$91,000	2028	\$111,000
2019	\$93,000	2029	\$113,000
2020	\$95,000	2030	\$115,000
2021	\$97,000	2031	\$118,000
2022	\$99,000	2032	\$120,000
2023	\$100,000	2033	\$122,000
2024	\$103,000	2034	\$125,000

Section 5. The Loan Proceeds shall be held by the Lender and disbursed for costs of the Project, as referred to in the preamble hereof.

Section 6. 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, 2015, sufficient to produce the net annual sum of \$127,132;

For collection in the fiscal year beginning July 1, 2016, sufficient to produce the net annual sum of \$127,240;

For collection in the fiscal year beginning July 1, 2017, sufficient to produce the net annual sum of \$127,460;

For collection in the fiscal year beginning July 1, 2018, sufficient to produce the net annual sum of \$127,640;

For collection in the fiscal year beginning July 1, 2019, sufficient to produce the net annual sum of \$127,780;

For collection in the fiscal year beginning July 1, 2020, sufficient to produce the net annual sum of \$127,880;

For collection in the fiscal year beginning July 1, 2021, sufficient to produce the net annual sum of \$127,940;

For collection in the fiscal year beginning July 1, 2022, sufficient to produce the net annual sum of \$126,960;

For collection in the fiscal year beginning July 1, 2023, sufficient to produce the net annual sum of \$127,960;

For collection in the fiscal year beginning July 1, 2024, sufficient to produce the net annual sum of \$127,900;

For collection in the fiscal year beginning July 1, 2025, sufficient to produce the net annual sum of \$127,800;

For collection in the fiscal year beginning July 1, 2026, sufficient to produce the net annual sum of \$127,660;

For collection in the fiscal year beginning July 1, 2027, sufficient to produce the net annual sum of \$127,480;

For collection in the fiscal year beginning July 1, 2028, sufficient to produce the net annual sum of \$127,260;

For collection in the fiscal year beginning July 1, 2029, sufficient to produce the net annual sum of \$127,000;

For collection in the fiscal year beginning July 1, 2030, sufficient to produce the net annual sum of \$127,700;

For collection in the fiscal year beginning July 1, 2031, sufficient to produce the net annual sum of \$127,340;

For collection in the fiscal year beginning July 1, 2032, sufficient to produce the net annual sum of \$126,940; and

For collection in the fiscal year beginning July 1, 2033, sufficient to produce the net annual sum of \$127,500.

Section 7. A certified copy of this resolution shall be filed with the County Auditor of Johnson County, and said Auditor shall be and 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 principal of and/or interest due on the Bonds on the first 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 6 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 8. 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 9. As set forth in the Agreement, upon completion of the Project and receipt by the Lender of a certificate of completion from the City, a portion of the Loan shall be forgiven

by the Lender, provided, however, that any accrued interest due on such portion up to, but not including, the date of such forgiveness shall be paid as otherwise required by this Resolution and the Agreement.

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 be and the same are hereby repealed to the extent of such conflict.

Passed and approved August 11, 2014.

Mayor

Attest:

City Clerk

••••

On motion and vote, the meeting adjourned.

Mayor

Attest:

City Clerk

STATE OF IOWA
COUNTY OF JOHNSON SS:
CITY OF HILLS

I, the undersigned, City Clerk of the aforementioned City, 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 authorization and approval of a certain Loan and Disbursement Agreement (the "Agreement") and the issuance of \$2,000,000 General Obligation Water Improvement Bonds, Series 2014 (the "Bonds") of said City evidencing the City's obligation under the Loan and Disbursement 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 petition of protest or objections of any kind have been filed or made, nor has any appeal been taken to the District Court from the decision of the City Council to enter into the Agreement, to issue the Bonds or to levy such taxes.

WITNESS MY HAND this ___ day of _____, 2014.

City Clerk

STATE OF IOWA
COUNTY OF JOHNSON SS:
CITY OF HILLS

I, the undersigned, County Auditor of the aforementioned County, in the State of Iowa, do hereby certify that on the ___ day of _____, 2014, the City Clerk of the City of Hills filed in my office a certified copy of a resolution of such City shown to have been adopted by the Council and approved by the Mayor thereof on August 11, 2014, entitled: "Resolution approving and authorizing a Loan and Disbursement Agreement and providing for the issuance of \$2,000,000 General Obligation Water Improvement Bonds 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, 2015, and subsequent years as provided in the resolution.

WITNESS MY HAND this ___ day of _____, 2014.

County Auditor