

Water Revenue Bond Sale

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER __, 2012

New Issues

Rating: Application Made

In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions (assuming compliance with certain covenants,) interest on the Bonds will be excluded from gross income for federal income tax purposes, such interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986 and will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The City will designate the Bonds as "qualified tax exempt obligations." See "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein for more information.



CITY OF NORTH LIBERTY, IOWA

\$1,575,000* Water Revenue Refunding Bonds, Series 2012C

BIDS RECEIVED: Tuesday, October 9, 2012, 11:00 o'clock A.M., Central Time

AWARD: Tuesday, October 9, 2012, 6:30 o'clock P.M., Central Time

Dated: Date of Delivery (November 12, 2012)

Principal Due: June 1 as shown inside front cover

The \$1,575,000*Water Revenue Refunding Bonds, Series 2012C (the "Series 2012C Bonds") are being issued pursuant to Division V of Chapter 384 of the Code of Iowa and resolutions to be adopted by the City Council of the North Liberty, Iowa (the "City"). The Series 2012B Bonds and the Series 2012C Bonds are referred to collectively as (the "Bonds"). The Series 2012C Bonds are being issued to pay the costs of current refunding the outstanding Callable 2001 Water Revenue Bonds. The purchaser of the Bonds agrees to enter into loan agreements with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Bonds are issued in evidence of the City's obligations under the loan agreements. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OF NORTH LIBERTY, but are payable solely and only from the net revenues of the Waterworks System.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Bankers Trust Company, Des Moines, Iowa as the City's designated paying agent (the "Paying Agent"), will pay principal of the Bonds, payable annually on each June 1, and interest on the Bonds, payable initially on June 1, 2013, and thereafter on each December 1 and June 1 to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the registrar as of the 15th day of the month preceding such interest payment date (the "Record Date").

THE BONDS WILL MATURE AS LISTED ON THE INSIDE FRONT COVER

MINIMUM BID:	\$1,567,125
GOOD FAITH DEPOSIT:	1% (Required of Purchaser Only)
TAX MATTERS:	Federal: Tax-Exempt State: Taxable See "TAXABILITY OF INTEREST" section for details.

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to the unqualified approving legal opinion of Dorsey & Whitney LLP, Bond Counsel, of Des Moines, Iowa, to be furnished upon delivery of the Bonds. It is expected that the Bonds will be available for delivery on or about November 12, 2012. This Preliminary Official Statement will be further supplemented by offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law, and shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in Rule 15c2-12.

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

CITY OF NORTH LIBERTY, IOWA

\$1,575,000* Water Revenue Refunding Bonds, Series 2012C

MATURITY:

<u>June 1,</u>	<u>Amount*</u>	<u>June 1,</u>	<u>Amount*</u>
2013	\$150,000	2018	\$180,000
2014	165,000	2019	185,000
2015	170,000	2020	190,000
2016	170,000	2021	190,000
2017	175,000		

*** PRINCIPAL
ADJUSTMENT:**

Preliminary; subject to change. The City reserves the right to increase or decrease the aggregate principal amounts of the Bonds. However, the maximum par amount will not exceed \$1,625,000. Such change will be in increments of \$5,000 and may be made in any of the maturities. The purchase prices will be adjusted proportionately to reflect any changes in issue sizes.

INTEREST: June 1, 2013 and semiannually thereafter.

REDEMPTION: The Bonds due after June 1, 2019 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to prospective bidders. Its primary purpose is to disclose information regarding the Bonds to prospective bidders in the interest of receiving competitive bids in accordance with the TERMS OF OFFERING contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement".

Review Period: This Preliminary Official Statement has been distributed to City staff as well as to prospective bidders for an objective review of its disclosure. Comments, omissions or inaccuracies must be submitted to Independent Public Advisors, LLC at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received. If there are any changes, corrections or additions to the Preliminary Official Statement, prospective bidders will be informed by an addendum at least one business day prior to the sale.

Final Official Statement: Upon award of sale of the Bonds, the legislative body will authorize the preparation of a Final Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the underwriter(s) (the "Syndicate Manager(s)") and syndicate members. Copies of the Final Official Statement will be delivered to the Syndicate Manager(s) within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto were prepared relying on information from the City and other sources, which are believed to be reliable.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of Independent Public Advisors, LLC (the "Financial Advisor") payable entirely by the City is contingent upon the sale of the issue.

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CITY OF NORTH LIBERTY, IOWA

Mayor and City Council

<u>Member</u>	<u>Term Expiration</u>
Tom Salm, Mayor	2013
Coleen Chipman	2015
Terry Donahue	2015
Gerry Kuhl	2013
Chris Hoffman	2015
Brian Wayson	2013

Administration

Ryan Heiar	City Administrator
Tracey Mulcahey	City Admin/Clerk
Debra Hilton	City Treasurer
Mary Byers	Deputy City Clerk
Scott Peterson	City Attorney

Bond Counsel

Dorsey & Whitney LLP
Des Moines, Iowa

Financial Advisor

Independent Public Advisors, LLC
Johnston, Iowa

TERMS OF OFFERING
CITY OF NORTH LIBERTY, IOWA

This section sets forth the description of certain of the terms of the Bonds as well as the TERMS OF OFFERING with which all bidders and bid proposals are required to comply, as follows:

DETAILS OF THE BONDS

Water Revenue Refunding Bonds (the “Bonds”), in the aggregate principal amount of \$1,575,000* to be dated November 12, 2012, in the denomination of \$5,000 or any integral multiples thereof designated by the Purchaser(s) within forty-eight hours of acceptance of the bid, and will mature, as follows:

<u>June 1,</u>	<u>Amount*</u>	<u>June 1,</u>	<u>Amount*</u>
2013	\$150,000	2018	\$180,000
2014	165,000	2019	185,000
2015	170,000	2020	190,000
2016	170,000	2021	190,000
2017	175,000		

*Preliminary; subject to change. The City reserves the right to increase or decrease the aggregate principal amounts of the Bonds. However, the maximum par amount will not exceed \$1,625,000. Such change will be in increments of \$5,000 and may be made in any of the maturities. The purchase price will be adjusted proportionately to reflect any changes in issue size.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds due after June 1, 2019 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

INTEREST ON THE BONDS

Interest on the Bonds will be payable on June 1, 2013 and semiannually on the 1st day of each December and June thereafter until the principal on the Bonds is paid in full. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the registrar as of the 15th day of the month preceding such interest payment date (the “Record Date”). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

GOOD FAITH DEPOSIT

A good faith deposit in the amount of \$15,750 for the Bonds (the “Deposit”) is required from the lowest bidder only of each series of the Bonds. The lowest bidder is required to submit such deposit payable to the order of the City in the form of either (i) a cashier's check provided to the City or its Financial Advisor prior to the opening of bids or (ii) a wire transfer as instructed by the City’s Financial Advisor not later than 1:00 P.M. Central Time on the day of sale of the Bonds. If not so received, the bid of the lowest bidder may be rejected and the City may direct the second lowest bidder to submit a deposit and thereafter may award the sale of the Bonds to the same. No interest on a deposit will accrue to the successful bidder (the “Purchaser”). The Deposit will be applied to the purchase price of the Bonds. In the event a Purchaser fails to honor its accepted bid proposal, any deposit will be retained by the City.

PARITY BONDS

The City reserves the right and privilege to issue additional bonds payable from the same source and ranking on a parity with the Bonds. The Bonds are issued on a parity basis (with respect to the net revenues of the Waterworks System) with \$3,295,000 of currently outstanding Water Revenue Bonds of the City.

FORM OF BIDS AND AWARD

All bids shall be unconditional for Bonds for a price not less than \$1,567,125, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations set forth under the "RATES OF INTEREST" section. Bids must be submitted on or in substantial compliance with the OFFICIAL BID FORM provided by the City.

Each series of the Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (the "TIC") basis assuming compliance with the "GOOD FAITH DEPOSIT" section. The TIC shall be determined by the present value method, i.e., by ascertaining the semiannual rate, compounded semiannually, necessary to discount to present value as of the dated date of the Bonds, the amount payable on each interest payment date and on each stated maturity date or earlier mandatory redemption, so that the aggregate of such amounts will equal the aggregate purchase price offered therefore. The TIC shall be stated in terms of an annual percentage rate and shall be that rate of interest, which is twice the semiannual rate so ascertained (also known as the Canadian Method). The TIC shall be as determined by the Financial Advisor based on the TERMS OF OFFERING and all amendments, and on the bids as submitted. The Financial Advisor's computation of the TIC of each bid shall be controlling. In the event of tie bids for the lowest TIC, the Bonds will be awarded by lot.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause and (iii) reject any bid which the City determines to have failed to comply with the terms herein.

RATES OF INTEREST

The rates of interest specified in the bidder's proposal must conform to the following limitations:

1. Each annual maturity must bear the same interest rate. For each respective series, each annual maturity must bear a single rate of interest from the dated date of the Bonds to the date of maturity.
2. Rates of interest bid must be in multiples of one-eighth or one-twentieth of one percent.
3. Each rate of interest specified for Bonds of any annual maturity shall not be less than a rate of interest specified for any earlier maturity. Rates must be level or in ascending order.

RECEIPT OF BIDS

Forms of Bids: Bids must be submitted on or in substantial compliance with the TERMS OF OFFERING and OFFICIAL BID FORM provided by the City or through PARITY[®] competitive bidding system (the "Internet Bid System"). The City shall not be responsible for malfunction or mistake made by any person, or as a result of the use of an electronic bid or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be accepted after the time specified in the Official Bid Forms as published in this Official Statement. The time as maintained by the Internet Bid System shall constitute the official time with respect to all bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Sealed Bidding: Sealed bids may be submitted and will be received at the City Hall, 3 Quail Creek Circle, North Liberty, Iowa 52317.

Electronic Internet Bidding: Electronic internet bids must be submitted through the Internet Bid System. Information about the Internet Bid System may be obtained by calling (212) 404-8102.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the TERMS OF OFFERING and OFFICIAL BID FORM. The City is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the Internet bidding and the Internet Bid System is not an agent of the City. Provisions of the TERMS OF OFFERING and OFFICIAL BID FORM shall control in the event of conflict with information provided by the Internet Bid System.

Electronic Facsimile Bidding: Electronic facsimile bids will be received at City Hall, North Liberty, Iowa (facsimile number: (319) 626-3288) or at the office of the City's Financial Advisor, Independent Public Advisors, LLC, Johnston, Iowa (facsimile number: 515-259-8193). Electronic facsimile bids will be sealed and treated as sealed bids.

Facsimile Transmissions received after the deadline will be rejected. Bidders electing to submit bids via facsimile transmission bear full responsibility for the transmission of such bid. Neither the City nor its agents shall be responsible for malfunction or mistake made by any person, or as a result of the use of the facsimile facilities or any other means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received. Neither the City nor its agents will assume liability for the inability of the bidder to reach the above named facsimile numbers prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile operator receiving the bids.

BOOK-ENTRY-ONLY ISSUANCE

The Bonds will be issued by means of a book-entry only system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The Purchaser(s), as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC.

MUNICIPAL BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that initial rating fee. Any other rating agency fees shall be the responsibility of the Purchaser. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds. The City reserves the right in its sole discretion to accept or deny changes to the financing documents requested by the insurer selected by the Purchaser.

DELIVERY

The Bonds will be delivered to the Purchaser via Fast Automated Securities Transfer ("FAST") delivery with the Registrar holding the Bonds on behalf of DTC, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within forty-five days after the sale. Should delivery be delayed beyond sixty days from the date of sale for any reason except failure of performance by the Purchaser, the Purchaser may withdraw their bid and thereafter their interest in and liability for the Bonds will cease. When the Bonds are ready for delivery,

the City will give the Purchaser five working days notice of the delivery date and the City will expect payment in full on that date, otherwise reserving the right at its option to determine that the Purchaser failed to comply with the offer of purchase.

INFORMATION FROM PURCHASER

The Purchaser will be required to certify to the City immediately after the opening of bids: (i) the initial public offering price of each maturity of the Bonds (not including sales to bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed their fair market value of the Bonds on the sale date. The Purchaser(s) will also be required to provide a certificate at closing confirming the information required by this paragraph.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds. The Preliminary Official Statement when further supplemented with maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the City, shall constitute a Final Official Statement of the City with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule").

By awarding the Bonds to any underwriter or underwriting syndicate submitting an OFFICIAL BID FORM therefore, the City agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 20 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The City shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to the Participating Underwriter. Any underwriter executing and delivering an OFFICIAL BID FORM with respect to the Bonds agrees thereby that if its bid is accepted by the City, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CONTINUING DISCLOSURE

In order to assist bidders in complying with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will undertake, pursuant to the resolution for the Bonds and the Continuing Disclosure Certificate for the Bonds, to provide certain annual financial information and notices of the occurrence of certain material events. A description of these undertakings is set forth in APPENDIX C of this Preliminary Official Statement. The City will deliver the Continuing Disclosure Certificate at closing, and any failure on the part of the City to deliver the same shall relieve the Purchaser of its obligation to purchase the Bonds. The City has complied in all material respects with its previous continuing disclosure undertakings.

CUSIP NUMBERS

It is anticipated that Committee on Uniform Security Identification Procedures (“CUSIP”) numbers will be printed on the Bonds and the Purchaser must agree in the bid proposal to pay the cost thereof. In no event will the City, Bond Counsel or Financial Advisor be responsible for the review or express any opinion that the CUSIP numbers are correct. Incorrect CUSIP numbers on said Bonds shall not be cause for the Purchaser to refuse to accept delivery of said Bonds.

BY ORDER OF THE CIY COUNCIL
City of North Liberty
3 Quail Creek Circle
North Liberty, IA 52317

DRAFT

OFFICIAL STATEMENT

CITY OF NORTH LIBERTY, IOWA

\$1,575,000* Water Revenue Refunding Bonds, Series 2012C

INTRODUCTION

This Preliminary Official Statement contains information relating to the City of North Liberty, Iowa (the “City”) and its issuance of \$1,575,000* Water Revenue Refunding Bonds, Series 2012C (the “Bonds”). This Preliminary Official Statement has been executed on behalf of the City and may be distributed in connection with the sale of the Bonds authorized therein. Inquiries may be directed to Independent Public Advisors, LLC, 8805 Chamberly Blvd, Suite 300, #114, Johnston, Iowa 50131, or by telephoning (515) 259-8193. Information can also be obtained from the City Clerk, City of North Liberty, 3 Quail Creek Circle, North Liberty, Iowa 52317, or by telephoning (319) 626-5700.

AUTHORITY AND PURPOSE

The \$1,575,000*Water Revenue Refunding Bonds, Series 2012C (the “Bonds”) are being issued pursuant to Division V of Chapter 384 of the Code of Iowa and resolutions to be adopted by the City Council of the City of North Liberty, Iowa (the “City”). The Bonds are being issued to pay the costs of current refunding the outstanding Callable 2001 Water Revenue Bonds (the “Refunded Bonds”). The Purchaser of the Bonds agrees to enter into loan agreements with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Bonds are issued in evidence of the City’s obligations under the loan agreements. **THE SERIES 2012C BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OF NORTH LIBERTY**, but are payable solely and only from the net revenues of the Waterworks System. The bonds being refunded are described below.

Refunded Bonds	Call Date	Call Price	Refunded Maturities	Principal Amount	Interest Rate
Water Revenue Series 2001	November 12, 2012	100%	June 1, 2013	\$140,000	4.75%
			June 1, 2014	145,000	4.85%
			June 1, 2015	155,000	4.95%
			June 1, 2016	160,000	5.05%
			June 1, 2017	170,000	5.10%
			June 1, 2018	180,000	5.15%
			June 1, 2019	190,000	5.20%
			June 1, 2020	200,000	5.25%
			June 1, 2021	210,000	5.30%

The estimated Sources and Uses of the Bonds are as follows:

Sources of Funds	
Par Amount*	\$1,575,000.00
Existing Reserve Funds	<u>577,856.25</u>
	\$2,152,856.25
Uses of Funds	
Bond Redemption	\$1,550,000.00
Debt Service Reserve Fund	553,470.76
Underwriter’s Discount	7,875.00
Cost of Issuance & Rounding	<u>41,510.49</u>
Total	\$2,152,856.25

*Preliminary; subject to change.

OPTIONAL REDEMPTION OF THE BONDS

The Bonds due after June 1, 2019 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

INTEREST ON THE BONDS

Interest on the Bonds will be payable on June 1, 2013 and semiannually on the 1st day of each December and June thereafter until the principal on the Bonds is paid in full. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

PAYMENT OF AND SECURITY FOR THE SERIES BONDS

Source of Payment: **THE SERIES BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY**, but are payable solely and only from a pledge of net revenues of the Waterworks System. The City will pledge the net revenues of the Waterworks System for payment of principal and interest on the Bonds and on all future outstanding water parity obligations. The Bonds are being issued on a parity with the \$1,670,000 Water Revenue Bonds, Series 2006B, dated November 15, 2006 of which \$1,350,000 is outstanding; and the \$2,350,000 Water Revenue Bonds, Series 2008D, dated September 15, 2008 of which \$1,945,000 is outstanding (the "Waterworks Parity Obligations"). The City pledges a first lien on the net revenues of the Waterworks System for payment of principal of and interest on the Bonds and Waterworks Parity Obligations after payment of operation and maintenance expenses.

Waterworks System Rate Covenant: The City covenants to establish, impose, adjust and provide for the collection of rates to be charged to customers of the Waterworks System, including the City, to produce gross revenues for the next fiscal year at least sufficient to pay the expenses of operation and maintenance of the Waterworks System, which shall include salaries, wages, cost of maintenance and operation, materials, supplies, insurance and all other items normally included under recognized accounting practices (but does not include allowances for depreciation of physical property) for the next fiscal year, and to leave a balance of net revenues equal to at least 120% of the average annual installments of principal of and interest on all of the Bonds and Waterworks Parity Obligations outstanding from time to time and to maintain a reasonable reserve for the payment of such principal and interest as provided for in the resolution for the Bonds.

Unpaid Waterworks System Charges: As provided by Section 384.84, Subsection 3, Code of Iowa, unpaid water charges constitute a lien upon the premises served by the Waterworks System upon certification by the City to the County Treasurer that the rates or charges are past due. The lien has equal precedence with ordinary taxes, may be certified to the County Treasurer and collected in the same manner as taxes, and is not divested by a judicial sale.

Waterworks System Revenue Sinking Fund: The City covenants to maintain a Water Revenue Sinking Fund. The minimum amount to be deposited from net revenues of the Waterworks System in the Water Revenue Sinking Fund during each month of the year will not be less than a sum equal to one-twelfth (1/12) of the principal of all Series 2012C Bonds and Waterworks Parity Obligations maturing on the June 1 next succeeding, plus a sum equal to one-sixth (1/6) of the interest becoming due on the next succeeding interest payment date on all outstanding Bonds and Waterworks Parity Obligations. If for any reason, the amount on hand in the Water Revenue Sinking Fund exceeds the required amount, no further payments need to be made. Money in the Water Revenue Sinking fund shall be used solely for the purpose of paying principal and interest on the Series 2012C Bonds and Waterworks Parity Obligations, as the same shall become due and payable.

Waterworks System Reserve Fund: The City covenants to maintain a water debt service reserve fund (the "Waterworks Reserve Fund"). All money credited to the Waterworks Reserve Fund will be used and is pledged for the payment of the principal and interest on the Series 2012C Bonds and Waterworks Parity Obligations whenever for any reason the funds on deposit in the Water Revenue Sinking Fund are insufficient to pay such principal and interest when due. The Waterworks Reserve Fund currently has a balance of \$577,856.25. Upon issuance of the Bonds, the City will decrease the Waterworks Reserve Fund to approximately \$553,470.76, which represents the estimated maximum annual debt service on the Bonds and all Waterworks Parity Obligations due in any succeeding fiscal year.

Waterworks System Additional Bonds Test: The City reserves the right and privilege to issue additional revenue obligations, from time to time, payable from the same source and ranking on a parity with the outstanding Bonds and Waterworks Parity Obligations, in order to pay the cost of future extensions and improvements to the Waterworks System or for refunding any of the outstanding Waterworks Parity Obligations payable from the net revenues of the Waterworks System, but before any such bonds ranking on a parity are issued, there will have been procured a statement of an independent certified public accountant or consulting engineer, not a regular employee of the City, reciting the opinion based upon necessary investigations that the net revenues of the Waterworks System for the preceding fiscal year were equal to at least 120% of the average amount that will become due in any fiscal year for both principal of and interest on all Bonds and Waterworks Parity Obligations then outstanding and the obligations then proposed to be issued.

BOOK-ENTRY-ONLY ISSUANCE

The information contained in the following paragraphs of this subsection "Book-Entry-Only Issuance" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE." The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard &

Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co., nor any other DTC nominee, will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date identified in a listing attached to the Omnibus Proxy.

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender/Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

FUTURE FINANCING

The City is concurrently issuing General Obligation Urban Renewal Bonds, Series 2012B in the estimated amount of \$1,850,000. The City does not anticipate additional issuance in the next 90 days.

LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

DEBT PAYMENT HISTORY

The City knows of no instance in which it has defaulted in the payment of principal or interest on its debt.

LEGALITY

The Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP of Des Moines, Iowa as Bond Counsel. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and will not pass upon its accuracy, completeness or sufficiency. Bond Counsel has not examined nor attempted to examine or verify, any of the financial or statistical statements, or data contained in this Preliminary Official Statement and will express no opinion with respect thereto. Legal opinions in substantially the form set out as Appendix A to this Preliminary Official Statement, will be delivered at closing.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt or taxable status of the interest thereon (see "TAX EXEMPTION AND RELATED TAX CONSIDERATIONS" herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as APPENDIX A. Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Purchaser at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel.

The legal opinion will express the professional judgment of Bond Counsel and by rendering a legal opinion; Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction.

Bond Counsel has not been engaged, nor has it undertaken, to prepare or to independently verify the accuracy of the Preliminary Official Statement, including but not limited to financial or statistical information of the City and risks

associated with the purchase of the Bonds, except Bond Counsel has reviewed and/or prepared the information and statements contained in the Preliminary Official Statement under “AUTHORITY AND PURPOSE”, “PAYMENT OF AND SECURITY FOR THE BONDS”, “TAX EXEMPTION AND RELATED CONSIDERATIONS” and “CONTINUING DISCLOSURE” insofar as such statements contained under such captions purport to summarize certain provisions of the Internal Revenue Code of 1986, the Bonds and any opinions rendered by Bond Counsel. Bond Counsel has prepared the documents contained in APPENDIX A and APPENDIX C.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Federal Income Tax Exemption: The opinions of Bond Counsel will state that under present laws and rulings, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes. Interest payable on the Bonds will not be treated as a preference item in calculating the alternative minimum tax imposed under the Internal Revenue Code of 1986 (the “Code”) with respect to individuals and corporations, but will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The opinions set forth in the preceding sentence will be subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds and in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. In the resolutions authorizing the issuance of the Bonds, the City will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to other federal tax consequences to owners of the Bonds. Prospective purchasers of such bonds should consult with their tax advisors as to such matters.

Tax Accounting Treatment of Discount and Premium on Certain Bonds: The initial public offering price of certain of the Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the “Issue Price”) and the principal amount payable at maturity constitutes “original issue discount” under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner’s federal tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Discount Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

An owner of a Discount Bond who disposes of such Discount Bond prior to maturity should consult owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

Owners who purchase Discount Bonds in the initial public offering but at a price different than the Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership Discount Bonds.

The Code contains provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Original issue discount that accrues in each year to an owner of a Discount Bond may result in collateral federal income tax consequences to certain taxpayers. No opinion is expressed as to state and local income tax treatment of original issue discount. All owners of Discount Bonds should consult their own tax advisors with respect to the federal, state, local and foreign tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.

The initial public offering price of certain of the Bonds (the "Premium Bonds") may be greater than the amounts payable on such Bonds at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium must, from time to time, reduce their federal tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Bonds acquired at a premium.

Bank Qualification: In the resolutions authorizing the issuance of the Bonds, the City will designate such Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to tax-exempt obligations.

RELATED TAX MATTERS

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

There are or may be pending in the Congress of the United States, legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to in this section or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal or state tax legislation.

Opinions: Bond Counsel's opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its

review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel's opinion is not binding on the Service. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. One such proposal is the American Jobs Act of 2011 (S.1549) (the "Jobs Bill") which was introduced in the Senate on September 13, 2011 at the request of the President. If enacted in its current form, the Jobs Bill could adversely impact the marketability and market value of the Bonds and prevent certain bondholders (depending on the financial and tax circumstances of the particular bondholder) from realizing the full benefit of the tax exemption of interest on the Bonds. In addition, on September 29, 2011, President Obama submitted to Congress a legislative proposal entitled the "Debt Reduction Act of 2011" (the "Reduction Act"). If enacted, as proposed, the Reduction Act would require the Office of Management and Budget establish a steadily declining ratio for debt as a percentage of Gross Domestic Product and would impose a penalty in the event that Congress failed to meet the requirements, including automatic sequestration of spending and the reduction in the value of certain tax incentives, including interest on tax-exempt municipal bonds, potentially (in the extreme) eliminating the exemption from taxation that tax-exempt municipal bonds held at the time of issuance.

It cannot be predicted whether or in what form any such proposals might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. It is possible that further legislation will be proposed or introduced that could result in changes in the way that tax exemption is calculated, or whether interest on certain securities are exempt from taxation at all. Prospective purchasers should consult with their own tax advisors regarding the Jobs Act and/or the Reduction Act and any other pending or proposed federal income tax legislation. The likelihood of the Jobs Act or the Reduction Act being enacted or whether the currently proposed terms of the Jobs Act and/or the Reduction Act will be altered or removed during the legislative process cannot be reliably predicted.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

RATING

The City has requested a rating from Moody's Investors Service ("Moody's"). Moody's has no previous rating on the City's Water Revenue Debt. Such a rating will reflect only the view of the rating agencies and any explanation of the significance of such rating may only be obtained from the respective rating agency. There is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of the ratings may have an effect on the market price of the Bonds.

INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS SHOULD BE AWARE THAT THERE ARE CERTAIN INVESTMENT CONSIDERATIONS ASSOCIATED WITH THE BONDS. EACH PROSPECTIVE PURCHASER OF THE BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, AND TO GIVE PARTICULAR ATTENTION TO THE CONSIDERATIONS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF DEBT SERVICE AND THE MARKET PRICE ON THE BONDS. THE FOLLOWING STATEMENTS REGARDING CERTAIN INVESTMENT CONSIDERATIONS SHOULD NOT BE CONSIDERED A COMPLETE DESCRIPTION OF ALL CONSIDERATIONS IN THE DECISION TO PURCHASE THE BONDS.

Investment Rating: The rating assigned to the either series of the Bonds by Moody's Investors Service, Inc. (the "Rating Agency") reflects only the Rating Agency's view of the likelihood the Bondholders will receive payments of interest when due and principal on the Bonds on their respective maturity dates. There is no assurance that the rating will remain for any given period of time or that the rating will not be lowered, suspended or withdrawn by the Rating Agency if, in the Rating Agency's judgment, circumstances so warrant based upon factors prevailing at the time. The lowering, suspension or withdrawal of the investment rating initially assigned to the Bonds could adversely affect the market price and the market for the Bonds.

Secondary Market: Although the City anticipates that the Purchaser(s) will make a market for the Bonds, such market making may be discontinued at any time. There can be no assurance that there will be a secondary market for the Bonds, and the absence of such a market could result in investors not being able to resell their Bonds should they need or wish to do so.

Redemption of Bonds: The Bonds of each series maturing on or after June 1, 2020 are subject to redemption prior to maturity on any date on or after June 1, 2019 in whole or in part at a redemption price of par plus accrued interest to the date of redemption. The redemption of the Bonds prior to their stated maturity may subject bondholders to the risk of reinvestment at a time when comparable returns are not available.

Factors Affecting the Municipal Waterworks System: The occurrence of unanticipated factors or events could adversely affect operations in ways which would have an impact on the timeliness of payments on the Bonds. These factors include but are not limited to damage or destruction of the facilities or other interruptions of the operations.

FINANCIAL ADVISOR

The City has retained Independent Public Advisors, LLC, Johnston, Iowa as financial advisor (the "Financial Advisor") in connection with the preparation of the issuance of the Bonds. In preparing the Preliminary Official Statement, the Financial Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Financial Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. Independent Public Advisors, LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other Participating Underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the resolution authorizing the issuance of the Bonds and the Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, and a summary of other provisions of the

Disclosure Covenants, including termination, amendment and remedies, are set forth as APPENDIX C to this Preliminary Official Statement. The City has complied in all material respects with its previous continuing disclosure undertakings.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or the resolution for the Bonds. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

CERTIFICATION

The City has authorized the execution and delivery of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. I have reviewed the information contained within the Preliminary Official Statement prepared on behalf of the City of North Liberty, Iowa, by Independent Public Advisors, LLC, Johnston, Iowa, and said Preliminary Official Statement does not contain any material misstatements of fact nor omission of any material fact regarding the issuance of \$1,575,000* Water Revenue Refunding Bonds, Series 2012C.

CITY OF NORTH LIBERTY, IOWA
/s/ Ryan Heiar, City Administrator

*Preliminary; subject to change.

DRAFT

THE MUNICIPAL WATERWORKS SYSTEM

WATERWORKS SYSTEM MANAGEMENT AND ADMINISTRATION

The City owns and operates the Municipal Waterworks System (the "Waterworks System"). The City Council has complete authority to establish rates and charges for water service. Management of the Waterworks System is under the direction of the City Administrator.

The Waterworks System comprises: 1) administration, billing and customer service and 2) production, storage, and distribution. There are a total of 5.5 full-time employees in the Waterworks System department. This department serves approximately 10,000 people and has approximately 5,100 service connections. The average daily use in calendar year 2007 was 817,000 gallons per day. An average peak daily flow of 1,552,000 gallons per day was experienced in 2007. North Liberty is a rapidly growing community with a growth of 86% from 1990 to 2000.

The primary source of water supply in North Liberty comes from six (6) wells, four in the Silurian aquifer and two in the Jordan aquifer. Running at full capacity, these wells are capable of producing more than 2,232,000 gallons of water per day. After the water comes out of the wells, it is treated by means of aeration, filtration, softening and chlorination. The water treatment plant addition, zeolite softening and doubling the filtration capacity, was put on line in 2002. The City water treatment facility has the capacity to treat 2,232,000 gallons per day.

The City has a total storage capacity of 1,400,000 gallons. This represents less than one day of reserve capacity in the event of a complete well production failure. The distribution system comprises approximately 62 miles of water main ranging in size from 6" to 12" with approximately 1,000 fire hydrants.

WATERWORKS SYSTEM RATES AND CHARGES

The following Waterworks System rates and charges were approved by the City Council on May 8, 2012.

The minimum monthly charge for each and every residential unit and each commercial unit is \$12.81 for the first 1,000 gallons of water or any lesser amount. The minimum monthly bill is \$12.81. All gallons used over 1,000 are at the rate of \$4.79 per 1,000 gallons used. The charge will also be on a monthly basis and in accordance with the minimum monthly charge. Service to industrial users may be by contract with the City but at the present time all industrial users are billed at the above rates. The City reviews water rates annually.

Historical Waterworks System rates are as follows:

Adopted Date	Minimum Monthly Charge for First 1,000 gallons	Rate Per Additional 1,000 gallons
June 22, 2010	\$11.44	\$4.28
July 22, 2008	\$11.22	\$3.72
November 13, 2007	\$11.22	\$3.65
December 19, 2006	\$10.30	\$2.89

WATERWORKS SYSTEM SALES

Fiscal Year	Gallons Produced	Total Gallons Sold	Revenues
2007/08	301,888,000	271,132,000	968,123
2008/09	307,242,000	263,403,000	1,554,467
2009/10	336,058,000	272,901,000	1,602,247
2010/11 ¹	385,852,000	286,403,000	1,807,731
2011/12	436,517,000	307,750,000	2,004,270

NUMBER OF WATERWORKS SYSTEM CUSTOMERS

The following table lists the approximate number of Waterworks System customers from 2008 through 2012.

<u>Fiscal Year</u>	<u>Number</u>
2008	5,751
2009	6,180
2010	6,503
2011	6,777
2012	6,869

LARGER WATERWORKS SYSTEM CUSTOMERS (FY 2012)

<u>Customer Name</u>	<u>Revenue</u>	<u>% Total Water Revenue</u>
Centro, Inc.	\$22,977	1.15%
Cole's Quality Foods	12,113	0.60%
Oasis Carwash	7,918	0.40%
North Liberty Living Center	7,585	0.38%
Laundromania	6,249	0.31%
Sleep Inn Hotel	6,148	0.31%
Quail Creek Homeowner's Association	6,035	0.30%
Iowa City School District	5,540	0.28%
Red's Alehouse	5,211	0.26%
Frontier Natural Products Coop	4,165	0.21%
Total FY 2012 Larger Water Customers	\$83,942	
Total FY 2012 Water Revenue	\$2,004,270	

¹ In 2010/11, the City filled new ASR well. In 2011/12, the City was pumping and testing the ASR well, requiring large numbers of gallons to be produced but not sold.

WATERWORKS SYSTEM HISTORICAL COVERAGE

The following table presents the Waterworks System's operating revenues and expenditures for the three-year period FY 2008-09 through FY 2010-11 based on the City's Audited Financial Statements.

Based on the FY 2010-11 Audited Financial Statements, the Waterworks System produced Net Revenues available for debt service of \$940,845 providing 1.70 times projected maximum debt service for the Waterworks System revenue debt (including the Series 2012C Bonds) of approximately \$553,471 in FY 2018-19, and 2.19 times average annual debt service of \$430,360.

Fiscal Year:	2008/09	2009/10	2010/11
OPERATING REVENUES			
Consumption Charges	\$748,509	\$787,925	\$959,688
Minimum Charges	776,856	828,256	870,355
Miscellaneous	<u>204,650</u>	<u>200,091</u>	<u>235,933</u>
<i>Total Operating Revenues</i>	\$1,730,015	\$1,816,272	\$2,065,976
OPERATING EXPENSES			
Personnel Services	\$309,637	\$322,319	\$347,127
Contractual Services	443,457	312,519	406,861
Commodities	201,831	263,041	267,170
Other	<u>104,588</u>	<u>103,844</u>	<u>109,123</u>
<i>Total Operating Expenses</i>	\$1,059,513	\$1,001,723	\$1,130,281
NET OPERATING REVENUES			
Interest Earnings	<u>5,378</u>	<u>4,092</u>	<u>5,149</u>
<i>Revenue for Debt Service</i>	\$675,880	\$818,641	\$940,845
Water Debt Service			
Series 2001	\$118,175	\$117,113	\$221,013
Series 2003	96,470	103,500	-
Series 2006B	130,438	132,813	129,969
Series 2008D	<u>64,777</u>	<u>221,093</u>	<u>222,518</u>
<i>Total Revenue Debt</i>	\$409,859	\$574,518	\$573,499
General Obligation Abatements			
Series 2007B	\$77,369	\$80,816	\$79,066
Paying Agent Fees	<u>1,800</u>	<u>2,401</u>	<u>1,600</u>
<i>Total Debt Service</i>	\$489,028	\$657,735	\$654,165
DEBT SERVICE COVERAGE			
Net Revenues/Revenue Debt	1.65	1.42	1.64
Net Revenues/All Debt	1.38	1.24	1.44

WATERWORKS SYSTEM FUNDS ON HAND (Cash and Investment as of August 31, 2012)

Water Fund	\$220,633
Water Capital Reserve	313,251
Water Sinking Fund	242,819
Water Bond Reserve	577,856
Water Capital Projects ²	<u>(346,575)</u>
TOTAL	\$1,007,984

WATERWORKS SYSTEM DEBT (Includes the Bonds)

The City has revenue debt payable solely from the net revenues of the Municipal Waterworks System as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10/09/12</u>
09/01	\$2,000,000	Water Improvements ³	06/12	\$0
11/06B	1,670,000	Water Storage	06/26	1,350,000
09/08D	2,350,000	Water Improvements	06/23	1,945,000
11/12	1,575,000	Refunding	06/23	<u>1,575,000</u>
Total				\$4,870,000

Water Revenue Fiscal Year Debt Service Payments

<u>Fiscal Year</u>	<u>Current Outstanding Water Revenue Debt</u>		<u>The Bonds*</u>		<u>Total Water Revenue Debt</u>	
	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2012-13	\$220,000	\$393,329	\$150,000	\$165,124	\$370,000	\$558,453
FY 2013-14	225,000	354,839	165,000	190,860	390,000	545,698
FY 2014-15	235,000	356,158	170,000	193,929	405,000	550,087
FY 2015-16	240,000	351,845	170,000	191,719	410,000	543,564
FY 2016-17	250,000	352,105	175,000	194,084	425,000	546,189
FY 2017-18	265,000	356,786	180,000	196,109	445,000	552,895
FY 2018-19	275,000	355,674	185,000	197,797	460,000	553,471
FY 2019-20	285,000	353,958	190,000	198,949	475,000	552,907
FY 2020-21	300,000	356,726	<u>190,000</u>	194,617	490,000	551,343
FY 2021-22	315,000	358,751			315,000	358,751
FY 2022-23	325,000	355,023			325,000	355,023
FY 2023-24	115,000	130,750			115,000	130,750
FY 2024-25	120,000	130,719			120,000	130,719
FY 2025-26	<u>125,000</u>	130,469			<u>125,000</u>	130,469
Total	\$3,295,000		\$1,575,000		\$4,870,000.00	

*Preliminary, subject to change

² Deficit to be eliminated by fund transfers.

³ The 2013-2023 maturities are being refunded by the Series 2012C Bonds.

PROPERTY VALUES

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs all County Auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The 2010 final Actual Values were adjusted by the Johnson County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2011, the Taxable Value rollback rate was 50.7518% of Actual Value for residential property; 57.5411% of Actual Value for agricultural property; and 100% of Actual Value for commercial, industrial, railroad and utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for most classes of property to 4% annually; utility taxable valuation growth is limited to 8%. Political subdivisions whose taxable values are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

1/1/2011 VALUATIONS (Taxes payable July 1, 2012 through June 30, 2013)

	<u>100% Actual Value</u>	<u>Taxable Value (With Rollback)</u>
Residential	\$788,891,393	\$380,101,148
Commercial	144,194,737	144,194,737
Industrial	9,150,351	9,150,351
Railroad	1,813,619	1,813,619
Utilities w/o Gas & Electric	3,161,895	3,161,895
Other	0	0
Gross valuation	\$947,211,995	\$538,421,750
Less military exemption	<u>(598,194)</u>	<u>(598,194)</u>
Net valuation	\$946,613,801	\$537,823,556
TIF increment (used to compute debt service levies and constitutional debt limit)	\$111,974,749	\$111,974,749
Taxed separately		
Ag. Land & Buildings	\$2,430,744 ⁴	\$1,307,497
Utilities – Gas & Electric	6,117,653	2,128,256

⁴ Excludes \$214,745 of TIF ag land.

2011 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY⁵

	<u>Taxable Valuation</u>	<u>Percent Total</u>
Residential	\$380,101,148	70.15%
Ag. Land & Ag. Buildings	1,307,497	0.24%
Commercial, Industrial, Other, Railroad & Utility	158,320,602	29.22%
Utilities – Gas & Electric	<u>2,128,256</u>	<u>0.39%</u>
Total Gross Taxable Valuation	\$541,857,503	100.00%

TREND OF VALUATIONS

The 100% Actual Valuations, before rollback and after reduction of military exemption, include Ag. Land, Ag. Buildings, TIF Increment, and Gas & Electric Utilities. The Taxable Valuations, with the rollback and after the reduction of military exemption, excludes the Taxable TIF Increment. Iowa cities certify operating levies against Taxable Valuation excluding the Taxable TIF Increment and debt service levies are certified against Taxable Valuations including the Taxable TIF Increment.

<u>Assessment Year</u>	<u>Payable Fiscal Year</u>	<u>100% Actual Valuation</u>	<u>Taxable Valuation (With Rollback)</u>	<u>Taxable TIF Increment</u>
2007	2008-09	\$760,382,268	\$337,237,682	\$91,443,163
2008	2009-10	858,224,233	453,591,067	43,652,899
2009	2010-11	941,686,008	466,051,646	90,996,225
2010	2011-12	998,468,693	487,396,062	111,125,998
2011	2012-13	1,067,351,692	541,259,309	111,974,749

LARGER TAXPAYERS

<u>Taxpayer</u>	<u>Property Type</u>	<u>1/1/2011 Taxable Valuation</u>
ARC WPIACIA001 LLC	Commercial	\$20,994,215
Heartland Equipment INC	Commercial	11,066,921
Centro INC	Industrial	6,641,302
A & M Development LLC	Commercial	6,272,650
University Of Iowa Community Credit Union	Commercial	5,402,800
Golfview Investors LC	Commercial	4,893,519
Conagra Foods INC	Commercial	4,802,730
Holiday Mobile Lodge INC	Commercial	4,468,520
Mercy Care Management INC	Commercial	4,206,350
RBI Realty Holdings LLC	Industrial	3,784,670

⁵ Before military exemption, and exclusive of taxable TIF increment.

LEGISLATION

From time to time, legislative proposals are pending in Congress and the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described herein. It cannot be predicted whether or in what forms any of such proposals, either pending or that may be introduced, may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for taxes levied by the City or have an adverse impact on the future tax collections of the City. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed federal or state tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending federal or state tax legislation.

Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation debt: “The governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding the applicable period of time specified in section 76.1. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.” Iowa Code section 76.1 provides that the annual levy shall be sufficient to pay the interest and approximately such portion of the principal of the bonds as will retire them in a period not exceeding twenty years from the date of issue, except for certain bonds issued for disaster purposes and bonds issued to refund or refinance bonds issued for such disaster purposes which may mature and be retired in a period not exceeding thirty years from date of issue.

INDEBTEDNESS

DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the actual value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2011 Actual Valuation currently applicable to the fiscal year 2012-13, is as follows:

2011 Actual Valuation of Property	\$1,067,949,886
Less: Military Exemption	(598,94)
Net Valuation	\$1,067,351,692
Constitutional Debt Percentage	5.00%
Constitutional Debt Limit	\$53,367,585
Less: Applicable General Obligation Debt	(27,324,098)
Constitutional Debt Margin	\$26,043,487

DIRECT DEBT

General Obligation Debt Paid by Property Taxes

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10/09/12</u>
09/03	\$4,200,000	Corporate Purpose	6/23	\$2,725,000
07/07A	817,216	Corporate Purpose	6/17	449,888
06/08B	295,000	Various Projects	6/18	225,000
05/09A	824,500	Corporate Purpose	6/24	724,200
10/10A	1,176,400	Corporate Purpose	6/20	1,054,000
09/11A	790,000	Various Projects/ Refunding	6/22	<u>750,000</u>
Subtotal				\$5,928,088

General Obligation Debt Paid by Tax Increment

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10/09/12</u>
08/04	\$1,560,000	Urban Renewal Corporate Purpose	6/14	\$355,000
11/05	3,500,000	Urban Renewal Corporate Purpose	6/15	1,335,000
11/06C	570,000	Corporate Purpose	6/17	315,000
07/07A	2,462,785	Corporate Purpose	6/17	1,355,758
06/08B	1,520,000	Various Projects	6/18	1,070,000
05/09A	1,600,500	Corporate Purpose	6/24	1,405,800
10/10B	6,765,000	Various Projects	6/21	6,140,000
09/11B	5,810,000	Various Projects	6/26	5,810,000
11/12B ⁶	1,850,000	Library Projects	6/23	<u>1,850,000</u> *
Subtotal				\$19,636,558

General Obligation Debt Paid by Sewer Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10/09/12</u>
01/98	\$1,000,000	Sewer Improvements	12/17	<u>\$384,000</u>
Subtotal				\$384,000

General Obligation Debt Paid by Water Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10/09/12</u>
12/07B	\$885,000	Water Improvements	6/22	\$660,000
10/10A	553,600	Corporate Projects	6/20	<u>496,000</u>
Subtotal				\$1,156,000

General Obligation Debt Paid by Road Use Tax

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10/09/12</u>
07/07A	\$235,000	Street Improvements	6/17	\$129,452
06/08B	125,000	Various Projects	6/18	<u>90,000</u>
Subtotal				\$219,452

Total General Obligation Debt Subject to Debt Limit: \$27,324,098*

*Preliminary; subject to change.

⁶ General Obligation Urban Renewal Bonds, Series 2012B in the estimated amount of \$1,850,000 are being sold concurrently with the Bonds under separate disclosure.

Annual Fiscal Year Debt Service Payments

General Obligation Debt Paid by Property Taxes

<u>Fiscal Year</u>	<u>Current Outstanding G.O. Debt Paid by Taxes</u>	
	<u>Principal</u>	<u>Principal and Interest</u>
FY 2012-13	\$657,100	\$851,854
FY 2013-14	639,525	817,120
FY 2014-15	654,713	815,669
FY 2015-16	621,600	764,464
FY 2016-17	641,350	765,493
FY 2017-18	553,800	657,737
FY 2018-19	528,900	615,082
FY 2019-20	455,700	524,213
FY 2020-21	339,600	391,042
FY 2021-22	368,000	404,620
FY 2022-23	394,700	415,216
FY 2023-24	73,100	76,134
Total	\$5,928,088	

General Obligation Debt Paid by Tax Increment

<u>Fiscal Year</u>	<u>Current Outstanding G.O. Debt Paid by Tax Increment</u>		<u>Series 2012B Bonds Sold Concurrently</u>		<u>Total G.O. Debt Paid by Tax Increment</u>	
	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal</u>	<u>Principal and Interest⁷</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2012-13	\$2,171,234	\$2,640,198			\$2,171,234	\$2,640,198
FY 2013-14	2,221,541	2,632,203	\$175,000	\$202,636	2,396,541	2,834,839
FY 2014-15	2,090,350	2,440,488	175,000	201,429	2,265,350	2,641,917
FY 2015-16	1,665,860	1,959,718	180,000	205,081	1,845,860	2,164,799
FY 2016-17	1,718,173	1,970,142	180,000	203,515	1,898,173	2,173,657
FY 2017-18	1,387,200	1,595,111	180,000	201,553	1,567,200	1,796,664
FY 2018-19	1,225,500	1,402,022	185,000	204,141	1,410,500	1,606,163
FY 2019-20	1,262,100	1,411,204	190,000	206,163	1,452,100	1,617,367
FY 2020-21	1,295,400	1,413,066	190,000	202,648	1,485,400	1,615,713
FY 2021-22	567,000	649,365	195,000	203,753	762,000	853,117
FY 2022-23	585,300	651,661	200,000	204,560	785,300	856,221
FY 2023-24	606,900	656,014			606,900	656,014
FY 2024-25	485,000	515,205			485,000	515,205
FY 2025-26	505,000	520,655			505,000	520,655
Total	\$17,786,558		\$1,850,000		\$19,636,558	

⁷ Excludes bond-funded capitalized interest.

General Obligation Debt Paid by Sewer Revenues

Current Outstanding G.O. Debt Paid by Taxes

<u>Fiscal Year</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2012-13	\$58,000	\$68,842
FY 2013-14	60,000	69,043
FY 2014-15	63,000	70,168
FY 2015-16	65,000	70,217
FY 2016-17	68,000	71,189
FY 2017-18	<u>70,000</u>	71,085
Total	\$384,000	

General Obligation Debt Paid by Water Revenues

Current Outstanding G.O. Debt Paid by Taxes

<u>Fiscal Year</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2012-13	\$112,600	\$147,154
FY 2013-14	114,200	146,184
FY 2014-15	119,200	148,525
FY 2015-16	120,800	146,958
FY 2016-17	127,400	150,335
FY 2017-18	129,000	148,280
FY 2018-19	135,600	150,969
FY 2019-20	142,200	153,265
FY 2020-21	75,000	81,318
FY 2021-22	<u>80,000</u>	83,280
Total	\$1,156,000	

General Obligation Debt Paid by Road Use Tax

Current Outstanding G.O. Debt Paid by Taxes

<u>Fiscal Year</u>	<u>Principal</u>	<u>Principal and Interest</u>
FY 2012-13	\$39,084	\$47,427
FY 2013-14	39,753	46,660
FY 2014-15	40,757	46,186
FY 2015-16	41,760	45,649
FY 2016-17	43,098	45,377
FY 2017-18	<u>15,000</u>	15,593
Total	\$219,452	

OTHER DEBT

The City has revenue debt payable solely from the net revenues of the Municipal Sewer System as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 10/09/12</u>
03/98A	\$323,957	Sewer Projects (SRF)	12/18	\$147,000
03/98B	3,769,043	Sewer Projects (SRF)	12/18	1,641,000
04/06A	1,860,000	Sewer Projects & Refunding	06/25	1,440,000
08/07	5,271,000	Sewer Projects (SRF)	06/27	4,816,000
08/08A	3,250,000	Sewer Projects (SRF)	06/28	2,561,000
09/08C	1,550,000	Sewer Projects	06/23	<u>1,250,000</u>
Total				\$11,855,000

INDIRECT DEBT

<u>Taxing District</u>	<u>1/1/2011 Taxable Valuation</u>	<u>Portion of Taxable Value In the City</u>	<u>Percent Applicable</u>	<u>GO Debt⁸</u>	<u>City's Indirect Portion</u>
Johnson County	\$6,680,500,908	\$653,448,803	9.78%	\$14,736,000	\$1,441,392
Iowa City CSD	5,010,901,831	468,181,491	9.34%	17,990,000	1,680,852
Clear Creek – Amana CSD	927,223,402	185,267,312	19.98%	23,235,000	4,642,555
Kirkwood Comm. College	21,085,133,001	653,448,803	3.10%	146,919,436	<u>4,553,176</u>
TOTAL					\$12,317,975

DEBT RATIOS

	<u>G.O. Debt</u>	<u>Debt/Actual Market Value \$1,067,351,692</u>	<u>Debt/13,374 Population</u>
Direct General Obligation Debt	27,324,098	2.560%	2,043.08
Indirect General Obligation Debt	<u>12,317,976</u>	<u>1.154%</u>	<u>921.04</u>
Combined Debt	39,642,074	3.714%	2,964.12

⁸ School district figures exclude Sale and Service Tax Revenue Bonds.

LEVIES AND TAX COLLECTIONS

<u>Year</u>	<u>Taxes Levied</u>	<u>Current Collections</u>	<u>% of Taxes Levied</u>
2008-09	\$6,665,497	\$6,688,668	100.35%
2009-10	6,284,466	6,257,040	99.56%
2010-11	7,999,619	8,017,662	100.23%
2011-12	8,835,277	8,816,363	99.79%
2012-13	9,414,172	--in process of collection--	

After the assessment of property in a calendar year, taxes are levied for collection in the following fiscal year. Taxes are certified to the County Auditor in March. The County Treasurer collects taxes for all taxing entities in the County. Statutory dates for payment without penalty are September 30 for the first installment and March 31 for the second installment. Penalty rates are established by State law at 1% per month.

TAX RATES

Tax Rates (Per \$1,000 of Taxable Value)

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Johnson County	7.48663	7.38568	7.22207	6.98984	6.74909
City of North Liberty	11.33731	10.90993	11.20264	11.03264	11.03264
Iowa City CSD	14.19219	14.19136	14.68972	14.59055	14.07327
Clear Creek-Amana CSD	15.99090	15.87097	15.91002	15.54876	15.31063
County Assessor	0.47873	0.37928	0.43792	0.37289	0.33390
Ag. Extension	0.06700	0.08413	0.08307	0.08358	0.08146
Kirkwood Community College	0.85161	0.84042	0.92566	0.99870	1.07888
State of Iowa	0.00350	0.00300	0.00340	0.00320	0.00330
Total Tax Rate Iowa City CSD	34.41697	33.79380	34.56448	34.07140	33.35254
Total Tax Rate Clear-Creek Amana CSD	36.21568	35.47341	35.78478	35.02961	34.58990

FUNDS ON HAND (Cash and Investments as of August 31, 2012)

General	\$1,453,362
Fire Equipment Capital Fund	463,163
Library Capital Fund	2,292
Recreation Capital Fund	180,059
Police Capital Fund	19,099
Transportation Impact Fees	1,185,042
Stormwater Impact Fees	42,399
Tree Program	12,550
Park Capital Fund ⁹	(168,306)
Youth Sports Scholarship	49,930
Equipment Revolving Fund ⁶	(41,571)
Telecommunications Equipment	45,037
Drug Task Force	40,302
Seized Funds	324
Road Use Tax Fund	586,153
Street Capital Project	859,247
IJOBS Street Projects	5,688
TIF Fund	239,987
Debt Service Fund	148,691
Trust & Agency	10,063
Customer Deposits	442,280
TIF Projects	416,252
Entryway Development	10,993
Highway 965 Improvements	475,620
Community Center Phase II ⁶	(67,903)
Trail Projects ⁶	(14,817)
Economic Development Projects	78,659
Penn Street Improvements ⁶	(384,532)
Land/Facilities ⁶	(509,169)
Library Building Fund	66,512
Ranshaw House Project ¹⁰	(41,030)
Water Fund	220,633
Water Capital Reserve	313,251
Water Sinking Fund	242,819
Water Bond Reserve	577,856
Water Capital Projects ⁶	(346,575)
Sewer Fund	917,424
Sewer Capital Reserve	726,311
Sewer Sinking Fund	426,279
Wastewater Treatment Plant Project ⁶	(302,677)
Sewer Trunk I & I ⁶	(303,180)
Sewer Bond Reserve	307,105
Stormwater Management	293,504

⁹ Deficit to be eliminated by fund transfers.

¹⁰ Deficit to be eliminated by revenues received in Fiscal Year 2012-13.

THE CITY

CITY GOVERNMENT

The City of North Liberty, Iowa (the "City") was incorporated in 1913. The City is governed by a Mayor and a Council of five members elected on a non-partisan basis. Council members serve four-year terms and the Mayor serves a four-year term. The Council meets on the second and fourth Tuesday of each month. The City maintains police and fire departments and its own water and sanitary sewer systems.

EMPLOYEES AND PENSIONS

The City has 71 full-time and 232 part-time employees (including seasonal employees), of which 70 full-time employees are enrolled in the Iowa Public Employees Retirement System (the "IPERS") pension plan administered by the State of Iowa. The City is current in its obligation to IPERS, which has been as follows: \$238,282 in Fiscal Year 2009-10; \$269,136 in Fiscal Year 2010-11 and \$339,988.52 in Fiscal Year 2011-12. In addition to the 303 employees of the City, there are 34 volunteer fire fighters.

UNION CONTRACTS

The City has a contract with the Public Professional & Maintenance Employees Local 2003 union, expiring June 30, 2013.

OTHER POST EMPLOYMENT BENEFITS

The City allows employees and their qualified beneficiaries the opportunity to continue health insurance coverage under the City's health insurance plan under COBRA rules established by law. Employees are eligible to continue coverage when a "qualifying event" would normally result in the loss of eligibility. "Qualifying events" are defined in the City's employee manual. Employees and their beneficiaries are required to pay the full cost for the continuing coverage. Continuing coverage is available until the employees and their beneficiaries attain age 65. The cost of the continuing coverage is the same as the cost for active employees.

The City finances the health insurance plan through a fully-insured plan with Wellmark on a pay-as-you-go basis. The most recent monthly premium costs are \$247.33 for single coverage and \$759.05 for family coverage. There are 61 active employees and no retired members participating in the plan. During the year ended June 30, 2011, the City contributed \$288,911 and plan members contributed \$76,221 to the plan.

INSURANCE

The City’s insurance coverage is as follows:

<u>Type of Insurance</u>	<u>Occurrence/Aggregate Limit</u>
Property	
Buildings & Personal Property	\$34,416,145
Liability	
Legal Liability Limit	\$1,000,000
Crime & Fidelity	
Employee Theft	\$500,000
Forgery or Alterations	\$25,000
Theft of Money and Securities	\$20,000
Computer Fraud	\$500,000
Funds Transfer Fraud	\$500,000
Inland Marine	
Contractors Equipment	\$1,086,178
Accounts Receivable	\$100,000
Property Floater	\$819,348
Watercraft	\$9,199
Automobile	
Liability	\$1,000,000
Auto Medical payments	\$1,000
Uninsured Motorists	\$1,000,000
Underinsured Motorists	\$1,000,000
Worker’s Compensation	Statutory coverage
Umbrella	
Commercial General Liability Occurrence Basis	
General Aggregate Limit	\$2,000,000
Prod/Comp Ops Aggregate Limit	\$2,000,000
Personal and Advertising Injury Limit	\$1,000,000
Each Occurrence Limit	\$1,000,000
Employee Benefit Liability	\$1,000,000
Bodily Injury by Accident	\$500,000
Bodily Injury by Disease	\$500,000
Public Officials Liability	\$1,000,000
Law Enforcement Liability	\$1,000,000
Linebacker	\$1,000,000
Employee Health Insurance	\$1,000,000 Excess Aggregate

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City is located in east central Iowa in Johnson County. The City is located off Interstate 380 between the cities of Cedar Rapids and Iowa City encompassing an area of 5 square miles. The City is a rapidly growing community with a population of 13,374 according to the U.S. 2010 census. The City has seen an increase in population of 85% from the 2004 special census to the 2010 census.

LARGER EMPLOYERS [update in progress]

A representative list of larger employers in the City is as follows:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Centro, Inc.	Plastics Producer	366
Heartland Express	Transportation	225
City of North Liberty	Municipal Government	303
L.L. Pelling Company	Asphalt Manufacturer	183
J.M. Swank Company	Food Distributor	135
Fareway	Grocery – Retail	102
South Slope Cooperative Communications Co.	Telephone Service	99
Transport America	Transportation	86
River Bend Industries	Plastics Producer	85
Iowa City Community School District	Education	58
Revenue Cycle Partners	Hospital Management Programs	54
University of Iowa Community Credit Union	Banking	47
Dan's Overhead Doors & More	Garage Doors	37
Coles	Frozen Bread Products	35
CompleWare Corporation	Clinical Research Software	30
Advanced Milwork Inc.	Millwork Distributor	24

BUILDING PERMITS

City officials reported the following construction activity as of August 31, 2012. Permits for the City are reported on a calendar year basis. The figures below include both new construction and remodeling.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Single Family Homes:</u>					
No. of permits issued:	278	257	146	170	242
Valuation:	\$40,514,626	\$40,381,172	\$23,219,745	\$23,980,743	\$39,983,994
<u>Multiple Family Dwellings:</u>					
No. of permits issued:	4	1	1	1	4
Valuation:	\$4,426,560	\$1,090,080	\$9,000,000	\$1,908,998	\$5,398,957
<u>Residential Homes - Additions & Alterations:</u>					
No. of permits issued:	83	102	99	127	6
Valuation:	\$769,592	\$893,826	\$604,820	\$1,238,511	\$655,910
<u>Commercial/Industrial/Other:</u>					
No. of permits issued:	9	12	3	3	13
Valuation:	\$7,082,809	\$14,684,789	\$729,349	\$1,847,500	\$24,280,396
<u>Commercial/Industrial/Other</u>					
No. of permits issued:	39	33	27	35	33
Valuation:	<u>\$1,959,848</u>	<u>\$1,603,075</u>	<u>\$400,638</u>	<u>\$961,663</u>	<u>\$3,790,895</u>
Total Permits:	413	405	276	336	298
Total Valuations:	\$54,753,435	\$58,364,962	\$33,594,552	\$29,937,415	\$74,110,102

U.S. CENSUS DATA

1980	2,046
1990	2,926
2000	5,367
2004 (Special City Census)	7,224
2010	13,374

Source: U.S. Census Bureau.

UNEMPLOYMENT RATES

Annual Averages	Johnson County	State of Iowa
2008	3.1%	4.4%
2009	3.9%	5.6%
2010	4.4%	6.1%
2011	4.3%	5.9%
2012 (Jan-July)	3.9%	5.2%

EDUCATION

Public education is provided by the Iowa City Community School District, with certified enrollment for the 2011-12 school year of 12,453 students. The Iowa City Community School District, with approximately [1,676] employees, owns and operates several pre-school sites, eighteen elementary schools, three junior high schools, two senior high schools, and one alternative school for ninth through twelfth graders. Public education is also provided by the Clear Creek – Amana Community School District, with a certified enrollment for the 2011-12 school year of 1,577. The Clear Creek-Amana Community School District, with [288] employees, operates three elementary schools, one middle school and one high school. Private education in North Liberty is provided by Heritage Christian School (non-denominational) for grades Kindergarten through seventh grade.

Colleges and universities within thirty miles of the City are: University of Iowa, Kirkwood Community College, Hamilton College, Cornell College, Capri College, University of America, Coe College and Mount Mercy College.

FINANCIAL STATEMENTS

The City's June 30, 2011 Independent Auditor's Report as prepared by a certified public accountant is reproduced as APPENDIX B. The City's certified public accountant has not consented to distribution of the audited financial statement and has not undertaken added review of their presentation. Further information regarding financial performance and copies of the City's prior Independent Auditor's Reports may be obtained from the City's Financial Advisor, Independent Public Advisors, LLC.

APPENDIX A: FORM OF LEGAL OPINION

APPENDIX B: JUNE 30, 2011 INDEPENDENT AUDITOR'S REPORT

APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE

MINUTES TO HOLD HEARING, SET DATE
FOR SALE OF BONDS AND TO
AUTHORIZE OFFICIAL STATEMENT FOR
BONDS

421033-49

North Liberty, Iowa

September 24, 2012

The City Council of the City of North Liberty, Iowa, met on September 24, 2012, at _____ p.m. at the _____, in the City. The meeting was called to order by the Mayor, and the roll being called, the following named Council Members were present and absent:

Present: _____

Absent: _____.

This being the time and place specified for taking action on the proposal to enter into a Loan Agreement in a principal amount not to exceed \$1,650,000, the City Clerk announced that no written objections had been placed on file. Whereupon, the Mayor called for any written or oral objections, and there being none, the Mayor closed the public hearing.

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.

• • • •

At the conclusion of the meeting and, upon motion and vote, the Council adjourned.

CITY OF NORTH LIBERTY

By: _____
Thomas A. Salm, Mayor

Attest:

Tracey Mulcahey, City Clerk

Resolution Number 12-92

RESOLUTION TAKING ADDITIONAL ACTION TO ENTER INTO A LOAN AGREEMENT, SETTING DATE FOR THE SALE OF WATER REVENUE REFUNDING BONDS, SERIES 2012C AND AUTHORIZING THE USE OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION THEREWITH

WHEREAS, the City of North Liberty (the “City”), in the County of Johnson, State of Iowa, did heretofore establish a Municipal Waterworks System (the “Utility”) in and for the City which has continuously supplied water and water service in and to the City and its inhabitants since its establishment; and

WHEREAS, the management and control of the Utility are vested in the City Council and no board of trustees exists for this purpose; and

WHEREAS, the City previously issued its \$2,000,000 Water Revenue Bonds, Series 2001, dated September 13, 2001 (the “2001 Bonds”) a portion of which currently remain outstanding maturing on such dates and in such amounts and bearing interest at such rates as follows:

Maturity Date (June 1)	Principal	Rate	Maturity Date (June 1)	Principal	Rate
2013	\$140,000	4.75%	2018	\$180,000	5.15%
2014	\$145,000	4.85%	2019	\$190,000	5.20%
2015	\$155,000	4.95%	2020	\$200,000	5.25%
2016	\$160,000	5.05%	2021	\$210,000	5.30%
2017	\$170,000	5.10%			

; and

WHEREAS, pursuant to the resolution (the “2001 Issuance Resolution”) authorizing the issuance of the 2001 Bonds, the City reserved the right to call the 2001 Bonds maturing in the years 2010 through 2021 (the “Callable 2001 Bonds”) for early redemption on any date on or after June 1, 2009, subject to the provisions of the 2001 Issuance Resolution; and

WHEREAS, the City previously issued its Water Revenue Bonds, Series 2006B (the “2006B Bonds”), a portion of which remain outstanding; and

WHEREAS, pursuant to the resolution (the “2006B Bond Resolution”), the City reserved the right to issue additional obligations payable from the same source as, and ranking on par with, the 2006B Bonds, subject to the conditions set forth in the 2006B Bond Resolution; and

WHEREAS, the City previously issued its Water Revenue Bonds, Series 2008D (the "2008D Bonds"), a portion of which remain outstanding; and

WHEREAS, pursuant to the resolution (the "2008D Bond Resolution"), the City reserved the right to issue additional obligations payable from the same source as, and ranking on par with, the 2008D Bonds, subject to the conditions set forth in the 2008D Bond Resolution; and

WHEREAS, the City heretofore proposed to enter into a Water Revenue Refunding Loan Agreement (the "Loan Agreement") in a principal amount not to exceed \$1,650,000 pursuant to the provisions of Section 384.24A of the Code of Iowa for the purpose of paying the cost, to that extent, of current refunding the Callable 2001 Bonds, and has published notice of the proposed action and has held a hearing thereon on September 24, 2012; and

WHEREAS, a Preliminary Official Statement (the "P.O.S.") has been prepared to facilitate the sale of Water Revenue Refunding Bonds, Series 2012C (the "Bonds") in evidence of the obligation of the City under the Loan Agreement, and it is now necessary to make provision for the approval of the P.O.S. and to authorize its use by Independent Public Advisors, LLC (the "Financial Advisor"); and

WHEREAS, it is now necessary to set the date for the sale of the Bonds and to authorize the Financial Advisor to carry out such sale;

NOW, THEREFORE, Be It Resolved by the City Council of the City of North Liberty, as follows:

Section 1. The City Council hereby determines to enter into the Loan Agreement in the future and orders that the Bonds be issued in evidence thereof. The City Council further declares that this resolution constitutes the "additional action" required by Section 384.24A of the Code of Iowa.

Section 2. The City Clerk is hereby authorized to take such action as shall be deemed necessary and appropriate, with assistance from Dorsey & Whitney LLP and the Financial Advisor, to set the date of October 9, 2012 as the date for the sale of the Bonds to be issued in evidence of the City's obligation under the Loan Agreement.

Section 3. The City Clerk is hereby authorized to take such action as shall be deemed necessary and appropriate with the assistance of the Financial Advisor to prepare the P.O.S. describing the Bonds and providing for the terms and conditions of their sale, and all action heretofore taken in this regard is hereby ratified and approved.

Section 4. The use by the Financial Advisor of the P.O.S. relating to the Bonds in substantially the form as has been presented to and considered by the City is hereby approved, and the Financial Advisor is hereby authorized to prepare and use a final Official Statement for the Bonds substantially in the form of the P.O.S. but with such changes therein as are required to conform the same to the terms of the Bonds and the resolution, when adopted, providing for the sale and issuance of the Bonds, and the City Clerk is

hereby authorized and directed to execute a final Official Statement for the Bonds, if requested. The P.O.S. as of its date is deemed final by the City within the meaning of Rule 15(c)(2)-12 of the Securities and Exchange Commission.

Section 5. Pursuant to Section 75.14 of the Code of Iowa, the City Council hereby authorizes the Financial Advisor to use electronic bidding procedures for the sale of the Bonds through PARITY®, and hereby finds and determines that the PARITY® competitive bidding system will provide reasonable security and maintain the integrity of the competitive bidding process and will facilitate the delivery of bids by interested parties under the circumstances of this bond sale.

Section 6. Further action with respect to the Loan Agreement and the issuance of bonds in connection therewith is hereby adjourned to the City Council meeting on October 9, 2012.

Section 7. All resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 8. This resolution shall be in full force and effect immediately upon its adoption and approval, as provided by law.

Passed and approved September 24, 2012.

CITY OF NORTH LIBERTY

By: _____
Thomas A. Salm, Mayor

Attest:

Tracey Mulcahey, City Clerk

STATE OF IOWA
COUNTY OF JOHNSON
CITY OF NORTH LIBERTY

SS:

I, the undersigned, City Clerk of the City of North Liberty, do hereby certify that attached hereto is a true and correct copy of the proceedings of the City Council of the City relating to the hearing on the City's intention to enter into a Loan Agreement and fixing of a date for the sale of Water Revenue Refunding Bonds, Series 2012C, and the approval of a preliminary official statement for the issuance of the Bonds, as referred to herein.

WITNESS MY HAND this ____ day of _____, 2012.

Tracey Mulcahey, City Clerk