

City of Indianola, Iowa



Capital Improvement Plan Financing



Trend of Valuations

Valuation Year	Payable Fiscal Year	100% Actual Valuation	Taxable Valuation (With Rollback)	Taxable TIF Increment Valuation	Total Taxable Valuation
2019	2020/21	\$1,054,087,927	\$568,699,179	\$76,070,552	\$644,769,731
2018	2019/20	985,746,865	541,061,480	78,588,074	619,649,554
2017	2018/19	959,834,217	523,080,763	72,340,746	595,421,509
2016	2017/18	880,877,509	492,577,085	66,681,130	559,258,215
2015	2016/17	863,852,007	481,746,187	59,727,678	541,473,865
2014	2015/16	840,315,884	475,010,758	52,745,764	527,756,522
2013	2014/15	816,676,572	468,506,382	44,429,835	512,936,217

The 100% actual valuations, before rollback and after reduction of military exemption, include ag land and buildings, TIF increment, and gas and electric utilities and are used for calculating debt capacity. The taxable valuations, with the rollback and after the reduction of military exemption, include gas and electric utilities, exclude ag land and buildings and exclude taxable TIF increment value, which is shown separately. Iowa cities certify operating levies against taxable value excluding TIF increment. However, debt service levies are certified against taxable value including TIF increment.

Source: Iowa Department of Management.



General Obligation Bonds / Debt Capacity

- Lowest rate of interest among financing options.
 - ✓ Shares burden of cost over project lifetime.
- Backed by the full faith and credit of the City.
 - ✓ Can use other revenue sources in addition to property tax levy.
- State of Iowa limits issuer's applicable G.O. debt to no more than 5% of actual valuation.
 - ✓ For example, City's 1/1/19 valuation (applicable for FY 2020-21) will be \$1,054,087,927.
 - G.O. debt limit will be \$52,704,396.
 - ✓ Currently, the City would have \$9,560,000 of outstanding G.O. debt that counts towards this limit before any TIF rebate agreements.
 - Approximately \$43,144,000 of current capacity.



Projected Financing Plan – G.O. Bonding

- \$4.4 million for streetscape (2021).
 - ✓ 10-year repayment.
- \$4.0 million for E Hillcrest street and related improvements and fire truck (2021).
 - ✓ Net of grant funding.
 - ✓ 10-year repayment.
- \$16.2 million for WRRF (2021).
 - ✓ As previously reviewed.
- \$3.3 million for South K street and related improvements (2022).
 - ✓ Net of grant funding.
 - ✓ 10-year repayment.
- \$12.5 million (placeholder) for public building improvements (2023/future).
 - ✓ Structured for future consideration.

Projected Timing for Projects



	PROJECTED FINANCING			
	2021 Streetscape	2021 E Hillcrest	2021 WRRF	2022 South K
Project Cost:	\$4,400,000	\$5,022,500	\$20,470,000	\$4,344,000
Grants/Reserves:		1,000,000	4,300,000	1,000,000
Net Bond Proceeds:	\$4,400,000	\$4,022,500	\$16,170,000	\$3,344,000
Projected Closing:	3/1/2021	3/1/2021	6/1/2021	3/1/2022

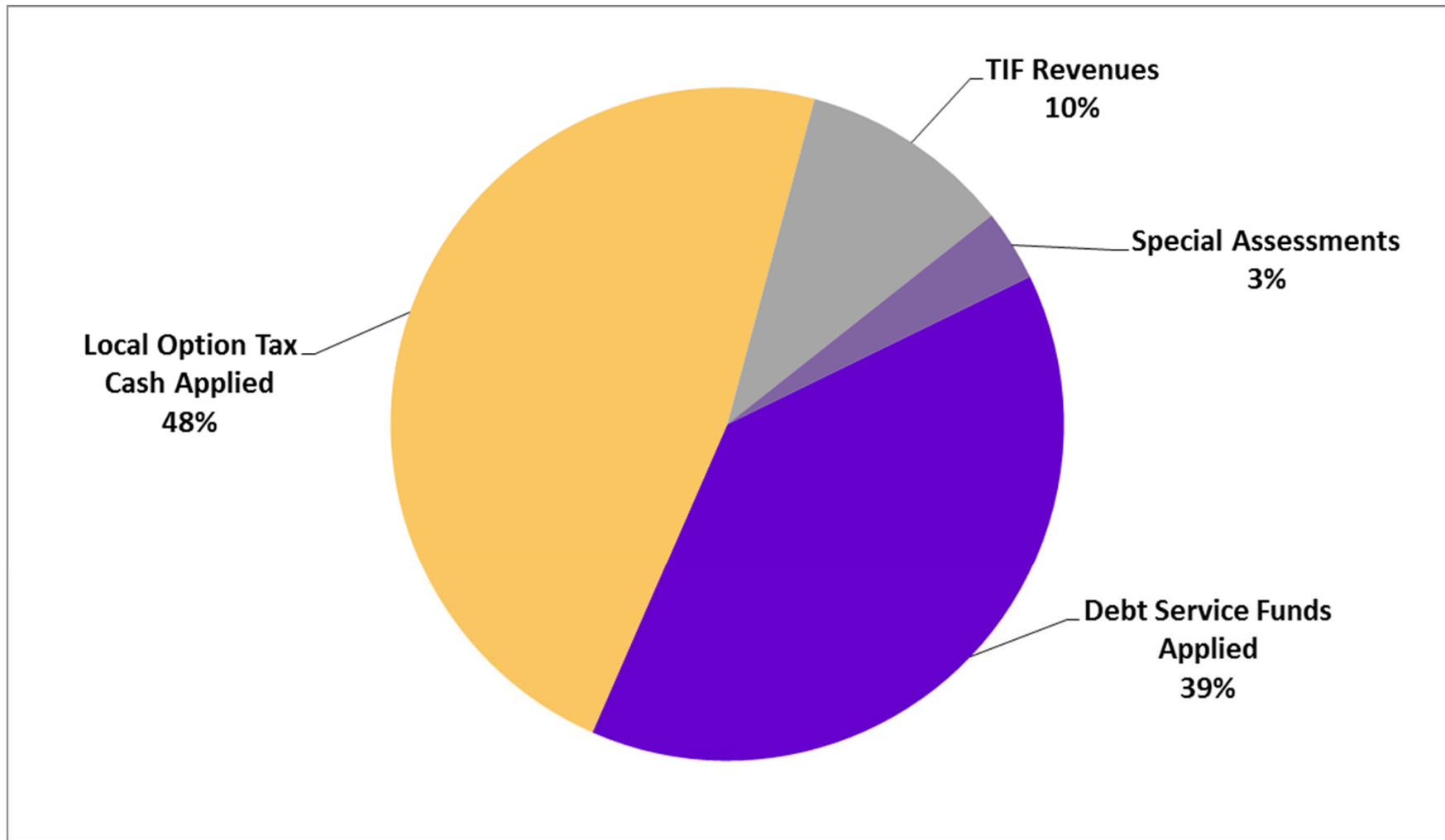
- East Hillcrest Project Cost includes Fire Truck costs.

Scenario Assumptions



- Leverage four potential funding sources:
 - ✓ Local option sales tax revenues.
 - Previously reviewed as part of WRRF financing.
 - ✓ Urban renewal (TIF) revenues.
 - Applied to Streetscape project.
 - Structured to target \$1.5 – 1.7 million annually towards YMCA and Streetscape projects.
 - ✓ Special assessments.
 - Targeting 20% of street and related improvement project payments.
 - ✓ Debt service levy.
 - Targeting \$2.00 / 1,000 of taxable valuation debt service levy rate starting in FY 22 accounting for abatement by all other sources.

Breakdown of Projected G.O. Debt Service Repayment



Additional Considerations

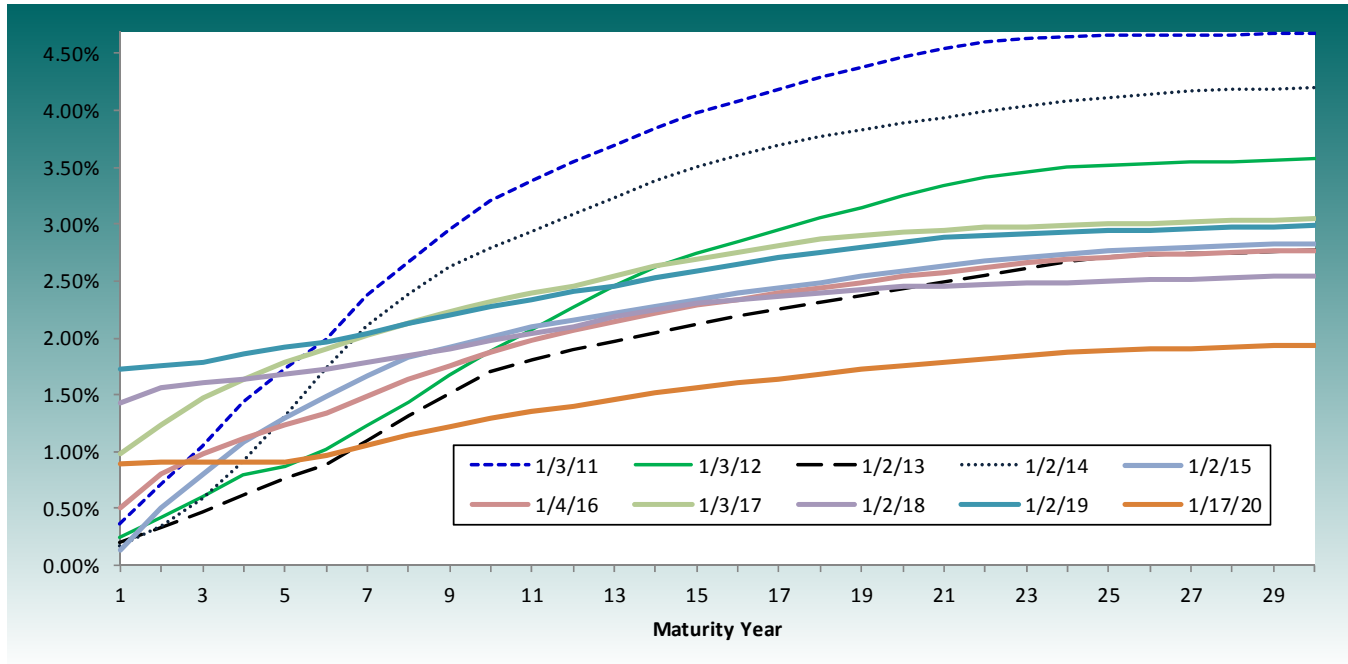


- City has reduced outstanding G.O. Debt by over 50% during last five years.
 - ✓ While increasing actual City-wide valuation by over 25%.
- Continued investment in infrastructure is necessary for the City to be able to continue to capitalize on future residential and commercial growth.
- Conservatively, projections do not include valuation growth.
 - ✓ Any impact would improve potential future impact and/or provide additional revenues to the general fund.
- City's very strong bond credit rating of 'Aa2' by Moody's Investors Service provides opportunity to reduce interest costs due to high credit quality.
- Current interest rates are very low and yield curve is flat.
 - ✓ Allows for City to potentially borrow at rates at or below inflationary expectations.

Municipal Market AAA Yield Curve Movement (MMD)



Aaa MMD Municipal Yield Curve Movement



Source: Thomson Reuters

Yield Difference (1/2/19 vs. Current)	
<u>Maturity Difference</u>	
5	-1.01%
10	-0.98%
15	-1.03%
20	-1.09%
25	-1.05%
30	-1.05%



Conclusion

- Recent City performance has demonstrated that continued investment in capital infrastructure supports future valuation growth.
 - ✓ 25% valuation growth since FY 15.
- City will be addressing targeted projects within capital improvement plan to finance with G.O. Bonds in coming years.
 - ✓ Lowest cost option for planned borrowing.
 - ✓ Current capacity available to support borrowing needs.
- Projected impact would keep debt service levy rate at or below \$2.00 / 1,000 of assessed valuation.
 - ✓ Possible due to support from combination of local option sales tax, urban renewal and special assessment revenues.
 - ✓ Estimates are conservative and would improve with continued valuation and revenue growth.

Review of City's Planned Financings



Tally of Potential Financings, Less Debt Previously Counted as Bank Qualified or Planned Taxable Debt

	A	B	C	D	E	F	G	H	I	PAR AMOUNT
	Calendar 2020			Calendar 2021			Calendar 2022			TOTAL
	Less: Prior Estimated Par Amount	Equals Net BQ or Planned Taxable Debt	Annual BQ Debt Issuance	Less: Prior Estimated Par Amount	Equals Net BQ or Planned Taxable Debt	Annual BQ Debt Issuance	Less: Prior Estimated Par Amount	Equals Net BQ or Planned Taxable Debt	Annual BQ Debt Issuance	PAR AMOUNT BY PROJECT = A+D+G
GENERAL OBLIGATION										
Downtown Streetscape	-	-	-	\$4,400,000	-	\$4,400,000	-	-	-	\$4,400,000
E Hillcrest Avenue Reconstruction	-	-	-	\$4,022,500	-	\$4,022,500	-	-	-	\$4,022,500
South K Street Paving	-	-	-	-	-	-	\$3,334,000	-	\$3,334,000	\$3,334,000
Wastewater Treatment Plant (LOST)	-	-	-	\$16,344,000	(16,344,000)	-	-	-	-	\$16,344,000
Public Building	-	-	-	-	-	-	-	-	-	-
Subtotal - General Obligation	-	-	-	\$24,766,500	(16,344,000)	\$8,422,500	\$3,334,000	-	\$3,334,000	\$28,100,500
SEWER REVENUE										
Wastewater Treatment Plant	\$15,494,000	(15,494,000)	-	\$16,921,000	(16,921,000)	-	-	-	-	\$32,415,000
Subtotal - Sewer Revenue	\$15,494,000	(15,494,000)	-	\$16,921,000	(16,921,000)	-	-	-	-	\$32,415,000
TOTAL	\$15,494,000	(15,494,000)	\$0	\$41,687,500	(33,265,000)	\$8,422,500	\$3,334,000	-	\$3,334,000	\$60,515,500

NOTES

BQ = Bank Qualified

Neither taxable debt, or current refunding debt previously counted as BQ, counts against City's aggregate annual \$10 million bank qualification threshold

***Note: Any future borrowing by IMU could also potentially impact the bank-qualification status for the City.**