

## City of Indianola, Iowa

*November 16, 2020*

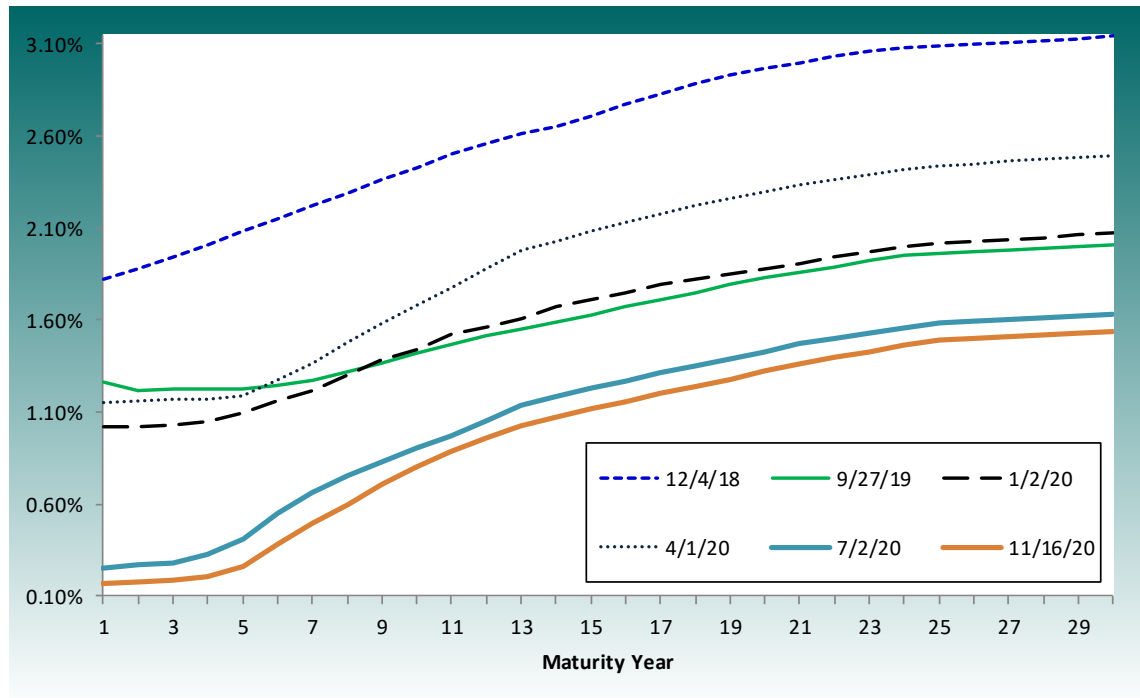
### Series 2020A/B Notes – Final Results



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# Tax-Exempt Yield Curve

## Aaa MMD Municipal Yield Curve Movement



Source: Thomson Reuters

Yield Difference (1/2/20 vs. Current)	
<u>Maturity Difference</u>	
5	-0.84%
10	-0.64%
15	-0.59%
20	-0.56%
25	-0.53%
30	-0.53%



## Series 2020A Overview

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- FINAL \$6,505,000 par amount.
  - ✓ True Interest Cost (TIC) of 0.96%.
- Tax-exempt, bank-qualified issue.
  - ✓ Final payment 6/1/31.
  - ✓ First principal/interest paid 6/1/21.
- Financing of Streetscape improvements and Fire Truck acquisition.
  - ✓ Level annual payments.
- Refinancing of Series 2012B for interest savings.
  - ✓ Currently \$1,620,000 outstanding.
    - Current interest rate of 2.266%.



## Series 2020B Overview

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- FINAL \$2,850,000 par amount.
  - ✓ True Interest Cost (TIC) of 0.83%.
- Tax-exempt, bank-qualified issue.
  - ✓ Final payment 6/1/28.
  - ✓ First principal/interest paid 6/1/21.
- Refinancing of Series 2013B for interest savings.
  - ✓ Currently \$3,035,000 outstanding.
    - Current interest rate of 1.855%.
  - ✓ Separate series for tax-status considerations related to YMCA's 501(c)3 status.

# City Long-term Financial Planning



- Leverage four potential funding sources:
  - ✓ Local option sales tax revenues.
    - Previously reviewed as part of WRRF financing.
      - City is now a model for other communities.
  - ✓ Urban renewal (TIF) revenues.
    - **Will be applied to Streetscape project (part of Series 2020A).**
    - Structured to target \$1.5 – 1.7 million annually towards YMCA and Streetscape projects.
  - ✓ Special assessments.
    - Targeting 10% 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.

## General Obligation Bonds / Debt Capacity

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- 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) is \$1,053,914,602.
    - G.O. debt limit is \$52,695,730.
  - ✓ The City will have \$14,260,000 of outstanding G.O. debt that counts towards this limit before any TIF rebate agreements.
    - Approximately \$38,435,000 of remaining capacity.

## Additional Considerations

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- 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, financial 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 borrow at rates at or below inflationary expectations.



## Rating Feedback from Moody's Investors Service

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- Moody's affirmed the City's outstanding 'Aa2' rating as part of the Series 2020A/B financing process.
  - ✓ Applies to the 2020A/B Notes and all outstanding debt.
    - First time City has issued with upgraded rating for new projects.
- The rating report had several highlights from the analysts:
  - ✓ Strong average annual tax base growth rate of 4.6% over the last five fiscal years was recognized.
  - ✓ Healthy financial operations and strong reserves are a credit strength.
    - Noted the City's 'good budget management'.
  - ✓ Scorecard rating was extremely strong, with all four factors under Finances and the sub-factor on Management all scoring 'Aaa', the highest rating category.
    - ***City's leadership is maximizing the factors it can control.***



# Remaining Timeline

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- **Council Meeting – November 16<sup>th</sup>**
  - ✓ Council considers approval of note purchase agreement (locks interest rates on financings).
  - ✓ Council authorizes redemption of outstanding 2012B/2013B.
- **Council Meeting – December 7<sup>th</sup>**
  - ✓ Council considers resolution authorizing Note issuance.
- **Closing (no meeting necessary) – December 22<sup>nd</sup>**
  - ✓ Delivery of note proceeds to City.
  - ✓ Redemption of Series 2012B and Series 2013B