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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: February 9, 2016

Re: Resolution Setting the Date for Public Hearings on General Obligation Loan Agreements and to Borrow Money Thereunder

Introduction and Background:

The City's next bond issue is scheduled for June 1, 2016. This bond issue will provide funding for a number of City projects that have been recently completed, are currently underway, or will be underway in calendar year 2016. This issue will also allow for the refunding of the two remaining years of the Series 2008A bond issue dated July 1, 2008. The projects included in this issue are shown on the following page.

The portion of the issue for new debt totals \$3,280,000, including \$3,200,000 for project costs and \$80,000 for estimated bond issuance costs. This debt amount is the amount that can be issued and keep the debt service tax levy rate at the current level of \$2.79/\$1,000 per the analysis completed by PFM, the City's financial consultant. The original estimate for the bond issue was \$3,000,000; however, the analysis allowed for it to be increased by \$200,000. This increase will allow funding if bids on the building-related projects are higher than estimated or these funds can be used for other building improvements from the deferred maintenance and facility improvement items review with City Council during budget discussions.

This issue also allows for the refunding of the remaining two years of the June 1, 2008 bond issue. The principal amount remaining on this bond issue as of June 1, 2016 totals \$1,310,000 for those two years. The June 1, 2016 bond issue will be increased by \$1,310,000 to replace the debt refunded. The new debt is expected to be at a much lower interest rate estimated at 1.0% to 1.5%, compared to the 3.5% on the June 1, 2008 issue resulting in an estimated \$30,000 in savings over those two years

**"I remember Muscatine for its sunsets. I have never seen any
on either side of the ocean that equaled them" — Mark Twain**

Proposed June 1, 2016 Bond Issue

Street Improvements:	
Mulberry Avenue (Estimated Local Share)	\$ 800,000
Airport Improvements:	
Airport Hangar Access/Security - Prior Year Project (Balance to be Funded)	2,600
Airport Runway Replacement Project Design (Estimated Local Share)	40,000
Airport Runway Replacement Project Construction (Estimated Local Share)	425,000
Airport T-Hangar Connector Road (Estimated Local Share)	25,000
Airport Zoning Ordinance Update (Estimated Local Share)	3,800
Airport Electrical Upgrades (Estimated Local Share)	8,000
Art Center Improvements:	
Art Center - Mechanical and Electrical (Engineer's Full Estimate)	1,350,000
Amount Provided by an Art Center Grant	(200,000)
Art Center - Windows/Building Envelope	225,000
City Building Improvements:	
Library Roof Replacement	70,000
Less 2014 Bond Proceeds for Library Elevator (Deferred)	(35,000)
Reduce Library Roof to Allow for City Hall Roof	(45,370)
City Hall Roof Replacement	45,370
Fire Apparatus Floor Roof Replacement	37,000
Art Center Music Room Tuckpointing	23,800
Other Building Improvements:	
Added Amount for Other Roof/Building Improvements unless needed for Other Projects	219,200
Parks Improvements:	
Musser Play ground Surface Replacement	70,000
Rip Rap Trail from Pearl City Station to Stone Edge	70,000
Rip Rap Slough Bank	50,000
Added Amount for Rip Rap if needed	7,000
Building Demolition Projects (Prior Years)	<u>8,600</u>
Total Estimated Bond Funding Requirements	\$ 3,200,000
Estimated Issuance Costs/Allowance for Discount	<u>80,000</u>
Total Proposed Bond Issue (New Project Debt)	<u><u>\$ 3,280,000</u></u>
Amount for Refunding Series 2008A General Obligation Bonds	<u>1,310,000</u>
Total Proposed Bond Issue	<u><u>\$ 4,590,000</u></u>

The above projects include those classified as Essential Corporate Purposes (Street, Airport, Parks, and Building Demolition projects); General Corporate Purpose in the Consolidated Urban Renewal Area (Art Center HVAC and Windows/Building Envelope projects); and General Corporate Purposes (City Building Improvements). There are separate provisions for public hearing notices and public hearings for each of these types of debt. It is necessary to hold public hearings on the proposed issue prior to City Council taking additional action on the bond issue and authorizing the pre-levy of taxes for this issue.

Recommendation:

Dorsey & Whitney, the City's bond counsel prepared the attached resolution setting the date for the public hearings on the proposed issue for March 3, 2016. Please include this resolution on the agenda for the February 11, 2016 meeting.

Please contact me if you have any questions or need additional information.

RESOLUTION NO. _____

Resolution setting the date for a public hearing on proposal to enter into General Obligation Loan Agreements and to borrow money thereunder in a principal amount not to exceed \$4,725,000

WHEREAS, the City of Muscatine (the “City”), in Muscatine County, State of Iowa, previously issued its \$5,120,000 General Obligation Corporate Purpose Bonds, Series 2008A, dated June 1, 2008 (the “2008 Bonds”) a portion of which currently remains outstanding maturing on such dates and in such amounts and bearing interest at such rates as follows as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$620,000	3.50%
2017	\$645,000	3.50%
2018	\$665,000	3.50%

;and

WHEREAS, pursuant to the resolution (the “2008 Bond Resolution”) authorizing the issuance of the 2008 Bonds, the City reserved the right to call the portion of the 2008 Bonds maturing in the years 2016 through 2018, inclusive (the “Callable 2008 Bonds”), for early redemption on any date on or after June 1, 2015, subject to the provisions of the 2008 Note Resolution; and

WHEREAS, the City now proposes to enter into a General Obligation Loan Agreement (the “Essential Purpose Loan Agreement”), pursuant to the provisions of Section 384.24A of the Code of Iowa, and to borrow money thereunder in a principal amount not to exceed \$3,000,000 for the purpose of paying the costs, to that extent, of (1) current refunding the Callable 2008 Bonds; (2) constructing street improvements, including incidental water, sanitary sewer, sidewalk and storm water drainage infrastructure; (3) constructing improvements to the municipal airport; (4) constructing improvements to Musser Park, including playground resurfacing; (5) constructing waterway embankment improvements, including the installation of rip-rap; and (6) the demolition of dilapidated buildings (collectively, the “Essential Purpose Projects”), and it is now necessary to fix a date of meeting of the City Council at which it is proposed to take action to enter into the Essential Purpose Loan Agreement and to give notice thereof as required by such law; and

WHEREAS, pursuant to the provisions of Section 384.24A of the Code of Iowa, the City also proposes to enter into a General Obligation Loan Agreement (the “Urban Renewal Loan Agreement”) and to borrow money thereunder in a principal amount not to exceed \$1,400,000 for the purpose of paying the costs, to that extent, of undertaking the Municipal Art Center HVAC Improvements Project in the Consolidated Muscatine Urban Renewal Area (the “Urban Renewal Project”), and in lieu of calling an election thereon, the City desires to institute proceedings to enter into the Urban Renewal Loan Agreement by causing a notice of such proposal to be published, including notice of the right to petition for an election, under the provisions of Section 384.24(3)(q) of the Code of Iowa; and

WHEREAS, pursuant to the provisions of Section 384.24A of the Code of Iowa, the City also proposes to enter into a General Obligation Loan Agreement (the “General Purpose Loan Agreement”) and to borrow money thereunder in a principal amount not to exceed \$325,000 for the purpose of paying the costs, to that extent, of constructing improvements to the Municipal Library, City Hall, the Municipal Art Center and municipal public safety buildings (the “Municipal Buildings Project”) (collectively hereinafter the Essential Purpose Project, the Urban Renewal Project, and the Municipal Buildings Project shall be referred to as the “Projects); and it is now necessary to fix a date of meeting of the City Council at which it is proposed to take action to enter into the General Purpose Loan Agreement and to give notice thereof as required by such law, including notice of the right to petition for an election on such proposal; and

WHEREAS, after the aforementioned hearings and additional action on the Essential Purpose Loan Agreement, the Urban Renewal Loan Agreement and the General Purpose Loan Agreement and pursuant to Section 384.28 of the Code of Iowa, the City Council intends to combine the Essential Purpose Loan Agreement, the Urban Renewal Loan Agreement and the General Purpose Loan Agreement into a single loan agreement and to issue General Obligation Corporate Purpose and Refunding Bonds in evidence of its obligations thereunder;

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

Section 1. The City Council shall meet on March 3, 2016, at the City Council Chambers, Muscatine, Iowa, at 7:00 o’clock p.m., at which time and place a hearing will be held and proceedings will be instituted and action taken to enter into the Loan Agreements described in the preamble hereof.

Section 2. The City Clerk is hereby directed to give notice of the proposed action on the Essential Purpose Loan Agreement setting forth the amount and purpose thereof, the time when and place where the said meeting will be held by publication at least once and not less than four (4) and not more than twenty (20) days before the date of said meeting, in a legal newspaper which has a general circulation in the City. The notice shall be in substantially the following form:

NOTICE OF PROPOSED ACTION TO INSTITUTE PROCEEDINGS TO
ENTER INTO A LOAN AGREEMENT AND TO BORROW MONEY
THEREUNDER IN A PRINCIPAL AMOUNT NOT TO EXCEED \$3,000,000

(GENERAL OBLIGATION)

The City Council of the City of Muscatine, Iowa, will meet on March 3, 2016, at the City Council Chambers, Muscatine, Iowa, at 7:00 o'clock p.m., for the purpose of instituting proceedings and taking action on a proposal to enter into a loan agreement (the "Loan Agreement") and to borrow money thereunder in a principal amount not to exceed \$3,000,000 for the purpose of paying the costs, to that extent of (1) current refunding the City's General Obligation Corporate Purpose Bonds, Series 2008A, dated June 1, 2008; (2) constructing street improvements, including incidental water, sanitary sewer, sidewalk and storm water drainage infrastructure; (3) constructing improvements to the municipal airport; (4) constructing improvements to Musser Park, including playground resurfacing; (5) constructing waterway embankment improvements, including the installation of rip-rap; and (6) the demolition of dilapidated buildings.

The Loan Agreement is proposed to be entered into pursuant to authority contained in Section 384.24A of the Code of Iowa and will constitute a general obligation of the City.

At that time and place, oral or written objections may be filed or made to the proposal to enter into the Loan Agreement. After receiving objections, the City may determine to enter into the Loan Agreement, in which case, the decision will be final unless appealed to the District Court within fifteen (15) days thereafter.

By order of the City Council of the City of Muscatine, Iowa.

Gregg Mandsager
City Clerk

Section 3. The City Clerk is hereby directed to give notice of the proposed action on the Urban Renewal Loan Agreement setting forth the amount and purpose thereof, the time when and place where the said meeting will be held by publication at least once and not less than ten (10) and not more than twenty (20) days before the date selected for the meeting, in a legal newspaper which has a general circulation in the City. The notice shall be in substantially the following form:

NOTICE OF PROPOSED ACTION TO INSTITUTE PROCEEDINGS TO
ENTER INTO A LOAN AGREEMENT AND TO BORROW MONEY
THEREUNDER IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,400,000

(GENERAL OBLIGATION)

The City Council of the City of Muscatine, Iowa, will meet on March 3, 2016, at the City Council Chambers, Muscatine, Iowa, at 7:00 o'clock p.m., for the purpose of instituting proceedings and taking action on a proposal to enter into a loan agreement (the "Loan Agreement") and to borrow money thereunder in a principal amount not to exceed \$1,400,000 for the purpose of paying the cost, to that extent, of undertaking the Municipal Art Center HVAC Improvements Project in the Consolidated Muscatine Urban Renewal Area.

The Loan Agreement is proposed to be entered into pursuant to authority contained in Section 384.24A and Section 384.24.3(q) of the Code of Iowa and will constitute a general obligation of the City.

At any time before the date fixed for taking action to enter into the Loan Agreement, a petition may be filed with the City Clerk of the City asking that the question of entering into the Loan Agreement be submitted to the registered voters of the City, pursuant to the provisions of Section 384.26 of the Code of Iowa. If no such petition is filed, at the aforementioned time and place, oral or written objections may be filed or made to the proposal to enter into the Loan Agreement. After receiving objections, the City may determine to enter into the Loan Agreement, in which case, the decision will be final unless appealed to the District Court within fifteen (15) days thereafter.

By order of the City Council of the City of Muscatine, Iowa.

Gregg Mandsager
City Clerk

Section 4. The City Clerk is hereby directed to give notice of the proposed action on the General Purpose Loan Agreement setting forth the amount and purpose thereof, the time when and place where the said meeting will be held by publication at least once and not less than ten (10) and not more than twenty (20) days before the date selected for the meeting, in a legal newspaper which has a general circulation in the City. The notice shall be in substantially the following form:

NOTICE OF PROPOSED ACTION TO INSTITUTE PROCEEDINGS TO
ENTER INTO A LOAN AGREEMENT AND TO BORROW MONEY
THEREUNDER IN A PRINCIPAL AMOUNT NOT TO EXCEED \$325,000

(GENERAL OBLIGATION)

The City Council of the City of Muscatine, Iowa, will meet on March 3, 2016, at the City Council Chambers, Muscatine, Iowa, at 7:00 o'clock p.m., for the purpose of instituting proceedings and taking action to enter into a loan agreement (the "Loan Agreement") and to borrow money thereunder in a principal amount not to exceed \$325,000 for the purpose of paying the cost, to that extent, of constructing improvements to the Municipal Library, City Hall, Municipal Art Center and municipal public safety buildings.

The Loan Agreement is proposed to be entered into pursuant to authority contained in Section 384.24A of the Code of Iowa and will constitute a general obligation of the City.

The maximum rate of interest which may be payable under the Loan Agreement is 7% per annum.

At any time before the date fixed for taking action to enter into the Loan Agreement, a petition may be filed with the City Clerk of the City asking that the question of entering into the Loan Agreement be submitted to the registered voters of the City, pursuant to the provisions of Section 384.26 of the Code of Iowa.

By order of the City Council of the City of Muscatine, Iowa.

Gregg Mandsager
City Clerk

Section 5. Pursuant to Section 1.150-2 of the Income Tax Regulations (the "Regulations") of the Internal Revenue Service, the City declares (a) that it intends to undertake the Projects which are reasonably estimated to cost approximately \$3,415,000, (b) that other than (i) expenditures to be paid or reimbursed from sources other than the issuance of bonds, notes or other obligations (the "Bonds"), or (ii) expenditures made not earlier than 60 days prior to the date of this Resolution or a previous intent resolution of the City, or (iii) expenditures amounting to the lesser of \$100,000 or 5% of the proceeds of the Bonds, or (iv) expenditures constituting preliminary expenditures as defined in Section 1.150-2(f)(2) of the Regulations, no expenditures for the Projects have heretofore been made by the City and no expenditures will be made by the City until after the date of this Resolution or a prior intent resolution of the City, and (c) that the City reasonably expects to reimburse the expenditures made for costs of the City out of the proceeds of the Bonds. This declaration is a declaration of official intent adopted pursuant to Section 1.150-2 of the Regulations.

Section 6. All resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

Section 7. This resolution shall be in full force and effect immediately upon its adoption and approval, as provided by law.

Passed and approved February 11, 2016.

Mayor

Attest:

City Clerk

ATTESTATION CERTIFICATE:

STATE OF IOWA
COUNTY OF MUSCATINE
CITY OF MUSCATINE

SS:

I, the undersigned, City Clerk of the City of Muscatine, do hereby certify that attached hereto is a true and correct copy of the proceedings of the City Council relating to fixing a date for additional action on the City's proposals to enter into certain loan agreements, as referred to therein.

WITNESS MY HAND this ____ day of _____, 2016.

City Clerk

ORGANIZATION CERTIFICATE:

STATE OF IOWA
COUNTY OF MUSCATINE SS:
CITY OF MUSCATINE

I, the undersigned City Clerk, do hereby certify that the City of Muscatine is organized and operating under the provisions of Title IX of the Code of Iowa and not under any special charter and that the City is operating under the Mayor-Council form of government and that there is not pending or threatened any question or litigation whatsoever touching the incorporation of the City, the inclusion of any territory within its limits or the incumbency in office of any of the officials hereinafter named.

And I do further certify that the following named parties are officials of the City as indicated:

- Diana L. Broderson, Mayor
- Gregg Mandsager, City Administrator/Clerk
- Philip Fitzgerald, Council Member/Mayor Pro-Tem
- Michael Rehwaldt, Council Member
- Scott Natvig, Council Member
- Santos Saucedo, Council Member
- Bob Bynum, Council Member
- Allen Harvey, Council Member
- Tom Spread, Council Member

WITNESS MY HAND this ____ day of _____, 2016.

City Clerk