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Muscatine, IA 52761-3899
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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: April 18, 2016

Re: Resolution Setting Date for Sale of General Obligation Corporate Purpose and Refunding Bonds Series 2016 and Authorizing the Use of a Preliminary Official Statement in Connection Therewith

Introduction and Background:

The City Council has previously taken action to approve the up to \$4,600,000 bond issue to be dated May 26, 2016 to refund the final two years of principal payments on the Series 2008-A bond issue and to finance various City capital projects which are either underway or will be completed in the upcoming year. The bond issue includes funding for the local share of the Mulberry Avenue Street Improvement project, the local share of Airport improvement projects, the local share of the Art Center HVAC and Window/Building Envelope project, improvements to other City buildings, parks improvements including Musser Park playground resurfacing and Rip Rap along the Riverfront and Muscatine Slough, and building demolition projects. The public hearing on the bond issue was held on March 3, 2016 and after the hearing the City Council approved the resolution which authorized the loan agreements and the future issuance of general obligation corporate purpose and refunding bonds and providing for the levy of taxes to pay the same.

Recommendation:

The attached resolution will take additional action for the issuance of the bonds including setting the date for the sale of the General Obligation Corporate Purpose and Refunding Bonds for May 5, 2016 and approving the Preliminary Official Statement for this issue. The Preliminary Official Statement was prepared by Public Financial Management, Inc. (PFM), the City's financial advisor for the bond issue, with input and review by City staff.

Please include this resolution on the agenda for the April 21, 2016 meeting. If you have any questions or need additional information, please contact me.

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

421464-47

Muscatine, Iowa

April 21, 2016

The City Council of the City of Muscatine, Iowa, met on April 21, 2016, at _____ o'clock __.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: _____.

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.

Mayor

Attest:

City Clerk

RESOLUTION NO. _____

Resolution setting the date for sale of General Obligation Corporate Purpose and Refunding Bonds, Series 2016 and authorizing the use of a preliminary official statement in connection therewith

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:

<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 Bond Resolution; and

WHEREAS, the City has heretofore proposed 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 has published notice of the proposed action and has held a hearing thereon on March 3, 2016; and

WHEREAS, pursuant to the provisions of Section 384.24A of the Code of Iowa, the City has also proposed 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 upon such proposal, has published notice of the proposed action and has held a hearing thereon, and as of March 3, 2016, no petition had been filed with the City asking that the question of entering into the Urban Renewal Loan Agreement be submitted to the registered voters of the City; and

WHEREAS, pursuant to the provisions of Section 384.24A of the Code of Iowa, the City has also proposed 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 in lieu of calling an election upon such proposal, has published notice of the proposed action and has held a hearing thereon, and as of March 3, 2016, no petition had been filed with the City asking that the question of entering into the General Purpose Loan Agreement be submitted to the registered voters of the City; and

WHEREAS, pursuant to Section 384.28 of the Code of Iowa, the City Council has combined the Essential Purpose Loan Agreement, the Urban Renewal Loan Agreement and the General Purpose Loan Agreement into a single loan agreement (the "Loan Agreement") and has proposed to issue \$4,600,000 General Obligation Corporate Purpose and Refunding Bonds, Series 2016 (the "Bonds") in evidence of its obligations thereunder for the funding of the Projects; and

WHEREAS, a Preliminary Official Statement (the "P.O.S.") has been prepared to facilitate the sale of the Bonds, and it is now necessary to make provision for the approval of the P.O.S. and to authorize its use by Public Financial Management, Inc. (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 Muscatine, as follows:

Section 1. The Finance Officer and City Administrator are 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 May 5, 2016 as the date for the sale of the Bonds to be issued in evidence of the City's obligation under the Loan Agreement.

Section 2. The Finance Officer and City Administrator are 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 3. 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 Administrator 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 4. Pursuant to Section 75.14 of the Code of Iowa, the City Council hereby authorizes the use of 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 5. All resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 6. This resolution shall be in full force and effect immediately upon its adoption and approval, as provided by law.

Passed and approved April 21, 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 the sale of General Obligation Corporate Purpose and Refunding Bonds, Series 2016 and the approval of a preliminary official statement for the issuance of such Bonds.

WITNESS MY HAND this ____ day of _____, 2016.

City Clerk

April 18, 2016

VIA EMAIL

Nancy Lueck
Finance Officer/City Hall
Muscatine, Iowa

Re: General Obligation Corporate Purpose and Refunding Bonds, Series 2016
Our File No. 421464-47

Dear Nancy:

We have prepared and attach the necessary proceedings to set the date for the sale of the General Obligation Corporate Purpose and Refunding Bonds, Series 2016 (the "Bonds") at the April 21st City Council meeting and to authorize the use of a Preliminary Official Statement in connection therewith.

The proceedings attached include the following items:

1. Minutes of the City Council meeting providing for the adoption of a resolution fixing the date for the sale of the Bonds and authorizing the Preliminary Official Statement. The actual resolution follows the minutes.
2. Attestation Certificate with respect to the validity of the transcript.

Prior to the adoption of the resolution, you and the City Council should review the proposed Preliminary Official Statement, which Public Financial Management, Inc. is preparing, carefully for accuracy and to ensure that there are no important facts being left out of the document that might bear any potential risks to bond holders. It should be noted that, while we have reviewed and commented on the portions of the document that are pertinent to our role as bond counsel, we have not engaged in a full due diligence process to investigate the accuracy of financial data or any bond holder risks that are unknown to us.

As soon as possible after the City Council meeting, please return one fully executed copy of all of the completed pages in these proceedings.

If you have any questions, please contact Amy Bjork or me.

Best regards,

John P. Danos

Attachments

cc: Gregg Mandsager
Jenny Blankenship
Diana Van Vleet

New and Refunding Issue

Rating: Application Made to Moody's Investors Service

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. Interest on the Bonds is not 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, provided, however, such interest is 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.

CITY OF MUSCATINE, IOWA

\$4,600,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2016

BIDS RECEIVED: Thursday, May 5, 2016, 10:00 o'clock A.M., Central Time

AWARD: Thursday, May 5, 2016, 7:00 o'clock P.M., Central Time

Dated: Date of Delivery (May 26, 2016)

Principal Due: June 1 as shown inside front cover

The \$4,600,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2016 (the "Bonds") are being issued pursuant to Division III of Chapter 384 of the Code of Iowa and a resolution to be adopted by the City Council of the City of Muscatine, Iowa (the "City"). The Bonds are being issued to pay costs of constructing street improvements, including incidental water, sanitary sewer, sidewalk and storm water drainage infrastructure; constructing improvements to the municipal airport; constructing improvements to Musser Park, including playground resurfacing; constructing waterway embankment improvements, including the installation of rip-rap; the demolition of dilapidated buildings (collectively, the "Essential Purpose Projects"); undertaking the Municipal Art Center HVAC Improvements Project in the Consolidated Muscatine Urban Renewal Area (the "Urban Renewal Project"); 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 Projects, the Urban Renewal Project and the Municipal Buildings Project shall be referred to as the "Projects"); and to current refund on June 1, 2016, \$1,310,000 of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2008A (the "Series 2008A Bonds"), originally dated June 1, 2008. The purchaser of the Bonds agrees to enter into a loan agreement (the "Loan Agreement") with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Bonds will be issued in evidence of the City's obligations under the Loan Agreement. The Bonds are general obligations of the City for which the City will pledge its power to levy direct ad valorem taxes to the repayment of the Bonds.

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. Principal of the Bonds, payable annually on each June 1, beginning June 1, 2017 and interest on the Bonds, payable initially on December 1, 2016 and thereafter on each June 1 and December 1, will be paid to DTC by the City's Registrar/Paying Agent, Bankers Trust Company, Des Moines, Iowa (the "Registrar"). DTC will in turn remit such principal and interest to its participants for subsequent disbursements 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 close of business on the 15th day of the month next preceding the interest payment date (the "Record Date").

THE BONDS WILL MATURE AS LISTED ON THE INSIDE FRONT COVER

MINIMUM BID:	\$4,563,200
GOOD FAITH DEPOSIT:	Required of Purchaser Only
TAX MATTERS:	Federal: Tax-Exempt State: Taxable See "TAX EXEMPTION AND RELATED CONSIDERATIONS" for more information.

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as, and if issued subject to the legal opinion of Dorsey & Whitney LLP, Bond Counsel, 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 May 26, 2016. This Preliminary Official Statement will be further supplemented by offering prices, interest rates, selling compensation, 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 MUSCATINE, IOWA

\$4,600,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2016

MATURITY: The Bonds will mature June 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2017	\$665,000	2022	\$425,000
2018	770,000	2023	430,000
2019	230,000	2024	440,000
2020	325,000	2025	445,000
2021	415,000	2026	455,000

*** PRINCIPAL**

ADJUSTMENT: Preliminary; subject to change. The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of \$5,000 but the total amount to be issued will not exceed \$4,725,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Bonds is adjusted as described above. Any change in the principal amount of any maturity of the Bonds will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of bond principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

INTEREST: December 1, 2016 and thereafter on each June 1st and December 1st.

REDEMPTION: The Bonds due after June 1, 2023 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.

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 of omissions or inaccuracies must be submitted to Public Financial Management, Inc. (the "Municipal Advisor") 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 syndicate manager (the "Syndicate Manager") and syndicate members. Copies of the Final Official Statement will be delivered to the Syndicate Manager 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 the Municipal Advisor, payable entirely by the City, is contingent upon the sale of the issue.

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OFFICIAL BID FORM

CITY OF MUSCATINE, IOWA

Mayor & City Council

Diana L. Broderson	Mayor
Philip Fitzgerald	Council Member
Michael Rehwaldt	Council Member
Tom Spread	Council Member
Bob Bynum	Council Member
Allen Harvey	Council Member
Scott Natvig	Council Member
Santos Saucedo	Council Member

Administration

Gregg Mandsager, City Administrator
Nancy A. Lueck, Finance Director

City Attorney

Matthew Brick
Des Moines, Iowa

Bond Counsel

Dorsey & Whitney LLP
Des Moines, Iowa

Municipal Advisor

Public Financial Management, Inc.
Des Moines, Iowa

TERMS OF OFFERING

CITY OF MUSCATINE, IOWA

Bids for the purchase of City of Muscatine, Iowa's (the "City") \$4,600,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2016 (the "Bonds") will be received on Thursday, May 5, 2016 until 10:00 o'clock A.M. Central Time after which time they will be tabulated. The City Council will consider award of the Bonds at 7:00 o'clock P.M. Central Time, on the same day. Questions regarding the sale of the Bonds should be directed to the City's Municipal Advisor, Public Financial Management, Inc., 801 Grand Avenue, Ste. 3300, Des Moines, Iowa 50309 or by telephoning 515-243-2600. The following section sets forth the description of certain 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

GENERAL OBLIGATION CORPORATE PURPOSE AND REFUNDING BONDS, SERIES 2016 in the principal amount of \$4,600,000*, will be dated the date of delivery (anticipated to be May 26, 2016), will be in the denomination of \$5,000 or multiples thereof, and will mature on June 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2017	\$665,000	2022	\$425,000
2018	770,000	2023	430,000
2019	230,000	2024	440,000
2020	325,000	2025	445,000
2021	415,000	2026	455,000

ADJUSTMENT TO BOND MATURITY AMOUNTS

The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of \$5,000 but the total amount to be issued will not exceed \$4,725,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Bonds is adjusted as described above. Any change in the principal amount of any maturity of the Bonds will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of bond principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

TERM-BOND OPTION

Bidders shall have the option of designating the Bonds as serial bonds or term bonds, or both. The applicable bid must designate whether each of the principal amounts shown above represent a serial maturity or a mandatory redemption requirement for a term bond maturity. (See the OFFICIAL BID FORM for more information.) In any event, the above principal amount scheduled shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both.

*Preliminary; subject to change.

OPTIONAL REDEMPTION

Bonds due after June 1, 2023 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

Interest on the Bonds will be payable on December 1, 2016 and semiannually on the 1st day of June and December thereafter. 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 close of business on the 15th day of the month next preceding the 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 \$46,000 (the "Deposit") is required from the lowest bidder only. 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 Municipal Advisor or (ii) a wire transfer as instructed by the City's Municipal Advisor not later than 12:00 o'clock 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, the Deposit will be retained by the City.

FORM OF BIDS AND AWARD

All bids shall be unconditional for the Bonds for a price not less than \$4,563,200, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations set forth under the "BIDDING PARAMETERS" section. Bids must be submitted on or in substantial compliance with the OFFICIAL BID FORM provided by the City. 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 Municipal Advisor based on the TERMS OF OFFERING and all amendments, and on the bids as submitted. The Municipal 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.

BIDDING PARAMETERS

Each bidder's proposal must conform to the following limitations:

1. 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. The initial price to the public for each maturity must be 98% or greater.

RECEIPT OF BIDS

Form 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 FORM. 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 office of the Finance Director, City of Muscatine, 215 Sycamore Street, Muscatine, Iowa 52761 or at the office of the City's Municipal Advisor, Public Financial Management, Inc., 801 Grand Avenue, Suite 3300, Des Moines, Iowa 50309.

Electronic Internet Bidding: Electronic internet bids will be received at the office of the Finance Director, City of Muscatine, 215 Sycamore Street, Muscatine, Iowa 52761 or at the office of the City's Municipal Advisor, Public Financial Management, Inc., 801 Grand Avenue, Suite 3300, Des Moines, Iowa 50309. 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 the office of the Finance Director, City of Muscatine (facsimile number: 563-264-0750) or at the office of the City's Municipal Advisor, Public Financial Management, Inc., (facsimile number: 515-243-6994). Electronic facsimile bids will be sealed and treated as sealed bids.

Electronic facsimile bids 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, 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 the fair market value of the Bonds on the sale date. The Purchaser 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 30 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 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 (the “SEC”) 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 Financial Information filing of specified information and notice of the occurrence of certain material events as hereinafter described (the “Undertakings”). 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 Undertakings, including termination, amendment and remedies, are set forth as APPENDIX C to this Preliminary Official Statement.

During the past five years, to the best of its knowledge, the City has complied in all material respects with its previous continuing disclosure undertakings entered into under the Rule. However, the City’s annual report for the fiscal year ending June 30, 2011 was filed 5 days late due to an error in determining the filing due date. In addition, the Bond Call material event notice for the Series 2003 Bonds was not posted within 10 business days as required.

Breach of the Undertakings 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 Undertakings, 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 Undertakings may adversely affect the transferability and liquidity of the Bonds and their market price.

CUSIP NUMBERS

It is anticipated that the 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 Municipal 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 CITY COUNCIL
Nancy Lueck, Finance Director
City of Muscatine
215 Sycamore St.
Muscatine, Iowa 52761

SCHEDULE OF BOND YEARS

\$4,600,000*

CITY OF MUSCATINE, IOWA

General Obligation Corporate Purpose and Refunding Bonds, Series 2016

Bonds Dated: May 26, 2016

Interest Due: December 1, 2016 and each June 1 and December 1 to maturity

Principal Due: June 1, 2017-2026

<u>Year</u>	<u>Principal*</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
2017	\$665,000	674.24	674.24
2018	770,000	1,550.69	2,224.93
2019	230,000	693.19	2,918.13
2020	325,000	1,304.51	4,222.64
2021	415,000	2,080.76	6,303.40
2022	425,000	2,555.90	8,859.31
2023	430,000	3,015.97	11,875.28
2024	440,000	3,526.11	15,401.39
2025	445,000	4,011.18	19,412.57
2026	455,000	4,556.32	23,968.89

Average Maturity (dated date): 5.21 Years

* Preliminary; subject to change.

PRELIMINARY OFFICIAL STATEMENT

CITY OF MUSCATINE, IOWA

\$4,600,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2016

INTRODUCTION

This Preliminary Official Statement contains information relating to the City of Muscatine, Iowa (the "City") and its issuance of \$4,600,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2016 (the "Bonds"). This Preliminary Official Statement has been executed on behalf of the City and its Finance Director and may be distributed in connection with the sale of the Bonds authorized therein. Inquiries may be made to Public Financial Management, Inc., 801 Grand Avenue, Suite 3300, Des Moines, Iowa 50309 or by telephoning (515) 243-2600. Information can also be obtained from Ms. Nancy Lueck, Finance Director, City of Muscatine, 215 Sycamore Street, Muscatine, Iowa 52761, or by telephoning (563) 264-1550.

AUTHORITY AND PURPOSE

The Bonds are being issued by the City pursuant to Division III of Chapter 384 of the Code of Iowa and a resolution to be adopted by the City Council of the City. The Bonds are being issued to pay costs of constructing street improvements, including incidental water, sanitary sewer, sidewalk and storm water drainage infrastructure; constructing improvements to the municipal airport; constructing improvements to Musser Park, including playground resurfacing; constructing waterway embankment improvements, including the installation of rip-rap; the demolition of dilapidated buildings (collectively, the "Essential Purpose Projects"); undertaking the Municipal Art Center HVAC Improvements Project in the Consolidated Muscatine Urban Renewal Area (the "Urban Renewal Project"); 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 Projects, the Urban Renewal Project and the Municipal Buildings Project shall be referred to as the "Projects"); and to current refund on June 1, 2016, \$1,310,000 of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2008A (the "Series 2008A Bonds"), originally dated June 1, 2008. The purchaser of the Bonds agrees to enter into a loan agreement (the "Loan Agreement") with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Bonds will be issued in evidence of the City's obligations under the Loan Agreement.

<u>Name of Issue to be Refunded</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Maturities to be Refunded</u>	<u>Principal Amount</u>	<u>Coupon</u>
Series 2008A Bonds	June 1, 2016	100%	June 1, 2017	\$645,000	3.50%
			June 1, 2018	<u>665,000</u>	3.50%
				\$1,310,000	

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

Sources of Funds

Par Amount of the Bonds \$4,600,000.00 *

Uses of Funds

Deposit to Project Fund \$3,200,000.00
Redemption of Series 2008A Bonds 1,310,000.00
Underwriter's Discount 36,800.00
Cost of Issuance & Contingency 53,200.00
Total Uses \$4,600,000.00 *

* Preliminary; subject to change.

OPTIONAL REDEMPTION

Bonds due after June 1, 2023 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. Written 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

Interest on the Bonds will be payable on December 1, 2016 and semiannually on the 1st day of June and December thereafter. 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 close of business on the 15th day of the month next preceding the 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 BONDS

The Bonds constitute valid and binding general obligations of the City, and all taxable property within the corporate boundaries of the City is subject to the levy of taxes to pay the principal of and interest on the Bonds. If the amount credited to the debt service fund for payment of the Bonds is insufficient to pay principal and interest, whether from transfers or from original levies, the City must use funds in its treasury and is required to levy ad valorem taxes upon all taxable property in the City sufficient to pay the debt service deficiency without limit as to rate or amount.

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 City 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 City 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 City, 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 City

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 City 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 City 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.

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.

FUTURE FINANCING

The City does not anticipate any additional borrowings within 90 days of the date of this Preliminary Official Statement.

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.

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 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 the first paragraph of "AUTHORITY AND PURPOSE", "PAYMENT OF AND SECURITY FOR THE BONDS", and under "TAX EXEMPTION AND RELATED CONSIDERATIONS" 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 opinion of Bond Counsel will state that under present laws and rulings, 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, is not 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 (the "Code"), and such interest 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 opinion 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 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 resolution for 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.

Qualified Tax-Exempt Obligations: In the resolution authorizing the issuance of the Bonds, the City will designate the 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.

Proposed 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. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. 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.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. 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.

Original Issue Discount: The Bonds maturing in the years ____ through ____ (collectively, the “Discount Bonds”) are being sold at a discount from the principal 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 an 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 an 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.

Original Issue Premium: The Bonds maturing in the years ____ through ____ are being issued at a premium to the principal amount payable 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 any 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 any original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders who acquire any 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 the Bonds acquired at a premium.

RELATED TAX MATTERS

Information Reporting and Back-up Withholding; Audits: In general, information reporting requirements will apply with respect to payments to an owner of principal and interest (and with respect to annual accruals of OID) on the Bonds, and with respect to payments to an owner of any proceeds from a disposition of the Bonds. This information reporting obligation, however, does not apply with respect to certain owners including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that an owner subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the Internal Revenue Service (the "Service") that it has failed to properly report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the owner on or with respect to the Bonds.

Any amounts withheld under the backup withholding provisions may be credited against the United States federal income tax liability of the beneficial owner, and may entitle the beneficial owner to a refund, provided that the required information is furnished to the 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.

Opinion: 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.

RATING

The City has requested a rating on the Bonds from Moody's Investors Service, Inc. ("Moody's"). Moody's currently rates the City's general obligation long-term debt 'Aa2'. The existing rating on long-term debt reflects only the view of the rating agency and any explanation of the significance of such rating may only be obtained from Moody's. 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 rating may have an effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The City has retained Public Financial Management, Inc. Des Moines, Iowa as Municipal Advisor in connection with the preparation of the issuance of the Bonds. In preparing the Official Statement, the Municipal Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Municipal 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 Official Statement. Public Financial Management 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

(the "SEC") 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 Financial Information filing of specified information and notice of the occurrence of certain material events as hereinafter described (the "Undertakings"). 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 Undertakings, including termination, amendment and remedies, are set forth as APPENDIX C to this Preliminary Official Statement.

During the past five years, to the best of its knowledge, the City has complied in all material respects with its previous continuing disclosure undertakings entered into under the Rule. However, the City's annual report for the fiscal year ending June 30, 2011 was filed 5 days late due to an error in determining the filing due date. In addition, the Bond Call material event notice for the Series 2003 Bonds was not posted within 10 business days as required.

Breach of the Undertakings 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 Undertakings, 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 Undertakings may adversely affect the transferability and liquidity of the Bonds and their market price.

CERTIFICATION

The City has authorized the distribution 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 Muscatine, Iowa, by Public Financial Management, Inc., Des Moines, Iowa, and said Preliminary Official Statement does not contain any material misstatements of fact, nor omission of any material fact regarding the issuance of \$4,600,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2016.

CITY OF MUSCATINE, IOWA
/s/ Nancy Lueck, Finance Director

* Preliminary; subject to change.

CITY PROPERTY VALUES

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs the county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The 2014 final Actual Values were adjusted by the Muscatine County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2014, the taxable value rollback rate was 55.7335% of actual value for residential property; 44.7021% of actual value for agricultural property; and 90% of actual value for commercial, industrial, and railroad property. No adjustment was ordered for utility property because its assessed value did not increase enough to qualify for reduction. Utility property is limited to an 8% annual growth.

The Legislature's intent has been to limit the growth of statewide taxable valuations for the specific classes of property to 3% annually. 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.

HISTORICAL ROLLBACK PERCENTAGES

<u>Fiscal Year</u>	<u>Agricultural Land & Buildings</u>	<u>Residential</u>	<u>Commercial Industrial & Railroad</u>	<u>Utilities</u>
2012-13	57.5411%	50.7518%	100.0000%	100.0000%
2013-14	59.9334%	52.8166%	100.0000%	100.0000%
2014-15	43.3997%	54.4002%	95.0000%	100.0000%
2015-16	44.7021%	55.7335%	90.0000%	100.0000%
2016-17 ¹⁾	46.1068%	55.6259%	90.0000%	100.0000%

1) The 2015 rollback percentages are now available and will become effective July 1, 2016.

PROPERTY VALUATIONS (1/1/2014 Valuations payable July 1, 2015 to June 30, 2016)

	<u>100% Actual Value</u>	<u>Taxable Value (With Rollback)</u>
Residential	\$831,201,602	\$461,629,813
Commercial	247,274,845	218,659,686
Industrial	110,070,871	97,565,025
Railroad	468,660	421,794
Utilities w/o Gas & Electric	<u>4,611,123</u>	<u>4,611,123</u>
Gross valuation	\$1,193,627,101	\$782,887,441
Less Military Exemption	<u>(1,813,108)</u>	<u>(1,812,242)</u>
Net valuation	\$1,191,813,993	\$781,075,199
TIF increment (used to compute debt service levies and constitutional debt limit)	\$57,541,252 ¹⁾	\$57,540,386 ²⁾
Taxed separately		
Ag. Land & Buildings	\$3,226,051	\$979,288
Gas & Electric Utilities	\$9,861,626	\$3,368,661

1) Excludes \$836,969 of TIF Increment Ag. Land valuation.

2) Reduced by \$866 of TIF Increment Military Exemption.

Trend of Valuations

Assessment <u>Year</u>	Payable <u>Fiscal Year</u>	<u>100% Actual Valuation</u>		<u>Net Taxable Valuation</u>		<u>Taxable TIF Increment</u>	
		<u>Valuation</u>	<u>% Change</u>	<u>Valuation</u>	<u>% Change</u>	<u>Valuation</u>	<u>% Change</u>
2011	2012-13	\$1,220,460,654	0.59%	\$781,443,576	2.86%	\$23,452,229	4.47%
2012	2013-14	1,227,291,078	0.56%	798,621,557	2.20%	25,669,741	9.46%
2013	2014-15	1,238,312,164	0.90%	798,149,186	(0.06%)	31,617,913	23.17%
2014	2015-16	1,263,279,891	2.02%	784,443,860	(1.71%)	57,540,386	81.99%
2015 ¹⁾	2016-17	1,321,461,933	4.60%	826,763,643	5.39%	54,930,344	(4.54%)

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

1) 1/1/2015 Valuations are available from the State of Iowa and become effective July 1, 2016.

2014 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY¹⁾

	<u>1/1/2014 Taxable Valuation</u>	<u>Percent Total</u>
Residential	\$461,629,813	58.72%
Commercial, Industrial and all Utilities	324,204,495	41.23%
Railroad	<u>421,794</u>	<u>0.05%</u>
Total Gross Taxable Valuation	\$786,256,102	100.00%

1) Includes all Utilities but excludes Taxable TIF Increment and Ag. Land & Buildings.

LARGER TAXPAYERS

Set forth in the following table are the persons or entities which represent larger taxpayers within the boundaries of the City, as provided by the Muscatine County Auditor’s Office. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the City. With the exception of the electric and natural gas provider noted below (which is subject to an excise tax in accordance with Iowa Code chapter 437A), the City’s mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the City from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

<u>Taxpayer</u> ¹⁾	<u>Type of Property/Business</u>	<u>1/1/2014 Taxable Valuation</u> ²⁾
Grain Processing Corp	Manufacturing – Corn Products	\$40,012,880
HNI Corporation	Manufacturing – Office Furniture	31,459,840
Wal-View Developments	Commercial/Industrial	18,000,000
Wal-Mart Real Estate Business	Commercial/Retail	10,202,870
Heinz H.J. Company LP	Food Processors	10,034,530
Menard Inc.	Commercial/Retail	9,704,700
Interstate Power & Light Co.	Utility	9,223,755
Bridgestone Bandag Tire	Manufacturing – Re-treading	8,811,540
Gridco LLC	Manufacturing – Sports/Event Lighting	7,611,690
Sodarock Properties LLC ³⁾	Comm./Industrial Rent/Leasing	7,006,220
Cobblestone Apartments	Comm./Industrial Rent/Leasing	6,789,960

1) This list represents some of the larger taxpayers in the City, not necessarily the 10 largest taxpayers.

2) The Taxable Valuation listed represents only those valuations associated with the title holder and may not necessarily represent the entire taxable valuation.

3) Sodarock Properties LLC, formerly known as River Bend Leasing LLC.

Source: Muscatine County Auditor’s Office.

PROPERTY TAX LEGISLATION

During the 2013 legislative session, the Iowa General Assembly enacted Senate File 295 (the “Act”), which the Governor signed into law on June 12, 2013. Among other things, the Act (i) reduced the maximum annual taxable value growth percent, due to revaluation of existing residential and agricultural property, from 4% to 3%, (ii) assigned a “rollback” (the percentage of a property’s value that is subject to tax) to commercial, industrial and railroad property of 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, (iii) created a new property tax classification for multi-residential properties (mobile home parks, manufactured home communities, land-lease communities, assisted living facilities and property primarily used or intended for human habitation containing three or more separate dwelling units) (“Multi-residential Property”) that began in the 2015 assessment year, and assigned a declining rollback percentage of 3.75% to such properties for each subsequent year until the 2021 assessment year (the rollback percentage for Multi-residential Properties is equal to the residential rollback percentage in the 2022 assessment year and thereafter) and (iv) exempted a specified portion of the assessed value of telecommunication properties.

The Act included a standing appropriation to replace some of the tax revenues lost by local governments, including tax increment districts, resulting from the new rollback for commercial and industrial property. Prior to Fiscal Year 2017-18, the appropriation is a standing unlimited appropriation, but beginning in Fiscal Year 2017-18 the standing appropriation cannot exceed the actual Fiscal Year 2016-17 appropriation amount. The appropriation does not replace losses to local governments resulting from the Act’s provisions that reduce the annual revaluation growth limit for residential and agricultural properties from 4% to 3%, the gradual transition for Multi-residential Property from the commercial rollback percentage (100% of Actual Value) to the residential rollback percentage (currently 55.7335% of Actual Value), or the reduction in the percentage of telecommunication property that is subject to taxation.

Given the wide scope of the statutory changes, and the State of Iowa's discretion in establishing the annual replacement amount that is appropriated each year commencing in Fiscal Year 2017-18, the impact of the Act on the City's future property tax collections is uncertain and the City is unable to accurately assess the financial impact of the Act's provisions on the City's future operations.

In Moody's Investor Service US Public Finance Weekly Credit Outlook, dated May 30, 2013, Moody's Investor Service ("Moody's") projected that local governments in the State of Iowa are likely to experience modest reductions in property tax revenues starting in Fiscal Year 2014-15 as a result of the Act, with sizeable reductions possible starting in Fiscal Year 2017-18. According to Moody's, local governments that may experience disproportionately higher revenue losses include regions that have a substantial commercial base, a large share of Multi-residential Property (such as college towns), or significant amounts of telecommunications property.

Notwithstanding any decrease in property tax revenues that may result from the Act, Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation bonds, "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 twenty years. 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."

From time to time, other legislative proposals may be considered by the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described in this Official Statement. It cannot be predicted whether or in what forms any of such proposals may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for the levy of taxes by the City.

CITY 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 2014 valuation currently applicable to the fiscal year 2015-16, is as follows:

2014 Actual Valuation of Property	\$1,263,279,891 ¹⁾
Legal Debt Limit of 5%	<u>0.05</u>
Legal Debt Limit	\$63,163,995
Less: G.O. Debt Subject to Debt Limit	(17,555,000)*
Less: Urban Renewal Revenue Debt Subject to Debt Limit	(810,000)
Less: Developer Rebate Agreements	<u>(13,684,182)</u>
Net Debt Limit	\$31,114,813*

1) Actual Valuation of property as reported on fiscal year 2016 county tax roll.

DIRECT DEBT

General Obligation Debt Paid by Taxes (Includes the Bonds)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 05/26/16</u>
6/08A	\$5,120,000	Public Improvements	6/16	\$620,000 ¹⁾
6/10	7,425,000	Public Improvements	6/20	4,765,000
6/12	4,715,000	Improvements & Refunding	6/22	3,735,000
3/13	1,115,000	Refunding	6/16	375,000
6/14	2,575,000	Public Improvements	6/24	2,520,000
5/16	4,600,000*	Improvements & Refunding	6/26	<u>4,600,000 *</u>
Total General Obligation Debt Subject to Debt Limit:				\$16,615,000 *

1) The Series 2008A Bonds maturing in 2017 through 2018 will be current refunded by the Bonds on June 1, 2016.

General Obligation Debt Paid by Tax Increment Revenue

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 05/26/16</u>
6/10	\$1,535,000	Public Improvements	6/20	\$940,000
Total General Obligation Debt Subject to Limit				\$17,555,000 *

* Preliminary; subject to change.

Urban Renewal Revenue Bonds

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 05/26/16</u>
6/04	\$1,885,000	TIF Revenue	6/21	\$810,000
Total Urban Renewal Revenue Debt Subject to Limit				\$810,000

Annual Fiscal Year Debt Service Payments

General Obligation Debt Paid by Taxes (Includes the Bonds)

<u>Fiscal Year</u>	<u>Current Outstanding Debt</u>		<u>The Bonds</u>		<u>Total Outstanding</u>	
	<u>Principal</u>	<u>Principal & Interest</u>	<u>Principal*</u>	<u>Principal & Interest*</u>	<u>Principal*</u>	<u>Principal & Interest*</u>
2015-16	\$2,230,000	\$2,388,026 ¹⁾	\$0	\$0	\$2,230,000	\$2,388,026 ¹⁾
2016-17	1,480,000	1,697,678	665,000	740,785	2,145,000	2,438,463
2017-18	1,565,000	1,750,268	770,000	837,565	2,335,000	2,587,833
2018-19	2,010,000	2,159,828	230,000	288,171	2,240,000	2,447,999
2019-20	2,015,000	2,117,203	325,000	380,158	2,340,000	2,497,361
2020-21	945,000	997,415	415,000	465,641	1,360,000	1,463,056
2021-22	970,000	1,005,225	425,000	469,416	1,395,000	1,474,641
2022-23	395,000		430,000	467,276	825,000	878,681
2023-24	<u>405,000</u>		440,000	469,278	845,000	882,783
2024-25			445,000	465,302	445,000	465,302
2025-26			<u>455,000</u>	465,556	<u>455,000</u>	465,556
	\$12,015,000		\$4,600,000*		\$16,615,000*	

1) Excludes the December 1, 2015 interest payment in the amount of \$158,026.

* Preliminary; subject to change.

General Obligation Debt Paid by Tax Increment Revenue

<u>Fiscal Year</u>	<u>Outstanding Debt</u>	
	<u>Principal</u>	<u>Principal & Interest</u>
2015-16	\$180,000	\$194,225 ¹⁾
2016-17	180,000	203,050
2017-18	185,000	202,650
2018-19	195,000	207,100
2019-20	<u>200,000</u>	206,250
	\$940,000	

1) Excludes the December 1, 2015 interest payment in the amount of \$14,225.

Urban Renewal Revenue Debt Paid by Tax Increment Revenue

<u>Fiscal Year</u>	<u>Outstanding Debt</u>	
	<u>Principal</u>	<u>Principal & Interest</u>
2015-16	\$120,000	\$142,533 ¹⁾
2016-17	125,000	288,705
2017-18	130,000	291,955
2018-19	140,000	304,805
2019-20	145,000	306,965
2020-21	<u>150,000</u>	308,700
	\$810,000	

1) Excludes the December 1, 2015 interest payment in the amount of \$22,533.

REVENUE DEBT

The City has revenue debt outstanding payable solely from the net revenues of the sewer utility as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 05/26/16</u>
11/08	\$16,500,000	Sewer Improvements (SRF)	6/32	\$13,698,000

OVERLAPPING DEBT

<u>Taxing District</u>	<u>1/1/2014 Total Taxable Valuation ¹⁾</u>	<u>Portion of Taxable Valuation within the City</u>	<u>Percent In City</u>	<u>G.O Debt ²⁾</u>	<u>City's Proportionate Share</u>
Muscatine County	\$1,881,016,861	\$843,800,503 ³⁾	44.86%	\$17,505,000	\$7,852,743
Muscatine CSD	1,241,224,899	819,955,915 ⁴⁾	66.06%	0	0
Louisa-Muscatine CSD	259,759,517	23,844,588 ⁵⁾	9.18%	0	0
Eastern Iowa Comm. College	13,796,149,295	843,800,503 ³⁾	6.12%	54,635,000	<u>3,343,662</u>
City's share of total overlapping debt					\$11,196,405

- 1) Includes Ag. Land, Ag. Buildings, all utilities and Taxable TIF Increment.
- 2) Includes general obligation bonds, PPEL notes, certificates of participation and new jobs training certificates.
- 3) Includes \$836,969 of Ag Land and Ag Buildings TIF Increment valuation.
- 4) Includes \$652,169 of Ag Land and Ag Buildings TIF Increment valuation.
- 5) Includes \$184,800 of Ag Land and Ag Buildings TIF Increment valuation.

FINANCIAL SUMMARY

Debt Ratios

	<u>G.O. Debt</u>	<u>Debt/Actual Market Value</u> (\$1,263,279,891) ¹⁾	<u>Debt/Taxable Value</u> (\$842,963,534) ²⁾	<u>Debt Per Capita</u> (22,886) ³⁾
City Total G. O. Debt	\$17,555,000*	1.39%	2.08%	\$767.06
City Total TIF Revenue Debt	810,000	0.06%	0.10%	35.39
City's Share of Overlapping Debt	<u>11,196,405</u>	<u>0.89%</u>	<u>1.33%</u>	<u>489.23</u>
City's Net Overall Debt	\$29,561,405	2.34%	3.51%	\$1,291.68

- 1) Based on the City's 1/1/2014 Actual Valuation including Ag. Land & Buildings, Taxable TIF Increment and all Utilities.
 2) Based on the City's 1/1/2014 Taxable Valuation including Ag. Land & Buildings, Taxable TIF Increment and all Utilities.
 3) Population based on the City's 2010 U.S. Census.

*Preliminary; subject to change.

Valuation Per Capita

	<u>1/1/2014 Valuation</u>	<u>Valuation Per Capita</u> (22,886) ³⁾
100% Actual Valuation	\$1,263,279,891 ¹⁾	\$55,198
Taxable Valuation	842,963,534 ²⁾	36,833

- 1) Based on the City's 1/1/2014 Actual Valuation including Ag. Land & Buildings, Taxable TIF Increment and all Utilities.
 2) Based on the City's 1/1/2014 Taxable Valuation including Ag. Land & Buildings, Taxable TIF Increment and all Utilities.
 3) Population based on the City's 2010 U.S. Census.

LEVIES AND TAX COLLECTIONS

<u>Collection Period</u>	<u>Levy</u>	<u>Collected During Collection Year</u>	<u>Percent Collected</u>
2011-12	\$11,993,254	\$12,034,562	100.34%
2012-13	12,258,744	12,270,777	100.10%
2013-14	12,539,510	12,528,647	99.91%
2014-15	12,541,759	12,860,520	102.54%
2015-16	12,404,950	----- In Process of Collection -----	

Collections include delinquent taxes from all prior years. Taxes in Iowa are delinquent each October 1 and April 1 and a late payment penalty of 1% per month of delinquency is enforced as of those dates. If delinquent taxes are not paid, the property may be offered at the regular tax sale on the third Monday of June following the delinquency date. Purchasers at the tax sale must pay an amount equal to the taxes, special assessments, interest and penalties due on the property and funds so received are applied to taxes. A property owner may redeem from the regular tax sale but, failing redemption within three years, the tax sale purchaser is entitled to a deed, which in general conveys the title free and clear of all liens except future tax installments.

Source: Muscatine County Auditor's Office.

TAX RATES

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	<u>\$/1,000</u>	<u>\$/1,000</u>	<u>\$/1,000</u>	<u>\$/1,000</u>	<u>\$/1,000</u>
City of Muscatine	15.77146	15.67209	15.67209	15.67209	15.67209
Muscatine County	8.00950	7.73335	7.70380	7.70380	7.88491
County Assessor	0.33767	0.33455	0.32536	0.31968	0.36018
Ag Extension	0.14582	0.13969	0.14106	0.14348	0.14733
Muscatine CSD	15.36192	15.35345	15.27597	15.42605	15.80950
Louisa-Muscatine CSD	13.78625	11.97595	10.58609	11.20916	12.39496
Eastern Iowa Comm. College	1.01724	0.91511	0.92043	0.92782	0.96863
State of Iowa	<u>0.00320</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>
<u>Tax Rate for Resident of:</u>					
Muscatine CSD	40.64681	40.15154	40.04201	40.19622	40.48594
Louisa-Muscatine CSD	39.07114	36.77404	35.35213	35.97933	37.43140

CITY TAX RATE BREAKDOWN

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Outside</u>	<u>Emergency Fund</u>	<u>Debt Service</u>	<u>Employee Benefits</u>	<u>Capital Improvement</u>	<u>Total Levy</u>	<u>Ag. Levy</u>
2012	8.10000	0.75904	0.00000	2.85051	4.06191	0.00000	15.77146	3.00375
2013	8.10000	0.79615	0.00000	2.90388	3.87206	0.00000	15.67209	3.00375
2014	8.10000	0.87301	0.00000	2.89226	3.80682	0.00000	15.67209	3.00375
2015	8.10000	0.83035	0.00000	2.89056	3.85118	0.00000	15.67209	3.00375
2016	8.10000	0.65921	0.00000	2.79677	4.11611	0.00000	15.67209	3.00375

LEVY LIMITS

A city's general fund tax levy is limited to \$8.10 per \$1,000 of taxable value, with provision for an additional \$0.27 per \$1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the \$8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the \$8.10 limitation is \$8.10 for fiscal year 2015-16. The City does levy for levee improvements; liability, property & self insurance costs, operation and maintenance of publicly owned transit, and other employee benefits in addition to the \$8.10 general fund limit as authorized by law. Currently, the City does not levy for an emergency fund. Debt service levies are not limited.

FUNDS ON HAND (CASH AND INVESTMENTS AS OF FEBRUARY 29, 2016)

<u>Account</u>	<u>Balance</u>	
General	\$2,771,696.67	
Debt Service	1,246,037.96	
Insurance Reserve	57,299.48	
Cemetery Perpetual Care	863,020.06	
Cemetery Perpetual Care Interest	2,915.35	
Cemetery Trusts	56,402.34	
Library Trusts	179,865.50	
Art Center Trusts	638,309.91	
<u>Capital Project Funds</u>		
Cedar Street Improvements	(282,971.16)	2) 3)
Colorado Street Improvements	(8,639.00)	2)
Mulberry Avenue Street Improvements	(197,505.52)	1)
Mississippi Drive Corridor Study	(45,112.69)	2)
Transfer of Jurisdiction – Corridor Study	12,890,476.34	
Other Street Projects	60,648.40	
Water Pollution Control Projects:		
Sewer Improvement Projects	(984,400.69)	3)
Other WPCP Projects	(1,583.90)	3)
Trail Projects	(19,156.79)	2)
Weed Park Maintenance Building Project	(302,167.20)	4)
Playground Improvement Project	(69,929.80)	1)
Golf Course Irrigation Project	(180,163.85)	5)
Building Demolition Projects	(8,518.86)	1)
Downtown Revitalization Project	(307.98)	2)
Downtown Upper Floor Housing Project	49,681.51	
Southend Fire Station Project	(12,038.08)	3)
City Building Roofing Replacements	36,166.12	
Art Center HVAC Improvements	134,502.14	
Mad Creek Levee Improvements	(42,043.52)	5)
Police Radio System	(136,116.78)	3)
Transfer Station Equipment	(174,896.00)	5)
Airport Improvement Projects	(239,210.44)	1) 2)
Hotel TIF Project	(78,273.83)	4)
Other Capital Projects	20,777.87	
<u>Enterprise Funds:</u>		
Transit	269,887.28	
Parking	102,796.47	
Golf	47,913.73	
Boat Harbor	(4,875.89)	5)
Marina	(1,642.21)	5)
Refuse Collection	(89,837.23)	5)
Landfill (Solid Waste Agency)	623,317.71	
Landfill Reserves	1,588,523.71	
Transfer Station	(171,844.54)	5)
Transfer Station Reserve	38,395.00	
Water Pollution Control Operations	1,733,632.35	
Collection and Drainage	916,498.22	

<u>Account</u>	<u>Balance</u>
Sewer Reserves	5,322,012.53
Airport Operations	(4,987.59) ³⁾
Ambulance	179,964.45
Convention & Visitors Bureau (Component Unit)	121,313.82
<u>Internal Services Funds:</u>	
Equipment Services	2,540.03
Central Supplies	(1,365.04) ⁵⁾
Health Insurance	1,552,450.61
Dental Insurance	13,405.21
Various Clearing Accounts	(50,177.53) ⁵⁾
<u>Special Revenue Funds:</u>	
Close CDBG Grant Funds	31,618.94
Housing Home Ownership Program	89,764.69
Housing Children's Education Program	7,409.17
Road Use Tax	1,079,125.08
Employee Benefits	(478,018.46) ⁵⁾
Emergency Tax Levy Fund	80,645.54
Computer/Equipment Replacement Funds	264,382.60
Local Option Sales Tax	29,274.00
Tax Increment Funds	1,461,071.26
COPS Grant Future Funding Reserve	(158,750.00) ⁴⁾
Public Housing	156,526.43
Section 8 Housing	<u>65,708.04</u>
 Total - All Funds	 <u>\$31,041,441.94</u>

- 1) Deficits to be eliminated through bond proceeds.
- 2) Deficits to be eliminated through grants.
- 3) Deficits to be eliminated through transfers.
- 4) Deficits to be eliminated through incremental tax collections (TIF).
- 5) Deficits to be eliminated through future operations. This includes future tax receipts and user charges.

THE CITY

CITY GOVERNMENT

The City operates under the mayor-council form of government and has a City Administrator. Policy-making and legislative authority are vested in a mayor and seven council members. The city council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees, and hiring both the City Administrator and the City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms and the mayor is elected to serve a two-year term. Five of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City provides a full range of services including police and fire protection; roadway maintenance; water pollution control; solid waste management; recreational and cultural activities and facilities; and a general aviation airport.

EMPLOYEES AND PENSIONS

The City participates in two statewide employee retirement systems, the Iowa Public Employees Retirement System (“IPERS”) and the Municipal Fire and Police Retirement System of Iowa (“MFPRSI”). The State of Iowa administers IPERS and a nine-member board of trustees governs the MFPRSI. Though separate and apart from state government, the MFPRSI board is authorized by state legislature, which also establishes by statute the **pension and disability benefits and the system’s funding mechanism. All full-time employees must participate in either IPERS or MFPRSI.**

Iowa Public Employees Retirement System: The City contributes to IPERS, which is a cost-sharing multiple-employer, contributory defined benefit public employee retirement system administered by IPERS. IPERS provides retirement and death benefits, which are established by state statute, to plan members and beneficiaries. IPERS is authorized to adjust the total contribution rate up or down each year, by no more than 1 percentage point, based upon the actuarially required contribution rate. The City’s contributions to IPERS for the years ended June 30, 2013, 2014 and 2015 as shown below equal the required contributions for each year.

	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
IPERS City Contribution	\$649,684	\$683,8548	\$686,823

The IPERS CAFR is available on the IPERS website, <https://www.ipers.org/financial-and-investment>, or by contacting IPERS at 7401 Register Drive P.O. Box 9117, Des Moines, IA 50321.

Bond Counsel, the City and the Municipal Advisor undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from the IPERS discussed above or included on the IPERS website, including, but not limited to, updates of such information on the State Auditor’s website or links to other Internet sites accessed through the IPERS website.

Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 68, the City reported a liability of \$4,577,583 within its CAFR as of June 30, 2015 for its proportionate share of the net pension liability. The net pension liability is the amount by which the total actuarial liability exceeds the pension plan’s net assets or fiduciary net position (essentially the market value) available for paying benefits. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s collective proportion was 0.1154234% which was an increase of 0.0015561% from its proportion measured as of June 30, 2013.

Municipal Fire and Police Retirement System of Iowa: The City contributes to MFPRSI, which is a cost-sharing multiple-employer defined benefit pension plan. MFPRSI provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statute, and vest after four years of credited service.

MFPRSI plan members are required to contribute a percentage of their annual covered salary, and the City is required to contribute at an actuarially determined rate of annual covered payroll. The contribution requirements of plan members and the City are established, and may be amended by state statute. The City contributed the required amount to MFPRSI for each year as follows:

	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
MFPRSI City Contribution	\$1,138,473	\$1,356,118	\$1,403,255

The MFPRSI Independent Auditors Report is available on the MFPRSI website, <http://www.mfprsi.org/about-mfprsi/publications/>, or by contacting MFPRSI at 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Bond Counsel, the City and the Municipal Advisor undertake no responsibility for and make no representations as to the accuracy or completeness of the information available from MFPRSI discussed above or included on the MFPRSI websites, including, but not limited to, updates of such information on the State Auditor’s website or links to other Internet sites accessed through the MFPRSI websites.

Pursuant to GASB Statement No. 68, the City reported a liability of \$6,361,984 with its CAFR as of June 30, 2105 for its proportionate share of the net pension liability. The net pension liability is the amount by which the total actuarial liability exceeds the pension plan’s net assets or fiduciary net position (essentially the market value) available for paying benefits. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City’s proportion was 1.755039% which was an increase of 0.00027769% from its proportion measured as of June 30, 2013.

For additional information regarding the City’s Retirement System please refer to Note 7, page 66 of the FY15 CAFR, included as APPENDIX B.

UNION CONTRACTS

The City has negotiated contracts with the following employee union groups:

<u>Employee Group</u>	<u>Contract Expiration Date</u>	<u>Annual Wage Increases</u>					
		<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>
Fire	June 30, 2019	2.90%	2.25%	2.50%	2.75%	2.90%	3.00%
Police	June 30, 2019	2.95%	2.25%	2.50%	2.75%	2.90%	3.00%
Blue/White Collar	June 30, 2019 ¹⁾	2.90%	2.25%	2.50%	2.75%	2.90%	3.00%

1) Individual positions in the Blue/White Collar group may have increases higher or lower than the rates shown; the percentages shown represent the overall increases to the City.

For all three bargaining units, effective January 1, 2016 the single/family health insurance deductibles will increase from \$500/\$1,000 to \$600/\$1,200 and the out-of-pocket maximums will increase from \$1,000/\$2,000 to \$1,200/\$2,400. The employee’s contributions for health insurance will increase from the current 5% to 6% effective January 1, 2017, 7% effective January 1, 2018, and 8% effective January 1, 2019. These changes will also be implemented for non-bargaining unit employees of the City.

OTHER POST EMPLOYMENT BENEFITS

Plan description: The City sponsors a single-employer health care plan for its active and retired employees. Upon normal retirement, employees have the option of continuing health and dental insurance coverage at their cost until the age of 65.

Funding policy: The City establishes and amends contribution requirements. The current funding policy of the City is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB reporting. The required contribution is based on projected pay-as-you-go financing. For the year ended June 30, 2015, the City contributed \$160,222, which was net of retiree premiums received of \$192,167.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not-to-exceed 30 years. The following table shows the components of the City's annual OPEB cost for the 2014-15 fiscal year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the postemployment health plan:

Annual Required Contribution	\$100,027
Interest on net OPEB obligation	30,053
Adjustment to annual required contribution	<u>(39,100)</u>
Annual OPEB cost (expense)	\$90,980
Contributions and payments made	<u>160,222</u>
Increase in net OPEB obligation	(\$69,242)
Net OPEB obligation- July 1, 2014	<u>601,052</u>
Net OPEB obligation- June 30, 2015	<u>\$531,810</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OBEB Obligation</u>
June 30, 2013	\$98,070	11.44%	\$402,105
June 30, 2014	96,761	105.61%	601,052
June 30, 2015	90,980	176.11%	531,810

INSURANCE

The City's insurance coverage is as follows:

<u>Type of Insurance</u>	<u>Coverage Limit</u>
Property/Equipment	\$77,856,129
<u>Inland Marine:</u>	
Fine Arts	\$14,052,199
Contractors Equipment	\$2,734,859
Miscellaneous Equipment	\$2,628,684
Radio/TV Communications Equipment	\$198,750
<u>Flood Policy:</u>	
City Hall	\$500,000
Public Safety	\$500,000
Pearl City Station	\$250,000
Riverview Center	\$454,100
Pistol Range	\$78,000
<u>Liability:</u>	
General	\$1,000,000
Employee Benefit	\$1,000,000
Liquor	\$1,000,000
Law Enforcement	\$1,000,000
Public Entity Employment	\$1,000,000
Public Entity Management	\$1,000,000
Cyber	\$1,000,000
Business Automobile	\$1,000,000
Umbrella	\$10,000,000
Crime	\$500,000
Workers Compensation	\$500,000
Travel Accident (Police & Fire Medical)	\$250,000
Airport Protection	\$5,000,000
Fuel Tank Pollution Liability	\$1,000,000
<u>Ocean Marine Insurance – Dredging:</u>	
Hull Coverage Limit – Vessel & Equipment	\$291,524
Protective & Indemnity Limit	\$1,000,000
Ocean Marine Maritime Employers Liability	\$500,000
Ocean Marine Insurance Excess – Dredging	\$10,000,000

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City of Muscatine was incorporated in 1851 by a special act of the Iowa State Legislature and is located on the Mississippi River, which is the eastern boundary of the State of Iowa. The City is located 160 miles east of Des Moines, 200 miles west of Chicago, and is the county seat of Muscatine County. The City occupies a land area of approximately 18.5 square miles and serves a population of 22,886 people based on the 2010 U.S. Census. Voluntary annexations in 2012 and 2013 increased the population to 23,819. The city is empowered to levy a tax on all property located within its boundaries.

LARGER EMPLOYERS

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

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u> ¹⁾
HNI Corporation/The HON Co.	Manufacturing	3,700
Grain Processing/Kent Feeds	Manufacturing/Production Food Products	900
Muscatine Community School District	Education	795
Unity Point Trinity of Muscatine	Healthcare	462
Monsanto Company	Herbicides, Pesticides	423
Hy-Vee Food Store	Grocery Store	380
H.J. Heinz LP	Food Processing	378
Wal-Mart	Retail	345
Musco Sports Lighting	Sports/Event Lighting	320
The Raymond Corporation	Electric Lift Trucks	305
Muscatine Power and Water	Utility	290
The Stanley Group	Engineering/Consulting	260
City of Muscatine	Government	221
Bridgestone Bandag LLC	Manufacturing/Re-Treading	200
Muscatine County	Government	190

1) This number includes full-time, part-time and seasonal employees.

Source: The City.

U.S. CENSUS DATA

Population Trend

<u>Census Year</u>	<u>City of Muscatine</u>	<u>Muscatine County</u>
1990	22,881	39,907
2000	22,697	41,722
2010	22,886	42,745

Source: U.S. Census Bureau website.

RETAIL SALES

The following table represents Retail Sales figures for the City of Muscatine.

<u>Year Ending 6/30</u>	<u>Taxable Retail Sales</u>	<u>Number of Businesses</u> ¹⁾
2011	\$375,283,095	693
2012	386,770,122	695
2013	371,978,755	711
2014	377,445,272	699
2015	401,787,000	701

1) The number of businesses is estimated by dividing the total number of quarterly returns filed during the fiscal year by four.

Source: Iowa Department of Revenue; Iowa Retail Sales & Use Tax Report.

BUILDING PERMITS

City officials report the following construction activity as of March 31, 2016. Permits for the City are reported on a calendar year basis.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Single Family Homes:</u>					
No. of New Homes:	15	10	7	14	0
Valuation:	\$2,144,865	\$2,525,540	\$1,030,200	\$2,517,358	\$0
<u>Home Remodeling, Improvements, & Garages</u>					
No. of Permits Issued:	325	259	255	288	53
Valuation:	\$2,754,000	\$1,784,904	\$2,579,082	\$3,271,433	\$570,422
<u>Multiple-Family Dwellings & Duplexes:</u>					
No. of New Buildings:	0	5	8	0	0
Valuation:	\$0	\$2,280,540	\$1,731,440	\$0	\$0
<u>Commercial/Industrial/Other:</u>					
No. of New Buildings:	6	5	26	27	4
Valuation:	\$4,387,265	\$15,021,973	\$22,488,472	\$6,548,923	\$2,046,957
<u>Commercial/Industrial/Other Additions & Alterations:</u>					
No. of Permits Issued:	47	76	55	38	9
Valuation:	<u>\$30,432,120</u>	<u>\$12,490,299</u>	<u>\$4,912,011</u>	<u>\$6,104,135</u>	<u>\$5,788,590</u> ²⁾
Total Permits:	393	355	351	367	66
Total Valuations:	\$39,718,250	\$34,103,256	\$32,741,205	\$18,441,849	\$8,405,969

UNEMPLOYMENT RATES

		Muscatine <u>County</u>	State of <u>Iowa</u>	United <u>States</u>
Annual Averages:	2012	5.7%	5.1%	8.1%
	2013	5.2%	4.7%	7.4%
	2014	4.5%	4.2%	6.2%
	2015	3.8%	3.7%	5.3%
	2016 (Jan-Feb)	4.9%	4.5%	4.9%

Source: Iowa Workforce Development Center and United States Department of Labor, Bureau of Labor Statistics websites.

EDUCATION

Public education is provided to residents of the City by the Muscatine Community School District, Louisa-Muscatine Community School District and parochial schools. The Muscatine Community School District provides public education, with certified enrollment for the 2016-17 school year of 5,195. The district owns and operates eight elementary schools, two middle schools, and one high school. The Louisa-Muscatine Community School District provides public education with certified enrollment for the 2016-17 school year of 736. The district owns and operates one pre-school through sixth grade elementary school and one seventh through twelfth grade secondary school.

FINANCIAL SERVICES

Financial services for residents of the City are provided by Central State Bank, Community Bank and Trust and First National Bank of Muscatine and branch offices of U.S. Bank N.A.

Central State Bank, Community Bank and Trust and First National Bank of Muscatine report deposits, as of June 30th for each year, as follows:

<u>Year</u>	<u>Central State Bank</u>	<u>Community Bank and Trust</u>	<u>First National Bank of Muscatine</u>
2011	\$240,372,000	\$210,436,000	\$254,439,000
2012	288,047,000	218,402,000	258,920,000
2013	266,338,000	225,130,000	260,715,000
2014	364,385,000	223,234,000	266,605,000
2015	439,287,000	221,215,000	258,743,000

Source: Federal Deposit Insurance Corporation website.

FINANCIAL STATEMENTS

The City's June 30, 2015 Comprehensive Annual Financial 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 Municipal Advisor, Public Financial Management, Inc.

McGladrey LLP, the City's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey LLP, also has not performed any procedures relating to this Preliminary Official Statement.

APPENDIX A

FORM OF LEGAL OPINION

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APPENDIX B

JUNE 30, 2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT

McGladrey LLP, the City's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey LLP, also has not performed any procedures relating to this Preliminary Official Statement.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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OFFICIAL BID FORM

TO: The City Council of
City of Muscatine, Iowa

Sale Date: May 5, 2016
10:00 AM, Central Time

RE: \$4,600,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2016 (the "Bonds")

For all or none of the above Bonds, in accordance with the TERMS OF OFFERING, we will pay you \$ _____ (not less than \$4,563,200) plus accrued interest to date of delivery for the Bonds bearing interest rates and maturing in the stated years as follows:

<u>Coupon</u>	<u>Maturity</u>	<u>Re-Offering</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Re-Offering</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Re-Offering</u>
_____	2017	_____	_____	2021	_____	_____	2025	_____
_____	2019	_____	_____	2022	_____	_____	2026	_____
_____	2019	_____	_____	2023	_____	_____		_____
_____	2020	_____	_____	2024	_____	_____		_____

* Preliminary; subject to change. The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of \$5,000 but the total amount to be issued will not exceed \$4,750,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Bonds is adjusted as described above. Any change in the principal amount of any maturity of the Bonds will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of bond principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

We hereby designate that the following Bonds to be aggregated into term bonds maturing on June 1 of the following years and in the following amounts (leave blank if no term bonds are specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>	<u>Aggregate Amount</u>
_____ through _____	_____	_____
_____ through _____	_____	_____
_____ through _____	_____	_____
_____ through _____	_____	_____

In making this offer we accept all of the terms and conditions of the TERMS OF OFFERING published in the Preliminary Official Statement dated April 21, 2016. In the event of failure to deliver these Bonds in accordance with the TERMS OF OFFERING as printed in the Preliminary Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ _____

TRUE INTEREST COST: _____ % (Based on dated date of May 26, 2016)

Account Manager: _____ By: _____

Account Members: _____

The foregoing offer is hereby accepted by and on behalf of the City Council of City of Muscatine, Iowa this 5th day of May, 2016.

Attest: _____ By: _____

Title: _____ Title: _____