Local Option Sales Tax– Proposed Tax Renewal Information

September 14, 2017

Key Dates

- **June 30, 2019 – Current Local Option Tax period expires unless renewed.**

- **December 31, 2028 – EPA Consent Order deadline for completion of sewer separation projects. The West Hill project is the final project required by the Consent Order.**

- **March 6, 2018 – Proposed date for a referendum on the renewal of the Local Option Tax. Per State law, referendums can only be held at one of four dates in each calendar year.**

- **December 7, 2017 – Last date for City Council to approve the request for the special election and the ballot question for the proposed March 6, 2018 special election (can be done earlier).**

West Hill Sewer Separation Project – Project Cost Estimate – Phases 4, 5 and 6

- **Construction is currently in progress on Phase 3-C of the West Hill Sewer Separation project which is scheduled to be completed before the end of calendar year 2017. Once Phase 3-C is completed, the overall West Hill Sewer Separation project is approximately 35% completed.**

- **Stanley Consultants has prepared a cost estimate for the remaining phases of the West Hill Sewer project.**

- **This cost estimate is for Phase 4 (A, B, and C), Phase 5 (A, B, and C) , and Phase 6 (A, B, C, D, and E). The total estimated contract costs for these phases is $32,056,477 and total project costs (including engineering, project management, legal, etc.) are estimated at $40,070,596. These estimates include a 3% annual escalation factor.**

Long-Term Financing Plan - West Hill Sewer Separation Project

- **Public Financial Management (PFM), the City's financial consultant, prepared a long-term financing plan for the West Hill project based on the project cost estimates in the schedule prepared by Stanley Consultants.**
- **The City has been setting aside $400,000 each fiscal year since 2011/2012 to assist in financing the West Hill Sewer project ($200,000 from the WPCP fund and $200,000 from the Collection and Drainage fund). These funds are available to supplement the 80% allocation of Local Option Sales Tax being used to fund the West Hill Sewer project (approx. $2 million each year).**
- **Local Option Sales Taxes (subject to voter referendum) and the set-aside funds are projected to be sufficient to fund project costs for all phases of Phase 4 and Phase 5.**
- **A State Revolving Fund (SRF) Loan is projected to be needed by 2023 to fund all 5 phases of Phase 6 plus the work required at the Papoose Pumping Station at the end of the project.**

Long-Term Financing Plan - West Hill Sewer Separation Project (Cont.)

- **Based on current project cost estimates, PFM estimates the SRF Loan needed to complete the financing of this project at $22,800,000. Initial interest on this loan would be based on Loan proceeds drawn down as needed for project costs. The interest rate for the SRF loan is 2.0%.**
- **PFM has prepared a preliminary SRF Loan repayment schedule showing principal and interest payments on a 10 year loan with the final year of the loan in 2033/2034.**
- **The PFM financing plan is based on renewal of the Local Option Tax and continuation of the 80% allocation for sewer projects through the Loan repayment period (through June 30, 2034).**
- **This would require the Local Option Tax be in place from its current expiration date of June 30, 2019 through June 30, 2034. This would require a 15 year Local Option Tax period which is the term proposed to be included in the Local Option Tax renewal referendum.**

Summary of Key Items for the Local Option Sales Tax Renewal Referendum

- **Ballot Question – Propose to continue the current 80% allocation for sewer projects and 20% allocation for street projects. Add language that would allow for Local Option Tax funds to also be used for principal and interest payments on debt used to finance sewer projects.**
- **Term of Local Option Tax renewal – proposed 15 year Local Option Tax period.**
- **Having the Local Option Tax in place to fund project costs and debt service for this project would mean that (1) the City's property tax rate would not be impacted from this project and (2) sewer rates would also not be impacted.**
- **Referendum Date – Proposed for March 6, 2018**
- **Based on City Council concurrence of this plan, staff will prepare information for City Council and the public on the proposed uses of future Local Option Tax funds and the overall financing of the West Hill Sewer Separation project.**

Summary of Remaining West Hill Area Sewer Separation Projects
Date 7/22/2016

Future Phase 4 (Remaining Part of Original Phase 2)

Phase	Non Escalated Construction Costs	Non Escalated Project Costs	Year	Escalated Construction Costs	Escalated Project Costs
4A	$ 2,260,000	$ 2,825,000	2018	$ 2,397,634	$ 2,997,043
4B	$ 1,890,000	$ 2,362,500	2019	$ 2,065,254	$ 2,581,568
4C	$ 2,100,000	$ 2,625,000	2020	$ 2,363,569	$ 2,954,461
Total	$ 6,250,000	$ 7,812,500	-	$ 6,826,457	$ 8,533,071

Future Phase 5 (Remaining Part of Original Phase 3)

Phase	Non Escalated Construction Costs	Non Escalated Project Costs	Year	Escalated Construction Costs	Escalated Project Costs
5A	$ 1,640,000	$ 2,050,000	2021	$ 1,901,209	$ 2,376,512
5B	$ 2,080,000	$ 2,600,000	2022	$ 2,483,629	$ 3,104,536
5C	$ 1,120,000	$ 1,400,000	2022	$ 1,337,339	$ 1,671,673
Total	$ 4,840,000	$ 6,050,000	-	$ 5,722,177	$ 7,152,721

Future Phase 6 (Remaining Part of Original Phase 3)

Phase	Non Escalated Construction Costs	Non Escalated Project Costs	Year	Escalated Construction Costs	Escalated Project Costs
6A	$ 2,610,000	$ 3,262,500	2023	$ 3,209,971	$ 4,012,463
6B	$ 2,470,000	$ 3,087,500	2024	$ 3,128,922	$ 3,911,153
6C	$ 3,360,000	$ 4,200,000	2025	$ 4,384,038	$ 5,480,047
6D	$ 2,870,000	$ 3,587,500	2026	$ 3,857,040	$ 4,821,300
6E	$ 2,560,000	$ 3,200,000	2027	$ 3,543,639	$ 4,429,548
Total	$ 13,870,000	$ 17,337,500	-	$ 18,123,610	$ 22,654,512

Total of Remaining West Hill Work

Future Phase	Non Escalated Totals Construction Costs	Non Escalated Totals Project Costs	Year	Escalated Totals Construction Costs	Escalated Totals Project Costs
4	$ 6,250,000	$ 7,812,500	2018-2020	$ 6,826,457	$ 8,533,071
5	$ 4,840,000	$ 6,050,000	2021-2022	$ 5,722,177	$ 7,152,721
6	$ 13,870,000	$ 17,337,500	2023-2027	$ 18,123,610	$ 22,654,512
CSO Elimination at Pump Station	$ 1,000,000	$ 1,250,000	2027	$ 1,384,234	$ 1,730,292
Overall Total	$ 25,960,000	$ 32,450,000	--	$ 32,056,477	$ 40,070,596

Total Project Cost Allowance = 25% Above the calculated cost of construction
Annual Escalation Rate = 3%
Year of Cost Estimate = 2016

Notes

1 The basis of quantities were taken from 2010 study. Construction costs have been estimated using 2016 pricing

2 The total project costs include an 25% allowance for engineering/legal/administration

3 $1.0M for pump station elimination work is a place holder actual costs have not been estimated

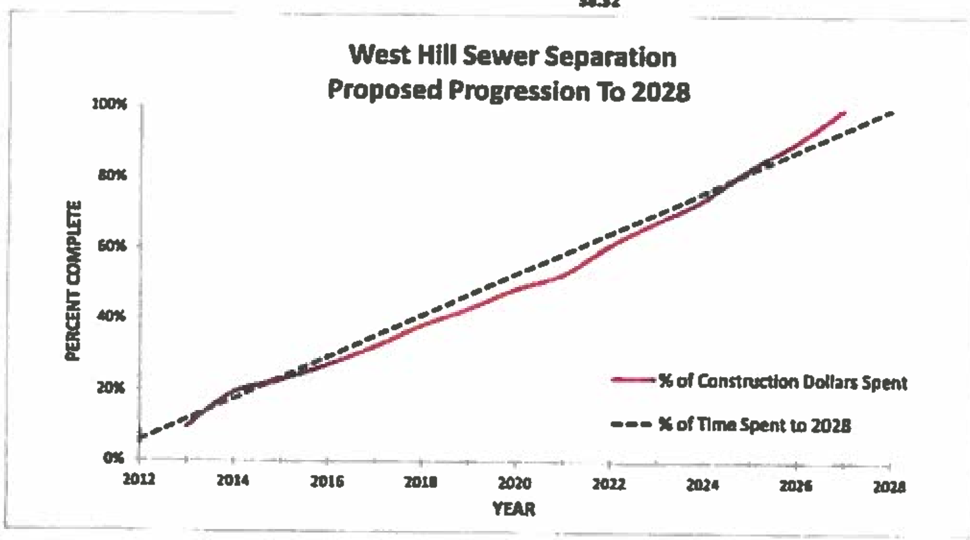
4 This study level construction cost estimate is prepared to form the basis for budget authorization, appropriation and/or funding. This estimate has been produced based on available information used in the 2010 study
This study level estimated was produced to assist in product budgeting. Detailed design estimates will replace this one when projects proceed through the various design stages.

Proposed Phase Schedule and Construction Costs

Time	Year	% of Time Spent to 2028	Phase Complete	Non-Escalated Million's $ Spent	% Spent	% of Construction Dollars Spent	Escalated Million's $ Spent
2012	1	6%					
2013	2	12%	1	3.69	9.6%	9.6%	3.69
2014	3	18%	2	3.69	9.6%	19.3%	3.69
2015	4	24%	3A	1.36	3.5%	22.8%	1.36
2016	5	29%	3B	1.64	4.3%	27.1%	1.64
2017	6	35%	3C	1.98	5.2%	32.3%	1.98
2018	7	41%	4A	2.26	5.9%	38.2%	2.40
2019	8	47%	4B	1.89	4.9%	43.1%	2.07
2020	9	53%	4C	2.10	5.5%	48.6%	2.36
2021	10	59%	5A	1.64	4.3%	52.8%	1.90
2022	11	65%	5B, 5C	3.20	8.4%	61.2%	3.82
2023	12	71%	6A	2.61	6.8%	68.0%	3.21
2024	13	76%	6B	2.47	6.4%	74.5%	3.13
2025	14	82%	6C	3.36	8.8%	83.2%	4.38
2026	15	88%	6D	2.87	7.5%	90.7%	3.86
2027	16	94%	6E, PS	3.56	9.3%	100.0%	4.93
2028	17	100%					
				38.32			44.42

Proposed Phase Schedule and Total Project Costs

Time	Year	% of Time Spent to 2028	Phase Complete	Non-Escalated Million's $ Spent	Escalated Million's $ Spent
2012	1	6%			
2013	2	12%	1		0
2014	3	18%	2		0
2015	4	24%	3A		0
2016	5	29%	3B		0
2017	6	35%	3C		0
2018	7	41%	4A	2.40	3.00
2019	8	47%	4B	2.07	2.58
2020	9	53%	4C	2.36	2.95
2021	10	59%	5A	1.90	2.38
2022	11	65%	5B, 5C	3.82	4.78
2023	12	71%	6A	3.21	4.01
2024	13	76%	6B	3.13	3.91
2025	14	82%	6C	4.38	5.48
2026	15	88%	6D	3.86	4.82
2027	16	94%	6E, PS	4.93	6.16
2028	17	100%			
				32.06	40.07



Local Option Sales Tax Fund
Projections for West Hill Sewer Project (As Updated 1/9/17)

EXHIBIT 2b
Assumes Phase 6 is SRF Funded

	Actual 2015-16	Revised Estimate 2016-17	Budget 2017-18	Preliminary Estimate 2018-19	Preliminary Estimate 2019-20	Preliminary Estimate 2020-21	Preliminary Estimate 2021-22	Preliminary Estimate 2022-23	Preliminary Estimate 2023-24	Preliminary Estimate 2024-25	Preliminary Estimate 2025-26	Preliminary Estimate 2026-27	Preliminary Estimate 2027-28	Preliminary Estimate 2028-29
Beginning Balance, July 1	(712,413)	(482,739)	(304,781)	805	1,755	863	1,231	1,268	1,592	1,006,128	907,107	844,311	819,129	830,957
REVENUES														
Local Option Sales Tax	2,787,008	2,934,948	2,746,982	2,788,187	2,830,010	2,872,460	2,915,547	2,959,280	3,003,669	3,048,724	3,094,455	3,140,872	3,187,985	3,235,805
Reimbursements	23,035	-	-	-	-	-	-	-	-	-				
Interest	188	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Sources														
Transfers In from West Hill Reserve Fund	-	-	228,000	822,000	429,000	484,000	263,000	308,000	-	-	-	-	-	850,000
SRF Bond Proceeds	-	-	-	-	-				1,203,900	3,982,700	4,382,400	5,282,600	4,704,480	3,101,000
Total Revenues	2,810,231	2,934,948	2,974,982	3,610,187	3,259,010	3,356,460	3,178,547	3,267,280	4,207,569	7,031,424	7,476,855	8,423,472	7,892,385	7,186,005
Funds Available	2,097,817	2,452,209	2,670,202	3,610,992	3,260,765	3,357,323	3,179,778	3,268,548	4,209,161	8,037,552	8,383,962	9,267,783	8,711,514	8,017,762
EXPENDITURES														
Transfers Out:														
* Less 20% for Pavement Management	557,402	586,990	549,396	557,637	566,002	574,492	583,109	591,856	600,734	609,745	618,891	628,174	637,597	647,161
West Hill Sewer Contract Payments (Phase 3)	1,837,508	1,765,686	1,060,000	-		-	-	-	-	-	-	-	-	-
Allowance for Additional for 3-A, 3-B and 3-C	-	250,000	200,000	-	-	-	-	-	-	-	-	-	-	-
Stanley's Engineering Costs	54,500	47,150	50,000	-	-	-	-	-	-	-	-	-	-	-
Martin & Whitacre and Related Surveying, etc	31,523	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Management	86,879	94,453	80,000	-	-	-	-	-	-	-	-	-	-	-
In-House Engineering	4,819	1,760	-	-	-	-	-	-	-	-	-	-	-	-
MP&W	2,474	-		-	-	-	-	-	-	-	-	-	-	-
Other Expenses	5,452	10,931	10,000	-	-	-	-	-	-	-	-	-	-	-
Debt Service	6-1-2016	6-1-2017	6-1-2018	6-1-2019	6-1-2020	6-1-2021	6-1-2022	6-1-2023	6-1-2024	6-1-2025	6-1-2026	6-1-2027	6-1-2028	6-1-2029
Proposed 2020 SRF Loan	-	-	-	-	-	-	-	-	228,000	2,538,000	2,538,360	2,537,880	2,538,560	2,538,360
Escalated Total Project Costs by Phase per Stanley's Worksheet														
Phase 4-A (30% in FY18; 70% in FY19)	-	-	720,000	2,277,000	-	-	-	-	-	-	-	-	-	-
Phase 4-B (30% in FY19; 70% in FY20)	-	-	-	774,600	1,807,400	-	-	-	-	-	-	-	-	-
Phase 4-C (30% in FY20; 70% in FY21)	-	-	-	-	886,500	2,068,500	-	-	-	-	-	-	-	-
Phase 5-A (30% in FY21; 70% in FY22)	-	-	-	-	-	713,100	1,663,900	-	-	-	-	-	-	-
Phase 5-B (30% in FY22; 70% in FY23)	-	-	-	-	-	-	931,500	2,173,500	-	-	-	-	-	-
Phase 5-C (30% in FY23; 70% in FY24)	-	-	-	-	-	-	-	501,600	1,170,400	-	-	-	-	-
Phase 6-A (30% in FY24; 70% in FY25)	-	-	-	-	-	-	-	-	1,203,900	2,809,100	-	-	-	-
Phase 6-B (30% in FY25; 70% in FY26)	-	-	-	-	-	-	-	-	-	1,173,600	2,738,400	-	-	-
Phase 6-C (30% in FY26; 70% in FY27)	-	-	-	-	-	-	-	-	-	-	1,644,000	3,836,000	-	-
Phase 6-D (30% in FY27; 70% in FY28)	-	-	-	-	-	-	-	-	-	-	-	1,446,600	3,375,400	-
Phase 6-E (30% in FY28; 70% in FY29)	-	-	-	-	-	-	-	-	-	-	-	-	1,329,000	3,101,000
PLACE HOLDER - CSO Elim at Pump Station	-	-	-	-	-	-	-	-	-	-	-	-	-	1,711,000
Total Expenditures	2,580,557	2,756,990	2,669,396	3,609,237	3,359,902	3,356,092	3,178,509	3,266,956	3,203,034	7,130,445	7,539,651	8,448,654	7,880,557	8,017,521
Ending Balance, June 30	(482,739)	(304,781)	805	1,755	863	1,231	1,268	1,592	1,006,128	907,107	844,311	819,129	830,957	241
Proposed Funding Set-Aside Annually:														
Water Pollution Control Operations	-	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Collection and Drainage	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Less Transfers Out to Project Fund	-	-	(228,000)	(822,000)	(429,000)	(484,000)	(263,000)	(308,000)	-	-	-	-	-	(850,000)
Proposed Total Annual Amount	200,000	400,000	172,000	(422,000)	(29,000)	(84,000)	137,000	92,000	400,000	400,000	400,000	400,000	400,000	(450,000)
Cumulative Set-Aside Funding	2,000,000	2,400,000	2,572,000	2,150,000	2,121,000	2,037,000	2,174,000	2,266,000	2,666,000	3,066,000	3,466,000	3,866,000	4,266,000	3,816,000

CASH FLOW ASSUMPTIONS:

1. FY18 LOSST revenue is estimated based on the State's projected FY16 level of $2,746,982. In FY19+ a 1.5% annual growth rate has been used for future years. Actual LOSST collections will be dependent on the economy.
2. Effective July 1, 2009 up to 20% of Local Option Tax revenue will be used for the Pavement Management Program per the voter referendum. This 20% allocation will be transferred to a separate subfund to separately account for this portion of the tax.
3. The current LOSST sunsets June 30, 2019.
4. Assumes successful voter extension of LOSST through FY29.
5. Project costs are based on Stanley's escalated projects and are ASSUMED to include engineering, project management, and other costs included.
6. LOSST revenues, projects costs and all other assumptions are based on City's cash flow prepared as of 01-09-2017.

City of Muscatine, Iowa

Proposed Sewer Revenue Bonds, Series 2023 (SRF Loan)

EXHIBIT 2b

Assumes Phase 6 is SRF Funded
10 Year SRF Loan

SOURCES & USES

SOURCES	
Par Amount of Bond	22,800,000.00
Premium	
Cash Contribution	
Total Sources	22,800,000.00
USES	
Deposit to Construction Account	22,657,000.00
Capitalized Interest Account	
Municipal Bond Insurance	
SRF Loan Initiation Fee ($5.00 per bond)	114,000.00
Costs of Issuance	28,250.00
Rounding Amount	750.00
Total Uses	22,800,000.00
ASSUMPTIONS	
Dated Date	12/1/2023
Delivery Date	12/1/2023
First Interest Date	6/1/2024
First Principal Date	6/1/2024
Last Principal Date	6/1/2043

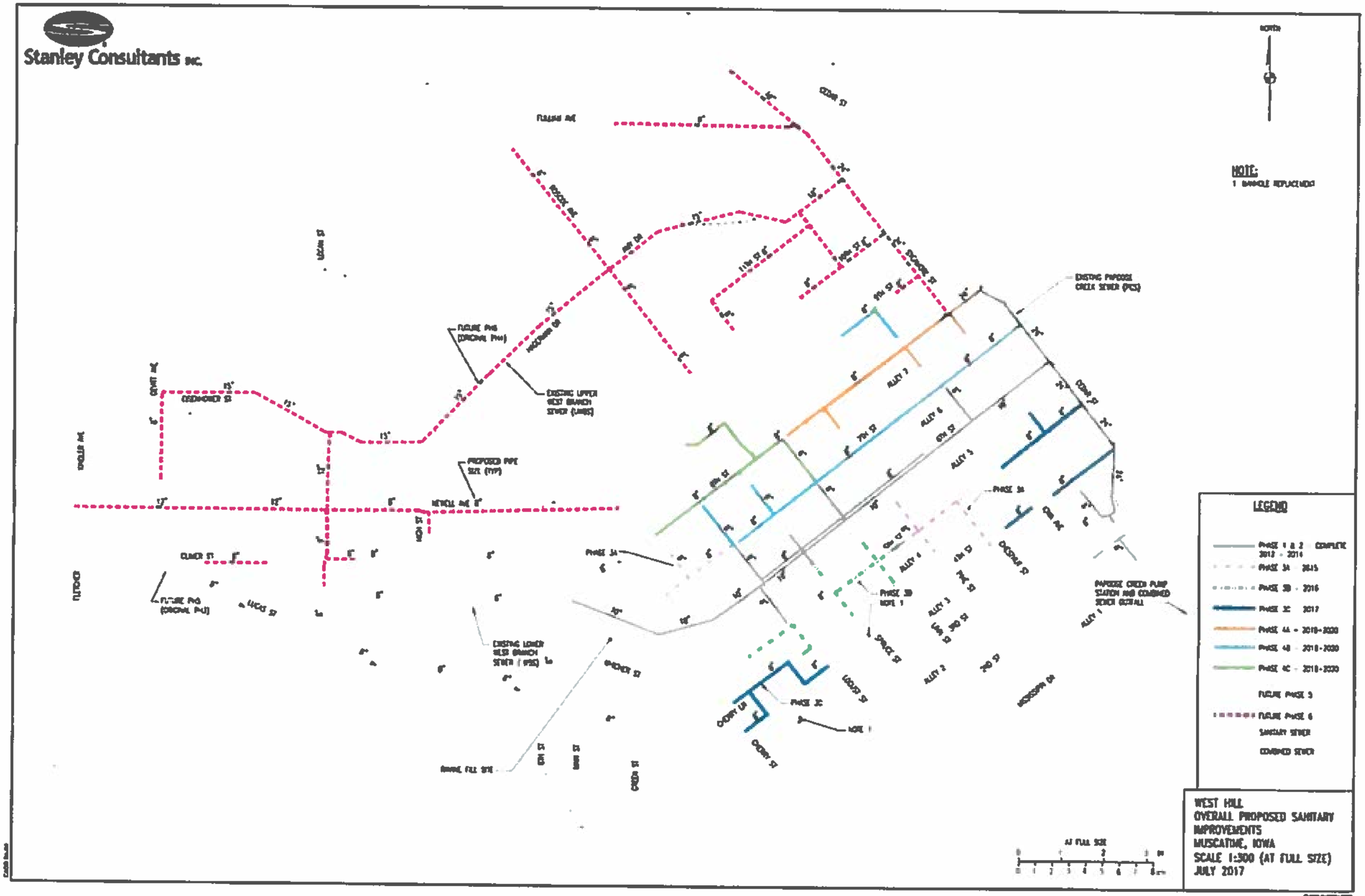
YIELD CALCULATIONS

Arbitrage Yield	2.00000%
TIC	2.08803%
AIC	2.10993%
Average Life	6.16 Years

DEBT SERVICE SCHEDULE

	Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
0.5	6/1/2024	0	2.000%	228,000	228,000	228,000
	12/1/2024			228,000	228,000	
1.5	6/1/2025	2,082,000	2.000%	228,000	2,310,000	2,538,000
	12/1/2025			207,180	207,180	
2.5	6/1/2026	2,124,000	2.000%	207,180	2,331,180	2,538,360
	12/1/2026			185,940	185,940	
3.5	6/1/2027	2,166,000	2.000%	185,940	2,351,940	2,537,880
	12/1/2027			164,280	164,280	
4.5	6/1/2028	2,210,000	2.000%	164,280	2,374,280	2,538,560
	12/1/2028			142,180	142,180	
5.5	6/1/2029	2,254,000	2.000%	142,180	2,396,180	2,538,360
	12/1/2029			119,640	119,640	
6.5	6/1/2030	2,299,000	2.000%	119,640	2,418,640	2,538,280
	12/1/2030			96,650	96,650	
7.5	6/1/2031	2,345,000	2.000%	96,650	2,441,650	2,538,300
	12/1/2031			73,200	73,200	
8.5	6/1/2032	2,392,000	2.000%	73,200	2,465,200	2,538,400
	12/1/2032			49,280	49,280	
9.5	6/1/2033	2,440,000	2.000%	49,280	2,489,280	2,538,560
	12/1/2033			24,880	24,880	
10.5	6/1/2034	2,488,000	2.000%	24,880	2,512,880	2,537,760
	12/1/2034					
11.5	6/1/2035		2.000%			
	12/1/2035					
12.5	6/1/2036		2.000%			
	12/1/2036					
13.5	6/1/2037		2.000%			
	12/1/2037					
14.5	6/1/2038		2.000%			
	12/1/2038					
15.5	6/1/2039		2.000%			
	12/1/2039					
16.5	6/1/2040		2.000%			
	12/1/2040					
17.5	6/1/2041		2.000%			
	12/1/2041					
18.5	6/1/2042		2.000%			
	12/1/2042					
19.5	6/1/2043		2.000%			
	12/1/2043					
20.5	6/1/2044		2.000%			
	12/1/2044					
21.5	6/1/2045					
	12/1/2045					
		22,800,000		2,810,460	25,610,460	25,610,460

Scale : SRF Rate 2.00% = 1.75% interest rate + 0.25% annual servicing fee


Stanley Consultants INC.
LEGEND
PHASE 1 & 2 COMPLETE 2012 - 2014
PHASE 3A - 2015
PHASE 3B - 2016
PHASE 3C 2017
PHASE 4A - 2018-2020
PHASE 4B - 2018-2020
PHASE 4C - 2018-2020
FUTURE PHASE 5
FUTURE PHASE 6
SANITARY SEWER
COMBINED SEWER
WEST HILL
OVERALL PROPOSED SANITARY
IMPROVEMENTS
MUSCATINE, IOWA
SCALE 1:300 (AT FULL SIZE)
JULY 2017