



FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: January 2, 2013

Re: Resolution Setting Public Hearing on a Loan Agreement for the Refunding of the June 1, 2006 General Obligation Bond Issue

Introduction and Background:

Public Financial Management, Inc. (PFM), the City's financial consultant, has analyzed and proposed a refunding of the final three years of the City's June 1, 2006 general obligation bond issue. These bonds have interest rates of 3.90%, 3.95%, and 4.0%, for the bonds maturing June 1 of 2014, 2015, and 2016, respectively. These bonds are callable effective June 1, 2013.

Recommendation:

With the significant decrease in interest rates in recent years, PFM has estimated that the bonds issued to refund the original debt can be issued with interest rates ranging from .50% to .73% for the three years of the new issue. After taking into consideration the costs of issuance of the refunding bonds it is projected that the City will realize an interest savings estimated at \$50,920 over the three years after taking into consideration the refunding bond issuance costs. Since the 2006 bond issue funded landfill property acquisition costs, this savings will be approximately \$10,700 in the Landfill fund and \$40,200 in the Debt Service fund which is funded from the debt service property tax levy.

The refunding bonds are in the total amount of \$1,115,000 with \$370,000 due June 1, 2014, \$370,000 due June 1, 2015, and \$375,000 due June 1, 2016. In discussing the refunding opportunity with Jenny Blankenship of PFM, in order to potentially save on issuance costs, it was decided that the three local banks would be contacted to see if they would be interested in bidding on these bonds. All three banks indicated that they were interested. The estimated cost of issuance in using the local banks instead of publicly bidding these bonds is \$15,500 instead of the originally estimated \$19,500.

The following schedule detailing the actions City Council will need to take related to refunding the final three years of the 2006 bond issue was reviewed at Council's December In Depth meeting:

December 13, 2012	Discuss with City Council
January 3, 2013	Set public hearing
January 17, 2013	Hold public hearing and review Terms of Offering
February 7, 2013	Receive bids on the refunding bonds and award bid
February 21, 2013	Approve final documents on the new issue

Summary:

Attached is the Resolution setting a public hearing for January 17, 2013 on a proposed loan agreement for the refunding of the June 1, 2006 General Obligation Bond Issue. Please include this resolution on the agenda for the January 3, 2013 meeting. If you have any questions, please contact me.

RESOLUTION NO. _____

Resolution to fix a date for a public hearing on a loan agreement in a principal amount not to exceed \$1,200,000

WHEREAS, the City of Muscatine (the "City"), in Muscatine County, State of Iowa, previously issued its \$2,990,000 General Obligation Corporate Purpose Bonds, dated June 1, 2006 (the "2006 Bonds") a portion of which currently remain outstanding, maturing on such dates and in such amounts and bearing interest at such rates as follows:

Maturity Date (June 1)	Principal	Rate
2014	\$350,000	3.900%
2015	\$365,000	3.950%
2016	\$380,000	4.000%

WHEREAS, pursuant to the resolution (the "2006 Issuance Resolution") authorizing the issuance of the 2006 Bonds the City reserved the right to call the 2006 Bonds maturing in the years 2014 through 2016 (the "Callable 2006 Bonds") for early redemption on any date on or after June 1, 2013, subject to the provisions of the 2006 Issuance Resolution; and

WHEREAS, the City now proposes to enter into a General Obligation Refunding Loan Agreement (the "Loan Agreement") and borrow money in a principal amount not to exceed \$1,200,000 pursuant to the provisions of Section 384.24A of the Code of Iowa for the purpose of paying the cost, to that extent, of current refunding the Callable 2006 Bonds, and it is necessary to fix a date of meeting of the City Council at which it is proposed to take action to enter into the Loan Agreement and to give notice thereof as required by such law;

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

Section 1. The City Council shall meet on the 17th day of January, 2013, at the City Hall Council Chambers, Muscatine, Iowa, at 7:00 o'clock p.m., at which time and place a hearing will be held and proceedings will be instituted and action taken to enter into the Loan Agreement.

Section 2. The City Clerk is hereby directed to give notice of the proposed action on the Loan Agreement setting forth the amount and purpose thereof, the time when and place where the said meeting will be held by publication at least once and not less than 4 nor more than 20 days before the date of said meeting, in a legal newspaper which has a general circulation in the City. The notice shall be in substantially the following form:

NOTICE OF PROPOSED ACTION TO INSTITUTE PROCEEDINGS TO
ENTER INTO A LOAN AGREEMENT AND BORROW MONEY IN A
PRINCIPAL AMOUNT NOT TO EXCEED \$1,200,000

(GENERAL OBLIGATION)

The City Council of the City of Muscatine, Iowa, will meet on the 17th day of January, 2013, at the City Hall Council Chambers, Muscatine, Iowa, at 7:00 o'clock p.m., for the purpose of instituting proceedings and taking action to enter into a loan agreement (the "Loan Agreement") and borrow money in a principal amount not to exceed \$1,200,000 for the purpose of paying the cost, to that extent, of current refunding the outstanding balance of the City's General Obligation Corporate Purpose Bonds, dated June 1, 2006.

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

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

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

Gregg Mandsager
City Clerk

Section 3. All resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

Section 4. This resolution shall be in full force and effect immediately upon its adoption and approval, as provided by law.

Passed and approved January 3, 2013.

Mayor

Attest:

City Clerk

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 a hearing on the City Council's proposal to take action in connection with a loan agreement, as referred to therein.

WITNESS MY HAND this _____ day of _____, 2013.

City Clerk

STATE OF IOWA
COUNTY OF MUSCATINE SS:
CITY OF MUSCATINE

I, the undersigned City Clerk, do hereby certify that the aforementioned City is organized and operating under the provisions of a special charter and that there is not pending or threatened any question or litigation whatsoever touching the incorporation of the City, the inclusion of any territory within its limits or the incumbency in office of any of the officials hereinafter named.

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

DeWayne Hopkins, Mayor

Gregg Mandsager, City Administrator/Clerk

Nancy Lueck, Finance Director

Philip Fitzgerald, Council Member/Mayor Pro-Tem

Mark LeRette, Council Member

Osama Shihadeh, Council Member

Scott Natvig, Council Member

Jeanette Phillips, Council Member

Robert Bynum, Council Member

Tom Spread, Council Member

WITNESS MY HAND this _____ day of _____, 2013.

City Clerk

(PLEASE NOTE: Do not date and return this certificate until you have received the publisher's affidavit and have verified that the notice was published on the date indicated in the affidavit but please return all other completed pages to us as soon as they are available.)

STATE OF IOWA
COUNTY OF MUSCATINE
CITY OF MUSCATINE

I, the undersigned, City Clerk of the City of Muscatine, do hereby certify that pursuant to the resolution of the City Council fixing a date of meeting at which it is proposed to take action to enter into a loan agreement, the notice, of which the printed slip attached to the publisher's affidavit hereto attached is a true and complete copy, was published on the date and in the newspaper specified in such affidavit, which newspaper has a general circulation in the City.

WITNESS MY HAND this _____ day of _____, 2013.

City Clerk

(Attach here the publisher's original affidavit with clipping of the notice, as published.)