

Bonding  
Obligation  
Options

# City Council Work Session

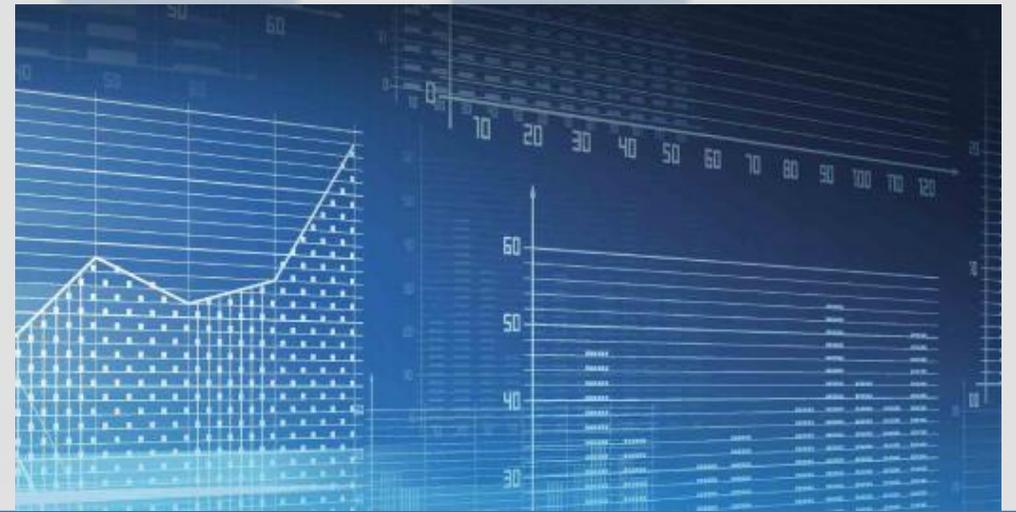


October 16, 2017



# What are Bonds ???

- A Financing Mechanism (a debt security), “a I.O.U. secured by some type of current or future revenue or backing”. There are markets specifically designed for the purchase and sales of bonds. Borrowers issue bonds to raise money from investors willing to lend them money for a certain amount of time. When you buy a bond, you are lending to the issuer, which may be a government, municipal enterprise, or corporation.



# Bond “Structure”

Traditionally, public bonds vary by **tax liability**, as well as the form of **security** used to back the bond. These options can be mixed and matched – for example portions of a bond can involve purposes and securities, tax-exempt, revenue, asset backed, or general obligation.

- **Tax-Exempt** (specific public purpose)
- **Private Activity Bonds** (private ownership / public partnership, and for public purposes)
- **Taxable Bonds** (for private purposes)
- **General Obligation Bonds** (full faith and credit of the issuing public entity)
- **Revenue Bonds** (bonds secured by specific revenue streams)
- **Asset-Backed Bonds** (secured by specific assets)

# Let's Start With The Good NEWS !!!!



Out of 947 incorporated cities in Iowa... West Branch ranks 34<sup>th</sup> most livable city in the state.

Chart Based on Livability of Premier Small Communities in Iowa

Livability Ranking in Iowa	Community / City	Tax Rate	Population	Ranking based on Tax Rate
19	Robins	30.70	3,142	4
23	Garner	30.37	3,129	2
24	Williamsburg	33.33	3,068	6
27	Story City	31.78	3,431	5
30	Denver	27.62	1,780	1
31	Center Point	38.99	2,421	12
34	West Branch	33.43	2,322	7
36	Ida Grove	30.58	2,142	3
41	Manson	37.48	1,690	11
61	Solon	35.47	2,037	9
62	Kalona	35.86	2,363	10
63	Grundy Center	35.16	2,706	8
65	Dallas Center	39.14	1,623	13

# West Branch Projects seeking bonding

• Reap Grant Project	\$ -
• W Main Street Stormwater IMP	\$ No scheduled Expenditures
• 4 <sup>th</sup> Street Improvement Project	\$ 116,424.39
• Park IMP Cubby Park Project	\$ 2,987,060.53
• Phase 1 Park Improvement	\$ 15,262.81
• College Street Bridge	\$ - (\$962,010.95 reimbursement)
• Beranek Parking Improvement	\$ -
• Downtown East Redevelopment	\$ 10,568.80
• Main Street Sidewalk – Phase 4	\$ -
• N First Street Improvements	\$ 370,004.88
• Main Street Water Main Improvements	\$ 173,116.45 (not included in total)
• I & I Line / Grout Phase 2	\$ 136,371.42 (not included in total)
• Orange Street 4 <sup>th</sup> to 5 <sup>th</sup> Improvements	\$ Out
• College Street & 2 <sup>nd</sup> Street IMP	\$ 750,000.00
	
• Total	<hr/> <b>\$ 4,249,321.41</b>

# Debt Capacity

Our Debt Capacity is approximately \$9.9 million. Our current debt levels are at \$4.2 million (42% of our debt capacity). With the current recommended bond obligation level of \$4.2 million the City will be at 85% of its Debt Capacity.



## **Option #4 – Borrow \$4,200,000**

This options pays approximately 98% of our Fund Transfers (loans from other city funds), and City Council Approved Capital Projects (past, current, and future). This places the city approximately at 85% of its bond capacity, this represents 5% over typical financial management practices. The 80% bond capacity limit is a rule typically, self-imposed and thought to exist for grave emergency purposes. It is thought that we will have project(s) dropping off our debt rolls in the next two fiscal years. This is expected to take us below the 80% threshold.

# Negotiated Bonding Approach

The possibility of issuing this debt on a negotiated basis with one of our most active (competitive sales) underwriter's. Our Financial Consultants, **Speer Financial** believes they could eliminate a ratings for this issue, saving the City approximately \$11,500. This would also give the new City Administrator more time understanding the City's operations and cost break downs of the various capital projects especially the parks project. Without the park project bids in hand, the answers to their questions on costs would be approximate and potentially not providing the confidence investors need. Additionally, this approach could allow the Underwriter to explore local bank contacts for West Branch and this may give those local and regional banks an opportunity to purchase part of this deal securely.





# Questions

