

# MARSHALLTOWN

— I O W A —

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**TO:** Mayor Greer and City Council  
**FROM:** Diana Steiner, Finance Director &  
Heather Thomas, Public Works Director  
**DATE:** January 9, 2023  
**RE:** Authorizing and Issuance of Sewer Revenue Bonds, Series 2023, issued through the State Revolving Fund (SRF) program

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**Strategic Plan:**

- Strategy 1: Expand and improve development in the community.
- Strategy 2: Enhance Marshalltown's public image.
- Strategy 3: Continually improve and sustain the City's infrastructure, organization, and services.
- Strategy 4: Partner with citizens, for-profit, non-profit, and others to improve quality of life.

**Plan Objective:** Plan and fund improvements to the City's infrastructure and buildings.

**Recommendation:** Council held the public hearing for the SRF borrowing on June 27, 2022. Staff now recommend authorizing and approving a Loan and Disbursement Agreement and providing for the issuance and securing the payment of \$13,125,000 Sewer Revenue Bonds, Series 2023 issued through the Iowa Finance Authority's State Revolving Fund (SRF) program.

**Budget Impact:** This sets the borrowing up to \$13,125,000 for the Water Pollution Control Headworks & Digester and the Sanitary Sewer CIPP projects. Previous discussions and award of these two projects have been budgeted utilizing cash on hand of \$2,710,625 and this \$13,125,000 SRF Loan. Project costs are estimated at \$15,770,000 plus there is a ½% loan origination fee of \$65,625 charged by the Iowa Finance Authority. The funds will be drawn down as expenditures are made. Principal and interest payments will be made from the Sewer Enterprise Fund. Payments are due every 6 months starting in June 2023 and the final payment will be due in June 2043. Total interest and servicing fees are estimated at \$2,793,639.

**Description/Background:**

During the budget process, these projects were identified and the funding source was to use SRF operated by the Iowa Finance Authority. We are no longer able to have SRF loans taxable, so this borrowing and any General Obligation bonding in calendar year 2023 will all be tax-exempt but not bank qualified (BQ) since the overall borrowings for the calendar year will exceed \$10 million. Banks like to purchase BQ investments, because they get a tax break. The SRF loan program tends to be lower interest rates (1.75% + .25% service fee). Our last General Obligation bond sale was at a true interest rate of 3.8%.

Other advantages of utilizing SRF funding (besides lower interest rates) for this clean water project are:

- a. Possibility of partial loan forgiveness.

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- i. Due to money allocated with the Bipartisan Infrastructure Law, the SRF Loan program was allocated \$11.8 Million to use towards loan forgiveness for communities that are designated a disadvantaged community based on a socioeconomic assessment. We were notified in late November that Marshalltown qualified to submit for partial loan forgiveness, up to a maximum forgiveness of \$1M of the estimated \$4M in the state that had not been allocated. Based on our socioeconomic assessment, Marshalltown ranks 17<sup>th</sup> on the list of communities eligible to submit for the remaining loan forgiveness.
  - ii. City staff submitted Marshalltown's application on December 15, 2022. We won't know for several months if we are awarded any loan forgiveness.
- b. Money towards Sponsored Project (storm water quality projects).
- i. The state has a competitive program to help fund select water quality projects called the Sponsored Project program that is only available to those who take out a Clean Water SRF loan, which is what ours is.
  - ii. The city applied for sponsored project funding for this project in August of 2021 and were award the maximum amount, which was \$1,324,700.
  - iii. This money is made available by effectively taking that equivalent dollar amount and reducing the interest rate on the clean water loan so the repayment amount/schedule remains the same.
  - iv. The city had identified two priority projects that this money would go towards water quality aspects of the City Hall parking lot project (similar to the parking lot recently constructed along S 1<sup>st</sup> St) and a pedestrian alley downtown with storm water quality considerations.
  - v. These projects will be in design during 2023 with construction planned to start in 2024.

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