

MARSHALLTOWN

— I O W A —

Joel Greer, Mayor
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TO: Mayor Greer and City Council
FROM: Diana Steiner, Finance Director
DATE: September 21, 2023
RE: FY24 GO bond issuance

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: Multiple

Recommendation: Discuss projects, dollar amount to be borrowed and timing of issuing bond

Budget Impact: To be determined based on direction of Council

Description/Background:

When preparing the FY24 budget the following projects were identified in the Capital Improvement Plan (CIP):

\$ 500,000	Sidewalk Gap Projects
\$ 7,146,000	Downtown Implementation Plan Phase 2 - East Main St from Center to 3rd Ave and Center St. to Church St.
\$ 710,000	State Street Stormwater Outlet N 3rd St to N 4th St
\$ 3,000,000	Street Improvements
<u>\$ 11,356,000</u>	CIP TOTAL FOR FY24

1. Per the City’s policy, our debt capacity limit is 70% of the 5% legal limit or \$9.8 million this fiscal year for General Obligation Debt (see handout for FY24-29 Debt Capacity Calculations). Council could increase the limit to 75% of the 5% legal limit, which would put debt capacity limit to \$14.4 million. You could have a resolution for a one-time exception to the policy or update the policy. You can see from the handout that valuations are estimated to increase significantly, so for future years the 70% of the 5% legal limit may still work.
2. Since we borrowed \$13.125 million earlier in calendar year 2023 (State Revolving Fund Headworks & CIPP), if the bond closing date takes place before 12/31/23, the bond would be non-bank qualified since the overall borrowing this calendar year exceeds \$10 million (interest rates may be .25% higher). If the City waits to borrow until calendar year 2024, we could issue up to \$8.675 million in GO debt (\$1.325 million will be borrowed for the State Revolving Fund sponsored project).

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3. If keeping with our normal timelines for bond issuance, the dates would be:

Set date of public hearing	Oct. 9
Hold public hearing	Oct. 23
Bond sale	Nov 13
Authorize/issuance proceedings	Nov 27
Bond closing (receive proceeds)	Dec 12

If changing to a 2024 bond sale date (no bond payments due in FY24):

Set date of public hearing	Nov. 13
Hold public hearing	Nov. 27
Bond sale	Jan. 8
Authorize/issuance proceedings	Jan. 22
Bond closing (receive proceeds)	Feb. 6

Discussion:

- A. **What projects do you want to bond for and at what level?** The Public Works Director recommended waiting on the sidewalks if not enough funds to borrow.
- B. **Do you want to increase the debt capacity limit?** The City currently has a policy of a limit of 70% of the 5% legal limit. This would allow you to borrow more than \$9.8 million.
- C. **What calendar year do you want to borrow?** CY23 bonds will be non-bank qualified, so interest rates are usually .25% higher. For CY24 you could stay within \$10 million of borrowing and be bank qualified or borrow more than \$10 million and be non-bank qualified.

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