



**BUSINESS OF THE CITY COUNCIL  
AGENDA STATEMENT**

Items: 9-12  
For Meeting of 05.19.2016

**ITEM TITLE:** General Obligation Swimming Pool and Refunding Bonds, Series 2016

**CONTACT PERSON:** Jean Furler, Finance Director

**SUMMARY EXPLANATION:** The city has the opportunity to re-finance the 2008A, 2010A, 2010B, 2010D General Obligation Bonds and 2014 Sewer Revenue bonds and realize a total savings of approximately \$750,000 over a 10 year period. In addition, the pool financing of \$700,000 will also be a part of this process. I have indicated to the financial advisor that we do not want to finance this portion longer than 10 years. Highlights of this process include:

- The City is being responsible with taxpayer dollars by combining the financing of six separate purposes into a single bond issue, instead of issuing six separate bond issues.
- Structuring the debt as a combined issue, with larger block size (maturity amounts) greatly enhances the attractiveness of the bond issue in the market.
- The bond will first be offered to Norwalk-area and central Iowa banks. This process optimistically will enhance local business opportunities by attempting to retain the funds within our community.
- Assumes a rating from Standard & Poor's of "A+" but hoping for "AA-" rating (current rating is Moody's A1).
- The present value savings as a Percentage of the Refunded Par Amount is **9.63%** which far exceeds the typical target range of 3.0% to 4.0%.
- Net funding provided for Pool Improvements is \$707,000 to \$709,000.
- Estimated True Interest Cost is 1.88% (estimated range of 1.80% to 1.90%) dated date of June 16, 2016.
- The Final maturity is June 1, 2030, however the average life of the debt is 7.926 years (average amount of time debt is outstanding).
- The City will have the option the call the debt on or after June 1, 2023.
- The city is utilizing a hybrid approach working with Public Financial Management (PFM) as financial advisor and UMB Bank as the underwriter. Generally my philosophy is to go to the competitive market however UMB agreed to allow the city to reject any rates that are not approved by the city or PFM with no liability or fees. In addition, UMB is not charging any fees other than what they would normally receive as the underwriter. John Danos, Bond Attorney for Dorsey Whitney approved UMB's disclosure letter and has been providing legal guidance throughout the process. I spoke with Mayor Phillips and indicated my preference to utilize this approach for the refinancing and if successful possibly discuss if this is a process the city would want to look at for future issues. In addition, Public Financial Management has been reviewing the numbers as the city's financial advisor. This is breaking new ground for the city and all the players have been extremely professional and helpful in making this a successful process.

Resolution \_\_\_\_\_ Ordinance \_\_\_\_\_ Contract \_\_\_\_\_ Other (Specify) \_\_\_\_\_

Funding Source: \_\_\_\_\_

APPROVED FOR SUBMITTAL \_\_\_\_\_

**STAFF RECOMMENDATION:** Approve resolution taking additional action to enter into General Obligation Loan Agreements, combining Loan Agreements and authorizing the use of a preliminary official statement for the sale of Bonds.

Approve resolution authorizing adoption of Policies and Procedures regarding Municipal Securities Disclosure.



SOURCES AND USES OF FUNDS

City of Norwalk, Iowa  
General Obligation Swimming Pool and Refunding Bonds, Series 2016

Sources:	Swimming Pool Portion	Current Refunding of Series 2008A	Proposed Advance Refunding of Series 2010A	Proposed Advance Refunding of Series 2010B	Proposed Advance Refunding of Series 2010D	Current Refunding of Series 2014 Sewer Notes
Bond Proceeds:						
Par Amount	700,000.00	195,000.00	3,460,000.00	3,570,000.00	1,095,000.00	335,000.00
Premium	20,311.60	3,548.65	82,607.15	85,629.10	25,980.80	10,105.40
	<u>720,311.60</u>	<u>198,548.65</u>	<u>3,542,607.15</u>	<u>3,655,629.10</u>	<u>1,120,980.80</u>	<u>345,105.40</u>
Uses:						
Project Fund Deposits:						
Project Fund	710,360.82					
Refunding Escrow Deposits:						
Cash Deposit		195,000.00	0.12	0.67	0.80	340,000.00
SLGS Purchases			3,492,592.00	3,604,204.00	1,106,650.00	
		<u>195,000.00</u>	<u>3,492,592.12</u>	<u>3,604,204.67</u>	<u>1,106,650.80</u>	<u>340,000.00</u>
Delivery Date Expenses:						
Cost of Issuance	5,050.78	1,406.99	24,965.26	25,758.96	7,900.85	2,417.16
Underwriter's Discount	4,900.00	1,365.00	24,220.00	24,990.00	7,665.00	2,345.00
	<u>9,950.78</u>	<u>2,771.99</u>	<u>49,185.26</u>	<u>50,748.96</u>	<u>15,565.85</u>	<u>4,762.16</u>
Other Uses of Funds:						
Additional Proceeds		776.66	829.77	675.47	-1,235.85	343.24
	<u>720,311.60</u>	<u>198,548.65</u>	<u>3,542,607.15</u>	<u>3,655,629.10</u>	<u>1,120,980.80</u>	<u>345,105.40</u>

Note: Pricing received from UMB Bank as of 05/11/2016

SOURCES AND USES OF FUNDS

City of Norwalk, Iowa  
 General Obligation Swimming Pool and Refunding Bonds, Series 2016

Sources:	Total
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Bond Proceeds:	
Par Amount	9,355,000.00
Premium	228,182.70
	<hr/>
	9,583,182.70
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Uses:	Total
<hr/>	
Project Fund Deposits:	
Project Fund	710,360.82
Refunding Escrow Deposits:	
Cash Deposit	535,001.59
SLGS Purchases	<hr/> 8,203,446.00
	8,738,447.59
Delivery Date Expenses:	
Cost of Issuance	67,500.00
Underwriter's Discount	<hr/> 65,485.00
	132,985.00
Other Uses of Funds:	
Additional Proceeds	1,389.29
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	9,583,182.70
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Note: Pricing received from UMB Bank as of 05/11/2016

**BOND SUMMARY STATISTICS**

City of Norwalk, Iowa  
General Obligation Swimming Pool and Refunding Bonds, Series 2016

Dated Date	06/16/2016
Delivery Date	06/16/2016
Last Maturity	06/01/2030
Arbitrage Yield	1.736592%
True Interest Cost (TIC)	1.879312%
Net Interest Cost (NIC)	1.903841%
All-In TIC	1.977803%
Average Coupon	2.121730%
Average Life (years)	7.982
Weighted Average Maturity (years)	7.954
Duration of Issue (years)	7.303
Par Amount	9,355,000.00
Bond Proceeds	9,583,182.70
Total Interest	1,584,300.00
Net Interest	1,421,602.30
Total Debt Service	10,939,300.00
Maximum Annual Debt Service	856,600.00
Average Annual Debt Service	783,711.04
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	7.000000
Total Underwriter's Discount	7.000000
Bid Price	101.739152

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	9,355,000.00	102.439	2.122%	7.982	5,166.25
	9,355,000.00			7.982	5,166.25

	TIC	All-In TIC	Arbitrage Yield
Par Value	9,355,000.00	9,355,000.00	9,355,000.00
+ Accrued Interest			
+ Premium (Discount)	228,182.70	228,182.70	228,182.70
- Underwriter's Discount	-65,485.00	-65,485.00	
- Cost of Issuance Expense		-67,500.00	
- Other Amounts			
Target Value	9,517,697.70	9,450,197.70	9,583,182.70
Target Date	06/16/2016	06/16/2016	06/16/2016
Yield	1.879312%	1.977803%	1.736592%

BOND PRICING

City of Norwalk, Iowa  
 General Obligation Swimming Pool and Refunding Bonds, Series 2016

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Premium (-Discount)
Bond Component:									
	06/01/2017	140,000	2.000%	0.650%	101.287				1,801.80
	06/01/2018	665,000	2.000%	0.800%	102.326				15,467.90
	06/01/2019	650,000	2.000%	0.950%	103.055				19,857.50
	06/01/2020	675,000	2.000%	1.050%	103.673				24,792.75
	06/01/2021	680,000	2.000%	1.200%	103.839				26,105.20
	06/01/2022	705,000	2.000%	1.300%	104.000				28,200.00
	06/01/2023	725,000	2.000%	1.450%	103.627				26,295.75
	06/01/2024	740,000	2.000%	1.600%	102.623 C	1.647%	06/01/2023	100.000	19,410.20
	06/01/2025	715,000	2.000%	1.700%	101.960 C	1.762%	06/01/2023	100.000	14,014.00
	06/01/2026	740,000	2.000%	1.800%	101.302 C	1.856%	06/01/2023	100.000	9,634.80
	06/01/2027	760,000	2.250%	1.900%	102.270 C	2.018%	06/01/2023	100.000	17,252.00
	06/01/2028	700,000	2.250%	2.000%	101.616 C	2.096%	06/01/2023	100.000	11,312.00
	06/01/2029	720,000	2.250%	2.050%	101.290 C	2.135%	06/01/2023	100.000	9,288.00
	06/01/2030	740,000	2.250%	2.150%	100.642 C	2.196%	06/01/2023	100.000	4,750.80
		9,355,000							228,182.70

Dated Date	06/16/2016	
Delivery Date	06/16/2016	
First Coupon	12/01/2016	
Par Amount	9,355,000.00	
Premium	228,182.70	
Production	9,583,182.70	102.439152%
Underwriter's Discount	-65,485.00	-0.700000%
Purchase Price	9,517,697.70	101.739152%
Accrued Interest		
Net Proceeds	9,517,697.70	

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SUMMARY OF REFUNDING RESULTS

City of Norwalk, Iowa  
General Obligation Swimming Pool and Refunding Bonds, Series 2016

Dated Date	06/16/2016
Delivery Date	06/16/2016
Arbitrage yield	1.736592%
Escrow yield	0.498914%
Value of Negative Arbitrage	95,719.70
Bond Par Amount	8,655,000.00
True Interest Cost	1.891427%
Net Interest Cost	1.915766%
Average Coupon	2.127052%
Average Life	8.054
Par amount of refunded bonds	8,615,000.00
Average coupon of refunded bonds	3.619194%
Average life of refunded bonds	8.237
PV of prior debt to 06/16/2016 @ 1.736592%	9,567,255.43
Net PV Savings	826,758.41
Percentage savings of refunded bonds	9.596731%
Percentage savings of refunding bonds	9.552379%