



City Hall, 215 Sycamore St.
Muscatine, IA 52761-3899
(563) 264-1550
Fax (563) 264-0750

FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: October 12, 2018

Re: Agenda Item – Resolution Providing for Reduction of Interest Rate for Sewer Revenue Bond

Introduction and Background:

The City started construction of a comprehensive improvement project at the Water Pollution Control Plant in 2008 and the construction contract was closed out in June of 2013. This project involved reconstruction of processes with upgrades directed toward process optimization through equipment upgrades, operational flexibility, and optimizing energy utilization. The total cost of these improvements was approximately \$18.5 million with \$2 million funded from the WPCP Replacement Reserve and \$16.5 million from the State Revolving Fund (SRF) Loan program.

When the City borrowed the \$16.5 million in SRF loan funds for this project, the interest rate on all SRF loans was 3.0% with an additional .25% for loan servicing fees. Starting in 2012 the SRF loan interest rate was lowered to 1.75% (plus the .25% loan servicing fee) for all new loans. Communities that received an SRF loan before the program lowered its rate in 2012, however, did not immediately benefit. However, for all loans more than 10 years old, the SRF loan program reduces the rate to the current 1.75% for the remaining life of the loan.

The City of Muscatine received notification this week from the Iowa Finance Authority (IFA) that administers the SRF loan program, that the rate on the City's SRF loan will be lowered from 3.0% to 1.75% effective December 1, 2018. The .25% loan servicing fee will not change. Attached is a schedule from IFA showing the original debt repayment schedule for the remaining 14 years of the loan with the 3% interest rate, and the new debt schedule with the 1.75% rate. There will be a total savings in interest costs of \$1,107,918.75 over the remaining life of the loan. This savings will be reflected in the Water Pollution Control fund budget.

Recommendation:

Dorsey and Whitney, the City's bond counsel, prepared the attached resolution to incorporate the reduced interest rate into the SRF loan documents. Please include this resolution on the City Council agenda for the October 18, 2018 meeting. If you have any questions, please contact me.

Attachment:

SRF Loan Debt Repayment Schedule

Muscatine
 *** Effective 12.1.18 ***



PARTNERSHIP WITH THE IOWA FINANCE AUTHORITY
 AND THE IOWA DEPARTMENT OF NATURAL RESOURCES

Loan ID C0097R
Dated Date 11/5/2008
Loan Amount \$16,500,000.00
Interest Savings \$1,107,918.75

Date	Current Schedule			New Debt Schedule			
	Principal	Current Interest 3.00%	Servicing Fee	Principal	New Interest 1.75%	Servicing Fee	New Annual Debt Service
12/1/2018		176,835.00			176,835.00		
6/1/2019	678,000.00	176,835.00	29,472.50	678,000.00	103,153.75	29,472.50	987,461.25
12/1/2019		166,665.00			97,221.25		
6/1/2020	700,000.00	166,665.00	27,777.50	700,000.00	97,221.25	27,777.50	922,220.00
12/1/2020		156,165.00			91,096.25		
6/1/2021	723,000.00	156,165.00	26,027.50	723,000.00	91,096.25	26,027.50	931,220.00
12/1/2021		145,320.00			84,770.00		
6/1/2022	747,000.00	145,320.00	24,220.00	747,000.00	84,770.00	24,220.00	940,760.00
12/1/2022		134,115.00			78,233.75		
6/1/2023	771,000.00	134,115.00	22,352.50	771,000.00	78,233.75	22,352.50	949,820.00
12/1/2023		122,550.00			71,487.50		
6/1/2024	796,000.00	122,550.00	20,425.00	796,000.00	71,487.50	20,425.00	959,400.00
12/1/2024		110,610.00			64,522.50		
6/1/2025	822,000.00	110,610.00	18,435.00	822,000.00	64,522.50	18,435.00	969,480.00
12/1/2025		98,280.00			57,330.00		
6/1/2026	849,000.00	98,280.00	16,380.00	849,000.00	57,330.00	16,380.00	980,040.00
12/1/2026		85,545.00			49,901.25		
6/1/2027	876,000.00	85,545.00	14,257.50	876,000.00	49,901.25	14,257.50	990,060.00
12/1/2027		72,405.00			42,236.25		
6/1/2028	905,000.00	72,405.00	12,067.50	905,000.00	42,236.25	12,067.50	1,001,540.00
12/1/2028		58,830.00			34,317.50		
6/1/2029	934,000.00	58,830.00	9,805.00	934,000.00	34,317.50	9,805.00	1,012,440.00
12/1/2029		44,820.00			26,145.00		
6/1/2030	964,000.00	44,820.00	7,470.00	964,000.00	26,145.00	7,470.00	1,023,760.00
12/1/2030		30,360.00			17,710.00		
6/1/2031	996,000.00	30,360.00	5,060.00	996,000.00	17,710.00	5,060.00	1,036,480.00
12/1/2031		15,420.00			8,995.00		
6/1/2032	1,028,000.00	15,420.00	2,570.00	1,028,000.00	8,995.00	2,570.00	1,048,560.00
	11,789,000.00	2,835,840.00	236,320.00	11,789,000.00	1,727,921.25	236,320.00	13,753,241.25

MINUTES TO ADOPT RESOLUTION
PROVIDING FOR REDUCTION OF
INTEREST RATE FOR SEWER REVENUE
BOND

Muscatine, Iowa

October 18, 2018

The City Council of the City of Muscatine, Iowa, met at the _____, in the City, at _____ o'clock ____m., on October 18, 2018. The meeting was called to order by the Mayor and the roll being called, there were present the Mayor, and the following named Council Members.

Present: _____

Absent: _____.

Council Member _____ introduced the resolution next hereinafter set out and moved that said resolution be adopted; seconded by Council Member _____ and after due consideration thereof by the Council, the Mayor put the question on the motion and, the roll being called, the following named Council Members voted:

Ayes: _____

Nays: _____.

Whereupon, the Mayor declared the resolution duly adopted, as follows:

RESOLUTION NO. _____

Resolution providing for reduction of interest rate for Sewer Revenue Bond

WHEREAS, a \$16,500,000 Sewer Revenue Bond, SRF Series 2008, dated November 5, 2008 (the "Bond"), was issued to the Iowa Finance Authority (the "Lender") by the City of Muscatine, Iowa (the "City"), in connection with a certain loan and disbursement agreement and pursuant to a resolution passed and approved on October 16, 2008 (the "Issuance Resolution"), in order to pay costs of constructing improvements and extensions to the Municipal Sanitary Sewer System of the City; and

WHEREAS, pursuant to the Issuance Resolution, the Bond was scheduled to bear interest at the rate of 3.00%; and

WHEREAS, the Lender has reduced the interest rate on the Bond to 1.75%, such reduction to be calculated from December 1, 2018; and

WHEREAS, it is now necessary for the City Council to take action to approve the interest rate reduction;

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

Section 1. The Issuance Resolution and all other documents related to the issuance of the Bond, are hereby amended to reflect the reduction in interest rate from 3.00% to 1.75%. From and after December 1, 2018 the Bond shall bear interest at 1.75%.

Section 2. The Mayor and City Clerk are hereby authorized to take such actions and to execute such documents, with the advice of bond counsel, as may be necessary to carry out the purposes of this Resolution.

Section 3. All resolutions or orders or parts thereof, to the extent the same may be in conflict herewith, are hereby repealed.

Passed and approved on October 18, 2018.

Mayor

Attest:

City Clerk

•••••

On motion and vote, the meeting adjourned.

Mayor

Attest:

City Clerk

ATTESTATION CERTIFICATE:

STATE OF IOWA
COUNTY OF MUSCATINE
CITY OF MUSCATINE

SS:

I, the undersigned, City Clerk of the aforementioned City, do hereby certify that the transcript hereto attached is a true, correct and complete copy of all the records of the City Council relating to the reduction of the interest rate on the City's Sewer Revenue Bond, SRF Series 2008, dated November 5, 2008.

WITNESS MY HAND this ____ day of _____, 2018.

City Clerk

October 12, 2018

VIA EMAIL

Nancy Lueck
City Clerk/City Hall
Muscatine, Iowa

Re: Muscatine, Iowa
SRF Interest Rate Reduction
Our File No. 421464-24

Dear Gregg:

Pursuant to action taken by the Iowa Finance Authority, we have prepared and attach a resolution for use by the City Council on October 18, 2018, authorizing the interest rate reduction for the City's \$16,500,000 Sewer Revenue Bond, SRF Series 2008, dated November 5, 2008. This resolution authorizes the repayment of the loan in accordance with the revised repayment schedule you have been sent by the SRF Program.

When these proceedings are completed, please return one fully executed transcript to our office for review.

Please call Jessica Vaught or me with questions.

Kind regards,

Emily Hammond

Attachments

cc: Gregg Mandsager
Tracy Scebold
Alyson Fleming