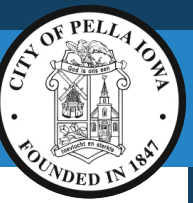


# Long-term Facilities Plan *Goals*

H-1

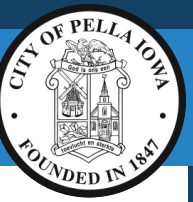


- Improve quality of life within our community
- Attract new citizens to our community
- Increase the city's tax base



# Community Center / Performing Arts Center

H-1

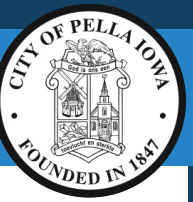


- Estimated cost: \$5.5 million to \$22 million
- Potential partnership with Friends of the Community Center:
  - Renovation of the Community Center including a wing addition
  - Estimated cost: \$17.7 million
  - Estimated private funding: \$4 million to \$5 million



# Indoor Recreation Center

H-1

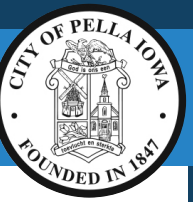


- Estimated cost: \$30 million to \$50 million
- Size of facility: 75,000 sq. ft. to 125,000 sq. ft
- Potential partnerships: other governmental entities and private donations

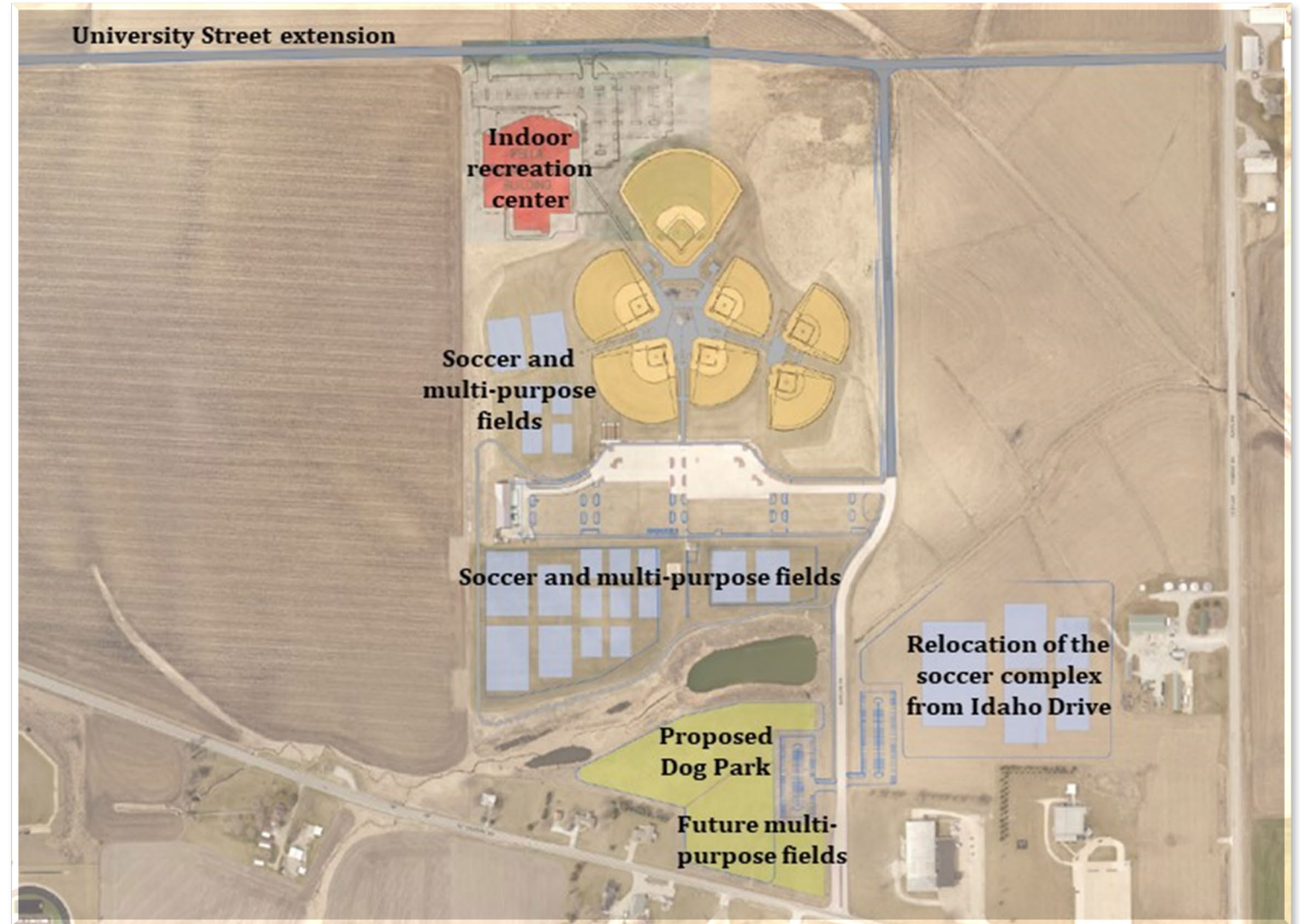


# University Street and Baseline Drive Extension

H-1

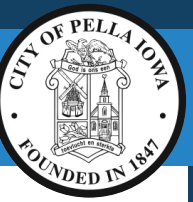


- Estimated cost: \$6 million
- Description: extension of University St. and Baseline Dr. including a walking trail which could be connected to Caldwell Park
- Potential partnerships: other governmental entities



# Soccer Complex

H-1

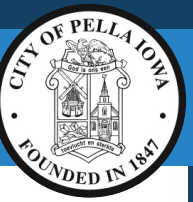


- Estimated cost: \$2.8 million
- Description: relocation of existing soccer complex to the Pella Sports Park
- Existing complex will require repairs/ improvements in the near future

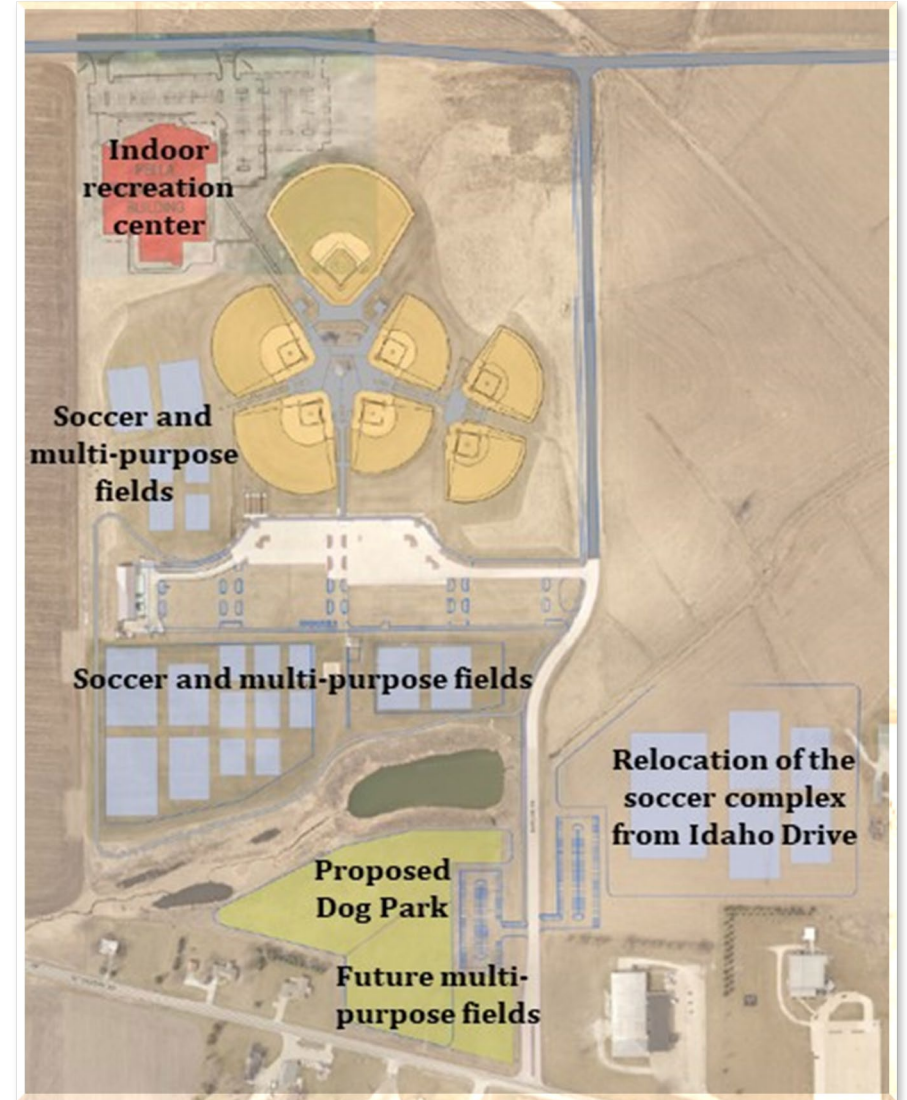


# Pella Dog Park

H-1



- Proposed size: 3.2 acres (1.6 acres for phase I)
- Est. cost: \$310,000 to \$372,000 (phase I)  
\$472,000 for the overall park
- Potential partnership with Pella Dog Park Association (PDPA):
  - Requests city to provide a site for the project
  - PDPA willing to dedicate \$100,000 to phase I and \$200,000 to the project
  - Potential site for consideration is the Sports Park; however, before this site is formally considered, staff recommends seeking the input of Fields For Our Future

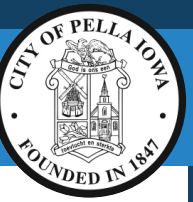




- Council will ultimately decide the size and scope of each project discussed tonight
- The tentative base plan is based on the estimated minimum investments needed to build a new indoor recreation center and maintain the existing Community Center
- The \$45 million plan is based on:
  - Maintain existing rates and service levels
  - \$22 million investment by the City of Pella
  - \$23 million from other governmental entities/private donations

# City Investment

H-1



- Cash on hand
- New local option sales and services tax





# Estimated Cash Contribution

H-1



Cash on hand <i>as of June 30, 2021</i>	\$28,600,000
Bond reserve/restricted funds	(5,300,000)
Operating reserves	(13,000,000)
Reserved for capital projects	<u>(3,500,000)</u>
<b>Surplus cash</b> <i>as of June 30, 2021</i>	<b><u>\$6,800,000</u></b>
Estimated cash contribution	\$5 million



# Local Option Sales and Services Tax

H-1



January 1, 2012 to December 31, 2023

## Estimated Sources and Uses

### Projected Revenue

Sales Tax Revenue	\$14,600,000
Marion Co. Redistribution	<u>3,600,000</u>

**Total Estimated Revenue** **\$18,200,000**

### Estimated Expenditures

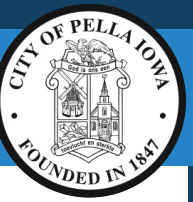
Indoor pool	\$3,700,000	} 50%
Sports Park	3,450,000	
Quality of life projects	2,000,000	} 50%
Street projects	4,900,000	
Property tax relief	<u>4,150,000</u>	

**Total Expenditures** **\$18,200,000**



# Estimated City Contribution

H-1



Cash contribution	\$5 million
New local option sales tax bond	\$17 million
<b>City contribution</b>	<b>\$22 million</b>



# Base Plan

H-1



## Expenditures:

Indoor Rec. Center	\$31,000,000
University St. Extension	\$6,000,000
Community Center	\$5,500,000
Contingency	<u>\$2,500,000</u>
<b>Total Estimated Cost</b>	<b><u>\$45,000,000</u></b>

## Funding Sources:

Local Option/GO Bond	\$17,000,000
Cash on hand	\$5,000,000
Gov't entities/donations	<u>\$23,000,000</u>
<b>Total Estimated Cost</b>	<b><u>\$45,000,000</u></b>

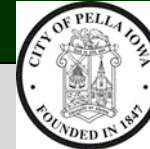


- Request proposals for engineering services for a new indoor recreation center
- Continue fundraising efforts with major project partners and other governmental entities including:
  - State of Iowa
  - Marion County
  - Pella Community School District
- Establish a schedule/timeline for renewal of the city's local option sales and services tax



# City of Pella, Iowa

*April 19, 2022*



## Public Building Financing – Planning Review



**Michael Maloney, Managing Director**  
**(515) 471-2723**  
**[mmaloney@dadco.com](mailto:mmaloney@dadco.com)**



- Authority
  - ✓ How do we gain legal authority to proceed?
    - Public Hearing
    - Referendum
- Capacity
  - ✓ When are we able to address these project?
    - Legal Limits
    - Timing Considerations
- Repayment
  - ✓ How do we pay for that?
    - Revenue Sources
    - Financing Sources

# Successful Capital Improvement / Facility Plans



- Capital budget extends policy process over several years.
- Defines projects and priorities and how they will be funded or financed.
  - ✓ Ensures coherent implementation over staff/elected official turnover.
- Prepared or updated every year.
  - ✓ Covers a time horizon of three to five years into the future.
- Includes maintenance and operational costs.
- Integrates with other long-term strategic planning efforts within the City.
  - ✓ Align with designated priorities from key City stakeholders.
    - Staff and City Council
    - City Boards and Commissions
    - Taxpayers and Ratepayers



# Capital Funding Sources

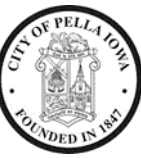


- Perpetual
  - ✓ Utility Revenues (Water/Sewer/Electric)
  - ✓ **Debt Service Levy (part of total property tax levy rate)**
  - ✓ Road Use Tax Revenues (RUT)
- Voted
  - ✓ **Local Option (Sales and Services) Tax Revenues (LOT, LOSST)**
  - ✓ Capital Projects Levy (part of total property tax levy rate)
- Council Implemented (Discretionary)
  - ✓ Special Assessments
  - ✓ Stormwater Utility Revenues
  - ✓ Urban Renewal (TIF) Revenues

# Goals for Capital Plan Initiative

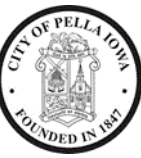


- Continue to invest in City infrastructure to foster growth throughout community and provide high quality municipal services.
- Strategically align timing of projects.
  - ✓ Determine big-picture approach / impact of capital plan before implementing related action steps.
  - ✓ Understand necessary authority, capacity and repayment for projects.
    - Take note of the order in which City pursues various funding initiatives.
- Minimize impact to taxpayers and ratepayers to the extent possible.
  - ✓ Focus on implementing rates and charges that are fair and equitable to those utilizing related systems and facilities.
    - Target applicable / appropriate revenue streams for support of projects and their respective lifecycles.
  - ✓ Leverage alternative financing options / revenue streams to maximize flexibility for the future.

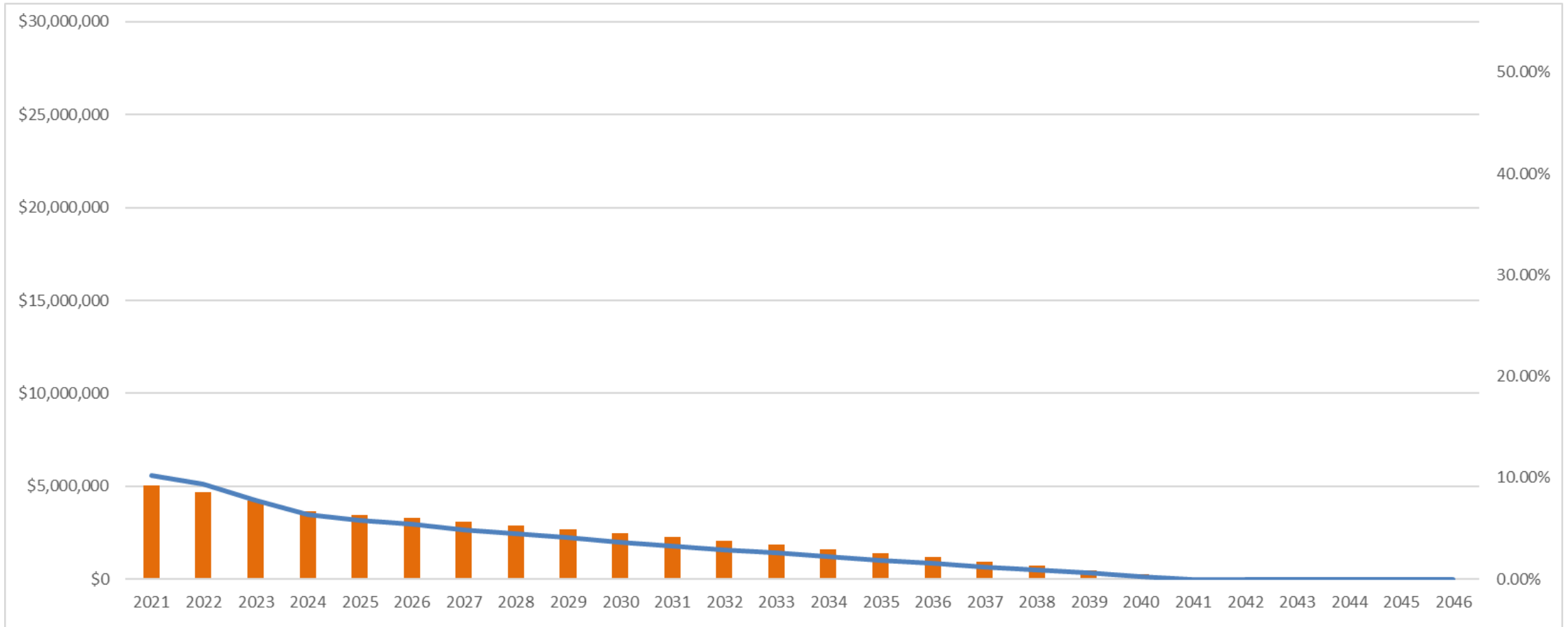


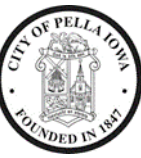
- Lowest rate of interest among financing options.
  - ✓ Shares burden of cost over project lifetime.
- Backed by the full faith and credit of the City.
  - ✓ Can use other revenue sources in addition to property tax levy.
- State of Iowa limits issuer's applicable G.O. debt to no more than 5% of actual valuation.
  - ✓ For example, City's 1/1/21 valuation (applicable for FY 2022-23) will be \$1,080,675,974.
    - G.O. debt limit will be \$54,033,799.
  - ✓ Currently, the City would have \$4,225,000 of outstanding G.O. debt that counts towards this limit before any TIF rebate agreements.
    - Approximately \$49,358,799 of FY 2022-23 capacity.
      - City limit would be 85% of legal limit.

# City G.O. Debt Outstanding (Historical/Current)



- City has a very low debt burden.





- Under Chapter 384, a City is limited to borrowing up to \$700,000 for potential improvements without a referendum as a City with a population over 5,000 and under 75,000.
  - ✓ Therefore, without a vote (or another authority to borrow), the City would have the \$700,000 from a G.O. bond and then any designated funds earmarked for a given project.
- City would need to make up any shortfalls in the total project cost above \$700,000 from fundraising/donations or other sources.

***Note: This is a sliding scale by population:***

\$1 million – over 75,000

\$700,000 – 5,001 – 75,000

\$400,000 – 5,000 or less



- City can repay G.O. bonds from any lawful source (there are limitations), but is pledging future property tax revenues for repayment.
  - ✓ This is not limited in terms of rate, and is collected through the debt service levy component of the total property tax levy rate.
    - Debt service levy is identified for each fiscal year as part of the budget certification process.
    - Revenues are equal to the debt service levy rate multiplied by the taxable valuation for the upcoming fiscal year (currently FY 23 budget cycle).
  - ✓ City has maintained a debt service levy rate below \$0.20 / 1,000 of taxable valuation range through FY 23.
    - Has most recently used other sources to abate levy impact.
    - For reference, each \$1.00 / 1,000 would currently provide approximately \$726,000 in annual revenues (based on FY 23 valuation).
      - \$14,521,092 over the next 20 years based on current values.

# Local Option (Sales & Services) Tax Revenues (LOT / LOSST)



- Voter approval of a one percent (1%) local option sales and services tax for the City was previously passed.
  - ✓ Collections expire (sunset) December 1, 2023 without additional referendum.
- Iowa Department of Revenue (DOR) distributes the revenue that is calculated by formula that considers both population and historic property taxes levied.
  - ✓ City does not control this revenue stream.
- Funds can only be spent as indicated in the revenue purpose statement provided on the ballot used when collections were successfully voted into effect.
- City conservatively expects to receive approximately \$1.5 – 1.8 million in local option tax revenues (this includes City portion plus Marion County allocation).
  - ✓ For a new 20-year term (January 1, 2024 through December 31, 2043), this would total \$30 – 36 million.

# Local Option Sales Tax – Three Financing Options



- City can issue Sales Tax Revenue Bonds secured solely by a pledge of the sales tax revenues (Iowa Code Sections 423B.9(3) and 384.83).
  - ✓ Must be for allowable purpose under voted purpose statement (may not use amounts designated for property tax relief).
  - ✓ Revenue bonds may not count against City's G.O. debt limit.
- City can issue G.O. Sales Tax Revenue Bonds secured by a pledge of both sales tax revenues and general obligation backstop.
  - ✓ Debt service levy only used in the event sales tax revenues are not sufficient to cover repayment of debt in given year.
  - ✓ Would count against City's G.O. debt limit.
- City can issue G.O. Bonds secured by a general obligation pledge and abated (in part or in whole) by sales tax revenues.
  - ✓ Same as using sewer or road use tax revenues to abate debt service.
  - ✓ Would count against City's G.O. debt limit.





- Leverage three potential funding sources:
  - ✓ Local Option Sales Tax Revenues
    - Priority for securing future revenue stream (2024 and beyond).
  - ✓ Outside Contributions
    - Fundraising
      - Timing considerations (project / financing vs. contributions).
    - Partnerships
      - Tax status impact for related projects / financing.
  - ✓ Debt Service Levy
    - Analyze financial plan to evaluate target debt service levy rate for meeting debt repayment needs of identified projects.



- Total Projects Cost of \$45.0 million

## FUNDING SOURCES

City of Pella LOSST Bond

City of Pella Cash Contributions

Community Support / Other Governments

## TOTAL SOURCES

## FACILITY CATEGORIES

Pella Indoor Recreation Center

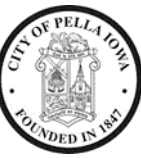
University Street Extension

Community Center Renovation

Contingency

## TOTAL USES OF FUNDS

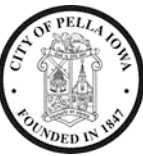
	TOTAL
City of Pella LOSST Bond	\$17,000,000
City of Pella Cash Contributions	5,000,000
Community Support / Other Governments	23,000,000
<b>TOTAL SOURCES</b>	<b>\$45,000,000</b>
<b>FACILITY CATEGORIES</b>	
Pella Indoor Recreation Center	\$31,000,000
University Street Extension	6,000,000
Community Center Renovation	5,500,000
Contingency	2,500,000
<b>TOTAL USES OF FUNDS</b>	<b>\$45,000,000</b>



- ***City's total potential (long-term) financing is \$17.0 million.***
  - ✓ Authority for financing can be gained through local option sales tax purpose statement for revenue stream extension.
    - Subject to public hearing for financing(s).
  - ✓ City currently has capacity to address all currently targeted projects within capital improvement plan.
  - ✓ Repayment sources will include sales tax revenues and the potential to leverage the debt service levy, if necessary.
- Valuation growth and revenue growth from funding sources would help future burden on both capacity and repayment streams.
  - ✓ However, near-term leverage may have downward pressure on the City's credit rating (G.O. rating).
    - Currently, City is rated Aa3 by Moody's.
      - One-notch (vs. A1 or Aa2) is worth 0.05% - 0.15% in current market.

- Assumed 2% assessed valuation growth (on existing) plus projected valuation from projects in progress and completed.
  - ✓ Taxable valuation growth based on current rollback percentages.
- Ran each of the financing components as a 20-year amortization with level debt payments and conservative interest rates.
- Debt capacity – noted a potential target of 85% of the legal (5% assessed valuation) limit for reference only.
  - ✓ Even with conservative growth and all debt issued, City would still have significant legal capacity, even in FY 23 (50% of limit).
- Property Tax Levy impact:
  - ✓ Assumed \$1.1 million per year of debt service is repaid by LOSST.
    - No debt service levy impact on base scenario.
  - ✓ Additional operating costs anticipated at \$200,000 per year would need to be absorbed in current (\$8.10 general fund) levy rate.
    - Expect future valuation growth to offset this cost (no tax impact).

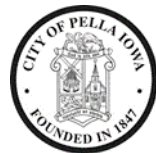
# Additional Project Costs - Projected Tax Impact Summary



- Additional project costs above base scenario (\$45.0 million) may need to be repaid with additional debt that will impact the City’s debt service levy rate.

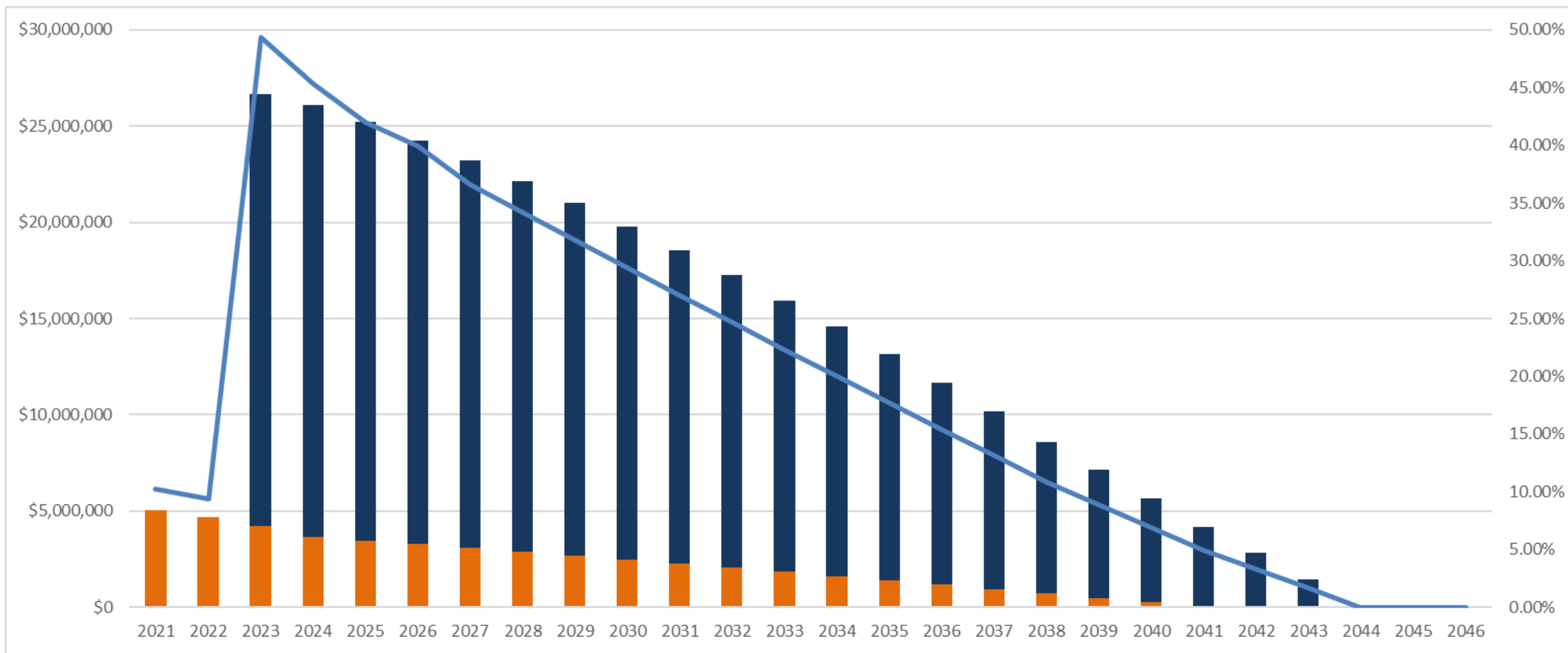
City Levy Impact (through FY 43)	\$0.00	\$0.25	\$0.50	\$0.75	\$1.00
Additional Projects (from D/S Levy) --->		\$2,847,915	\$5,746,682	\$8,650,790	\$11,534,399
<b>PROJECTED TOTAL PROJECTS</b>	<b>\$44,583,000</b>	<b>\$47,430,915</b>	<b>\$50,329,682</b>	<b>\$53,233,790</b>	<b>\$56,117,399</b>

- For \$100,000 of residential assessed valuation, each \$0.25/1,000 of levy impact is roughly equal to \$1.03/month of taxes.



# City G.O. Debt Outstanding (with Projected)

- City would be paying down obligations each year.





## Council Action Steps for Financing

---

- Determine targeted projects and cost estimates.
- Align Council action based on referendum calendar to arrange for securing future local option sales tax revenue stream.
- Summarize range of potential costs to establish planned not-to-exceed borrowing amount.
- Hold public hearing to gain authority for financing.
- Complete design and bid process for projects.
- Prepare offering document for financing (and arrange bond rating).
- Market bonds to investors / pricing of Notes.
- Closing / delivery of funds to City.