THE
CITY of PELLA
STAFF MEMO TO COUNCIL

ITEM NO: E-1

SUBJECT: Facility Plan Financial Overview

DATE: April 15, 2025

BACKGROUND:
During this session the city's Financial Advisor, Michael Maloney will provide an overview of the financing plan for the long-term facility plan. Listed below is background information as it pertains to the facility plan. Before discussing the individual projects of the long-term facility plan, it is important to reflect on the plan's goals established by Council in April of 2022:

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

The city's long-term facility plan consists of the proposed indoor recreation center, renovation of the city's Community Center, and infrastructure associated with the extension of University Street and Baseline Drive. Listed below is a financial overview of the plan.

Revenue

LOSST Bond/LOSST Cash	$17,000,000
City Cash Contributions	5,500,000
GO Bond Infrastructure	6,719,300
Pella Rec Contract	16,038,500
Friends of Comm Center Contract	2,128,600
Pledges Received	1,603,500
Federal/State Grants	1,500,000
Revenue Total	**$50,489,900**

Estimated Cost of Projects

Indoor Recreation Center	$35,142,000
Community Center	7,628,600
Infrastructure	7,719,300
Total Projects	**$50,489,900**

Proposed Indoor Recreation Center
The proposed location of the indoor recreation center is in the northwest corner of the Pella Sports Park. The full plan includes four gymnasiums, a competition swimming pool, an indoor recreation pool, walking track, workout facilities, meeting rooms, and associated kitchen facilities. The estimated cost of the full plan is $35,142,000. Listed on the following page is the tentative financial plan for the proposed indoor recreation center:

Project Revenues

City Contribution	$17,000,000
State of Iowa CAT Grant	500,000
Pledges Received	1,603,500
Pella Rec Contract	16,038,500
Total Project Revenues	**$35,142,000**

Project Expenditures

Construction Contract	$29,969,000
Architectural Fees	2,950,000
Contingency	899,100
Sports Equipment	899,100
Furnishings	224,800
Third Party Testing	90,000
Expense Reimb./Printing	110,000
Total Project Budget	**$35,142,000**

Community Center Renovation

This proposed project includes renovating the existing Community Center and constructing an addition to the southeast corner of the facility which is intended to improve accessibility. This project includes the following items:

- Mechanical/electrical/plumbing upgrades
- Improved accessibility
- Exterior improvements
- Renovations to reopen the community gymnasium

Similar to the indoor recreation center, this project will utilize alternate bids. The base plan includes renovating the existing facility and an upgraded elevator for the project. An alternate bid will be sought for an addition to the southeast corner of the facility.

Project Revenues

City Contribution	$5,500,000
Friends of Comm Center Contract	2,128,600
Total Project Revenues	**$7,628,600**

Project Expenditures

Estimated Project Budget	**$7,628,600**

Infrastructure - University Street and Baseline Drive Extensions
This project involves the extension of University Street from 240th Avenue to 250th Avenue and the extension of Baseline Drive north to the newly extended University Street. Included in the project is an extension of the city's bike trail system along the newly constructed University Street from 240th Avenue to the Pella Sports Park. The project also includes a new 12-inch water main and sanitary sewer system for the Pella Sports Park and Indoor Recreation Center. Listed below is a financial summary for these projects:

Revenue Sources

General Obligation Bond	$6,719,300
HUD Grant	1,000,000
Total Revenue Sources	**$7,719,300**

Estimated Costs

University Street extension	$ 4,795,700
Baseline Drive	1,077,100
Water Main	764,500
Sanitary Sewer	1,082,000
Total Estimated Costs	**$ 7,719,300**

Proposed Bond Issues
During this meeting, Michael Maloney will be presenting information as it relates to the proposed Local Option Sales and Services Bonds issue and the proposed General Obligation Bond issue. It is important to note, both of these bond issues will be required to finance the facility plan.

For Council's review, staff has enclosed a letter from the city's bond counsel regarding the city's authority to issue a Local Option Sales and Sales Tax Bond to support the facility plan.

Economic Analysis
Included as a memo attachment is an analysis conducted by Impact Data Source related to the economic impact of construction of the indoor recreation center and the University Street extension. It is important to note that this analysis was based on the full build of the indoor recreation center and University Street extension projects; therefore, if Council only approves a lesser plan for the recreation center, the associated economic impact, while significant, may be less than what is stated in the respective reports.

Economic Impact of the Construction of the Pella Rec Center and University Street Extensions

	Marion County	***State of Iowa***
Jobs	386	693
Economic Output	$65 million	$99.6 million

ATTACHMENTS: Letter from the City's Bond Counsel, Impact Data Source Analysis

REPORT PREPARED BY: City Administration

REVIEWED BY: City Clerk

RECOMMENDATION: Informational item

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April 7, 2025

Via E-mail

Mike Nardini
City Administrator
825 Broadway
Pella, IA 50219

RE: City of Pella, Iowa

Dear Mike:

You have asked for a letter regarding the City's legal authority to issue LOSST (Local Option Sales and Services Tax) revenue bonds or notes (referenced herein as bonds) to finance the construction of the proposed Pella Recreation and Aquatic Center, and the procedure for issuance of such bonds. As proposed, such LOSST bonds would be revenue bonds secured solely by the City's LOSST revenue. Such bonds would not be general obligation bonds, and would not be secured by the debt service levy.

Iowa Code sections 423B.9(2) and (3) presently provide in pertinent part:

> 2. An issuer of public bonds which is a recipient of revenues from a local option sales and services tax imposed pursuant to this chapter may issue bonds in anticipation of the collection of one or more designated portions of the local option sales and services tax and may pledge irrevocably an amount of the revenue derived from the designated portions for each of the years the bonds remain outstanding to the payment of the bonds. Bonds may be issued only for one or more of the purposes set forth on the ballot proposition concerning the imposition of the local option sales and services tax, except bonds shall not be issued which are payable from that portion of tax revenues designated for property tax relief. The bonds may be issued in accordance with the procedures set forth in either subsection 3 or 4.
>
> 3. The governing body of an issuer may authorize the issuance of bonds which are payable from the designated portion of the revenues of the local option sales and services tax, and not from property tax, by following the authorization procedures set forth for cities in section 384.83.

Therefore, as a general principle, based on present law, a city which is a recipient of LOSST revenues may issue bonds in anticipation of the collection of designated portion(s) of the LOSST tax and may pledge revenue derived from the designated portion(s) of the LOSST tax to the

payment of the bonds. Such bonds may be issued only for purposes set forth on the LOSST ballot proposition, and such bonds cannot be payable from that portion of the LOSST revenues designated for property tax relief.

As for whether the City of Pella is a recipient of LOSST revenues: The City held an election In Marion County on the imposition of a LOSST tax on September 13, 2022, which included the following ballot proposition:

> *SHALL THE FOLLOWING PUBLIC MEASURE BE ADOPTED?*
>
> *Summary: To authorize imposition of a local sales and services tax in the City of Pella, that will continue without repeal of the existing local sales and services tax at the rate of one percent (1%) to be effective on January 1, 2024 until an automatic repeal date of December 31, 2043.*
>
> *A local sales and services tax shall be imposed in the City of Pella that will continue without repeal of the existing local sales and services tax at the rate of one percent (1%) to be effective on January 1, 2024 until an automatic repeal date of December 31, 2043.*
>
> *Revenues from the local option sales and services tax are to be allocated as follows:*
>
> *0% shall be used for property tax relief;*
>
> *The specific purposes for which the revenues shall otherwise be expended are:*
>
> *100% shall be used for any lawful purpose including but not limited to indoor recreational facilities, other recreational facilities, community center facilities, infrastructure improvements, other community betterment projects designated by the City Council, retirement of debt incurred for any such purposes, and any other lawful purpose.*

The Marion County Board of Supervisors' Resolution canvassing the results of the election, and the County Commissioner of Elections' Certificate of Results of Election, provide that the ballot proposition was *duly approved by the voters*. The Resolution canvassing the results of the election shows 2,182 votes were cast, with 1,221 voting "yes" (in favor of the LOSST tax), and 961 voting "no" (against the LOSST tax).

As shown above, the purposes for which the LOSST revenues shall be expended are: "100% shall be used for any lawful purpose including but not limited to indoor recreational facilities, other recreational facilities, community center facilities, infrastructure improvements, other community betterment projects designated by the City Council, retirement of debt incurred for any such purposes, and any other lawful purpose."

Therefore, to summarize, based on the Iowa Code provisions cited above and the results of the September 13, 2022 election as canvassed by the Board of Supervisors and certified by the Commissioner of Elections, a local sales and services tax shall be imposed in the City of Pella that will continue without repeal of the [then] existing local sales and services tax at the rate of one percent (1%), with such LOSST tax effective on January 1, 2024 until an automatic repeal date of December 31, 2043, and 100% of the revenues of which shall be used for "any lawful purpose including but not limited to indoor recreational facilities, other recreational facilities,

community center facilities, infrastructure improvements, other community betterment projects designated by the City Council, retirement of debt incurred for any such purposes, and any other lawful purpose". The proposed Pella Recreation and Aquatic Center would certainly seem to fall within this voter-approved purpose for use of the LOSST revenues.

In short, pursuant to present law and an election held in Marion County, the City of Pella has legal authority to issue LOSST revenue bonds for the Pella Recreation and Aquatic Center and retirement of debt incurred for the Pella Recreation and Aquatic Center.

The procedure for issuing such LOSST revenue bonds is presently the same procedure as that which applies for issuance of revenue bonds for city utilities under Iowa Code 384.83. This procedure requires publishing a notice of hearing and then holding that hearing and taking action after the hearing. This is a hearing-only procedure. Neither an election nor a reverse referendum process (by which the public can submit a petition for an election) apply.

LOSST revenue bonds may be subject to the City's constitutional debt limit. However, information provided by the City's municipal advisor indicates that the City currently has a debt limit of $67,203,092, and that $58,832,214 of said debt limit remains available.

Lastly, with any issuance of LOSST revenue bonds there is always the question of whether the actual LOSST revenue will be sufficient to pay the debt service on the bonds. This question raises variables which are not known and must be predicted. One variable is the structure of the bonds, specifically, how long will the bonds be outstanding and what will the annual debt service amount be. These items are mostly within the City's control, subject to the total amount to be financed for the project. Another variable is the amount of future LOSST revenues which will be available for debt service. This cannot be known with certainty and must be predicted based on multiple factors including but not limited to current levels of LOSST revenue collection, population and sales trends, and broader economic trends. As bond counsel we cannot predict the City's future LOSST revenues. We do note that the City's municipal advisor has indicated that the City's total LOSST allocation projection from the State for fiscal year 2024/2025 (fiscal year ending June 30, 2025) is $1,804,935, from which the City's municipal advisor has built the attached models including one model with the projected LOSST revenue collections increasing at a rate of 3.84% per year and another model with no growth in LOSST revenue. While there is a substantial variation between the resulting aggregate LOSST revenue under these two models, both models show sufficient LOSST revenue to pay the projected debt service on the proposed bonds and to meet the projected coverage requirement for the bonds. However, there is a substantial difference between the models in the amount of LOSST revenue which would remain available for other uses after paying debt service on the bonds. Of course, there can be no guaranty that the state's LOSST revenue projection will equal the City's actual LOSST revenue collection, and there can be no guaranty that LOSST revenue will increase year over year, or even hold steady with the current projection in future years. Because we cannot predict the City's future LOSST revenue collections, we advise obtaining additional input from the City's municipal advisor about this. Furthermore, by attaching the models prepared by the City's municipal advisor, we make no representations or assurances as to their accuracy or future results of the City's LOSST revenue collections.

Please be aware that the conclusions and other discussions herein rely on present law as of the date hereof, certifications of County officials, and information from the City's municipal advisor including projections of the size and structure of the proposed bonds, the City's debt limit and remaining debt capacity, the state's projection for the City's LOSST revenue, and the municipal advisor's models regarding potential future LOSST revenue. Any changes in applicable law or changes or inaccuracies in the information, projections and models referenced herein could change the conclusions and other details discussed herein. Furthermore, this letter is not a legal opinion and any future bond issuance shall be subject to applicable law as it exists at that time, facts as they exist at that time, due diligence to be conducted during preparation for the bond issuance, and our determination at that time as to our ability to provide the necessary legal opinion for the issuance of the bonds.

We assume no obligation to revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, facts or circumstances that may hereafter occur.

This letter is intended only for the benefit of the City and may not be relied on or quoted by any other person or entity.

Should you have further questions regarding the information herein, please do not hesitate to let me know.

Very truly yours,

AHLERS & COONEY, P.C.

By

/s/ Steven M. Nadel

Steven M. Nadel

SMN:im
Enclosures

4924-8282-4243-1\10994-000

City of Pella, Iowa
Local Option Sales & Services Tax
Bonding Analysis

CONFIDENTIAL DRAFT - Discussion Purposes ONLY

SUMMARY

CITY LOSST ONLY

SCENARIO A-1: Solve for 50% Debt Service Rate

Summary: ***50% of future LOSST to Debt Service (3.84% Growth)***

LOSST Bond Proceeds: **16,045,000**

Year	LOSST Revenues	PROJ. Debt Service	Coverage	Net LOSST Revenues
6/30/2024				
6/30/2025	1,804,935			
6/30/2026	1,874,244	1,306,919	1.43 X	567,325
6/30/2027	1,946,215	1,304,250	1.49 X	641,965
6/30/2028	2,020,950	1,306,500	1.55 X	714,450
6/30/2029	2,098,554	1,302,250	1.61 X	796,304
6/30/2030	2,179,139	1,306,750	1.67 X	872,389
6/30/2031	2,262,818	1,304,500	1.73 X	958,318
6/30/2032	2,349,710	1,305,750	1.80 X	1,043,960
6/30/2033	2,439,939	1,305,250	1.87 X	1,134,689
6/30/2034	2,533,632	1,303,000	1.94 X	1,230,632
6/30/2035	2,630,924	1,304,000	2.02 X	1,326,924
6/30/2036	2,731,951	1,303,000	2.10 X	1,428,951
6/30/2037	2,836,858	1,305,000	2.17 X	1,531,858
6/30/2038	2,945,793	1,304,750	2.26 X	1,641,043
6/30/2039	3,058,912	1,307,250	2.34 X	1,751,662
6/30/2040	3,176,374	1,302,250	2.44 X	1,874,124
6/30/2041	3,298,347	1,305,000	2.53 X	1,993,347
6/30/2042	3,425,003	1,305,000	2.62 X	2,120,003
6/30/2043	3,556,524	1,302,250	2.73 X	2,254,274
6/30/2044	1,846,547	650,875	2.84 X	1,195,672
TOTAL	51,017,367	24,134,544		**25,077,888**

CITY LOSST ONLY

SCENARIO B-1: No Growth Illustration ONLY

Summary: ***NO GROWTH IN LOSST***

LOSST Bond Proceeds: **16,045,000**

Year	LOSST Revenues	PROJ. Debt Service	Coverage	Net LOSST Revenues
6/30/2024				
6/30/2025	1,804,935			
6/30/2026	1,804,935	1,306,919	1.38 X	498,015
6/30/2027	1,804,935	1,304,250	1.38 X	500,685
6/30/2028	1,804,935	1,306,500	1.38 X	498,435
6/30/2029	1,804,935	1,302,250	1.39 X	502,685
6/30/2030	1,804,935	1,306,750	1.38 X	498,185
6/30/2031	1,804,935	1,304,500	1.38 X	500,435
6/30/2032	1,804,935	1,305,750	1.38 X	499,185
6/30/2033	1,804,935	1,305,250	1.38 X	499,685
6/30/2034	1,804,935	1,303,000	1.39 X	501,935
6/30/2035	1,804,935	1,304,000	1.38 X	500,935
6/30/2036	1,804,935	1,303,000	1.39 X	501,935
6/30/2037	1,804,935	1,305,000	1.38 X	499,935
6/30/2038	1,804,935	1,304,750	1.38 X	500,185
6/30/2039	1,804,935	1,307,250	1.38 X	497,685
6/30/2040	1,804,935	1,302,250	1.39 X	502,685
6/30/2041	1,804,935	1,305,000	1.38 X	499,935
6/30/2042	1,804,935	1,305,000	1.38 X	499,935
6/30/2043	1,804,935	1,302,250	1.39 X	502,685
6/30/2044	1,804,935	650,875	2.77 X	1,154,060
TOTAL	36,098,691	24,134,544		**10,159,212**

A REPORT OF THE ECONOMIC IMPACT OF THE CONSTRUCTION & DEVELOPMENT OF THE PELLA RECREATION CENTER IN PELLA, IOWA

March 1, 2023

Prepared for:
City of Pella

Prepared by:

IMPACT DataSource

PURPOSE & LIMITATIONS

This report presents the results of an analysis undertaken by Impact DataSource, an Austin, TX based economic consulting firm. The analysis relies on prospective estimates of business activity that may not be realized. Impact DataSource and the City of Pella made reasonable efforts to ensure that the project-specific data reflects realistic estimates of future activity.

The analysis presented in this report incorporates estimates, assumptions, and other information developed by Impact DataSource from its independent research effort.

The City of Pella and Impact DataSource make no representation or warranty as to the accuracy or completeness of the information contained herein, and expressly disclaim any and all liability based on or relating to any information contained in, or errors or omissions from, this information or based on or relating to the use of this information.

CONTENTS

Study Highlights

- This report presents the results of an impact analysis of the construction and development of the Pella Recreation Center and associated roadway improvements in Pella, Iowa.

- The planned Pella Recreation Center includes 78,000 square-feet of space with multiple full-size gymnasiums with seating, a cardio workout area, exercise studios, competition and recreation swimming pools, an indoor walking track, a bouldering wall and kid's play zone as well as concession and restrooms. The project will also include the extension of University Street, a bike path trail extension and other infrastructure improvements.

- The total expenditure to develop the project is estimated to be $50.5 million.

- The planned development will generate economic impacts in the State of Iowa and in the Marion County economy during construction and development. The total economic impact includes the direct as well as the indirect and induced impact resulting from this spending.

  Statewide Construction Impact
  - $99.6 million in total economic output impact.
  - 693 total construction job years of employment during construction.

  A significant portion of the statewide construction impact will take place locally in Marion County.

  Local Construction Impact
  - $65.5 million in total economic output impact.
  - 386 total construction job years of employment during construction.

- This one-time economic activity has the potential to generate additional tax revenues for the State of Iowa, City of Pella, and Marion County. The Pella Recreation Center development is estimated to generate $3.6 million in new tax revenues.

Table 1. Taxes Generated by Pella Recreation Center Construction & Development

	One-Time Construction Taxes
State of Iowa	$3,382,468
City of Pella	$139,928
Marion County	$27,986
Total	$3,550,382

- More detail on the above summary can be found on the following pages.

Indirect and induced impacts *represent the spin-off economic activity resulting from the business-to-business expenditures initiated by the company and the consumer-to-business expenditures initiated by workers spending a portion of their earnings on goods and services in the economy.* ***Economic output*** *is gross output and is the sum of the intermediate inputs and final use. This is a duplicative total in that goods and services will be counted multiple times if they are used in the production of other goods and services. Economic output can be thought of as the value of goods and services sold in the economy or revenues for businesses in the economy.* ***Value added*** *is defined as the value of gross output less intermediate inputs.* ***Household earnings*** *or earnings consist of wages and salaries, employer provided benefits, and proprietors' income. For permanent or on-going activity,* ***Employment*** *consists of a count of jobs that include both full-time and part-time workers. For temporary construction impacts, a* ***Job Year*** *is defined as full employment for one person for 2080 hours in a 12-month span.*

Introduction

This report presents the results of an analysis undertaken by Impact Datasource, an Austin, TX based economic consulting firm. The report estimates the impact that the Pella Recreation Center will have on the state and local economy during construction.

Description of the Project

The planned Pella Recreation Center includes 78,000 square-feet of space with multiple full-size gymnasiums with seating, a cardio workout area, exercise studios, competition and recreation swimming pools, an indoor walking track, a bouldering wall and kid's play zone as well as concession and restrooms. The project will also include the extension of University Street, a bike path trail extension and other infrastructure improvements.

According to projections from the City of Pella, the total cost of construction will be $50.5 million.

Table 2. Construction Cost

	Amount
Indoor Recreation Center	$42,900,000
University St., Baseline Dr. extension, Infrastructure	$7,612,500
Total Construction Cost	$50,512,500

Economic Impact Methodology

Expenditures made to construct the project will result in economic impacts in the local area as well as across the state. This section explains the metrics measured and the methodology to apply the economic impact model.

The economic impact associated with construction spending was measured in economic output, value added, employment, and household earnings (or compensation to employees). This is to say that the expenditures made to construct the facility will support additional employment, salaries, and other impacts at various business establishments supporting the project. The economic impacts are defined as followed:

Economic output is gross output and is the sum of the intermediate inputs and final use. This is a duplicative total in that goods and services will be counted multiple times if they are used in the production of other goods and services. Economic output can be thought of as the value of goods and services sold in the economy or revenues for businesses in the economy.
Value added is defined as the value of gross output less intermediate inputs.
Employment consists of a count of jobs that include both full-time and part-time workers. For temporary construction impacts employment will be presented in Job Years. A **Job Year** is defined as full employment for one person for 2080 hours in a 12-month span.
Household earnings or earnings consist of wages and salaries, employer provided benefits, and proprietors' income.

The total economic impact of the construction activity goes beyond the initial expenditures to construct the facility and roads. The construction spending ripples through the local and state economies supporting additional economic impacts in the form of indirect and induced jobs, household earnings, and economic output. Indirect impacts represent the spin-off economic activity resulting from the business-to-business expenditures initiated by the construction spending. Induced impacts represent the consumer-to-business expenditures initiated by workers spending a portion of their earnings on goods and services in the economy.

Economic Impact Calculations

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U.S. Department of Commerce, Bureau of Economic Analysis.

Expenditure Categories

To estimate the economic impact of construction spending, industry-specific multipliers are applied to the appropriate expenditure categories. The table below identifies the expenditure category and the corresponding RIMS II industry group.

Table 3. Expenditure Categories and Corresponding RIMS II Industry Group

Expenditure Category	RIMS II Industry Group
Indoor Recreation Center	2332 Nonresidential structures
University St., Baseline Dr. extension, Infrastructure	2332F0 Transportation structures and highways and streets

Local vs. State Impact

The impact of the construction spending will be greater at the state level than the impact at the county level. The larger statewide impact results from the fact that more economic activity will be captured within the statewide economy relative to the smaller countywide economy. Accordingly, the economic impact for the State of Iowa is larger than the local impact within Marion County. The reason this occurs is known as leakage. Leakage results when the local economy, is unable to supply all of the inputs needed by the businesses and the local businesses purchase some inputs from suppliers located outside of the local economy, for example elsewhere in the state.

To illustrate this point, the following table presents a summary of the local and statewide economic impacts resulting from the construction of the facility and roads as calculated in the next section. Within Marion County, the total economic output impact is $65.5 and the statewide impact is $99.6 million. It is important to note that the countywide impact is simply a subset of the statewide impact and not in addition to the statewide impact.

Table 4. Total Local and Statewide Economic Impact

	Marion County	State of Iowa
Economic Output:		
Direct	$50,512,500	$50,512,500
Indirect & Induced	$14,995,031	$49,122,998
Total Economic Output	$65,507,531	$99,635,498
Value Added:		
Total Value Added	$36,036,589	$53,809,571
Employment:		
Direct	300.9	387.4
Indirect & Induced	84.8	305.9
Total Job Years*	385.7	693.3
Household Earnings:		
Direct	$18,264,084	$23,517,568
Indirect & Induced	$3,571,450	$13,536,388
Total Household Earnings	$21,835,534	$37,053,956

** A job year is defined as full employment for one person for 2080 hours in a 12-month span.*

Economic Impact in Marion County

The economic impact of the construction of Pella Recreation Center includes two main components detailed in this section:

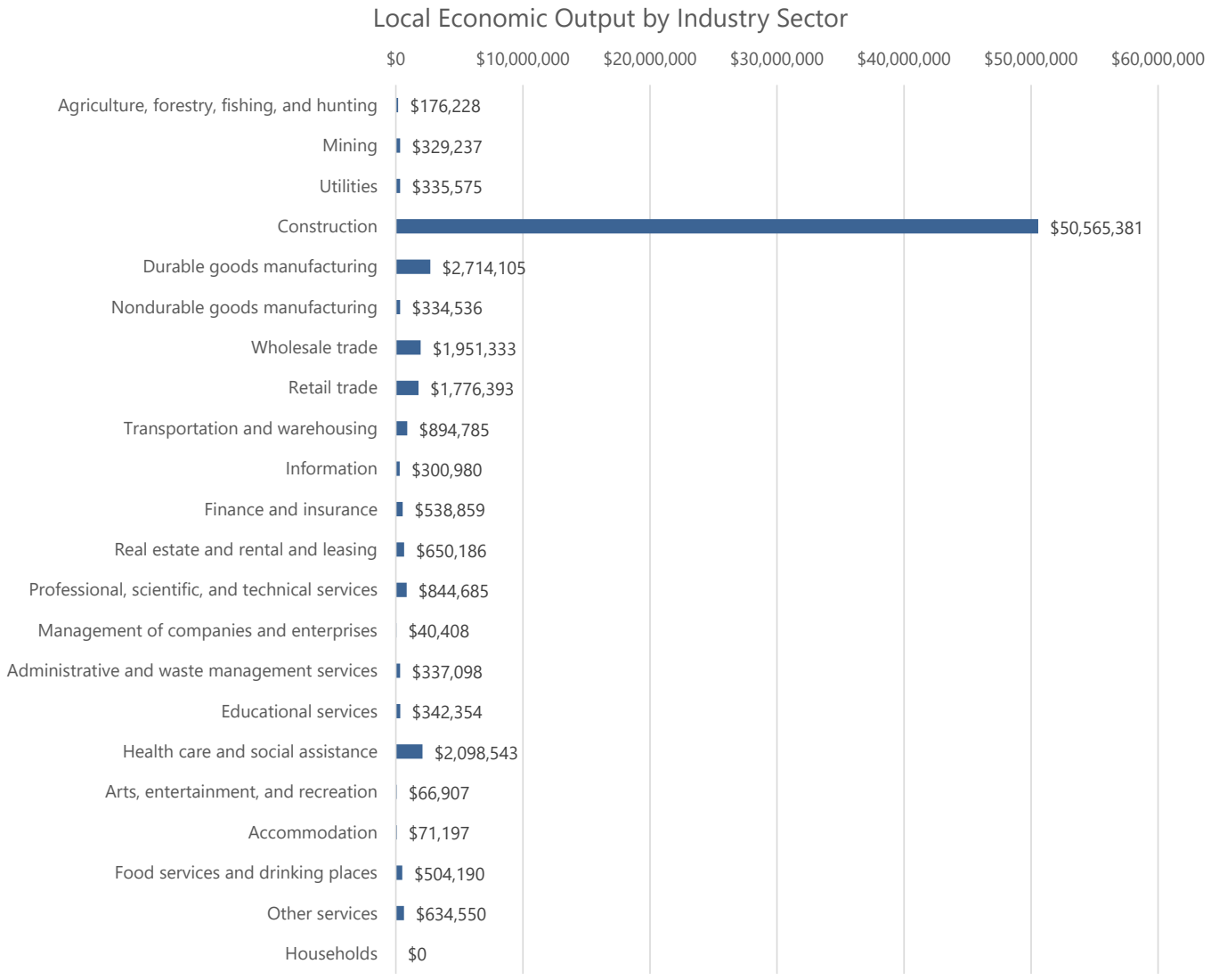
(1) Indoor Recreation Center
(2) University St., Baseline Dr. extension, Infrastructure

In total, construction of the Pella Recreation Center is estimated to support 385.7 job years of employment, $21.8 million in household earnings and $65.5 million in economic output in Marion County.

Table 5. Total Local Economic Impact

	Employment in Job Years	Household Earnings	Economic Output
Indoor Recreation Center	349.3	$19,738,290	$55,975,920
University St., Baseline Dr. extension, Infrastructure	36.4	$2,097,244	$9,531,611
Total Local Impact	385.7	$21,835,534	$65,507,531

The economic impact of the construction and development of the Pella Recreation Center affects industries throughout the economy. The following chart presents a graphical illustration of the total economic output by industry. In total, the Project generates $65.5 million in economic output. The sector seeing the largest increase in economic output is construction, as expected.



The table below provides additional detail on the local economic impacts by industry sector.

Table 6. Total Local Economic Impact by Industry Sector

	Employment	Household Earnings	Economic Output	Value Added
Agriculture, forestry, fishing, and hunting	1.2	$38,104	$176,228	$76,254
Mining	0.4	$27,045	$329,237	$178,540
Utilities	0.4	$43,914	$335,575	$194,441
Construction	301.1	$18,265,190	$50,565,381	$27,779,334
Durable goods manufacturing	5.8	$317,291	$2,714,105	$996,085
Nondurable goods manufacturing	1.1	$47,440	$334,536	$91,408
Wholesale trade	5.7	$413,693	$1,951,333	$1,173,366
Retail trade	17.6	$541,268	$1,776,393	$1,182,415
Transportation and warehousing	3.6	$206,987	$894,785	$399,058
Information	0.8	$53,249	$300,980	$164,894
Finance and insurance	1.8	$117,357	$538,859	$372,483
Real estate and rental and leasing	3.8	$87,827	$650,186	$458,561
Professional, scientific, and technical services	6.0	$374,548	$844,685	$553,571
Management of companies and enterprises	0.2	$19,433	$40,408	$25,257
Administrative and waste management services	2.7	$97,924	$337,098	$195,964
Educational services	4.5	$132,983	$342,354	$237,341
Health care and social assistance	12.5	$626,050	$2,098,543	$1,248,566
Arts, entertainment, and recreation	1.1	$23,720	$66,907	$38,127
Accommodation	0.6	$18,671	$71,197	$42,417
Food services and drinking places	6.4	$123,647	$504,190	$252,495
Other services	6.5	$235,475	$634,550	$352,278
Households	2.0	$23,720	$0	$23,734
Total	385.7	$21,835,534	$65,507,531	$36,036,589

Additional detail on the local economic impact of each component is shown next.

Facility Construction

The economic impact of the Pella Recreation Center construction is based on the projected expenditure for the facility provided by the City of Pella. The city expects to spend $42.9 million to construct the facility. The RIMS II economic impact model is used to determine the economic impact of this activity.

Table 7. Economic Impact of Facility Construction in Marion County

	Direct	Indirect & Induced	Total
Employment	274.0	75.2	349.3
Household Earnings	$16,596,561	$3,141,729	$19,738,290
Economic Output	$42,900,000	$13,075,920	$55,975,920

The direct spending of $42.9 million will spur additional spending through indirect and induced economic output in the amount of $13.1 million. The total local economic impact of the facility construction is $56.0 million.

The facility construction spending is expected to support 274 job years of employment directly and support another 75 job years of employment in spin-off activity in the county. In total, the facility construction expenditure will support 349 job years of employment locally. These direct workers will earn approximately $16.6 million and spin-off workers will make an additional $3.1 million.

Road Construction

The economic impact of the road construction and infrastructure improvements is estimated based on the $7.6 million projected expenditure as provided by the City of Pella. The RIMS II economic impact model is used to determine the economic impact of this activity.

Table 8. Economic Impact of Road Construction in Marion County

	Direct	Indirect & Induced	Total
Employment	26.9	9.6	36.4
Household Earnings	$1,667,523	$429,721	$2,097,244
Economic Output	$7,612,500	$1,919,111	$9,531,611

The direct economic output supported by the road construction activity is estimated to be $7.6 million. This portion of the construction expenditure will support additional spending through indirect and induced economic output in the amount of $1.9 million.

The road construction expenditures are expected to employ 27 job years of employment directly and support another 10 job years of employment in spin-off activity. In total, the construction activity will support 36 job years of employment. These direct workers will earn approximately $1.7 million and spin-off workers will make an additional $430,000.

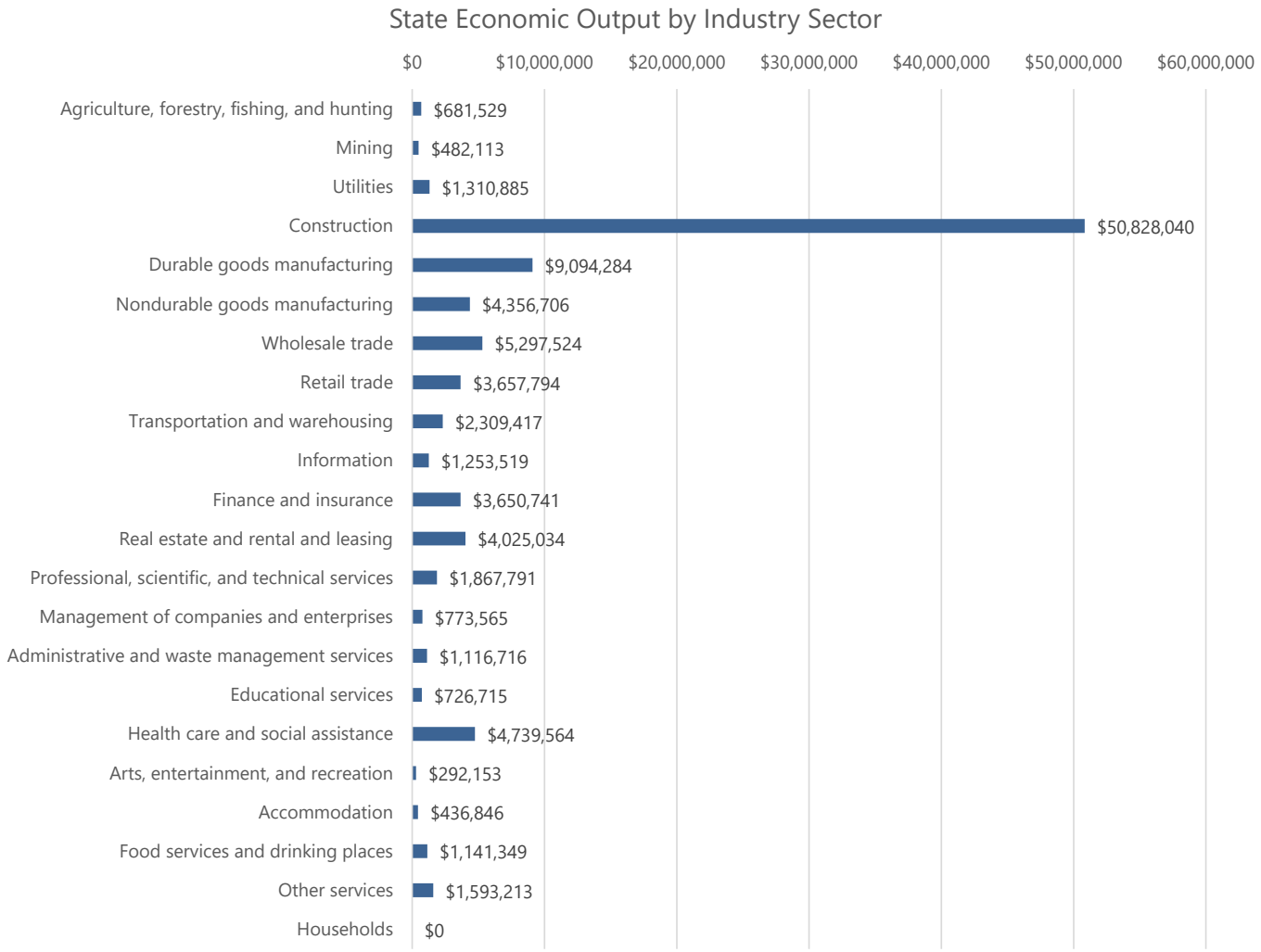
Economic Impact in the State of Iowa

In total, construction of the Pella Recreation Center is estimated to support 693.3 job years of employment, $37.1 million in household earnings and $99.6 million in economic output in the State of Iowa.

Table 9. Total Statewide Economic Impact

	Employment in Job Years	Household Earnings	Economic Output
Indoor Recreation Center	623.2	$33,256,080	$85,885,800
University St., Baseline Dr. extension, Infrastructure	70.1	$3,797,876	$13,749,698
Total Statewide Impact	693.3	$37,053,956	$99,635,498

The economic impact of the construction and development of the Pella Recreation Center affects industries throughout the state economy as well. The graph below illustrates the total statewide economic output by industry. In total, the Project is estimated to generate $99.6 million in economic output. The sector seeing the largest increase in economic output is construction, as expected.



The table below provides additional detail on the statewide economic impacts by industry sector.

Table 10. Total Statewide Economic Impact by Industry Sector

	Employment	Household Earnings	Economic Output	Value Added
Agriculture, forestry, fishing, and hunting	4.2	$143,905	$681,529	$235,339
Mining	1.2	$75,828	$482,113	$259,654
Utilities	1.5	$180,781	$1,310,885	$764,909
Construction	388.9	$23,600,655	$50,828,040	$27,891,613
Durable goods manufacturing	32.8	$1,804,703	$9,094,284	$3,337,770
Nondurable goods manufacturing	11.2	$676,703	$4,356,706	$1,199,337
Wholesale trade	18.1	$1,319,090	$5,297,524	$3,194,526
Retail trade	42.1	$1,303,450	$3,657,794	$2,420,231
Transportation and warehousing	14.0	$702,994	$2,309,417	$1,054,443
Information	3.6	$232,532	$1,253,519	$658,066
Finance and insurance	14.9	$940,228	$3,650,741	$2,149,478
Real estate and rental and leasing	30.0	$674,903	$4,025,034	$2,843,387
Professional, scientific, and technical services	14.1	$884,743	$1,867,791	$1,238,709
Management of companies and enterprises	3.8	$336,587	$773,565	$485,908
Administrative and waste management services	14.5	$484,021	$1,116,716	$704,570
Educational services	11.1	$330,221	$726,715	$502,231
Health care and social assistance	39.5	$2,113,609	$4,739,564	$2,893,194
Arts, entertainment, and recreation	4.0	$81,293	$292,153	$172,716
Accommodation	4.4	$120,175	$436,846	$263,364
Food services and drinking places	17.3	$345,373	$1,141,349	$589,351
Other services	18.6	$658,991	$1,593,213	$907,595
Households	3.7	$43,172	$0	$43,179
Total	693.3	$37,053,956	$99,635,498	$53,809,571

Additional detail on the statewide economic impact of each component is shown in the Appendix.

Fiscal Impact Summary

The economic impacts generated by the Pella Recreation Center result in tax revenues for the state, city, and county. Other nearby cities and counties may benefit from the facility; however, this analysis focuses on the sales tax to be generated in the City of Pella and Marion County as well as the sales and income tax generated for the State of Iowa.

The construction activity will result in one-time tax revenues for the state and local jurisdictions as summarized below.

Table 11. Pella Recreation Center One-Time Construction-Related Tax Revenue

	Sales Taxes	Income Taxes	Total
State of Iowa	$2,071,184	$1,311,283	$3,382,468
City of Pella	$139,928	$0	$139,928
Marion County	$27,986	$0	$27,986
Total	$2,239,098	$1,311,283	$3,550,382

Taxable Spending

Construction-Related Taxable Spending

Taxable sales related to construction activity are presented in the following table. It is assumed that 100% of the spending will take place within the State of Iowa and will therefore be subject to the state's sales tax rate. It is assumed that a smaller portion of the spending may take place and be subject to sales tax in the City of Pella and Marion County.

Table 12. Construction-Related Taxable Spending

			Amount
Total Construction Expenditure			$50,512,500
% of Total Expenditure for Materials			*50.0%*
Expenditure for Materials			$25,256,250
	City of Pella	Marion County	State of Iowa
Expenditure for Materials	$25,256,250	$25,256,250	$25,256,250
% of Materials subject to tax in region	*50.0%*	*10.0%*	*100.0%*
Subtotal Taxable Materials	$12,628,125	$2,525,625	$25,256,250
Expenditure for Labor / Paid to construction workers	$21,835,534	$21,835,534	$37,053,956
% of gross earnings spent on taxable goods & svcs	*25.0%*	*25.0%*	*25.0%*
% of taxable spending in region	*25.0%*	*5.0%*	*100.0%*
Subtotal Taxable Construction Worker Spending	$1,364,721	$272,944	$9,263,489
Total Construction-Related Taxable Spending	$13,992,846	$2,798,569	$34,519,739

Sales Taxes

The one-time construction-related taxable spending results in sales tax revenue for the State of Iowa and local districts as summarized below.

Table 13. One-Time Construction Sales Tax Collections

			Taxable Sales Amount	Tax Amount
State of Iowa	*Sales Tax Rate:*	*6.000%*	$34,519,739	$2,071,184
City of Pella	*Sales Tax Rate:*	*1.000%*	$13,992,846	$139,928
Marion County	*Sales Tax Rate:*	*1.000%*	$2,798,569	$27,986
Sales Tax Collections				$2,239,098

Income Taxes

The one-time construction-related income tax for the State of Iowa is summarized below. Impact DataSource applies an effective income rate of 4.72% to estimated taxable income based on the average wage paid during construction. The effective tax rate is based on Iowa's individual income tax brackets and using 75% of the average earnings per construction worker to represent taxable income.

Table 14. One-Time Construction-Related Individual Income Tax Collections

		Income Amount	Tax Amount
Total household earnings		$37,053,956	
Total taxable income		$27,790,467	
State of Iowa	*Effective individual income tax rate: 4.72%*		$1,311,283
One-time Construction-Related Income Tax Collections			$1,311,283

Overview of Methodology

This report presents the results of an analysis undertaken by Impact DataSource, an Austin, TX based economic consulting firm.

Economic impacts can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the construction spending. Second, this economic impact analysis calculates the indirect and induced impacts that result from this activity. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

Regional Input-Output Modeling System (RIMS II)
The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. The RIMS II model is described in basic detail below.

Generally speaking, input-output modeling attempts to estimate the changes that occur in all industries based on a change in the demand for the output of an industry. An input-output model allows an analyst to identify the subsequent changes occurring in various industries within a regional economy in order to estimate the total impact on the economy. Total economic impact is the sum of three components: (1) direct, (2) indirect, and (3) induced impacts.

If the demand for the output of an industry, measured by industry sales or revenue, increases by $1.0 million, total regional output increases by $1.0 million. This initial change in output is called the change in direct economic output and also referred to as the direct expenditure effect. The change in total economic output in the region resulting from the initial change does not stop with the change in direct economic output. Businesses in a variety of industries within the region will be called upon to increase their production to meet the needs of the industry where the initial increase in demand occurs. Further, other suppliers must also increase production to meet the needs of the group of initial supplier firms to the industry. This increase in expenditures by regional suppliers is considered the indirect economic impact of the initial $1.0 million in sales, and is classified as indirect expenditures of the total economic impact or the change in indirect economic output.

The total economic impact of the $1.0 million in sales includes one more component, the induced impact. All economic activity, whether direct or indirect, that results from the initial increase in demand of $1.0 million, requires workers, and these workers must be paid for their labor. This means that part of the direct and indirect expenditures is actually in the form of wages and salaries paid to workers in the various affected industries. These wages and salaries will in turn be spent in part on goods and services produced locally in the region. This spending is another part of the regional economic impacts referred to as induced impacts and is classified as induced expenditures or the change in induced economic output.

Based on the initial direct impact, the RIMS II model can be used to estimate the direct, indirect and induced impacts on economic output, value added, earnings and employment in a given region. Economic output is gross output and is the sum of the intermediate inputs and final use. This is a duplicative total in that goods and services will be counted multiple times if they are used in the production of other goods and services. Value added is defined as the value of gross output less intermediate inputs. Workers' earnings or earnings consist of wages and salaries, employer provided benefits and proprietors' income. Employment consists of a count of jobs that include both full-time and part-time workers.

The RIMS II model is based on regional multipliers, which are summary measures of economic impacts generated from changes in direct expenditures, earnings, or employment. Multipliers show the overall impact to a regional economy resulting from a change in demand in a particular industry. Multipliers can vary widely by region. Multipliers are higher for regions with a diverse industry mix. Industries that buy most of their materials from outside the state or region tend to have lower multipliers.

Multipliers tend to be higher for industries located in larger areas because more of the spending by the industry stays within the area.

The RIMS II model generates six types of multipliers for approximately 400 industrial sectors for any region in the United States. The multipliers include four "final-demand" multipliers and two "direct-effect" multipliers. Final demand multipliers indicate the impact of changes in final demand for the output of a particular regional industry on total regional output, earnings, employment and value added. Direct-effect multipliers indicate the impact of changes in regional earnings or employment within a particular industry on total employment or earnings within a region.

Final-demand output multipliers indicate the total regional output (direct, indirect and induced expenditures) that results from an increase in direct expenditures for a good produced by a particular regional industry. For example, if an industry in a particular region is said to have a final demand output multiplier of 2, this tells us that a $1 increase in final demand for the good produced by that industry results in a $2 increase in total output or expenditures within the regional economy. Final-demand earnings multipliers indicate the impact of an increase in final demand for the good of a particular regional industry on the total earned income of households within the region. Final-demand employment multipliers indicate the increase in total regional employment that results from a $1.0 million increase in final demand for the good produced by a particular regional industry. Final-demand value-added multipliers indicate the increase in total regional value added that results from a $1.0 million increase in final demand for the good produced by a particular regional industry. Direct-effect earnings multipliers indicate the impact of a $1 change in earnings within a particular regional industry on total earnings in all industries within a region. Direct-effect employment multipliers indicate the impact of a change in employment in a particular regional industry on total employment in all industries within a region.

Theoretically, changes in final demand drive the total change in economic output, earnings, and employment. However, these multipliers relationships can be used to estimate impacts in other ways if only limited information is known about a project. For example, the multiplier relationships can be used to estimate the increase in direct economic output based on a given level of employment in a specific industry.

Additional Notes on RIMS II
RIMS II multipliers are based on the average relationships between the inputs and outputs produced in a local economy. The multipliers are a useful tool for studying the potential impacts of changes in economic activity. However, the relative simplicity of input-output multipliers comes at the cost of several limiting assumptions.

- Firms have no supply constraints—Input-output based multipliers assume that industries can increase their demand for inputs and labor as needed to meet additional demand.

- Firms have fixed patterns of purchases—Input-output based multipliers assume that an industry must double its inputs to double its output.

- Firms use local inputs when they are available—The method used by RIMS II to develop regional multipliers assumes that firms will purchase inputs from firms in the region before using imports.

RIMS II, like all input-output models, is a "static equilibrium" model. This means that there is no specific time dimension associated with the results using the model. For the RIMS II model, it is customary to assume that the impacts occur in one year because the model is based on annual data.

The fiscal impacts calculated in this report are described in the text of the report.

About Impact DataSource

Impact DataSource is an Austin economic consulting, research, and analysis firm founded in 1993. The firm has conducted over 2,500 economic impact analyses of firms, projects, and activities in most industry groups in Iowa and more than 30 other states.

Appendix

Economic Impact Calculations

Facility Construction

Local Impact

Economic Impact of Facility Construction

	Direct	Indirect & Induced	Total
Employment	274.0	75.2	349.3
Household Earnings	$16,596,561	$3,141,729	$19,738,290
Economic Output	$42,900,000	$13,075,920	$55,975,920

	Employment	Household Earnings	Economic Output	Value Added
Agriculture, forestry, fishing, and hunting	1.0	$34,298	$158,718	$68,640
Mining	0.3	$17,149	$205,904	$111,540
Utilities	0.3	$38,585	$295,987	$171,600
Construction	274.2	$16,595,769	$42,943,899	$23,796,630
Durable goods manufacturing	5.0	$270,094	$2,312,133	$853,710
Nondurable goods manufacturing	1.0	$42,872	$300,277	$81,510
Wholesale trade	4.9	$355,838	$1,677,261	$1,008,150
Retail trade	15.9	$488,741	$1,604,337	$1,068,210
Transportation and warehousing	3.1	$175,775	$759,272	$338,910
Information	0.7	$47,159	$265,960	$145,860
Finance and insurance	1.6	$102,893	$471,864	$326,040
Real estate and rental and leasing	3.4	$77,170	$574,816	$407,550
Professional, scientific, and technical services	5.2	$325,828	$733,534	$480,480
Management of companies and enterprises	0.2	$17,149	$34,317	$21,450
Administrative and waste management services	2.4	$85,744	$295,987	$171,600
Educational services	4.0	$120,042	$308,856	$214,500
Health care and social assistance	11.2	$565,911	$1,896,035	$1,128,270
Arts, entertainment, and recreation	1.0	$21,436	$60,055	$34,320
Accommodation	0.6	$17,149	$64,345	$38,610
Food services and drinking places	5.8	$111,467	$454,705	$227,370
Other services	5.8	$205,786	$557,657	$308,880
Households	1.8	$21,436	$0	$21,450
Total	349.3	$19,738,290	$55,975,920	$31,025,280

Road Construction

Local Impact

Economic Impact of Road Construction

	Direct	Indirect & Induced	Total
Employment	26.9	9.6	36.4
Household Earnings	$1,667,523	$429,721	$2,097,244
Economic Output	$7,612,500	$1,919,111	$9,531,611

	Employment	Household Earnings	Economic Output	Value Added
Agriculture, forestry, fishing, and hunting	0.1	$3,806	$17,510	$7,614
Mining	0.2	$9,896	$123,332	$67,000
Utilities	0.0	$5,329	$39,588	$22,841
Construction	26.9	$1,669,421	$7,621,482	$3,982,704
Durable goods manufacturing	0.8	$47,198	$401,972	$142,375
Nondurable goods manufacturing	0.1	$4,568	$34,259	$9,898
Wholesale trade	0.8	$57,855	$274,072	$165,216
Retail trade	1.7	$52,526	$172,056	$114,205
Transportation and warehousing	0.5	$31,211	$135,513	$60,148
Information	0.1	$6,090	$35,020	$19,034
Finance and insurance	0.2	$14,464	$66,995	$46,443
Real estate and rental and leasing	0.4	$10,658	$75,370	$51,011
Professional, scientific, and technical services	0.8	$48,720	$111,151	$73,091
Management of companies and enterprises	0.0	$2,284	$6,090	$3,807
Administrative and waste management services	0.3	$12,180	$41,111	$24,364
Educational services	0.4	$12,941	$33,498	$22,841
Health care and social assistance	1.2	$60,139	$202,509	$120,296
Arts, entertainment, and recreation	0.1	$2,284	$6,852	$3,807
Accommodation	0.1	$1,523	$6,852	$3,807
Food services and drinking places	0.6	$12,180	$49,485	$25,125
Other services	0.8	$29,689	$76,892	$43,398
Households	0.2	$2,284	$0	$2,284
Total	36.4	$2,097,244	$9,531,611	$5,011,309

Facility Construction

Statewide Impact

Economic Impact of Facility Construction

	Direct	Indirect & Induced	Total
Employment	352.8	270.4	623.2
Household Earnings	$21,370,055	$11,886,025	$33,256,080
Economic Output	$42,900,000	$42,985,800	$85,885,800

	Employment	Household Earnings	Economic Output	Value Added
Agriculture, forestry, fishing, and hunting	3.7	$128,683	$609,210	$210,210
Mining	0.9	$51,473	$326,056	$175,890
Utilities	1.3	$158,710	$1,154,068	$673,530
Construction	354.1	$21,442,944	$43,176,717	$23,895,300
Durable goods manufacturing	28.4	$1,552,780	$7,838,222	$2,878,590
Nondurable goods manufacturing	9.8	$587,654	$3,779,679	$1,042,470
Wholesale trade	15.6	$1,140,993	$4,581,949	$2,762,760
Retail trade	37.8	$1,171,019	$3,286,304	$2,175,030
Transportation and warehousing	12.1	$604,812	$1,982,079	$905,190
Information	3.2	$205,893	$1,111,166	$583,440
Finance and insurance	13.2	$832,153	$3,230,531	$1,900,470
Real estate and rental and leasing	26.7	$591,944	$3,552,297	$2,518,230
Professional, scientific, and technical services	12.3	$772,100	$1,630,281	$1,081,080
Management of companies and enterprises	3.3	$291,682	$669,273	$420,420
Administrative and waste management services	12.7	$424,655	$978,169	$617,760
Educational services	9.9	$295,972	$652,113	$450,450
Health care and social assistance	35.4	$1,895,935	$4,251,602	$2,595,450
Arts, entertainment, and recreation	3.6	$72,921	$261,703	$154,440
Accommodation	3.9	$107,236	$390,410	$235,950
Food services and drinking places	15.5	$308,840	$1,021,071	$527,670
Other services	16.4	$579,075	$1,402,900	$797,940
Households	3.3	$38,605	$0	$38,610
Total	623.2	$33,256,080	$85,885,800	$46,640,880