

AGENDA

City of University Heights, Iowa
Special City Council Meeting
Tuesday, June 19, 2108
Community Center - OUP
1302 Melrose Avenue

7:00-8:00pm

Meeting called by Mayor Louise From

Time	Topic	Owner
7:00	Call to Order Special Meeting	Louise From
	Public Input	Public Comments
	-Consideration of motion setting amount of general obligation borrowing for payment of Swisher Tract acquisition, associated transaction costs, and preliminary development costs.	Steve Ballard
	Announcements	Anyone
	Proposal to meet in closed session pursuant to Iowa Code Sec. 21.5(1)(j) to discuss the possible purchase of particular real estate where premature disclosure could be reasonably expected to increase the price the city would have to pay for that property and pursuant to Iowa Code Sec. 21.5(1)(c) to discuss strategy with counsel in matters where litigation is imminent where its disclosure would be likely to prejudice or disadvantage the position of the City.	
8 :00	Adjournment	Louise From

Next Special Meeting is: June 25, 2018 at 8:00pm

Next Regular City Council Meeting is: July 10, 2018 at 7:00pm

Introduction

Congratulations to the City of University Heights! Obtaining the Swisher Tract at auction for \$480,000.00 is an outstanding result for the Community and presents quite a number of opportunities for the Community, Mayor, and Council to consider. The City has been working with Maggie Burger with Speer Financial, Inc. (municipal finance consultants) and John Danos with Dorsey & Whitney (bond counsel) regarding details to finance the purchase and development of the Swisher Tract. There will be a lot of information and many decisions to come, with the process starting at the June 19, 2018, Council meeting.

Immediate Action Items

The Council needs to decide two things at its Special Meeting June 19:

1. How much money the Council desires to borrow now for the acquisition and what initial development of the Swisher Tract; and
2. Whether the Council wants to borrow from a local bank (private placement) or by issuing municipal bonds.

Based upon the auction, the purchase price for the property is \$480,000.00. Assuming the City borrows to complete the purchase, the City will incur certain expenses in arranging for financing. If the Council desires to borrow an amount over and above the auction price and financing expenses, it may do so – now or latter – subject to the limitations in the bond referendum. The Council does not need to determine the total amount desired for park development and borrow that all at one time.

By approving the bond referendum, the Community approved borrowing up to \$1.8 million for the cost of “acquiring and developing land for use as a municipal park and green space to protect air quality, water quality in streams, natural areas and wildlife habitat.” The referendum language is broad and gives the City the authority to borrow for much more than only the cost of acquiring the Swisher Tract.

- The Council could decide only to borrow enough now to pay for the acquisition and financing expenses but hold off on further borrowing until decisions are made concerning use of the land.
- The Council could decide to borrow acquisition and financing costs plus some amount now to fund some park development (for example, installing primitive trails) and/or exploration of park development (for example, hiring a consultant and conducting Community meetings). Then, as further decisions concerning use of the land are made, the Council could borrow more – up to the \$1.8 million voters approved in the referendum.

There is some anticipated saving to be gained by borrowing more now. Maggie Burger indicates that interest rates are on the rise, and that a relatively small portion (maybe \$2,000.00 or so) of transaction costs would be duplicated by borrowing twice (or more) instead of once. That said, the Council probably

**June 19, 2018 – PUBLIC CITY ATTORNEY’S REPORT
(Swisher Tract)**

does not know presently how the Swisher Tract will be used and, commensurately, how much that will cost, all of which makes picking an amount to borrow now more difficult.

Speer Financial has provided information regarding the financing costs and interest charges associated with an assumed amount to be borrowed of \$525,000.00. An email from Maggie Burger is transmitted with this report, and it attaches various documents showing estimated costs of borrowing. Maggie’s email and attachments compare the costs of borrowing \$525,000.00 through “private placement” (most likely a local bank) and the costs of borrowing the same amount through a municipal bond auction. Here is my summary of this information:

Cost Items (Estimated) (\$525,000.00 borrowing)	Private Placement (\$525,000.00 borrowing)	Bond Market Sale (\$525,000.00 borrowing)
Cost of issuance	\$ 23,800.00	\$ 24,350.00
Interest (true interest cost)	\$111,117.71 (3.50%)	\$ 97,028.61 (3.058%)
Estimated TOTAL cost	\$134,917.71	\$121,378.61

Maggie points out that financing through the bond market is more certain in terms of deadlines and dates. Given the City’s firm closing date with the Swisher Trust (July 30), having funding in place by then will be required.

Maggie also points out that private placement lenders (generally local banks) may participate in the financing even if the Council pursues financing through the bond market; banks may bid like other investors and sometimes pool together to do so.

Recommended Action

Based upon Maggie Burger’s advice and consultation, Mayor From and I recommend the Council proceed as follows:

1. Authorize borrowing of \$600,000.00 now; and
2. Arrange financing of this amount through the bond market.

The \$600,000.00 figure is a broad estimate that aims to include the following:

Purchase price	\$480,000.00
Borrowing costs	\$ 25,000.00
Consultant costs	\$ 15,000.00
Staff costs	\$ 5,000.00
Initial development	<u>\$ 75,000.00</u>
Total	\$600,000.00

The \$600,000.00 figure allows the City to borrow an amount in excess of the purchase and financing costs with the idea of creating a budget to explore further options for the property and based on the assumption that the City will spend at least \$75,000.00 on later development (regardless of the specific parameters), so locking in that amount at a lower interest rate now makes sense.

**June 19, 2018 – PUBLIC CITY ATTORNEY’S REPORT
(Swisher Tract)**

Arranging financing by way of bond market sale provides needed certainty as to timing and lower overall costs to the City.

Timeline of Events

Maggie Burger has put together a timeline of events leading up to the closing on the purchase of the Swisher Tract. That closing will occur July 30, 2018. Here is the timeline:

Date/Deadline	Event
June 19	Council determines the amount of money it desires to borrow for acquisition and initial development of the Swisher Tract
June 27 or 28	Council approves “Preliminary Official Statement” and Resolution from Bond Counsel (this may occur at the Special Meeting set for June 25)
July 10	Bond sale – Council adopts Resolution awarding bonds and authorizing issuance (this may occur at the regular meeting July 10)
July 26	Bond closing – City receives proceeds form sale
July 30	Closing with Swisher Trust on purchase of property

SPEER FINANCIAL, INC.

City of University Heights, Johnson County, Iowa

\$525,000 General Obligation Land Acquisition Bonds, Series 2018 (10 yr)

*** PRELIMINARY - SUBJECT TO CHANGE *** Private Placement

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
07/26/2018	-	-	-	-	-
06/01/2019	-	-	15,567.71	15,567.71	15,567.71
12/01/2019	-	-	9,187.50	9,187.50	-
06/01/2020	50,000.00	3.500%	9,187.50	59,187.50	68,375.00
12/01/2020	-	-	8,312.50	8,312.50	-
06/01/2021	55,000.00	3.500%	8,312.50	63,312.50	71,625.00
12/01/2021	-	-	7,350.00	7,350.00	-
06/01/2022	55,000.00	3.500%	7,350.00	62,350.00	69,700.00
12/01/2022	-	-	6,387.50	6,387.50	-
06/01/2023	55,000.00	3.500%	6,387.50	61,387.50	67,775.00
12/01/2023	-	-	5,425.00	5,425.00	-
call 06/01/2024	60,000.00	3.500%	5,425.00	65,425.00	70,850.00
12/01/2024	-	-	4,375.00	4,375.00	-
06/01/2025	60,000.00	3.500%	4,375.00	64,375.00	68,750.00
12/01/2025	-	-	3,325.00	3,325.00	-
06/01/2026	60,000.00	3.500%	3,325.00	63,325.00	66,650.00
12/01/2026	-	-	2,275.00	2,275.00	-
06/01/2027	65,000.00	3.500%	2,275.00	67,275.00	69,550.00
12/01/2027	-	-	1,137.50	1,137.50	-
06/01/2028	65,000.00	3.500%	1,137.50	66,137.50	67,275.00
Total	\$525,000.00	-	\$111,117.71	\$636,117.71	-

Yield Statistics

Bond Year Dollars	\$3,174.79
Average Life	6.047 Years
Average Coupon	3.5000001%
Net Interest Cost (NIC)	3.5000001%
True Interest Cost (TIC)	3.4967175%
Bond Yield for Arbitrage Purposes	3.4967175%
All Inclusive Cost (AIC)	3.4967175%

IRS Form 8038

Net Interest Cost	3.5000001%
Weighted Average Maturity	6.047 Years

ESTIMATED COSTS OF ISSUANCE
City of University Heights, Johnson County, Iowa
\$525,000 General Obligation Land Acquisition Bonds

Series 2018

		Estimated Cost
1 Speer Financial, Inc. (Professional Services)	\$	5,000.00
2 Speer Auction.....		0.00
3 Final Official Statement Printing and Distribution.....		0.00
4 Copies, Postage and Delivery (Est.).....		150.00
5 Good Faith Wire Fee.....		0.00
6 Moody's Rating Trip.....		0.00
Total Billed by Speer	\$	5,150.00
7 Bond Counsel - Dorsey & Whitney LLP (Est.).....	\$	12,500.00
8 Rating Agency.....		0.00
9 Registrar/Paying Agent (setup and 1st year).....		900.00
10 Verification Agent.....		0.00
11 Parity Certificate.....		0.00
12 Escrow Agent.....		0.00
13 Registrar/Paying Agent - Redemption Fee.....		0.00
14 DTC/CUSIP Expense (Negotiated Deals).....		0.00
15 Misc./Contingency.....		0.00
Total Direct Pay by the City	\$	13,400.00
16 Placement Agent Fee (1%Max).....		5,250.00
Total Estimated Cost of Issuance.....	\$	23,800.00
Total without underwriter's discount.....	\$	18,550.00

SPEER FINANCIAL, INC.

18-Jun-18

PRELIMINARY - SUBJECT TO CHANGE

SPEER FINANCIAL, INC.

City of University Heights, Johnson County, Iowa

\$525,000 General Obligation Land Acquisition Bonds, Series 2018 (10 yr)

*** PRELIMINARY - SUBJECT TO CHANGE *** General Muni Market

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total	
07/26/2018	-	-	-	-	-	
06/01/2019	-	-	12,623.61	12,623.61	12,623.61	
12/01/2019	-	-	7,450.00	7,450.00	-	
06/01/2020	55,000.00	1.850%	7,450.00	62,450.00	69,900.00	
12/01/2020	-	-	6,941.25	6,941.25	-	
06/01/2021	55,000.00	2.150%	6,941.25	61,941.25	68,882.50	
12/01/2021	-	-	6,350.00	6,350.00	-	
06/01/2022	55,000.00	2.400%	6,350.00	61,350.00	67,700.00	
12/01/2022	-	-	5,690.00	5,690.00	-	
06/01/2023	55,000.00	2.650%	5,690.00	60,690.00	66,380.00	
12/01/2023	-	-	4,961.25	4,961.25	-	
call	06/01/2024	55,000.00	2.900%	4,961.25	59,961.25	64,922.50
12/01/2024	-	-	4,163.75	4,163.75	-	
06/01/2025	60,000.00	3.100%	4,163.75	64,163.75	68,327.50	
12/01/2025	-	-	3,233.75	3,233.75	-	
06/01/2026	60,000.00	3.250%	3,233.75	63,233.75	66,467.50	
12/01/2026	-	-	2,258.75	2,258.75	-	
06/01/2027	65,000.00	3.400%	2,258.75	67,258.75	69,517.50	
12/01/2027	-	-	1,153.75	1,153.75	-	
06/01/2028	65,000.00	3.550%	1,153.75	66,153.75	67,307.50	
Total	\$525,000.00	-	\$97,028.61	\$622,028.61	-	

Yield Statistics

Bond Year Dollars	\$3,154.79
Average Life	6.009 Years
Average Coupon	3.0755948%
Net Interest Cost (NIC)	3.0755948%
True Interest Cost (TIC)	3.0578098%
Bond Yield for Arbitrage Purposes	3.0578098%
All Inclusive Cost (AIC)	3.0578098%

IRS Form 8038

Net Interest Cost	3.0755948%
Weighted Average Maturity	6.009 Years

18 University Heights GO | SINGLE PURPOSE | 6/18/2018 | 8:11 AM

Speer Financial, Inc.

Independent Public Financial Advisors since 1954

Page 1

PRELIMINARY - SUBJECT TO CHANGE

ESTIMATED COSTS OF ISSUANCE
City of University Heights, Johnson County, Iowa
\$525,000 General Obligation Land Acquisition Bonds

Series 2018

		Estimated Cost
1 Speer Financial, Inc. (Professional Services)	\$	5,200.00
2 Speer Auction.....		750.00
3 Final Official Statement Printing and Distribution.....		650.00
4 Copies, Postage and Delivery (Est.).....		150.00
5 Good Faith Wire Fee.....		0.00
6 Moody's Rating Trip.....		0.00
Total Billed by Speer	\$	6,750.00
7 Bond Counsel - Dorsey & Whitney LLP (Est.).....	\$	12,500.00
8 Rating Agency.....		0.00
9 Registrar/Paying Agent (setup and 1st year).....		900.00
10 Verification Agent.....		0.00
11 Parity Certificate.....		0.00
12 Escrow Agent.....		0.00
13 Registrar/Paying Agent - Redemption Fee.....		0.00
14 DTC/CUSIP Expense (Negotiated Deals).....		0.00
15 Misc./Contingency.....		0.00
Total Direct Pay by the City	\$	13,400.00
16 Underwriter Discount (8/10 of 1%Max).....		4,200.00
Total Estimated Cost of Issuance.....	\$	24,350.00
Total without underwriter's discount.....	\$	20,150.00

SPEER FINANCIAL, INC.

18-Jun-18

PRELIMINARY - SUBJECT TO CHANGE

**CITY OF UNIVERSITY HEIGHTS
BOND ISSUANCE TIMELINE**

Early June 2018	COUNCIL APPROVES INTERFUND LOAN FOR DAY OF SALE GOOD FAITH Authorizing who can sign that check, where it is transferred from and that a draw down of the fund balance can occur.
June 14, 2018	CITY ATTENDS AND WINS LAND AUCTION
June 18, 2018	SPEER NEEDS A <u>FINAL AMOUNT</u> FROM CITY ON BORROWING SIZE
June 27 or 28 , 2018	APPROVE THE PRELIMINARY OFFICIAL STATEMENT Special Meeting of Council Resolution provided by Bond Counsel (This meeting can be done electronically as long as the City's policies allow this)
July 10, 2018	BOND SALE – AWARD, AUTHORIZING AND ISSUANCE Resolution provided by Bond Counsel (Speer plans to attend the sale and meeting)
July 26, 2018	BOND CLOSING Day that City will receive Bond Proceeds (No meeting required)