

## City of Indianola, Iowa

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## Waste Water Plant Financing Plan



**D|A DAVIDSON**  
FIXED INCOME CAPITAL MARKETS

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# Scenario Assumptions

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- \$26 million facility (plus \$5 million contingencies).
  - ✓ Treatment Plant Equipment is 50-year equipment.
- \$1 million Local Option Tax revenues in FY 17.
- \$800,000 Local Option Tax revenues in FY 18 and beyond.
  - ✓ Contemplates addition of future County-wide sales tax collections.
- Apply FY 17 through FY 21 Local Option Tax Revenues to project (total of \$4.20 million).
- Additional annual renewal and replacement capital projects targeted at \$250,000 per year.
- Sewer fund balance target of 100% of annual operating expenditures.
  - ✓ Additional revenues designated for future capital needs (capital fund).
- No increases in usage/users until 7/1/22.
- 3.00% annual operating expense increases.
- Maintain sewer rates to target 1.25 x minimum debt coverage.

# Scenario Details



- Two financings through the State Revolving Fund (SRF) program.
  - ✓ Sewer Revenue Notes – payable only from sewer revenues.
    - Provides \$14.91 million for project costs.
    - 30-year term.
    - 3.00% interest rate.
    - Can pre-pay at anytime with no penalty.
  - ✓ G.O. Local Option Tax Notes – repaid by Local Option Tax.
    - Provides \$11.89 million for project costs.
      - \$800,000 annual debt service payments covered 100% by Local Option Tax.
    - 20-year term.
    - 2.00% interest rate.
    - Can pre-pay at anytime with no penalty.



## Additional Scenario Considerations

- Blended interest rate for financing is 2.70%.
- Projected rates to users stay flat through FY 21-22.
  - ✓ Assumes just modest (inflationary) adjustments FY 22-23 and beyond.
    - To cover 3.00% projected annual operating expense growth.
- Capital fund would have over \$2 million available through FY 24-25.
  - ✓ This is in addition to \$250,000 annual target for renewal and replacement capital projects.
- Additional revenues could be applied to early repayment of debt.
  - ✓ May also consider future refinancing of sewer revenue portion with G.O. debt.
    - Would allow continued use of Local Option Tax revenues for debt repayment beyond initial 20 years.
- 20-year scenario would require projected rate increase in FY 19-20.