

CITY OF MASON CITY
Memorandum

September 27, 2005

TO: Pat McGarvey, Interim City Administrator

FROM: Kevin Jacobson, Finance Director

SUBJECT: Sale of General Obligation Bonds not to exceed \$2,600,000 for Water, Sewer and Street Improvements

On September 20, 2005 Council held a public hearing and approved a resolution to take additional action on the issuance of General Obligation Bonds for Water, Sewer and Street improvements. Also, Council approved a resolution directing the advertisement for sale of GO Bonds not to exceed \$2,600,000. Council approved these projects during the FY 2006 budget session as part of the FY 2006-2010 capital improvements plan. Also, Council approved a reimbursement resolution for the Northbridge paving. That resolution authorized bonding of up to \$783,161 for the Northbridge project. The following is a list of projects set for funding with the bonds. Also include is the page number of the FY 2006 CIP which includes a detailed description of each project.

<u>Project name</u>	<u>Page</u>	<u>Projected Cost</u>
Water projects		
Water Main replacement	115	\$ 316,943
Reroute water mains	116	524,508
Hydrant maintenance	117	300,500
Sewer projects		
I and I Study		520,000
Equipment storage garage	120	130,000
TIF Revenue Bonds		
Northbridge paving		780,000
Bonding costs		
Underwriters discount, issuance costs & Contingency		<u>13,049</u>
Total bonding amount		<u>\$2,585,000</u>

Bids were received and opened at 2:00 p.m. on October 4, 2005 at the Finance Department for the G.O. Bonds in the amount of \$2,585,000 to cover costs associated with the projects. Information concerning the bids has been compiled and will be given at tonight's council meeting.

These bonds will be issued as General Obligation (GO) bonds. The water and sewer project bonds will be paid through users fees from each of those funds, and the TIF bonds will be paid for with the incremental capacity in the Community Growth Fund. The Community Growth fund currently has excess capacity due to retirement of other debt in the Community Growth District. The capacity will provide for retirement of this new TIF bonding.

The City continues to maintain it's strong financial position. Moody's Investors Services has assigned an A1 rating to this new City issue. *See attached email.*

Council Action

Council is asked to adopt the resolution directing sale of the bonds.

Kevin E. Jacobson

From: Moody's Investors Service [epi@moodys.com]
Sent: Friday, September 23, 2005 3:28 PM
To: Kevin E. Jacobson
Subject: Mason City (City of) IA

MOODY'S ASSIGNS A1 RATING TO CITY OF MASON CITY'S (IA) \$2.585 MILLION GO BONDS

A1 RATING AFFIRMATION AFFECTS \$14.7 MILLION OF OUTSTANDING PARITY DEBT, INCLUDING CURRENT ISSUE

Mason City (City of) IA
Municipality
Iowa

Moody's Rating

Issue	Rating
General Obligation Bonds	A1
Sale Amount	\$2,600,000
Expected Sale Date	10/04/05
Rating Description	General Obligation Unlimited Tax

NEW YORK, September 23, 2005 -- Moody's Investors Service has assigned an A1 rating to the City of Mason City's (IA) \$2,585,000 General Obligation Bonds. The bonds, which are secured by the ad valorem unlimited property tax pledge of the City, will be used to finance various street improvements along with water and wastewater treatment plant improvements. Concurrently, Moody's has affirmed the A1 rating on the city's \$14.7 million of outstanding general obligation parity debt, including the current issue. The A1 rating incorporates the city's modestly growing local economy that serves as a regional economic hub, strong financial operations with healthy reserves, and manageable debt burden with very rapid principal amortization.

MODESTLY GROWING LOCAL ECONOMY THAT SERVES AS A REGIONAL ECONOMIC HUB

Moody's expects the city's slow but steady economic expansion to continue for the foreseeable future, given the city's favorable location off Interstate 35, its role as regional economic hub, and its ability to attract new business. Mason City is located in north-central Iowa and serves as the region's principal trading center, as well as the Cerro Gordo County seat. Mason City's tax base is primarily residential, but is complemented by significant retail, education, manufacturing and agricultural sectors. The city's tax base, currently valued at \$1.3 billion, has grown modestly at an average annual rate of a modest 3.5% over the last five years due to a combination of new development and property appreciation, though may be deflated due to state-mandated rollbacks. The tax base itself is mildly concentrated with the

KEY STATISTICS:

2000 Census population: 29,172

2004 Full valuation: \$1.3 billion

Full value per capita (2004): \$44,789

2000 Median family income: \$45,160 (94% of state)

2000 Per capita income: \$18,899 (96% of state)

2000 Median family housing: \$72,700 (88% of state)

2004 Direct debt burden: 0.6%

2004 Overall debt burden: 1.2%

Amortization of principal (10 years): 95%

Fiscal Year 2004 General Fund balance: \$9.2 million (63% of General Fund revenues)

Post sale parity debt: \$14.7 million, including current issue

ANALYSTS:

Beth A. Dougherty, Analyst, Public Finance Group, Moody's Investors Service
Paul Nolan, Backup Analyst, Public Finance Group, Moody's Investors Service

CONTACTS:

Journalists: (212) 553-0376

Research Clients: (212) 553-1653

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Yea: Henry, Marsters, Weaver, Jaszewski, Foster, Nelson
(Motion was declared carried.)

8.

Directing Sale of Not To Exceed \$2,600,000 G.O. Bonds:

The following communication had been submitted regarding approval to direct the sale of not to exceed \$2,600,000 General Obligation Bonds for water, sewer, and street improvements;

Interim Administrator McGarvey:

"A public hearing was held on September 20, 2005, on the issuance of General Obligation Bonds for Water, Sewer, and Street improvements. The City Council approved a resolution directing the advertisement for the sale of GO Bonds not to exceed \$2,600,000. These projects were approved during the recent budget session as part of the Capital Improvements Plan for fiscal year 2006. The Capital Improvements Plan projects to be financed with general obligation bonds includes:

Water Main Replacement Project	\$ 316,943
Reroute of Water Mains	\$ 524,508
Hydrant Maintenance	\$ 300,500
Inflow and Infiltration Study	\$ 520,000
Equipment Storage Garage	\$ 130,000
Northbridge Paving	\$ 780,000

An additional \$13,049 is included for the costs of issuing the bonds. The bids for the bonds will be received and opened at 2:00 p.m. on October 4, 2005, in the Finance Department. Information about the bids will be compiled and provided at the October 4, 2005, City Council meeting. Finance Director Kevin Jacobson is requesting City Council adoption of the resolution directing the sale of the bonds. I concur with the recommendation and respectfully request City Council approval."

Finance Director Jacobson:

"On September 20, 2005 Council held a public hearing and approved a resolution to take additional action on the issuance of General Obligation Bonds for Water, Sewer and Street improvements. Also, Council approved a resolution directing the advertisement for sale of GO Bonds not to exceed \$2,600,000. Council approved these projects during the FY 2006 budget session as part of the FY 2006-2010 capital improvements plan. Also, Council approved a reimbursement resolution for the Northbridge paving. That resolution authorized bonding of up to \$783,161 for the Northbridge project. The following is a list of projects set for funding with the bonds. Also include is the page number of the FY 2006 CIP which includes a detailed description of each project.

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Rex Ramsey with Piper Jaffrey provided an overview on the sale of the bonds.


It was moved by Jaszewski and seconded by Marsters that Resolution No. 05-289 be adopted.

The Mayor called the question and the following resolution was introduced.

Reso. 05-289:

Resolution No. 05-289, directing sale of \$2,585,000 General Obligation Bonds, was presented.

On roll call, the vote was as follows:

 Yea: Jaszewski, Marsters, Henry, Foster, Nelson, Weaver
(Motion was declared carried.)

11. Purchase Land for South Water Tower:

The following communication had been submitted regarding approval of a purchase agreement with Indianhead Farms, Inc. for the construction of a water tower in the newly annexed area south of Mason City, Iowa;

Interim Administrator McGarvey:

"The City received a federal grant from the Economic Development Administration for the construction of a water tower in the newly annexed area south of Mason City. A location on 43rd Street SW has been chosen to construct the water tower, which is owned by Indianhead Farms, Inc. The property is appraised at \$17,550. After negotiations, a purchase price of \$20,000 was agreed upon with the property owners for the 90,000 square feet of land. The proposed purchase price by the City is included in that grant amount from the EDA. The final purchase documents will be brought forward to City Council for approval when they are complete. City staff requests City Council approval of the purchase agreement with Indianhead Farms, Inc. I concur with the recommendation and respectfully request City Council approval."

Planner Kuester:

"Staff recommends the approval of the purchase agreement for 90,000 square feet of land from Indianhead Farms, Inc. for the construction of the south water tower. The City received a federal grant from the Economic Development Administration for the construction of a water tower in the newly annexed area south of the City. The grant amount is \$780,000 for a project estimated to cost \$1,980,000. A location has been chosen on 43rd