

## FAQ: Line-of-Credit Request for City of Shelby

**Request:** The City is seeking to borrow funds according to the following terms:

- Three-year line-of-credit with an initial limit of \$1 million.
- As a qualified small-issuer, the City's obligation under the note will be "bank-qualified" and the interest paid to the bank therefor will be eligible for certain exclusions from the bank's income for tax purposes.
- Possible interest-only payments for three years at an interest rate of approximately 3.25%.
- Option to convert line-of-credit to a ten (10) year term note upon request of the borrower or at the end of the three-year term.

### **Pertinent Financial Information:**

The City currently has \$0.00 of General Obligation debt and is utilizing 0.0% of its Constitutional Debt Limit. The City has a total property tax base of \$71,555,501 and a Constitutional Debt Limit of \$3,577,775.05.

The City is projecting that relatively large amounts of Tax Increment Financing and Local Option Tax will be available to repay the note. The City does not anticipate that the Debt Service Levy will be needed to repay the note, although it will be available as a revenue source.

THE CITY HAS NO PLANS TO RAISE TAXES AND THIS NOTE DOES NOT REQUIRE THE CITY TO RAISE TAXES.

### Tax Increment Financing and Local Option Tax Revenue Projections

Year	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
TIF & LOT	473,755	302,426	309,875	320,423	327,430

### Limit Projections

- Through June, 2015- approximately \$525,000 to \$650,000 for water, roadway, and dilapidated building programs.
- The City expects to use the remained of the limit from July 2015 through June 2016 for roadway projects and other enhancements.

**Purpose:**

The #1 priority of the City's Action Plan for 2014 was to complete basic street and water improvements. The City began the process of planning infrastructure maintenance and improvements in 2013 for two reasons. First, water improvements were needed now to ensure the additional maintenance would not be needed as we gained the ability to fund any needed water treatment plant and tower projects when the outstanding water bond is gone in FY 2024. Second, street maintenance needed to be caught up so we could focus on the major corridor to town. These projects, along with new community development (the Broken Egg project and the Housing Programs and electrical upgrades (an additional 150,000 in contract services to assist staff with the project to bury power lines and upgrade the electrical system) are the first parts of the Capital Improvement Plan. The plan is attached.

The line-of-credit will provide the funding necessary for the streets and water projects. The note will also allow for funds necessary to get through the next year's construction cycle also. So this isn't a million dollar loan, it's an option to have flexible borrowing for up to two seasons worth of projects. The Council chose this option after deliberating on whether to just borrow the money or to have a line of credit.

**Security:** The note will be secured by the revenues of the Tax Increment Financing District, Local Option Tax, and by the debt service levy of the City. The note will be a general obligation debt of the City.

**Finality:** The Council's decision in this matter will be final. The citizens cannot petition to vote on this matter. See the code reference below.

384.25(2) of the Iowa Code. Before the council may institute proceedings for the issuance of bonds for an essential corporate purpose, a notice of the proposed action, including a statement of the amount and purposes of the bonds, and the time and place of the meeting at which the council proposes to take action for the issuance of the bonds, must be published as provided in section 362.3.

At the meeting, the council shall receive oral or written objections from any resident or property owner of the city. After all objections have been received and considered, the council may, at that meeting or any adjournment thereof, take additional action for the issuance of the bonds or abandon the proposal to issue the bonds. Any resident or property owner of the city may appeal the decision of the council to take additional action to the district court of the county in which any part of the city is located, within fifteen days after the additional action is taken, but the additional action of the council is final and conclusive unless the court finds that the council exceeded its authority. The provisions of this subsection with respect to notice, hearing, and appeal, are in lieu of the provisions contained in chapter 73A, or any other law.

**Other:** Depending on future conditions, the City may request an increase to the line-of-credit.

## Proposed Capital Plan

Revenue Source	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Fire Station PT Levy	\$ -	\$ -	\$ -	\$ 38,500	\$ 38,500	\$ 38,500	\$ 38,500
Surplus Property Tax	-	45,345	111,712	108,736	109,998	106,859	106,859
Electric Reserves		150,000	200,000	250,000			
Local Option Tax Reserves	-	200,000	-	-	-	-	-
Road Use Tax Reserves	-	100,000	-	-	-	-	-
Sewer Revenue	-	-	225,000	-	-	-	-
TIF Revenue	419,991	473,755	302,426	309,875	320,423	327,430	334,568
Proceeds of Debt	-	525,000	500,000	-	-	-	-
<b>Total</b>	<b>419,991</b>	<b>1,494,100</b>	<b>1,339,138</b>	<b>707,111</b>	<b>468,921</b>	<b>472,789</b>	<b>479,927</b>
<b>Capital Investment</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Fire Station	-	-	500,000	-	-	-	-
Water System	-	555,000	-	-	-	-	-
Streets	-	689,425	-	-	-	-	-
Sewer	-	-	243,000	-	-	-	-
Electric	-	150,000	200,000	250,000	-	-	-
Community Development	325,000	115,000	115,000	115,000	115,000	115,000	115,000
Bond Payments	-	-	89,102	127,602	127,602	127,602	127,602
<b>Total</b>	<b>325,000</b>	<b>1,509,425</b>	<b>1,147,102</b>	<b>492,602</b>	<b>242,602</b>	<b>242,602</b>	<b>242,602</b>
<b>Surplus/Deficit</b>	<b>\$ 94,991</b>	<b>\$ (15,325)</b>	<b>\$ 192,036</b>	<b>\$ 214,509</b>	<b>\$ 226,319</b>	<b>\$ 230,187</b>	<b>\$ 237,325</b>
Notes							
2014	Final Pay to Foutch Project, Engineering of Basic Maintenance for Streets and Water + Initial Drainage Improvement						
2015	Construct Basic Maintenance for Streets and Water + Initial Drainage Improvement						
2016	Use Placeholder Number for Fire Station/City Hall Project						
Community Development	Budget money annually for incentives and smaller projects						
Downtown	Approximately \$200,000 extra each year minimum available to support project						