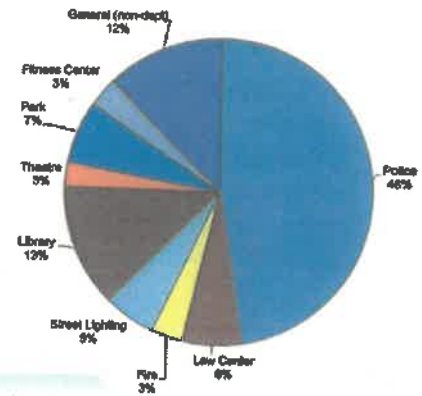




CITY OF CRESCO, IOWA

CAPITAL IMPROVEMENTS PLAN

2022 TO 2027



BUDGET REV-23	BUDGET EXP-23	PROJECTED YR END-23
3,432,895	3,429,800	1,450,319
20,000	20,000	34,354
528,000	538,700	1,605,326
12,000	12,000	8,898
13,900	14,800	3,867
0	0	0
4,100	1,000	36,915
100	8,000	17,745
30,000	0	85,257
74,300	69,300	51,672
0	0	0
130,250	145,000	42,715
0	0	0
90,500	95,500	56,931



Adopted: March 21, 2022

**CITY OF CRESCO, IOWA
CAPITAL IMPROVEMENTS PLAN
2022 TO 2027**

Mayor: David Brenno

City Council Members:

Amy Bouska

Gary Kriener

Jan Carman

Alex Fortune

Rich McConnell

City Clerk: Michelle Elton

Public Works Director: Nathan Widell

Police Chief: Tim Ruroden

Fire Chief: Neal Stapelkamp

Street Superintendent: Dean Reicks

Library Director: Jordyn Moore

Parks & Rec. Director: Brandon Kerian

Water Superintendent: Drew Zahasky

Sewer Superintendent: Mike Born

Facilitated by: Patrick Callahan

Contact: callahan.cmc@gmail.com

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For questions, contact:

Cresco City Hall

563-547-3101

TABLE OF CONTENTS

Section	Page
1. General Overview & Introduction	1
2. Potential Sources of Funding for Capital Projects	3
3. Optional Funding Sources	6
4. Revenue for Capital Projects	8
5. Ongoing City Commitments	9
6. Proposed Capital Improvement Projects by City	10
Department	
A. Parks Department	10
B. Street & Storm Sewer Projects	11
C. Wastewater / Sanitary Sewer Projects	11
D. Water Projects	11
E. Municipal Buildings / Facilities	11
F. Equipment Purchases	12
7. CIP Overall Plan to Fund Capital Projects	12
8. City's Overall Uses of Debt to Finance Capital Projects	16
9. Consultant's Recommendations	18
10. Final Comments and Acknowledgements	19
Appendices	

**CITY OF CRESCO, IOWA
CAPITAL IMPROVEMENTS PLAN**

LIST OF EXHIBITS

- A. Cresco, Iowa Capital Improvements Plan – Mayor & Council Rankings
- B. Local Option Sales Tax Cash Flow Projections
- C. Street Reconstruction Projects – General Obligation Notes
- D. Street Reconstruction Projects – Water & Sewer Portion of Costs
- E. Summary of Outstanding Debt
- F. General Obligation Debt Capacity Projections
- G. Debt Service Fund and Debt Service Levy
- H. List of Capital Projects Not Included in this CIP

LIST OF ADDENDUMS

- 1. Capital Improvements Planning and Budgeting – Patrick Callahan CIP Handout
- 2. City of Cresco, Iowa – Capital Improvement Plan Project List – Revised – February 7, 2022
- 3. Capital Improvement Plan – Potential Time Table for Projects – July 22, 2021 – Revised
- 4. Resolution & Official Ballot – City of Cresco, Iowa – Adopted on May 3, 2011 - Resolution Setting Ballot Language Regarding the Local Option Sales Tax Vote
- 5. City of Cresco – Cash Balances – June 30, 2021
- 6. What is Tax Increment Financing? Questions and Answers about TIF by Robert E. Josten
- 7. Municipal Debt Financing – Two Options General Obligation Notes/Bonds/Loans and Utility revenue Notes/Bond/Loans – Patrick Callahan – Handout
- 8. Iowa Finance Authority Website – Information on State Revolving Fund (SRF) Loan Program
- 9. Cresco Capital Improvements Plan (CIP) – Overall Summary – Council Meeting

Cresco Capital Improvements Plan 2022-2027

1. General Overview and Introduction

A. Introduction

The Mayor and City Council decided to prepare a capital improvements plan (CIP) for future capital projects in Cresco in June 2021. The two basic components of a CIP are to identify the projects and the estimated costs of each and then devise a way to pay for these projects. Addendum 1 is an overall summary of what constitutes a capital improvements plan.

B. The CIP – What it is and is Not

A capital improvement plan is a “tool” for the scheduling, planning, and financing of large construction projects and major pieces of equipment. It is a “blueprint” for the future infrastructure improvements in the City. It is a written document that links together the City’s comprehensive plan with the City’s annual budget. It provides the mayor, city council, city staff and the citizens with a listing of capital projects that the City will need to complete over the next four to five years.

On the other hand, a capital improvements plan is not “cast in stone.” It is a planning document that can be revised at any time. It is not a legal commitment by the Cresco City Council to complete any particular project within a specified period of time. The adoption of the CIP does not obligate future city councils to any course of action. It merely provides an indication of the projects that might be completed, when they might be accomplished, and how they could be funded. The final decision as to whether a project will be built will be decided by the city council during the preparation of the annual city budget and the actual award of a contract to complete the project.

C. Annual CIP Reviews

After the CIP has been adopted, it will need to be reviewed and updated on an annual basis by the City Staff. Completed projects will be deleted from the CIP. New projects will be added to the CIP. Some projects will be revised and updated, as new information becomes available. The ideal time to update the CIP is in October or November of each year or prior to the preparation of the next city budget.

D. Previous Construction Projects

The City of Cresco has completed several capital improvement projects in recent years. The City has identified many other capital improvement projects that will need to be completed in the next five years in order to meet the needs of the community. While the City has completed some engineering reports and feasibility studies on individual municipal services, the City has not developed a capital improvements plan in order to get the “big picture” on all of these needs and capital projects.

While the City Council was aware of the need for many capital projects, questions remained as to how to pay for them, when to construct them, and how to rank them. In other words, the City needed a capital improvements plan that would identify all the potential projects, the sources of funding for the projects, and the proposed timetable for construction.

E. Phase I – Identification of Potential Capital Projects

The first major phase of the preparation of the CIP was to identify all potential capital projects and the possible sources of revenue to finance these projects. The Mayor, City Council Members, City Department Heads, and City Clerk, identified 42 potential projects in 2021 with a total cost of \$39,573,365. The City conducted a comprehensive review to identify potential capital projects that would cost \$50,000 or more. While it is readily acknowledged that the City does not have the financial capacity to finance all the projects that were identified, the process of listing all the potential projects did provide the City with an overview of the City’s long term infrastructure needs.

The list of potential capital projects was obtained from the following sources and documents:

1. City Department Heads’ suggestions
2. Mayor and Council Members’ suggestions
3. Iowa DMR Wastewater Treatment Facility Inspection Report
4. Iowa DNR Water Utility Inspection Report
5. Past Engineering Report
 - Fitness Center Mechanical & Electrical Master Plan
 - Water Storage & Supply Study
 - Cost Estimates for Various Projects

F. Phase II – Ranking of Capital Projects

The second phase of the CIP process involved the ranking of the proposed projects by the City Council Members in October, 2021. The City Council Members were asked to assign a rating of A, B, C and D for each capital project. The following A to D ratings were used:

- An “A” ranking would mean that this is a very important project that should be completed within the two years.
- A “B” ranking of a project would indicate that this is a high priority project that should be included in the CIP. These projects would hopefully be completed within the next three or four years.
- A “C” ranking of a project would indicate “moderate priority” meaning that the project could be delayed for five to six years. If funds are available, these projects could be scheduled for the fifth or sixth year.
- Lastly, a “D” ranking would indicate that this project should be postponed to some date beyond July 1, 2028. While the project may be worthwhile or beneficial, the funds for such a project would probably not be available within the next five years

The City Clerk calculated a composite score for each of the projects based upon the individual rankings completed by the City Council Members. Exhibit A is a CIP summary of the proposed capital projects and equipment, as individually ranked by the City Council Members.

G. Phase III - Review of Financial Documents

The identification of potential capital projects is usually the more interesting and enjoyable part of the CIP process. The more challenging part of the CIP process is deciding how to pay for the capital projects. In order to determine the City’s financial ability to pay for capital projects the following documents were reviewed:

- City Budget Summaries F.Y. 2020-21 and F.Y. 2021-22.
- Howard County Auditor's report on taxable valuation and 100% assessed valuation
- City of Cresco water and sewer utility rate structure
- City's outstanding General Obligation bonds, notes, and loans
- City cash balances – all funds – June 30, 2019, June 30, 2020 & June 30, 2021
- FY 2020-2021 actual revenues and expenditures
- Potential grants for capital projects

H. Phase IV – Development of the Composite Score For All Projects – Addendum 2

After reviewing and ranking the proposed capital projects and equipment purchases, an overall plan was developed that lists the projects that the City hopes to complete over the next five years. Addendum 2 is an overall summary that lists the potential projects on a year by year basis from 2022-2027. Addendum 2 also provides the name of the project, the estimated cost, the potential sources of fund and a composite score for each project. A composite score was obtained for each project using the individual rankings of the five Council Members. An "A" ranking was 4 points, a "B" ranking was 3 points, a "C" ranking was 2 points and a "D" ranking was 1 point. The five individual rankings were totaled to obtain a composite score. If the project had five "A" rankings, or a perfect score, then the total composite score would be 20 points. If the project had five "D" rankings, or the worse score, then the total composite score would be 5 points.

2. Potential Sources of Funding for Capital Projects

A. General Obligation Notes

Many of the City's previous capital projects have been financed with general obligation (G.O.) bonds or notes. Many of the future projects identified in this CIP could also be financed with G.O. bonds, but there are some limitations on the City's ability to finance future projects with G.O. bonds, such as the state constitutional debt limit and the amount of the City's property tax debt service levy. Detailed reviews of both of these limitations are covered later in this CIP.

B. Sanitary Sewer & Water Revenue Loans

The City can issue sanitary sewer revenue and water revenue bonds or loans in order to finance sewer and water capital projects. The City can pledge sewer and water user fee revenues to retire these sanitary sewer and water loans. In order to issue additional sewer and water loans to finance sewer and water projects, the City would have to demonstrate that the sewer and water user fee rate structures would generate enough revenue to pay back the loans.

C. Grants

The City has considered various grant programs for some capital projects. These grants include:

- Resource Enhancement and Protection Grant (REAP) – (IDNR)
- Land and Water Conservation Fund (LWCF) Grant – (IDNR)
- Revitalize Iowa's Sound Economy (RISE) Grant – (Iowa DOT)
- Surface Transportation Block Grant (STBG) – (Iowa DOT)
- Transportation Alternative Program (TAP) Grants- (Iowa DOT)
- United States Department of Agriculture – Rural Development (USDA-RD) Funding
- Community Development Block Grant (CDBG) Program

D. Donations and Bequests

It is common for cities to receive donations or bequests for library related projects, park improvements, trails, and fire department equipment. The sources of these donations can be service clubs, individuals, gaming establishments, and corporations with local connections.

E. Local Option Sales Tax (LOST) Revenue

The voters in Cresco approved the local option sales tax in 2000. The Cresco voters adopted the sales tax referendum (Addendum 4) in 2000, which stated that the 1% local option sales tax revenues would be used for the following:

- Direct property tax relief (10%)
- Street improvements
- Economic development
- Purchase of equipment
- Repair and maintenance of city buildings, property and parks
- Operation of the Fitness Center

Exhibit B has been prepared to show the cash flow projections for the City's local tax option sales tax (LOST) fund. The City expects to receive \$522,000 per year in local option tax revenue over the next five years. The City Council adopted and the voters approved a public measure in 2000 for a 1% local options sales tax that would earmark 90% of this money for infrastructure improvements and capital projects. (Addendum 4) Therefore, it has been assumed that most, if not all, of the projects listed in this CIP could be financed with LOST funds.

The local option sales tax revenues received by the City are basically this CIP's "shining star" or "saving grace." If the City did not receive the estimated \$522,000 in sales tax money every year, then many of the capital projects in this CIP could not be completed. The LOST fund has also served as the City's "emergency fund" or "rainy day fund" to pay those unexpected repairs or improvements.

The City of Cresco budgets about \$522,000 in local option sales (LOST) tax revenue, but the actual amount received can be greater than that amount. The City received \$542,064 in LOST money in F.Y. 2020-21. The amount varies according to the amount of retail sales in Howard County. Exhibit B shows how the City intends to allocate LOST money over the next five years. It is important to note the following:

1. The City will allocate 10% of the LOST money or \$52,800 per year for "property tax relief." This LOST money will be used to help pay the City's G.O. bond payments, which will then lower the debt service property tax levy. (See Exhibit E)
2. The City will allocate on average about \$250,000 of the LOST money each year to finance small projects or equipment purchases for less than \$50,000 that are not listed in the CIP.
3. The LOST money will finance in part or whole 15 major capital projects in the following departments:
 - Downtown sidewalks/crosswalks
 - Public works equipment
 - Fire Department trucks & equipment
 - Theatre repairs & improvements
 - Fitness Center repairs & improvements

- Library renovation project
 - Airport runway repairs
 - Park and trail projects
4. The City will continue to maintain \$1,000,000 in cash reserves in the LOST fund to cover emergency or unforeseen projects and expenses in excess of current estimates due to inflation.

F. Cash Reserves – Addendum 5

The City has the option of financing some of the less expensive capital projects with cash reserves. The City had \$8,136,043 in cash reserve as of June 30, 2021, but much of this money is in restricted accounts or is needed for cash flow purposes. The funds that have the potential to finance capital projects and equipment purchases include:

Fund	Actual Balance July 1, 2020 (\$)	Actual Balance July 1, 2021 (\$)
General Fund	1,050,380	1,387,086
Local Option Sales Tax	1,240,501	1,485,826
Equipment Fund	26,883	30,516
Airport Trust	47,021	70,790
Road Use Tax (RUT)	535,183	648,744
Water Utility	530,378	416,665
Water Replacement	266,315	519,543
Sewer Utility	917,093	626,527
Sewer Replacement	713,091	1,175,214
CIP Fund	219,745	90,612
Street Trust	108,858	35,757
Theatre Trust	11,300	41,672
Fire Trust	29,250	41,312
Library Trust	23,983	28,222
Yard Waste	126,194	129,025

G. Annual City Revenues for Capital Projects

The City has access to operating fund revenues that can be allocated for capital projects on an annual basis. While there are restrictions and limitations on these revenues, these annual revenues include:

- General Fund – property taxes
- Road Use Tax (RUT) - gasoline tax
- Local Option Sales Tax – local 1% sales tax
- Water Utility – user fees
- Sanitary Sewer Utility – user fees

These potential sources of funding for capital projects are reviewed later in this CIP report.

H. Special Assessments Bonds

It is possible for the City to construct or rebuild streets, sidewalks, and storm sewers, and then assess a portion of the cost back to the owners of the properties that benefit from the

improvements. Section 384.37 to 384.79 of the Code of Iowa sets forth the detailed special assessment process for public improvements. The special assessment process requires a super majority vote of $\frac{3}{4}$ of all council members or basically four votes of the Cresco City Council. If a valid petition against the special assessment is filed, then a unanimous vote of the City Council is required.

While the City of Cresco does not have a history of issuing special assessment bonds, the City has a policy of using the special assessment process in order to help finance major street reconstruction projects. The City has implemented a special assessment process and required adjacent property owners to pay a portion of the costs for a new street or new sidewalk. As the assessments are paid by the property owners over a period of time, these annual payments are then used to help fund the next street reconstruction project. The City has been issuing general obligation (G.O.) notes or bonds to finance street and sidewalk reconstruction projects and then including the "special assessment" portion in the amount of the G.O. bond issue. As long as the City has the G.O. debt capacity, this is the most cost effective way to finance a major street project.

The City's unique approach of using a special assessment process, but not actually issuing special assessment bonds, has reduced the bonding attorney fees, fiscal advisory fees, and the engineering fees for major street construction process. However, it does have an adverse impact on the City's G.O. debt capacity. It is recommended that the City continue this cost effective and unique approach and to continuing using G.O. notes to finance the street projects, but then use the special assessment payments to help pay for future street projects.

3. Optional Funding Sources – Not Currently Proposed for the City's Capital Improvements Plan

The City of Cresco could generate additional revenue for capital projects by authorizing one or more of the funding sources listed in this section. However, it has been assumed for the purposes of this CIP that the City will NOT utilize any of the following four options.

A. Capital Improvement Fund Tax Levy

Section 384.7 of the Code of Iowa permits cities to collect a property tax capital improvements levy of 67.5 cents per \$1,000 of taxable valuation, if approved by the voters. Many cities use this additional property tax revenue to finance streets, sidewalks, and storm sewer improvements. If the City of Cresco had this CIP levy, it would have generated \$92,687 in FY 2021-22 for capital projects.

B. Franchise Fees – Electric & Gas Revenues

Sections 364.3 and 384.3A of the Code of Iowa authorize cities to impose up to a five percent (5%) fee on electric and natural gas utility gross revenues. If cities follow the process, as outlined in the Code of Iowa, cities can then use this franchise fee revenue for basic infrastructure needs. Since the utility providers are basically paying the fee for the use of the City-owned public right of way (ROW), it is appropriate to earmark this money for repairs to the infrastructure located in the ROW, such as streets, sidewalks, and storm sewers. The Code of Iowa does not require voter approval to implement franchise fees, which typically are "pass through" fees on the electric and natural gas bills that are paid by the local customers of the utility. After the implementation

process has been followed, the City Council can adopt a resolution that sets forth a franchise fee of not more than 5% on utilities. In order to calculate the potential revenues to the City from franchise fees, the City can contact the utility provider and request information regarding their gross revenues in Cresco. It is estimated that a 5% franchise fee on just the electric bills could generate about \$240,000 on an annual basis for the City of Cresco.

C. Tax Increment Financing (TIF)

Many cities have adopted urban renewal plans and then establish urban renewal areas and TIF districts, which enables these cities to collect TIF funds. As long as the City incurs a debt or contractual obligation to finance a capital project located in an established TIF district, the City can request TIF money to finance infrastructure improvements, such as street construction, sanitary sewer lines, water mains, and storm sewers. The City of Cresco has adopted an urban renewal plan. The City has six urban renewal areas or TIF districts, but has not used TIF money in recent years to finance infrastructure projects. (See Addendum 6 & TIF District Map)

The one major advantage of not using TIF tax dollars for capital projects is that 100% of the property tax dollars that would have gone to the City's TIF fund are credited to the General Funds of the County, School, and City. The property tax dollars in the City's General Fund would have been used to finance ongoing operational expenses for salaries, benefits, utilities, supplies, contracts, and services. A general overview of how TIF dollars can be obtained and spent is attached as Addendum 6.

It is interesting to note that Howard County has a TIF district in Cresco for the Websters Additions that will have a value of \$2.1 million in 2023. If the County did not request this TIF money in F.Y. 2021-22, the City would have received about \$29,274 in additional property tax revenue with the current property tax levies. Instead, this money has been shifted to the County's TIF fund.

There are five additions in the Websters development. The first two TIF districts expire on June 30, 2022. The other three TIF districts expire on June 30, 2033. It is estimated that approximately 59% of the TIF revenues collected by the County will be sent to the developer for infrastructure costs. The remaining 41% of TIF money collected by the County will be allocated to the County's low and moderate income (LMI) needs and projects.

While this CIP report does not designate any TIF revenues for future capital projects, it is important to state that some of the capital projects could be financed with TIF revenues in the future, provided that the City adheres to the TIF requirements in the Code of Iowa. The City's TIF districts currently have the potential to generate \$608,511 in revenue to the City's TIF fund on an annual basis.

The City can use TIF to finance City infrastructure projects such as streets, sanitary sewers, street lights, storm sewers, sidewalks/trails and wastewater plant improvements. In order to be eligible for TIF funds, the proposed capital project must meet the following criteria.

1. The project must be located within the urban renewal area and one of the TIF districts.
2. The individual projects must be identified and described in the City's urban renewal plan, as amended.
3. The City must incur some type of debt or obligation for payment, such as a G.O. loan, TIF revenue loan, or internal loan to finance the project with TIF money.

4. The project or obligation will need to be listed on the annual TIF certification to the County Auditor.
5. The City must have an adequate amount of TIF revenue to finance the project.
6. If the urban renewal area is designated for residential development, then a specified percentage of TIF revenue must be earmarked for housing related projects to assist low and moderate income residents.

If the City should decide to finance any major capital projects with TIF revenue in the future, then it is recommended that the City seek the assistance of an attorney, who is experienced in TIF law. The City will need to follow the requirements that are outlined in Chapter 403 of the Code of Iowa and Addendum 6 of this CIP report.

D. Storm Water Utility Revenues

Section 384.84 of the Code of Iowa allows cities to establish storm water utility systems with user fees to recover the costs of the construction of storm water pipes, catch basins, detention basins, and related improvements. Many cities have implemented storm water utilities by a majority vote of the city council. A public referendum is not required. Storm water user fees are typically established as either a flat fee for all properties or as a fee that is based upon the amount of storm water runoff from the property that enters the city's storm sewer system or a combination of the two options. If the City of Cresco had a storm water utility fee of \$3.50 per month per account, it would generate about \$78,540 (1,870 accounts x \$3.50 x 12) per year.

4. Revenue For Capital Projects – Annual Operating Funds

A. General Fund

The City's current property tax levy of \$16.144 per \$1,000 of taxable valuation is probably above the average property tax levy in Iowa. For the purposes of this CIP report, it has been assumed that the City will not increase the property tax levy to finance capital projects. It has been assumed that the City may finance some of the less expensive capital projects and equipment purchases under \$50,000 with general fund property tax revenues.

B. Road Use Tax (RUT) Fund

The City will receive about \$520,000 per year in road use tax money from the State of Iowa. The City can use this money for transportation related expenses such as street repairs, sidewalks, street equipment, storm sewers, and street construction projects. This "pot of money" cannot be used for such things, as sanitary sewer lines, fire equipment, or park improvements.

The City's F.Y. 2021-22 City Budget shows that the City will spend \$701,800 in expenditures from the Public Works Program. The City intends to finance its costs for street maintenance, street lighting and traffic control with Road Use Tax revenues in F.Y. 2021-22. The City does not currently allocate any of its RUT money for major capital projects. However, this CIP assumes that the City will designate a portion of its future RUT money for the purchase of equipment for the street department. It has been assumed that the City will continue to receive the sum of \$520,000 per year in RUT revenue from the State of Iowa.

C. Sanitary Sewer Fund

The City of Cresco adopted a sewer user fee rate ordinance that has implemented a slight increase in sewer rates on July 1st of every year. As a result of this sewer rate ordinance, the sewer utility revenues are expected to be \$826,800 in F.Y. 2021-22. These sewer revenues should be sufficient to finance a portion of the sewer capital projects listed in this CIP. The sewer utility finances the payment for the SRF loan which has a balance of \$268,000.

It is important to note that SRF loans do require a 1.10 debt coverage ratio as stipulated by the Iowa Finance Authority. It appears that the City's current sewer fund revenues are adequate to satisfy this 1.10 debt coverage ratio requirement.

D. Water Utility Fund

The City has implemented annual adjustments to the water utility rates in recent years. The City's water utility is projected to generate \$589,600 in F.Y. 2021-22. The operating expenses have been estimated at \$581,400 in F.Y.2021-22, which will result in an increase of \$8,200 in the water fund cash balance. The City water utility is currently "debt free" and there no annual debt payments.

E. Ongoing Operating Funds – No CIP Funding

Since most of the revenues generated by the four funds or departments listed above have usually been allocated for ongoing operation and maintenance costs, it has been assumed for the purposes of this CIP report that the City will not allocate money from these four funds for capital projects and major equipment purchase for over \$50,000. The annual revenues from these four funds could be used to finance smaller capital projects, less expensive equipment purchases, and possibly a portion of the costs for major equipment purchases. The decisions regarding these purchases will be made on a "case by case" basis and will depend upon the project and the availability of funds at the time of the purchase.

The City has done an excellent job of maintaining water and sewer utility revenues at a level needed to cover operational expenses, equipment purchases, and some depreciation expenses. The City of Cresco has taken a fiscally responsible approach and implemented modest water and sewer rate increases on an annual basis. Some cities in Iowa have had the mistaken belief that they are doing their residents "a favor" by never raising water and sewer rates and then only to be required to double or triple water and sewer rates to repay an SRF loan for a DNR mandated water or wastewater project. Cresco is to be commended for taking a more thoughtful and responsible approach to water and sewer rates adjustments over the years.

5. Ongoing City Commitments

The City of Cresco has some amenities and services that are not often provided by cities of a similar size in Iowa. While these "quality of life" features helps to make Cresco a great place to live, these "extra services" do present some financial challenges for the City. These great services or

amenities that are not always available in other communities with a population equivalent to Cresco include:

- Municipal airport
- City owned theatre
- Recreation center/indoor pool
- Bike Trail

Since the City is basically mandated to finance the more customary city services, such as fire protection, streets, library, parks, storm sewers, administration, and police protection, it can be very challenging to pay the costs for these four additional services. While no one service is a major concern, or “deal breaker,” it is the “sum total” of all these services that makes it difficult to adequately “pay the bills” for all city departments in light of the severe restrictions placed on the ability of cities in Iowa to generate property tax dollars to fund all these services.

It is not recommended that the City eliminate or defund any of these three “extra services.” However, the reality of the situation means that the City does not have the financial capacity to finance any major capital projects with money from the General Fund. While the City may allocate some General Fund revenues to pay for the less expensive repairs, or equipment, it has been assumed for the purposes of this capital improvements plan that no future capital projects will be financed with General Fund money.

6. Proposed Capital Improvement Projects by City Department

The City has identified a total of 26 potential projects for completion in this five year capital improvements plan. After reviewing and ranking the capital projects, the City has decided to include the following capital projects in this CIP over the next five years:



A. Parks & Recreation Projects

Capital Project	Cost	Fiscal Year/Score
1. Tennis Court/Pickle Ball Court Project	\$110,000	2023/10
2. Train Painting Project	\$105,000	2023/12
3. Prairie Springs Bike Trail Resurfacing Project	\$919,000	2023/16
4. Fitness Center – HVAC Project	\$586,080	2024/16
5. Fitness Center - Pool Heater & Cover	\$165,375	2025/15
a. Fitness Center – Pool Ventilation & Condensing Unit	\$400,725	2027/11
Total	\$2,286,180	

B. Street & Storm Sewer Projects

Capital Project	Cost	Fiscal Year/Score
1. 7 th Street West Reconstruction Project	\$2,592,000	2023/19
2. Downtown Crosswalks & Sidewalks Reconstruction & Elm Street - 1 st Ave. to 3 rd Avenue	\$600,000	2023/19
3. Division Street Reconstruction Project	\$950,000	2025/14
4. 10 th Avenue SE & SW Reconstruction Project	\$1,750,000	2026/14
5. 2 nd Street Repair Project	\$136,000	2026/13
6. Vernon Road Reconstruction Project	\$1,500,000	2027/11
7. 5 th Street West Reconstruction Project	\$724,000	2027/11
Total	\$8,252,000	

C. Wastewater/Sanitary Sewer Projects

Capital Project	Cost	Fiscal Year/Score
1. Replace Sanitary Sewer on 3 rd St. SE	\$1,600,000	2026/13

D. Water Projects

Capital Project	Cost	Fiscal Year/Score
1. 7 th Street West Reconstruction Project	Included in B	2023/19
2. Downtown Crosswalks & Sidewalks Reconstruction & Elm Street - 1 st Ave. to 3 rd Avenue	Included in B	2023/19
3. Division Street Reconstruction Project	Included in B	2025/14
4. Water Main From Well #3 to 500K tower (8 th Ave.)	\$2,056,500	2025/14
5. 10 th Avenue SE & SW Reconstruction Project	Included in B	2026/14
6. 2 nd Street Repair Project	Included in B	2026/13
7. Vernon Road Reconstruction Project	Included in B	2027/11
8. 5 th Street West Reconstruction Project	Included in B	2027/11
Total	\$2,056,500	

E. Municipal Buildings/Facilities

Capital Project	Cost	Fiscal Year/Score
1. Theatre-Electrical Upgrades & Fire Detection System	\$50,000	2023/17
2. Miscellaneous Buildings – Buyout – Solar Arrays Project	\$300,000	2025/14
3. Theatre- Scene Shop Project	\$425,000	2026/12
4. Library – Downstairs Renovation Project	\$98,500	2026/12

5. Airport – Runway Repairs & Drainage Project	\$350,000	2026/12
Total	\$1,223,500	

F. Equipment Purchases

Capital Project	Cost	Fiscal Year/Score
1. Fire Tanker Truck	\$350,000	2024/15
2. Public Works - Loader	\$150,000	2025/15
3. Public Works – Update Maintainer	\$70,000	2025/14
4. Fire Rescue Truck	\$300,000	2025/13
5. Turnout Gear Replacement	\$140,000	2026/13
6. Public Works – Dump Truck	\$105,000	2026/11
Total	\$1,115,000	

7. The CIP Overall Plan to Fund Capital Projects

A. Park Department Projects

Most of the Parks Department projects will be financed with a combination of LOST money, (as shown on Exhibit B) grants, and donations. For example, the most expensive project is the Prairie Springs Bike Trail Resurfacing project (\$919,000) which would be financed with a grant for \$826,000 (90%) and the LOST fund allocation of \$93,000 (10%).

The Tennis Courts/ Pickle Ball Courts Project would be financed with \$30,000 in LOST money and \$80,000 from grants and donations. In the event that the City does not obtain the grant or receive enough in donations, the project will either need to be delayed or alternate sources of revenue will need to be obtained.

The more challenging recreation project may be the needed repairs to the Fitness Center, which includes:

• HVAC Improvements.....	\$586,080
• Pool heater & cover.....	\$165,375
• Pool ventilation & condensing unit.....	\$400,725
Total.....	\$1,152,180

While there is no “solid plan” on how to finance the proposed improvements to the Fitness Center, it appears that the most likely sources of funding would be:

- Local Option Sales Tax money
- Grants
- Fitness Center Trust Fund
- General Fund cash reserves

Since there has been some discussion regarding the removal and replacement of the old portion and the gym, these proposed improvements to the Fitness Center may be placed “on hold” at this time. Obviously, the City would never want to make any of the improvements listed above, if the current part of the Fitness Center was demolished and replaced with a new facility.

It is important to note that if the City builds a new addition on the Fitness Center, that the City may need to issue a general obligation (G.O.) bond to finance its “share” or the portion of the project not covered by grants and donations. In order to issue G.O. bonds for a new fitness center the City would need 60% voter approval in a public referendum. The City would also need to consider the ongoing annual expenses to operate the renovated fitness center and whether the City has the “financial capacity” with the current general fund revenues to staff and maintain the facility

B. Street Projects

The initial ranking of the capital projects included eleven street projects, seven of which have been included in this CIP. The City has obtained cost estimates for these seven street reconstruction projects and the total cost is \$8,252,000.

The financing of major street construction project is often very problematic and difficult for many cities, because of the significant cost of construction and the lack of available funds. Many street reconstruction projects can be financed with a combination of funds, such as:

- General obligation loans
- Local Option Sales Tax (LOST) funds
- Surface Transportation Program State grants
- Storm water utility fees
- Road Use Tax (RUT) money
- Special assessments paid by adjacent property owners.

The majority of costs of street construction projects are usually financed with general obligation (G.O.) bonds or loans. The “good news” is that the City of Cresco has the G.O. debt capacity to finance the proposed street construction projects and still remain in compliance in the State Constitutional debt limit of 5% of assessed valuation. The “bad news” is that the issuance of G.O. bonds will result in a significant increase in property taxes. If the City had to finance 100% of the cost for the following seven projects with G.O. loans with ten year debt payment schedules, it would have a very significant impact on the City’s property tax debt service levy and the property tax asking:

Exhibit C has been prepared to demonstrate the impact that the street projects that are financed entirely with G.O. bonds or notes would have on the City’s debt service property tax levy. If the City issued three G.O. bonds for a total of \$7,780,000 over the next five years for the seven major street construction projects, as shown on page 11, it would have the following impact:

Year	2023	2025	2027
G.O. Amount	\$2,560,000	\$2,920,000	\$2,300,000
Annual Payments	\$303,500	\$346,200	\$272,600
Debt Service Levy Per \$1,000 value	\$2.18	\$2.49	\$1.96
Annual Impact on \$200,000 Home	\$236	\$269	\$212

The debt service levy is based upon the current taxable value of property in Cresco. The annual impact on a \$200,000 house is based upon a residential rollback of 54.1%. The estimated annual loan payments are based upon level payment loans over ten years with an interest of 4%.

The Surface Transportation Block Grant (STBG) program does provide funding to cities to partially finance the reconstruction of major collector streets. STBG is a competitive program for cities, which has both statewide and regional funding elements. The City may want to check with the Upper Explorerland Regional Planning Commission to see if any on the streets projects qualify for partial funding from the STBG program.

The City also has the option of issuing either a water revenue loan or sewer revenue loan or both to finance the portion of the cost for the major street projects that pertain to new water mains or new sanitary sewer lines. While this option would increase the City's bond counsel legal fees and financial advisor fees, it would lessen the impact on the debt service levy and property taxes. However, the increased costs for the water loan payments and the sewer loan payments might also necessitate the need to increase water rates and sewer rates to cover the additional costs for these revenue loan payments. A summary of the portion of the seven proposed street reconstruction projects that pertain to water mains and sewer lines is attached as Exhibit D.

C. Wastewater/Sanitary Sewer Projects

There is one major sanitary sewer project in this proposed CIP: replacement of the Sanitary Sewer on 3rd Street S.E. in F.Y. 2025-26. The estimated cost of the sewer replacement project is \$1,600,000. If the City issues a sewer revenue loan to finance this project, the City will need to budget \$190,000 per year for ten years for the loan payments with a 3% interest rate for this project. If the City needs to budget \$190,000 from the sewer fund to cover this loan payment, this added cost may require a 23% increase in sewer rates.

The City will also need to plan for a major enhancement to the wastewater treatment facility for the future nutrient reduction requirements. This wastewater plant improvement is mandated by the Iowa Department of Natural Resources (Iowa DNR) and could cost as much as \$9,000,000. This project would be financed by a combination of community development block grant (CDBG) funds and a sewer revenue loan from the State Revolving Fund (SRF). (See Addendum 8) This project will possibly necessitate a significant increase in sewer user fees.

D. Water Utility Projects

The CIP includes a water utility project – Water Main from Well #3 to the 500,000 gallon water tower for a total cost of \$2,056,500. This water main project is part of a street assessment project that will be partially financed with general obligation bonds and special assessment money. The water main portion of the project is \$551,425. The water main extension portion of the project could be financed with cash reserves from the water fund in F.Y. 2024-25 and/or a water revenue loan. The annual payments for a ten year water revenue loan would be \$63,600. The City would need to increase water revenues by 11% in order to finance a loan payment for this amount with a 3% interest rate.

The State of Iowa does administer a Community Development Block Grant (CDBG) program that provides funding for eligible water and sanitary sewer projects. The CDBG program is very competitive. The Iowa Economic Development Authority (IEDA) does not typically fund water

and sewer projects, unless the City can demonstrate a “substantial safety need to the community” for the project. It has been assumed for the purposes of this CIP that the City will not be successful in obtaining CDBG money for any of the proposed water and sanitary sewer programs.

E. Municipal Buildings/Facilities

The CIP has listed five capital projects for buildings and facilities at the airport, theatre, and library. The improvements at the City owned theatre include:

- Electrical upgrades
- Fire detection system
- Scene shop project

The total cost of these three projects is \$475,000. These projects will be financed with a combination of grant funds, LOST money and donations.

The buyout of the solar arrays project for \$300,000 will be financed with cash reserves or annual revenues from the general fund, road use tax fund, and water fund. This buyout will “pay for itself” in approximately seven years with the annual savings in utility costs.

The Library renovation project for \$98,500 will be funded with LOST money (\$32,000), Library Trust donations, and the Library Foundation. The City may also allocate money from the General Fund for this project.

Lastly, City has scheduled repairs to the runway at the Cresco Municipal Airport for a total cost of \$350,000 of which \$104,000 will come from the LOST fund. The remaining balance will be covered by a state grant. This project is scheduled for F.Y. 2025-26.

F. Equipment Purchases

This CIP includes six “big ticket” equipment purchases with a total cost of \$1,115,000. The Fire Department equipment purchases included a tanker truck, a rescue truck, and turnout gear replacement for a total cost of \$790,000. Fortunately, the City will split these costs on a 50%/50% basis with the Rural Fire Association. The City’s share for the Fire Department equipment will be paid with LOST money, as shown on Exhibit B.

The remaining three equipment purchases are for the Public Works Department and include:

- Public Works – loader - \$150,000
- Public Works – Update Maintainer - \$70,000
- Public Works – Dump Truck - \$105,000

These three purchases may be financed with a proportionate share coming from four different city funds – water, sewer, road use tax, and local option sales tax. The split between the four funds would be based upon an estimate of the amount of use for each item in following city departments – street, water, sewer, and parks. Exhibit B currently suggests that most of the cost for these three purchases would be paid with LOST money. A final decision as to whether to allocate a portion of the cost from the other three department funds will be made prior to the actual purchase.

8. City's Overall Uses of Debt to Finance Capital Projects

A. G.O. Loans and Water/Sewer Revenue Loans

The City has the legal capacity and financial capability to issue either general obligation bonds or water/sewer revenue bonds for many of the projects listed on this CIP report. There are limitations and requirements set forth by the Code of Iowa in Chapter 384 regarding the issuance of city bonds, loans and notes for capital projects.

The decisions as whether to use a G.O. loan or revenue loan to finance a water or sewer construction project can have long term ramifications. An overview of these ramifications and potential impact on the City's financial condition is attached as Addendum 7.

B. State Revolving Fund (SRF) Loan Program

The City can finance many of the proposed sanitary sewer utility and water utility projects by obtaining a State Revolving Fund (SRF) loan from the Iowa Department of Natural Resources (IDNR) and the Iowa Finance Authority (IFA). A copy of the information on the SRF loan program from the IFA website is also attached as Addendum 8. Some of the important factors to consider regarding the SRF loan program include:

1. There is a SRF program for both water utility and sewer utility improvements.
2. The City must submit and obtain approval of an Intended Use Plan (IUP) prior to the start of construction.
3. The current interest rate for SRF loans is 1.75%.
4. There is a loan origination fee of 0.5% of the amount of loan, which can be included in the final amount of the loan.
5. There is an annual administrative fee of 0.25% on the unpaid balance of the loan that is due each year in addition to the principal and interest payments.
6. The City will need to calculate and include a "coverage ratio" of 1.1 or 10% over and above the estimated annual loan payments in the rate structure for SRF water and sewer revenue loans.

C. Conventional Loans Versus SRF Loans

The process to secure an SRF loan can be time consuming, and possibly expensive. The SRF loan program has some additional requirements that may add to the overall cost of a capital project, such as Davis-Bacon prevailing wage requirements, environmental reviews, and the completion of an extensive application process by the City's engineer. Therefore, it is recommended that the City compare the requirements and costs of the SRF loan program to the conventional loan process that can be provided by bonding companies. Factors that need to be taken into consideration include overall interest costs, the debt coverage ratio, annual fees, underwriter discount fees, costs of environmental reviews, the need for a bond reserve fund, bond registrar fees, the loan origination fee, legal fee, and the financial advisor fee.

D. Conventional Loans – Debt Coverage Ratio

The interest rates for conventional loans can vary, depending upon the length or term of the loan, the amount of the loan, and the type of the loan (G.O. loan or revenue loan). G.O. loans will typically have interest rates slightly less than revenue loans. Conventional water and sewer revenue loans will typically require a debt coverage ratio of 1.25 or 25%, as compared to the SRF

loan debt coverage ratio of 1.1 or 10%. Conventional revenue loans will also require a bond reserve fund equal to largest annual payment amount or 10% of the loan.

E. The Debt Calculations in this CIP Report

Since there are many variables to consider when calculating annual payments for bonds, notes, and loans, it can be difficult to predict the potential impact of each project on the City's debt obligations. However, one of the main reasons for preparing a CIP is to predict the financial impact of each capital project on the City's overall financial condition and to calculate the potential increases in water rates, sewer rates, and property taxes needed to repay the loans that are obtained to fund the capital projects. Therefore, the following assumptions have been made regarding the debt financing of capital projects in this CIP report.

1. Debt financing will be the option of "last resort" for the funding of capital projects and the City will use its cash reserve funds and grants to pay for projects, whenever possible.
2. It will be the City's intent to repay loans over a period of ten years or less in order to reduce interest costs and "free up" debt capacity for future capital projects, as quickly as possible.
3. While current interest rates are in the range of 2.0% to 3.5%, it is recommended that the City use the more "conservative rate" of 4% for the estimating of annual debt payments for G.O. loans and 3% for SRF loans.
4. The City will attempt to combine the financing of two or more projects into one loan in order to reduce the legal fees and issuance costs for debt financing.
5. The City will adopt "reimbursement resolutions" for all major capital improvement projects in order to preserve the option to issue tax exempt bonds and to finance two or more projects with one loan.
6. The City may seek interim financing in order to "cash flow" projects during the construction period. The interim financing could be in the form of either an internal inter-fund loan or a local bank loan.
7. The City will generally select utility revenue loans over general obligation loans to finance water and sewer projects in the future in order to preserve the City's general obligation debt capacity for street, storm sewer, sidewalk, and trail projects in the next CIP.

F. City's G.O. Debt Capacity Limit – Exhibit E

Exhibit E was prepared to provide an overall summary of the City's outstanding debt. The City currently has three outstanding loans or debt obligations. This exhibit provides the following information:

- Type of Loan
- Date that the money was borrowed
- Interest rates
- Balance still due as of July 1, 2021
- Average annual payments
- The sources of the revenue currently allocated to retire the loans.
- Date of final payment.

The City currently uses three different sources of payment or funds to finance the annual loan payments. The City's total outstanding balance for all three loans is \$2,528,000 as of July 1, 2021. This amount equals about \$650 for every person in Cresco.

The City's G.O. debt capacity limit as of July 1, 2022 will be calculated as follows:

100% Assessed Valuation.....	\$232,007,741
100% Agricultural Valuation.....	\$ 697,840
Total 100% Valuation.....	\$232,705,581
Constitutional Debt Limit.....	x 5%
City of Cresco Debt Limit.....	\$ 11,635,279

Exhibit F provides a list of the outstanding general obligation loans that count against this G.O. debt limit. The amount of G.O. debt capacity available is calculated as follows:

City G.O. Debt Limit – 7-1-22.....	\$11,635,279
Outstanding G.O. Debt- 7-1-22 (less)	\$ 1,980,000
Balance available- 7-1-22.....	\$ 9,655,279
Percentage of debt capacity used.....	17%
Percentage of debt capacity available.....	83%

The proposed street reconstruction projects could also have a significant impact on the City's debt service levy and property tax asking. A summary and projection of the City's debt service projections is attached as Exhibit G.

G. Major Capital Projects – Not Included in this CIP

This CIP has identified thirteen (13) capital projects that may have to be delayed to fiscal years beyond this CIP. These capital projects have been identified and listed in Exhibit H. The City still needs to further define the scope of these projects, prepare more detailed cost estimates, and identify the sources of funding for these capital projects. The capital projects listed in Exhibit H have not been included in the projections in this CIP.

9. Consultant's Recommendations

- A. Annual Updates.** It is recommended that the City prepare regular updates of the CIP Exhibits A to G. As new information becomes available, the City can make adjustments to the projects that are shown in these exhibits.
- B. Street Analysis.** It is very important for the City to continue to conduct ongoing analysis of its streets so that specific street improvement projects can be scheduled for completion. There were additional street projects that were not included in this CIP because the City does not have the financial capacity to finance all of these projects.
- C. Cash Reserves.** While the City can use cash reserves to finance capital improvement projects, it is recommended that the City continue to maintain cash reserves in the General Fund, Water Operating Fund, and Sewer Operating Fund that are equal to 50% to 100% of the annual operating budgets. If the cash reserves in these major funds drop below the 50% level, it is

recommended that the City increase utility user fees or property taxes in order to increase the cash reserves in these three funds.

10.Final Comments and Acknowledgements

Individual project profile sheets for all of the projects referenced in this CIP have been prepared by the City's Department Heads. Copies of these project profile sheets are available for review at City Hall. Copies of the project profile sheets have also been scanned and can be sent to an email address. These project profile sheets will be updated on a periodic basis or as the project gets closer to the actual construction date.

The preparation of a capital improvements plan requires the review and analysis of potential capital projects and the City's capacity to finance the proposed projects. The process of writing a capital improvements plan is really a "team effort" that involves the City's department heads and elected officials.

We would like to thank the Mayor and City Council members for suggesting potential projects, ranking the projects, and reviewing the various CIP reports.

The City may want to provide a copy of this CIP to the Upper Explorerland Regional Planning Commission. They can provide comments and observations regarding the eligibility of the proposed capital projects for grant programs, such as the Community Development Block Grant (CDBG) program, and the Surface Transportation Block Grant (STBG) program.

We would like to thank all of the City Department Heads for assisting with the preparation of the Capital Improvements Plan. They provided lists of proposed capital projects for their departments. They also provided costs estimates for proposed capital projects, which was critical in the preparation of the CIP.

Lastly, we would like to thank Michelle Elton, City Clerk, for providing much of the background information and data needed for this CIP report. She reviewed various parts of the CIP in the process so as to verify that accurate and current information was being used in the financial analysis of the City's capacity to fund projects. She also gathered much of the information needed for the exhibits in this CIP report.



CITY OF CRESCO, IOWA - CAPITAL IMPROVEMENT PLAN PROJECT LIST - THIRD DRAFT - AUGUST 31, 2021

Exhibit A

#	Department	Project Name	Project Description	Cost Estimate	Funding Source	Jan Rank	Rich Rank	Dave Rank	Amy Rank	Alex Rank	Mark Rank
1	Street	4th Avenue West Reconstruction Project	From 3rd St. West to 7th St. West - Concrete paving - 4 blocks. Storm sewer and curb & gutter. Replace 4" water main	\$1,019,000	*Special Assessment *G.O. Bond *Water & Sewer Loan	B	B	D	D	C	
2	Street	3rd Street East Reconstruction Project	From 2nd Ave. East to 6th Ave. East. Concrete paving - 4 blocks curb & gutter. Replace water main crossing at 3rd & 4th & 5th Avenues.	\$890,000	*Special Assessment *G.O. Bond *Water & Sewer Loan	C	B	D	D	C	
3	Street	5th Avenue West Reconstruction Project	From 3rd St. West to 7th St. West. Concrete paving and curb & gutter-4 blocks. Replace water.	\$985,000	*Special Assessment *G.O. Bond *Water & Sewer Loan	B	B	D	D	C	
4	Street	10th Avenue SE & SW Reconstruction Project	From 3rd St. SW to 5th St. SE. Concrete paving and curb & gutter - (Analyze storm sewer) Sanitary sewer crossing at intersections. Water line connections.	\$1,750,000	*Special Assessment *G.O. Bond *Sewer Loan	B	A	C	C	B	
5	Street	2nd Street S.W. Reconstruction Project	From 3rd Ave. SW to 10th Ave. SW. Concrete paving and curb & gutter & water & sanitary & storm sewer replacements	\$1,300,000	*Special Assessment *G.O. Bonds	B	B	D	D	C	
6	Street	Division Street Reconstruction Project	From 8th Ave W to 12th Ave E. Replace storm sewer, sanitary sewer, & water mains, and repave the street	\$950,000	*Special Assessment *G.O. Bonds	B	A	A	D	C	
7	Street	Vernon Road Reconstruction Project	Asphalt overlay (2") - Drainage & Storm Sewer replacement at 7th St. & Highway 9 & sanitary sewer replacement.	\$1,500,000	*Special Assessment *G.O. Bonds *LOST Money? *Water/Sewer Loan	C	B	B	D	C	
8	Street	2nd Street Repair Project	From Highway 9 to 1st Avenue East - Replace storm sewer and pave the street	\$136,000	*Special Assessment *G.O. Bonds	C	B	B	D	A	
9	Street	7th Street West Reconstruction Project	Replace water mains & sanitary sewer lines. Add storm sewer. Repave the street	\$2,592,000	*Special Assessment *G.O. Bonds *LOST	A	A	A	B	A	A
10	Street	5th Street West Reconstruction Project	From 2nd Avenue West to 6th Avenue West. Curb & gutter replacement. Storm sewer repair	\$724,000	*Special Assessment *G.O. Bonds	B	B	C	D	C	
11	Street	Downtown Crosswalks & Sidewalks Reconstruction - Elm Street 1st Ave - 3rd Ave	Remove crosswalks and add new ones - Make ADA compliant. Replace Sidewalks	\$600,000	*LOST Fund *Property Owners Assessments *Bond	A	A	A	A	B	A
12	Street	Downtown Sidewalk - Repair Program - Phase 2 (see Phase 1 - Item #11)	Replace two crosswalks and eliminate two crosswalks - Replace adjacent sidewalks - Make ADA compliant	See #11 combined phase	*LOST Fund *Property Owners	A	A	A	A	B	A
13	Sewer Utility	Replace Sanitary Sewer on 3rd St SE	Raise sanitary sewer mains and groud risers to reduce I&I issues at South Lift Station	\$1,600,000	*SRF Loan *Sewer Rate Rev. *CDBG grants	B	B	C	C	B	
14	Sewer Utility	Wastewater Treatment Plant Renovation Project (Nutrient reduction program)	Major repairs to pumps, aeration basins, clarifiers, UV disinfection system, digesters, blowers, building, garages, control building - See List.	\$9,000,000	*SRF Loan *Sewer Rate Rev. *CDBG grants	C	C	D	C	D	
15	Water Utility	Water Storage Tank & Water Well Project	Construct new 500,000 gallon or more water tower and tank and drill new (third) water well into Jordan Aquifer - 1,200 feet deep	\$2,500,000	*SRF Rev Bond *CDBG Grant	D	D	D	D	D	D

#	Department	Project Name	Project Description	Cost Estimate	Funding Source	Jan Rank	Rich Rank	Dave Rank	Amy Rank	Alex Rank	Mark Rank
16	Water Utility	Big Water Tower Repair Program	Paint exterior and interior and maintenance work on big water tower	\$317,000	*SRF Rev Bond *Water Cash Res.	D	C	B	D	C	
17	Water Utility	Highway 9 West Water Main Loop	Install water main loop to serve Industrial Park and Campsite Subdivision	??	*SRF Loan *Water Cash Res. *Sewer Cash Res.	C	C	C	D	D	
18	Water Utility	Water Main Replacement Program	Replace all 4 inch water mains over period of time to meet Fire Code and DNR requirements (See map) approx. 70,000 ft x \$50/ft	\$3,500,000	*SRF Loan	D	C	D	C	B	
19	Water Utility	Water Main From Well #3 to 500 Klower (8th Ave)	Install new water main from Well #3 to Water Tower and eliminate two existing mains. Will also include sewer line and street construction work.	\$2,056,500	*SRF Loan *G.O. Bonds *Sewer Cash Res. *So Assessments	A	C	B	B	C	A
20	Library	Library Downstairs Renovation Project	Install new carpet, shelving, and paint to repair water damage and address drainage issues	\$98,500	*LOST Funds *General Tax Rev. *Library Trust Donations *Library Foundation	B	D	B	A	D	
21	Park & Rec	Tennis Court/Pickle Ball Court Project	Replacement of playing surface and nets on tennis courts and fencing	\$110,000	*LOST Fund *Grants *Donations	D	B	B	C	D	
22	Park & Rec	Fitness Center - HVAC Project	Replace old boiler system with new high efficiency hot water boiler plant per Twin Rivers Engineering Study	\$586,080	*LOST Funds *General Tax Rev. *FC Trust	A	B	B	A	C	
23	Park & Rec	Fitness Center - Pool Heater & Cover	Replace pool heater and install pool cover	\$165,375	*LOST Funds *General Tax Rev. *FC Trust	C	A	A	B	C	
24	Park & Rec	Fitness Center - Roof Replacement (Built In 1955) East Addition	Replace existing roof with new membrane	\$48,000	*LOST Funds *General Tax Rev. *FC Trust						
25	Park & Rec	Fitness Center - Pool Ventilation & Condensing Unit	Replace ventilation unit, dehumidification, and heat recovery unit	\$400,725	*LOST Funds *General Tax Rev. *FC Trust	C	C	C	B	C	
26	Park & Rec	Thomson Pool & Fitness Center Upgrades	Refurbish pool, add therapy pool upgrade fitness space, expand parking lot, and improve locker rooms.	\$3,000,000	*Major Donation *Fundraising	D	C	C	D	D	
27	Park & Rec	Train Painting Project	Paint locomotive & boxcar and replace railroad ties.	\$105,000	*Grants & Donations	C	A	A	D	D	
28	Theatre	Theatre Roof Project	Replace roof on building by 2028 based upon an inspection by Schwicker's Tecla America.	\$91,185	*Grants & Donations *LOST Fund *General Fund	D	B	D	D	C	
29	Theatre	Theatre Renovation Project	Replace seats, flooring, and refinish balcony flooring	\$205,000	*Grants & Donations	D	C	D	D	D	
30	Theatre	Scene Shop Project	Build new scene shop for equipment and lifting it to stage level for performers and entertainers with large equipment	\$425,000	*Grants & Donations	A	C	D	B	C	
31	Theatre	Electrical Upgrades & Fire Detection System	Upgrade wiring in the theatre and install smoke/fire detectors	\$50,000	*LOST	A	A	B	B	B	
32	Fire	Turnout Gear Replacement	Replace Firefighter Personal Protective Equipment/Turnout Gear by 2026	\$140,000	*LOST - City - 50% *Rural Assn. - 50 %	B	B	C	C	B	
33	Fire	Fire Tanker Truck	Replace Fire Unit #327 by 2024 City/ Rural Split	\$350,000	*LOST - City - 50% *Rural Assn. - 50 %	B	A	C	A	C	

#	Department	Project Name	Project Description	Cost Estimate	Funding Source	Jan Rank	Rich Rank	Dave Rank	Amy Rank	Alex Rank	Mark Rank
34	Fire	Fire Rescue Truck	Replace Fire Unit #330 by 2025 City/ Rural Split	\$300,000	* LOST - City - 50% *Rural Assn. - 50%	B	B	C	B	C	
35	Airport	Runway Repairs & Drainage Project	Drainage improvements \$130K & concrete patching of runway \$145K. Joint & crack sealing repairs \$75K. Grants of 85% except for joint repairs.	\$350,000	*Grants & Donations *LOST Fund *Airport Trust	A	A	C	D	D	
36	Misc - Solar	Buyout - Solar Arrays Project	Purchase the existing seven solar arrays at City Buildings & facilities that are now owned by Solar Pro LLC	\$300,000	*General \$46,000 *RUT \$30,500 *Water \$223,500	D	C	B	A	A	
37	Misc - Bike Trail	Prairie Springs Bike Trail Resurfacing Project	Resurface City/County Bike Trail from City to Vernon (67% City/ 33% County) IA DOT COVID Grant Awarded In 2021	\$919,000	*City Pledge 10% **Grants-COVID GRANT *LOST Fund (\$93,000)	B	A	A	A	D	
38	Misc - Sidewalks	Replace Residential Sidewalks	Replace sidewalks throughout town (assess to property owners or City funded???)	???	*Sp. Assessments *LOST	D		D	B	D	
39	Equipment	Loader	Replacement of John Deere Loader in FY2023	\$150,000	*RUT/Water/Sewer *LOST	A	C	B	A	C	
40	Equipment	Street Sweeper	Replace street sweeper in FY2025	\$185,000	*LOST	A	C	B	B	C	
41	Equipment	Update Maintainer	Replace 1984 model with used unit in FY2025	\$70,000	*RUT *LOST	A	C	B	B	C	
42	Equipment	Dump Truck	Replace 2011 Freightliner in FY2026	\$105,000	*RUT/Water/Sewer *LOST	B	C	C	C	C	
TOTAL				\$38,554,385							

By FYE 6/30/24
By FYE 6/30/26

A = 1-2 yrs
B = 3-4 yrs

of A's
of B's

11
13

11
13

7
12

8
10

3
7

5
0

City of Cresco - LOST Fund - Cash Flow Projections - February 2022

Exhibit B

Fiscal Year	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Starting Balance	1,204,502	1,485,826	1,619,226	1,605,526	1,718,526	1,636,526	1,448,151

REVENUES

Local Option Tax Received	522,385	617,400	522,000	522,000	522,000	522,000	522,000
Sidewalks Repaid by Owners				40,000	40,000	40,000	40,000
Other Revenue (Interest)	6,009	6,000	6,000	6,000	6,000	6,000	6,000
Total Revenues	528,394	623,400	528,000	568,000	568,000	568,000	568,000
EXPENDITURES							
Expenditures - Annual	91,395	30,000	30,000	30,000	30,000	30,000	30,000
Expenditures - Small Proj/Equip	155,675	275,000	178,700	250,000	250,000	250,000	250,000
1. Downtown Sidewalks			160,000				
2. Loader				175,000		150,000	
3. Fire Tanker Truck							
4. Theatre Electrical Upgrades/Fire			50,000				
5. Bike Trail Resurfacing			93,000				
6. FC Heater & Cover							
7. Street Sweeper		185,000				165,375	
8. Maintainer (Used)					70,000		
9. Fire Rescue Truck					150,000		
10. Turnout Gear Replacement						70,000	
11. Library Downstairs Renovation						32,000	
12. Train Painting Project			0			0	
13. Airport Runway Repairs						104,000	
14. Dump Truck						105,000	
15. FC Pool Ventilation & Condens							401,000
16. Pickleball Courts			30,000				0
Total Expenditures	247,070	490,000	541,700	455,000	650,000	756,375	681,000
Ending Balance	1,485,826	1,619,226	1,605,526	1,718,526	1,636,526	1,448,151	1,335,151

LOST Received in previous years

Increase

Increase

2014/2015	414,800		2018/2019	458,000	1%
2015/2016	371,300	-10%	2019/2020	440,700	-4% (COVID)
2016/2017	414,300	12%	2020/2021	522,400	19%
2017/2018	455,200	10%	2021/2022	617,400	18%

EXHIBIT C - CITY OF CRESCO- FUTURE G.O. NOTES FOR STREET PROJECTS

A. Project/Costs	G.O. Notes 2023	G.O. Notes 2025	G.O. Notes 2027
1. 7 th Street West Reconstruction	\$2,592,000		
2. Downtown Crosswalks & Sidewalks & Elm Street (1 st Ave to 3 rd Ave)	\$600,000		
3. Division Street Reconstruction		\$950,000	
4. 10 th Avenue SE & SW Reconstruction		\$1,750,000	
5. 2 nd Street Repair Project		\$136,000	
6. Vernon Road Reconstruction			\$1,500,000
7. 5 th Street West Reconstruction			\$724,000
B. Credits/Additional Sources			
1. ARPA Money for 7 th Street	-\$550,000	0	0
2. LOST Loan – Property Owner Payments	-\$160,000	0	0
C. Net Amount – G.O. Notes Proceeds	\$2,482,000	\$2,836,000	\$2,224,000
D. Bond Issuance Fees & Expenses			
1. Legal Fees	\$15,000	\$15,000	\$15,000
2. Rotating Service Fee	\$15,000	\$15,000	\$15,000
3. Advisor Fee & Discount	\$48,000	\$54,000	\$46,000
Total G.O. Notes	\$2,560,000	\$2,920,000	\$2,300,000
E. Financial Impact			
1. Annual Payments – 10 years at 4%	\$303,500	\$346,200	\$272,600
2. Required debt service levy	\$2.18	\$2.49	\$1.96
3. Impact on \$200,000 Home (54.12%)RB	\$236	\$269	\$212

**EXHIBIT D – CRESCO, IOWA - STREET RECONSTRUCTION PROJECTS –
WATER & SEWER PORTION OF COSTS – Revised 3/7/22**

Project	Street & Misc. Costs	Water Main Costs	Sanitary Sewer Lines	Total
1. 7 th Street West -- Reconstruction Project	\$2,301,990	\$201,760	\$79,250	\$2,592,000
2. Downtown Crosswalks & Sidewalks and Reconstruction – Elm Street (1 st Ave- 3 rd Ave)	\$600,000	0	0	\$600,000
3. Division Street Reconstruction Project	\$583,500	\$179,000	\$187,500	\$950,000
4. 10 th Avenue SE & SW Reconstruction Project	\$1,190,375	\$322,625	\$237,000	\$1,750,000
5. 2 nd Street Repair Project	\$136,000	0	0	\$136,000
6. Vernon Road Reconstruction Project	\$1,185,625	\$114,375	\$200,000	\$1,500,000
7. 5 th Street West Reconstruction Project	\$570,875	\$90,625	\$62,500	\$724,000
8. 8 th Avenue E Water Main Project	\$1,342,545	\$551,425	\$162,500	\$2,056,470
Total	\$7,914,180	\$1,468,813	\$928,750	\$10,308,470

Note:

The assessments collected on these projects may be about 20% of project costs.

EXHIBIT E – CITY OF CRESCO – SUMMARY OF OUTSTANDING DEBT – March 7, 2022

1. Type of Loan	G.O. Notes	G.O. Notes	Sewer Revenue (SRF Loan)
2. Purpose of Loan	Water main loop, water building, fire pumper, fire doors, and tennis courts	Granger Road	Sludge Storage
3. Year issued	2013	2014	2011
4. Amount borrowed	\$1,700,000	\$2,950,000	\$463,000
5. Annual Payments	\$136,826	\$208,125	\$31,710
6. Sources of Payment			
• Debt Service Levy	\$136,826	\$155,625	-
• LOST Money (10% Share)	-	\$52,500	-
• Sewer Fees	-	-	\$31,710
7. Interest Rate	1.55% - 1.85%	2.0% - 3.375%	1.75%
8. Outstanding Balance – 7-1-21	\$360,000	\$1,900,000	\$268,000
9. Final Payment	2024	2034	2031

EXHIBIT F - CITY OF CRESCO- GENERAL OBLIGATION DEBT CAPACITY PROJECTIONS – February 15, 2022

Date – July 1st	2021	2022	2023	2024	2025	2026	2027	2028	2029
G.O. Debt Limit – 3%+	10,866,635	11,635,279	11,984,000	12,300,000	12,700,000	13,100,000	13,500,000	13,900,000	14,300,000
2013 G.O. Notes	360,000	230,000	100,000	0					
2014 G.O. Notes	1,900,000	1,750,000	1,600,000	1,450,000	1,300,000	1,150,000	1,000,000	850,000	700,000
Sub-Total	2,260,000	1,980,000	1,700,000	1,450,000	1,300,000	1,150,000	1,000,000	850,000	700,000
2023 G.O. Notes			2,560,000	2,360,000	2,150,000	1,930,000	1,705,000	1,470,000	1,225,000
2025 G.O. Notes					2,920,000	2,690,000	2,450,000	2,200,000	1,940,000
2027 G.O. Notes							2,300,000	2,120,000	1,930,000
Total Outstanding	2,260,000	1,980,000	4,260,000	3,810,000	6,370,000	5,770,000	7,455,000	6,640,000	5,795,000
Percentage Used	20.8%	17.0%	35.5%	30.9%	50.2%	44.0%	55.2%	47.8%	40.5%
Balance Available	8,606,635	9,655,279	7,724,000	8,490,000	6,330,000	7,330,000	6,045,000	7,260,000	8,505,000

Exhibit G Notes:

1. The 2013 G.O. Notes and 2014 G.O. Notes payments are paid with a debt service levy (853%) and (15%) LOST money.
2. The current debt service levy is based upon taxable valuation of \$134,165,183
3. The F.Y. 2022-23 debt service levy will be based upon taxable valuation of \$138,840,763.
4. The property tax rollback was based upon the F.Y. 2022-23 state mandate rollback of 54.13%

**EXHIBIT H – CRESCO CAPITAL PROJECTS FOR FUTURE YEARS
BEYOND THE CIP REPORT
March 7, 2022**

Project Name	Cost Estimate	Council Score
1. 4 th Avenue West Reconstruction Project	\$1,019,000	10
2. 5 th Avenue West Reconstruction Project	\$985,000	10
3. 2 nd Street S.W. Reconstruction Project	\$1,300,000	10
4. 3rd Street East Reconstruction Project	\$890,000	9
5. Big Water Tower Repair Program	\$317,000	9
6. Water Main Replacement Program	\$3,500,000	9
7. Wastewater Treatment Plant Renovation Project (Nutrient reduction program)	\$9,000,000	8
8. Theatre- Roof Project	\$91,185	8
9. Highway 9 West Water Main Loop	??	8
10. Thomson Pool & fitness Center Upgrades	\$3,000,000	7
11. Theatre – renovation Project	\$205,000	6
12. Replace Residential Sidewalks	??	6
13. Water Storage Tank & Water Well Project	\$2,500,000	5

Addendum 1

Capital Improvements Planning and Budgeting

by

Patrick Callahan – Callahan Municipal Consultants, LLC

A Capital Improvements Plan (CIP) is basically a long range plan for the planning, scheduling, and financing of large construction projects and the purchasing of major pieces of equipment by the city. A capital improvement plan is a written document that links together the city's comprehensive plan and the city's annual budget. The CIP describes in detail the projects that need to be accomplished in order to implement the comprehensive plan or smart plan. A CIP can provide the blueprint needed to complete those projects that will be authorized in the city's annual budget.

A. REASON FOR PREPARING A CIP: "THE TOP TEN LIST"

There are numerous reasons why a city should take the time and effort to prepare a CIP. The following are the top ten reasons why a CIP is an important element of the elected officials' decision making process and overall vision for the city.

1. SYSTEMATIC EVALUATION OF PROJECTS

A CIP requires the systematic evaluation of all potential projects at the same point in time. It helps the elected officials to see the big picture and to judge and rank all projects at the same time, rather than on an individual or stand alone basis. It will clearly present trade-offs that may occur as elected officials assign priorities.

2. LEVEL DEBT STRUCTURE

A realistic and complete CIP will help the city to stabilize the volume of expenditures and better manage the city's debt structure. It will hopefully remove the major peaks and valleys of the city's repayment of debt and thus eliminate any major fluctuation in the city's property tax askings and utility rates.

3. LOWER BORROWING COSTS

A CIP will coordinate the financing of capital costs and hopefully lower the city's costs for borrowing money by consolidating projects and the financing of these projects.

4. PUBLIC RELATIONS TOOL

A CIP can also be a valuable public relations tool that can be used to show local citizens how their special projects, requests, or suggestions fit into the city's overall plan for the future. A CIP will help reduce the political pressure to fund low priority projects suggested by a "vocal minority" of local citizens. Citizens can also be asked to judge each project based upon how it will fit into the city's overall plan of action or CIP.

5. PRESERVATION OF CITY INFRASTRUCTURE

The CIP gives the city a workable plan to preserve the city's infrastructure - the publicly owned buildings, streets, sewers, water mains, equipment, storm sewers, parks, etc. It provides the city with a plan to identify and schedule the maintenance work that is needed to preserve these assets of the city.

6. ECONOMIC DEVELOPMENT TOOL

A well-maintained community infrastructure and a level debt payment schedule will then make the city a better place to start a business or industry. In other words, a CIP will demonstrate to potential investors that the city has its act together and has a plan for the future.

7. EFFICIENT USE OF PUBLIC FUNDS

A CIP will encourage the most efficient use of public funds. Since the city's financial resources are limited, a CIP will provide a plan to make the most efficient use of tax dollars.

8. FOSTER COOPERATION AMONG CITY DEPARTMENTS

A CIP may promote a better understanding and help foster greater cooperation among the city departments and employees. If the city employees are allowed to comment and make recommendations regarding the CIP, it will also encourage them see the "big picture" of the city's projects and overall needs.

9. **INFORMATION FOR OTHER GOVERNMENTAL ENTITIES**

If the city shares the CIP with other governmental units, such as the county, school district, and surrounding cities, it may promote regional cooperation. These entities may have similar projects or needs and a CIP will alert them to the city's plans. It may then spark some interest in a service sharing, joint contracting, or joint purchasing project. The city in turn should request and review the CIP of other governmental entities to determine the potential for regional cooperation and sharing.

10. **ACCOMPLISHMENT OF LONG TERM GOALS**

The adoption of a CIP allows the mayor and city council to work towards long term goals and an overall vision for the community. These goals could include economic development efforts, opening up land for housing developments, and increasing recreational opportunities.

B. LEGAL ASPECTS OF CIP: CODE OF IOWA REQUIREMENTS

There are some legal aspects of capital improvements planning that need to be considered by the city.

1. **PUBLIC HEARING**

Section 384.15(3) of the *Code of Iowa* requires the city to conduct a public hearing prior to the adoption of a CIP.

2. **CIP LEVY**

The voters of the city can authorize a levy of 67.5¢ per \$1,000 of assessed value to establish a capital improvements reserve fund in order to fund capital projects. Section 384.7 of the *Code of Iowa* permits such a levy by referendum.

3. **BID LETTING**

Although the city has a CIP, it must still follow the contract bid letting requirements that are outlined in Section 384.95-384.103 of the *Code of Iowa*.

4. **EMERGENCY LEVY**

Section 384.8 of the *Code of Iowa* authorizes a 27 ¢ per \$1,000 of assessed valuation emergency fund levy that could be earmarked for capital projects. The 27¢ levy does not require voter approval and can be enacted by the city council, if the city has reached the \$8.10 property tax limit.

5. **CONSTITUTIONAL DEBT LIMIT**

Finally, the city needs to be aware that the Iowa Constitution restricts the overall general obligation debt limit to no more than 5% of the total assessed valuation of the city. For example, if the city's assessed value is \$65,000,000, the general obligation debt limit is \$3,250,700. This same limit does not apply to revenue bonds that are repaid from utility monies, such as water and sewer user fees. Cities are encouraged to use no more than 80% of the general obligation debt capacity.

C. THE PROJECTS IN A CIP

The projects in a CIP will vary from city to city, depending upon the city council's policy and the size of the community. The typical CIP will contain such projects as land acquisition for public improvements, public building replacements or additions, major building repairs or renovations, street construction, storm sewer and drainage projects, wastewater facility improvements, watermain construction, water facility renovations, park developments, library projects, public works equipment, fire trucks, and police equipment.

D. THE PROCESS OF PREPARING A CIP

The process of preparing a capital improvements plan could include the following steps and actions:

1. Define a capital project or expenditure in terms of minimum costs and frequency of occurrence. For example, a capital equipment expenditure might be something that costs \$10,000 or more and has a life expectancy of five years or more.

2. Organize the process by appointing one person, such as the city administrator or city clerk, as the overall coordinator of the process and establish a committee to oversee the process.
3. Develop basic city policies and criteria, such as the goal is to have all curb and gutter streets and all water mains of six inches or more.
4. Forecast the demand for services and infrastructure and project the growth and development of the city.
5. Do an inventory of the existing facilities and assess the overall condition by reviewing previous studies and plans and conducting inspections. Prepare a maintenance plan for buildings and facilities.
6. Prepare project proposals with the available information. The project summaries can include a name or title, brief description, justification, schedule for completion, cost estimates, priority, map or site plan, and pictures.
7. Seek the advice of department heads, employees, engineers, contractors, architects, and consultants as the project proposals are prepared.
8. Review and analyze the city's financial capacity by researching past financial reports, the revenue projections for the future, and current debt repayment schedules.
9. Prepare level of service and revenue scenarios and then schedule the high priority projects over a specified period of time, such as five years.
10. Present the CIP to the city council for review and comment. Make corrections and changes as directed by the city council.
11. Conduct a public hearing on a draft of the CIP and seek the comments of local citizens.
12. Make the final revisions, set the priorities, and adopt the CIP by council resolution.
13. Conduct an annual review or assessment. Continue to revise and update the CIP on an annual basis.

E. TIME TABLE FOR THE CIP

The implementation of a workable CIP does require time and a flexible schedule. A suggested schedule could be as follows:

- | | |
|--|-----------|
| 1. Organize the process | May |
| 2. Develop policies and forecast the demand for services | June |
| 3. Inventory existing facilities | July |
| 4. Prepare project proposals and analyze the finances | August |
| 5. Prepare a working draft of the CIP | September |
| 6. Conduct the public hearing | October |
| 7. Final adoption of CIP by council resolution | October |
| 8. Include CIP projects in annual budget proposal | November |

F. SOURCES OF FUNDING FOR CIP

The single most difficult task in developing a CIP may be identifying the revenue sources to fund the proposed projects or capital expenditures. The city needs to be creative and consider many options or combination of options. The following is a list of potential revenue sources that may be used to finance capital projects:

1. Essential corporate purpose general obligation bonds for projects that do not require voter approval, such as streets, sanitary sewers, storm sewers, and water mains.

2. General corporate purpose general obligation bonds for projects that do require voter approval, such as city halls, libraries, public works buildings, parks, recreation centers, etc.
3. Utility revenue bonds for utility improvements such as wastewater plants, water plants, sanitary sewers, water mains, electric systems, natural gas systems, municipal cable systems, and storm water drainage districts.
4. Special assessment bonds for projects, such as street construction, when part of the costs can be assessed back to the benefited property owners within a specified area.
5. Loan agreements which allow the city to borrow funds, but subject to many of the same requirements as a general obligation bond issue.
6. Road use tax funds that can be used to fund specific projects such as street construction, sidewalk construction, storm sewer, street lighting and public works equipment.
7. Grants, loans, and donations for certain projects, such as swimming pools, recreation centers, wastewater plants, libraries and other facilities.
8. The Code of Iowa allows cities to enter into lease purchase agreements to finance such things as major pieces of equipment and even buildings. Cities have purchased backhoes, endloaders, and other major pieces of equipment through lease purchase agreements.
9. Tax increment financing (TIF) can be used to finance infrastructure improvements in specific areas, provided that there will be enough new private project building construction to generate the additional property tax revenues needed to repay the city's debt for these improvements.
10. Local option sales tax revenue is sometimes used for capital improvements, provided that the voters implement the one cent sales tax with that stipulation.
11. User fees can be used to partially fund some capital improvements for their respective departments. For example, a recreation center could be partially funded with revenues from fees paid by the persons using the center.
12. Special taxing districts can be set up to fund specific improvement, such as storm drainage systems and downtown improvements.

The important thing to remember is that many capital projects may require a combination of funding sources. Cities need to consult their financial advisers and legal counsel to make certain that what is being proposed is legal and will not jeopardize the city's financial condition.

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January 10, 2014

ADDENDUM 2 - CITY OF CRESCO, IOWA - CAPITAL IMPROVEMENT PLAN PROJECT LIST- THIRD DRAFT- AUGUST 31, 2021

#	Department	Project Name	Project Description	Cost Estimate	Funding Source	Council Ranking
1	Street	4 th Avenue West Reconstruction Project	From 3 rd St. West to 7 th St. West - Concrete paving - 4 blocks. Storm sewer and curb & gutter. Replace 4" water main	\$1,019,000	*Special Assessment *G.O. Bond *Water & Sewer Loan	Column 1
2	Street	3 rd Street East Reconstruction Project	From 2 nd Ave. East to 6 th Ave. East. Concrete paving - 4 blocks curb & gutter. Replace water main crossing at 3rd & 4th & 5 th Avenues.	\$890,000	*Special Assessment *G.O. Bond *Water & Sewer Loan	
3	Street	5 th Avenue West Reconstruction Project	From 3 rd St. West to 7 th St. West. Concrete paving and curb & gutter-4 blocks. Replace water.	\$985,000	*Special Assessment *G.O. Bond *Water & Sewer Loan	
4	Street	10 th Avenue SE & SW Reconstruction Project	From 3 rd St. SW to 5th St. SE. Concrete paving and curb & gutter - (Analyze storm sewer) Sanitary sewer crossing at intersections. Water line connections.	\$1,750,000	*Special Assessment *G.O. Bond *Sewer Loan	
5	Street	2 nd Street S.W. Reconstruction Project	From 3rd Ave. SW to 10 th Ave. SW. Concrete paving and curb & gutter & water & sanitary & storm sewer replacements	\$1,300,000	*Special Assessment *G.O. Bonds	
6	Street	Division Street Reconstruction Project	From 8th Ave W to 12th Ave E. Replace storm sewer, sanitary sewer, & water mains, and repave the street	\$950,000	*Special Assessment *G.O. Bonds	
7	Street	Vernon Road Reconstruction Project	Asphalt overlay (2") - Drainage & Storm Sewer replacement at 7 th St. & Highway 9 & sanitary sewer replacement.	\$1,500,000	*Special Assessment *G.O. Bonds *LOST Money? *Water/Sewer Loan	
8	Street	2 nd Street Repair Project	From Highway 9 to 1 st Avenue East - Replace storm sewer and pave the street	\$136,000	*Special Assessment *G.O. Bonds	
9	Street	7 th Street West Reconstruction Project	Replace water mains & sanitary sewer lines. Add storm sewer. Repave the street	\$2,592,000	*Special Assessment *G.O. Bonds *LOST	
10	Street	5 th Street West Reconstruction Project	From 2 nd Avenue West to 6 th Avenue West. Curb & gutter replacement. Storm sewer repair	\$724,000	*Special Assessment *G.O. Bonds	
11	Street	Downtown Crosswalks & Sidewalks Reconstruction - Elm Street 1st Ave - 3rd Ave	Remove crosswalks and add new ones - Make ADA compliant; Replace Sidewalks	\$600,000	*LOST Fund *Property Owners Assessments *Bond	
12	Street	Downtown Sidewalk - Repair Program - Phase 2 (see Phase 1 - Item #11)	Replace two crosswalks and eliminate two crosswalks - Replace adjacent sidewalks - Make ADA compliant	See #11 combined phases	*LOST Fund *Property Owners	
13	Sewer Utility	Replace Sanitary Sewer on 3rd St SE	Raise sanitary sewer mains and grout risers to reduce I&I issues at South Lift Station	\$1,600,000	*SRF Loan *Sewer Rate Rev. *CDBG grants	

#	Department	Project Name	Project Description	Cost Estimate	Funding Source	Council Ranking
14	Sewer Utility	Wastewater Treatment Plant Renovation Project (Nutrient reduction program)	Major repairs to pumps, aeration basins, clarifiers, UV disinfection system, digesters, blowers, building, garages, control building - See List.	\$9,000,000	*SRF Loan *Sewer Rate Rev. *CDBG grants	
15	Water Utility	Water Storage Tank & Water Well Project	Construct new 500,000 gallon or more water tower and tank and drill new (third) water well into Jordan Aquifer - 1,200 feet deep	\$2,500,000	*SRF Rev Bond *CDBG Grant	
16	Water Utility	Big Water Tower Repair Program	Paint exterior and interior and maintenance work on big water tower	\$317,000	*SRF Rev Bond *Water Cash Res.	
17	Water Utility	Highway 9 West Water Main Loop	Install water main loop to serve Industrial Park and Campsite Subdivision	??	*SRF Loan *Water Cash Res. *Sewer Cash Res.	
18	Water Utility	Water Main Replacement Program	Replace all 4 inch water mains over period of time to meet Fire Code and DNR requirements (See map) approx 70,000 ft x \$50/ft	\$3,500,000	*SRF Loan	
19	Water Utility	Water Main From Well #3 to 500 Ktower (8th Ave)	Install new water main from Well #3 to Water Tower and eliminate two existing mains. Will also include sewer line and street construction work.	\$2,056,500	*SRF Loan *G.O. Bonds *Sewer Cash Res. *So Assessments	
20	Library	Library Downstairs Renovation Project	Install new carpet, shelving, and paint to repair water damage and address drainage issues	\$98,500	*LOST Funds *General Tax Rev. *Library Trust Donations *Library Foundation	
21	Park & Rec	Tennis Court/Pickle Ball Court Project	Replacement of playing surface and nets on tennis courts and fencing	\$110,000	*LOST Fund *Grants *Donations	
22	Park & Rec	Fitness Center - HVAC Project	Replace old boiler system with new high efficiency hot water boiler plant per Twin Rivers Engineering Study	\$586,080	*LOST Funds *General Tax Rev. *FC Trust	
23	Park & Rec	Fitness Center - Pool Heater & Cover	Replace pool heater and install pool cover	\$165,375	*LOST Funds *General Tax Rev. *FC Trust	
24	Park & Rec	Fitness Center - Roof Replacement (Built in 1955) East Addition	Replace existing roof with new membrane	\$48,000	*LOST Funds *General Tax Rev. *FC Trust	\$48,000 DONE IN 2021
25	Park & Rec	Fitness Center - Pool Ventilation & Condensing Unit	Replace ventilation unit, dehumidification, and heat recovery unit	\$400,725	*LOST Funds *General Tax Rev. *FC Trust	
26	Park & Rec	Thomson Pool & Fitness Center Upgrades	Refurbish pool, add therapy pool upgrade fitness space, expand parking lot, and improve locker rooms.	\$3,000,000	*Major Donation *Fundraising	
27	Park & Rec	Train Painting Project	Paint locomotive & boxcar and replace railroad ties.	\$105,000	*Grants & Donations	

#	Department	Project Name	Project Description	Cost Estimate	Funding Source	Council Ranking
28	Theatre	Theatre Roof Project	Replace roof on building by 2028 based upon an inspection by Schwickert's Tecta America.	\$91,185	*Grants & Donations *LOST Fund *General Fund	
29	Theatre	Theatre Renovation Project	Replace seats, flooring, and refinish balcony flooring	\$205,000	*Grants & Donations	
30	Theatre	Scene Shop Project	Build new scene shop for equipment and lifting it to stage level for performers and entertainers with large equipment	\$425,000	*Grants & Donations	
31	Theatre	Electrical Upgrades & Fire Detection System	Upgrade wiring in the theatre and install smoke/fire detectors	\$50,000	*LOST	
32	Fire	Turnout Gear Replacement	Replace Firefighter Personal Protective Equipment/Turnout Gear by 2026	\$140,000	*LOST - City - 50% *Rural Assn. - 50 %	
33	Fire	Fire Tanker Truck	Replace Fire Unit #327 by 2024 City/ Rural Split	\$350,000	*LOST - City - 50% *Rural Assn. - 50 %	
34	Fire	Fire Rescue Truck	Replace Fire Unit #330 by 2025 City/ Rural Split	\$300,000	*LOST - City - 50% *Rural Assn. - 50%	
35	Airport	Runway Repairs & Drainage Project	Drainage improvements \$130K & concrete patching of runway \$145K. Joint & crack sealing repairs \$75K. Grants of 85% except for joint repairs.	\$350,000	*Grants & Donations *LOST Fund *Airport Trust	
36	Misc - Solar	Buyout - Solar Arrays Project	Purchase the existing seven solar arrays at City Buildings & facilities that are now owned by Solar Pro LLC	\$300,000	*General \$46,000 *RUT \$30,500 *Water \$223,500	
37	Misc - Bike Trail	Prairie Springs Bike Trail Resurfacing Project	Resurface City/County Bike Trail from City to Vernon (67% City/ 33% County) IA DOT COVID Grant Awarded in 2021	\$919,000	*City Pledge 10% **Grants-COVID GRANT *LOST Fund (\$93,000)	
38	Misc - Sidewalks	Replace Residential Sidewalks	Replace sidewalks throughout town (assess to property owners or City funded???)	???	*Sp. Assessments *LOST	
39	Equipment	Loader	Replacement of John Deere Loader in FY2023	\$150,000	*RUT/Water/Sewer *LOST	
40	Equipment	Street Sweeper	Replace street sweeper in FY2025	\$185,000	*LOST	Done in FY22
41	Equipment	Update Maintainer	Replace 1984 model with used unit in FY2025	\$70,000	*RUT *LOST	
42	Equipment	Dump Truck	Replace 2011 Freightliner in FY2026	\$105,000	*RUT/Water/Sewer *LOST	

TOTAL

\$38,554,365

ADDENDUM #3 - CITY OF CRESCO, IOWA CAPITAL

#	Project Name	Cost Estimate	Funding Source	Life Replac	Composite Total	Cumulative Cost	Other Funds	City Total	GO Debt (cumulative)	Reserves or Rev Bond (cumulative)
11	Downtown Crosswalks & Sidewalks Reconstruction - Elm Street 1st Ave - 3rd Ave	\$600,000	*LOST Fund *Property Owners Assessments *Bond	FY23	19		160,000	\$440,000	\$440,000	
21	Tennis Court/Pickle Ball Court Project	\$110,000	*LOST Fund *Grants *Donations	FY23	10		80,000	\$30,000		\$30,000
27	Train Painting Project	\$105,000	*Grants & Donations	FY23	12		105,000	\$0		
31	Electrical Upgrades & Fire Detection System Prairie Springs Pike Trail Resurfacing Project	\$50,000 \$919,000	*LOST *City Pledge 10% **Grants-COVID GRANT *LOST Fund (\$93,000)	FY23 FY23	17 16		826,000	\$50,000 \$93,000		\$80,000 \$173,000
9	7th Street West Reconstruction Project	\$2,592,000	*Special Assessment *G.O. Bonds *LOST	FY24	19		\$50,000	\$2,042,000	\$2,482,000	
22	Fitness Center - HVAC Project	\$586,080	*LOST Funds *General Tax Rev. *FC Trust		16			\$586,080	\$3,068,080	
33	Fire Tanker Truck	\$350,000	*LOST - City - 50% *Rural Assn. - 50%	2024	15	\$5,312,080	175,000	\$175,000		\$348,000
23	Fitness Center - Pool Heater & Cover	\$165,375	*LOST Funds *General Tax Rev. *FC Trust		15			\$165,375		
39	Loader	\$150,000	*RUT/Water/Sewer *LOST	2025	15	\$5,627,455		\$150,000		
41	Update Maintainer	\$70,000	*RUT *LOST	2025	14			\$70,000		
4	10th Avenue SE & SW Reconstruction Project	\$1,750,000	*Special Assessment *G.O. Bond *Sewer Loan		14			\$1,750,000		
6	Division Street Reconstruction Project	\$950,000	*Special Assessment *G.O. Bonds		14			\$950,000		
19	Water Main From Well #3 to 500 Ktower (8th Ave)	\$2,056,500	*SRF Loan *G.O. Bonds *Sewer Cash Res. *Sp Assessments		14			\$2,056,500		
36	Buyout - Solar Arrays Project	\$300,000	*General \$46,000 *RUT \$30,500 \$223,500 *Water		14	\$10,753,955		\$300,000		
34	Fire Rescue Truck	\$300,000	*LOST - City - 50% *Rural Assn. - 50%	2025	13		150,000	\$150,000		
32	Turnout Gear Replacement	\$140,000	*LOST - City - 50% *Rural Assn. - 50%	2026	13		70,000	\$70,000		

#	Project Name	Cost Estimate	Funding Source	Life Replac	Composite Total	Cumulative Cost	Other Funds	City Total	GO Debt (cumulative)	Reserves or Rev Bond (cumulative)
8	2nd Street Repair Project	\$136,000	*Special Assessment *G.O. Bonds		13			\$136,000		
13	Replace Sanitary Sewer on 3rd St SE	\$1,600,000	*SRF Loan *Sewer Rate Rev. *CDBG grants		13	\$12,929,955		\$1,600,000		
20	Library Downstairs Renovation Project	\$98,500	*LOST Funds *General Tax Rev. *Library Trust Donations *Library Foundation		12		66,500	\$32,000		
30	Scene Shop Project	\$425,000	*Grants & Donations		12		225,000	\$200,000		
35	Runway Repairs & Drainage Project	\$350,000	*Grants & Donations *LOST Fund *Airport Trust	\$130,000 in 2022	12	\$13,803,455	110,500	\$239,500		\$29,500 Airport Trust in 2022
42	Dump Truck	\$105,000	*RUT/Water/Sewer *LOST	2026	11			\$105,000		
7	Vernon Road Reconstruction Project	\$1,500,000	*Special Assessment *G.O. Bonds *LOST Money? *Water/Sewer Loan		11			\$1,500,000		
10	5th Street West Reconstruction Project	\$724,000	*Special Assessment *G.O. Bonds		11			\$724,000		
25	Fitness Center - Pool Ventilation & Condensing Unit	\$400,725	*LOST Funds *General Tax Rev. *FC Trust		11	\$16,533,180		\$400,725		
1	4th Avenue West Reconstruction Project	\$1,019,000	*Special Assessment *G.O. Bond *Water & Sewer Loan		10			\$1,019,000		
3	5th Avenue West Reconstruction Project	\$985,000	*Special Assessment *G.O. Bond *Water & Sewer Loan		10			\$985,000		
5	2nd Street S.W. Reconstruction Project	\$1,300,000	*Special Assessment *G.O. Bonds		10	\$18,818,180		\$1,300,000		
2	3rd Street East Reconstruction Project	\$890,000	*Special Assessment *G.O. Bond *Water & Sewer Loan		9			\$890,000		
16	Big Water Tower Repair Program	\$317,000	*SRF Rev Bond *Water Cash Res.		9			\$317,000		
18	Water Main Replacement Program	\$3,500,000	*SRF Loan		9	\$23,525,180		\$3,500,000		
14	Wastewater Treatment Plant Renovation Project (Nutrient reduction program)	\$9,000,000	*SRF Loan *Sewer Rate Rev. *CDBG grants	Plan 2023 Upgrades 2028	8			\$9,000,000		

Addendum 4

RESOLUTION 060004
RESOLUTION AMENDING RESOLUTION NO. 049903 RESOLUTION
STATING REQUIREMENTS FOR LOCAL OPTION TAX ELECTION

WHEREAS, on the 23rd day of March, 1999, the Howard County Farm Bureau filed a petition to change the use of funds generated by Howard County's one percent local option tax, and

WHEREAS, this petition contained the signatures of residents from the municipalities within Howard County it thus mandates that each municipality hold another local option election.

THEREFORE BE IT RESOLVED, by the City Council of the City of Cresco, Iowa;

Section 1. That the proposition authorizing the imposition of a local sales and service tax in the City of Cresco, Iowa, at one percent (1%) to be effective January 1, 2001,

Section 2. That the revenues from the local option sales and service tax are to be allocated in the City of Cresco, Iowa, as follows:

- 10% of local option sales and service tax will be used for direct tax relief (City will ask for less property tax money)**
- 90% of local option sales and service tax will be used for essential or corporate purposes which includes street improvements, economic development, purchases of equipment, repairs and maintenance of city buildings, property, parks and the operation of the Fitness Center**

Section 3. The local option sales tax will be in effect until repealed by the voters of Cresco, Iowa.

Section 4. That the City Clerk is hereby authorized and directed to provide a copy of this resolution to the County Commissioner of Elections of Howard County and to the Board of Supervisors of Howard County.

PASSED AND ADOPTED THIS 5TH DAY OF JUNE, 2000.


Arletta Rose, Mayor

ATTEST: 
City Clerk/Treas. Sharon Smutzler

**CITY OF CRESCO
CASH & INVESTMENT BY FUND
AS OF JUNE 30, 2021**

Addendum 5

	CASH BALANCE	MONEY MKT BALANCE	CD BALANCE	OTHER BANK BALANCE	FUND BALANCE	
001	General Fund	1,027.16	323,800.00	1,045,000.00	-	1,369,827.16
001	General Fund - Theatre	-	-	-	4,203.09	4,203.09
001	General Fund - Credit Card Processing	-	-	-	3,500.00	3,500.00
001	General Fund - RAGBRAI	-	-	8,955.76	-	8,955.76
002	General Fund-Hotel/Motel	354.59	14,000.00	20,000.00	-	34,354.59
022	Local Option Tax Project	825.92	135,000.00	1,350,000.00	-	1,485,825.92
065	Nuisance House Fund	898.14	3,000.00	-	-	3,898.14
078	Fire Station Building	567.76	4,000.00	-	-	4,567.76
087	Equipment Replace	516.30	2,000.00	28,000.00	-	30,516.30
090	Office/Computer Equip.	45.27	2,000.00	27,000.00	-	29,045.27
091	Street Equipment Trust	755.77	5,000.00	30,000.00	-	35,755.77
092	Theatre Trust	672.22	3,000.00	38,000.00	-	41,672.22
094	Airport Trust	790.18	3,000.00	67,000.00	-	70,790.18
098	Cresco Community Fire	930.62	6,000.00	60,000.00	-	66,930.62
110	Road Use Tax Fund	743.61	48,000.00	600,000.00	-	648,743.61
112	Employee Benefits Trust	397.17	94,000.00	690,000.00	-	784,397.17
119	Emergency Fund	-	-	-	-	-
160	CIDC/City/Revol.Loan-bus.	95.02	1,700.00	83,000.00	-	84,795.02
177	Police Forfeiture Fund	240.13	-	-	-	240.13
182	Rehab Housing	52.40	42,000.00	-	-	42,052.40
183	Equip.Repair-Fitness Ctr	659.65	67,000.00	-	-	67,659.65
184	City Park Trust	811.03	7,000.00	-	-	7,811.03
185	Recreation Supply	702.79	12,000.00	-	-	12,702.79
186	Park Tree Trust	534.89	5,000.00	-	-	5,534.89
188	Fire Equipment Trust	312.20	11,000.00	30,000.00	-	41,312.20
189	Library Trust	222.41	3,000.00	25,000.00	-	28,222.41
200	Debt Service Fund	810.95	5,000.00	58,000.00	-	63,810.95
322	Scene Shop Project Fund	632.20	1,000.00	12,000.00	-	13,632.20
600	Water Utility Fund	64.62	56,000.00	360,000.00	-	416,064.62
601	Water Deposit Trust	566.20	13,000.00	20,000.00	-	33,566.20
602	Water Utility Replacement	543.38	69,000.00	450,000.00	-	519,543.38
610	MSSU Revenue	526.85	96,000.00	530,000.00	-	626,526.85
612	MSSU Operation/Maint	721.16	-	-	-	721.16
613	MSSU Replacement	214.16	105,000.00	1,070,000.00	-	1,175,214.16
614	MSSU Rev.Bond Int	882.49	-	32,000.00	-	32,882.49
620	Cap Imp Water, Sewer, Storm	611.99	90,000.00	-	-	90,611.99
670	Yard Waste Fund	24.96	9,000.00	120,000.00	-	129,024.96
820	Health Ins Partial Self Fund	-	-	60,000.00	56,130.25	116,130.25
Totals		17,754.19	1,235,500.00	6,813,955.76	63,833.34	8,131,043.29
		0%	15%	84%	1%	<u>8,131,043.29</u>

Checking - Cresco Bank & Trust (operating) 0.05% 17,754.19
 Checking - CB&T (credit cards) 0.00% 3,500.00
 Theatre Checking (CB&T) 0.00% 4,203.09

Money Market - Cresco Bank & Trust 0.10% 1,235,500.00
 MMKT Hith Ins Partial Self Funded 0.05% 56,130.25

CD RAGBRAI - 3 yr - matures 9/14/23 (CUSE) 0.65% 8,955.76
 CD Safe-T-Fund -6 mth - matures 11/17/21 0.30% 60,000.00
 CD - 60 Day - matures 8/16/21 (CB&T) 0.25% 3,400,000.00
 CD - 50 Day - matures 8/16/21 (CB&T) 0.25% 3,345,000.00

Eligible for Exchange Rate - 1 time higher interest rate

\$ 8,131,043.29

Addendum 6

WHAT IS TAX INCREMENT FINANCING?

Questions and Answers About TIF

Robert E. Josten
Dorsey & Whitney
801 Grand Avenue, Suite 3900
Des Moines, Iowa 50309
(515) 283-1000
josten.robert@dorsey.com

1. Q: What is tax increment financing?
A: Tax increment financing is a method of reallocating property tax revenues which are produced as a result of an increase in taxable valuation above a "base valuation" figure within a tax increment area. Until the tax increment debt within an area has been repaid, tax revenues produced by property tax levies imposed on the increased taxable valuation by a city, county, school district, area school or any other taxing jurisdiction are all allocated back to the city or county which has established the tax increment area, and must be spent by that jurisdiction for projects within that area.
2. Q: What is the statutory authority for tax increment financing?
A: Chapter 403 of the Code of Iowa, the Urban Renewal Law. Major amendments to Chapter 403 were enacted in 1994 which changed many tax increment requirements as of January 1, 1995. Most of these are discussed below, along with later amendments which made it more possible for cities and counties to use tax increment revenues to finance public improvements related to private housing development.
3. Q: Which jurisdictions may create tax increment financing areas?
A: Both cities and counties may exercise general tax increment powers.
4. Q: Why do cities or counties create tax increment financing areas?
A: Tax increment financing areas are created as a means to maximize property tax dollars within particular areas, in order to pay the cost of public improvement projects (streets, water, sewer, etc.) or to make direct economic development grants or loans to private enterprise as an incentive to locate within the tax increment financing area. The funds must be spent within the area and may not be used by cities or counties to supplement their general operations.
5. Q: What is the difference between tax abatement and tax increment financing?
A: Property tax abatement (authorized by both Chapter 404 and Chapter 427B of the Code of Iowa) provides an incentive for property owners to make improvements to property by exempting the resulting increase in valuation from property taxation for a period of time. The new valuation is "abated" and is, therefore, not subject to tax. Under tax increment financing, all increases in value are subject to the total consolidated property tax levies of all local taxing jurisdictions, but those revenues which are produced from the increased (or incremental) valuation are allocated back to the city or county which has established the tax increment area, and those revenues must be spent for projects within the tax increment area.

6. Q: May cities or counties have both tax abatement and tax increment areas?
- A.: Yes, but, as explained above, the concepts are basically contrary to each other and should be combined only after careful planning and consideration. For example, it will be difficult to repay tax increment debt if all the potential incremental value has been abated.
7. Q: What is the process for establishing an urban renewal/tax increment financing area and obtaining TIF revenues?
- A:
- a. identify the boundaries or legal description of the proposed area
 - b. determine if the conditions in the area qualify the area to be designated a "slum," "blighted" or "economic development" area, as defined in Chapter 403
 - c. prepare an urban renewal plan outlining objectives to be accomplished within the area
 - d. set a date for a public hearing by the City Council or Board or Supervisors
 - e. refer plan to the local plan and zoning commission for review
 - f. send a copy of the plan and the notice of hearing to each of the other affected taxing entities (counties, local schools and area colleges) and schedule a date and time for a "consultation session" with those other affected taxing entities
 - g. hold public hearing
 - h. adopt resolution approving urban renewal plan
 - i. adopt ordinance designating tax increment area
 - j. incur debt (see question 15)
 - k. file annual TIF debt certification with county auditor
8. Q: Must a city or a county receive permission from any other governmental entity before establishing a tax increment area?
- A: No, under most circumstances. However, a city must receive permission from a county in order to include property in a city tax increment area which is located up to two miles outside its city limits, and a county must receive permission from a city in order to include property in a county tax increment area which is located within two miles of a city's boundaries. In addition, a city or county is required to notify other taxing jurisdictions of its intent to create or amend a tax increment area and to give those jurisdictions an opportunity to comment on a proposed tax increment plan (see 7f above). There is no sign-off required by any State agency for the establishment of a tax increment area.
9. Q: Are there any restrictions on types of property that may be included in an urban renewal area?
- A: No, any category of real property may be included in an urban renewal area, but owners of agricultural land, as defined in Section 403.17 of the Code of Iowa, must give specific permission before that land may be made part of a city or county urban renewal area.
10. Q: What is the "base valuation" date for a tax increment area?
- A: The "base valuation" date is the starting point from which incremental value is calculated. For tax increment areas created prior to January 1, 1995, the base valuation date is January 1 of the calendar year prior to the year in which the tax increment designation ordinance was adopted. For plans approved after January 1, 1995, the base valuation date is January 1 of the calendar year prior to the year in which tax increment debt is first certified to the county auditor.
11. Q: What is the formula for determining the amount of incremental value which exists within a tax increment area?

- A. Incremental values are determined each year by subtracting the taxable valuation which existed on the base valuation date from the taxable valuation on the most recent tax roll. That difference is the incremental value.
12. Q: How are annual tax increment revenues determined?
- A: The amount of incremental valuation is multiplied by the consolidated property tax levy (city, county, school district, area college). The revenues produced from local debt service levies must be subtracted, because these are returned to each taxing jurisdiction in order to pay outstanding general obligation debt, and these revenues do not become part of the tax increment revenues. In addition, regular and voter-approved school physical plant and equipment (PPEL) levies are also subtracted and do not become part of the TIF revenues. The remaining revenues are allocated to the city or county which has established the tax increment area.
13. Q: What are the time limits on the collection and use of tax increment revenues?
- A: For all tax increment areas established prior to January 1, 1995, and for areas established after January 1, 1995, based on a finding of slum or blight, there is no statutory limit on the period of time for which the revenues may be collected and used. For areas established after January 1, 1995, based on a designation of economic development, tax increment revenues may be collected for no more than twenty years. For housing projects in economic development areas, there is a basic ten year limit, which may be increased to fifteen years (see next question).
14. Q: What are the restrictions on the use of tax increment financing to assist in the development of new housing?
- A: For tax increment areas established on a finding of slum or blight (see Question 7 above), there are no restrictions. With some minor exceptions, for tax increment areas established on an economic development finding, tax increment revenues may be used to finance the cost of public improvements related to housing, without regard to the cost of the homes or the income levels of the ultimate owners. However, an amount of funds equal to a certain percentage of the tax increment revenues that benefit a project must be used by the city or county to provide assistance related to housing for families whose incomes do not exceed 80% of the median income in the county. These funds for low and moderate assistance are not restricted to being spent inside the tax increment area but may be spent anywhere in the city or county. For cities or counties above 15,000 population, tax increment revenues from these projects may not be collected for more than ten years. For cities or counties under 15,000 population, collection may be possible for fifteen years, if all other affected taxing entities agree to the extension of time.
15. Q: How can tax increment projects be financed?
- A: Various types of debt are possible, including general obligation debt, pure tax increment revenue debt, internal loans between governmental funds and "rebate agreements", in which all or a portion of annual tax increment revenues are paid back to developers. Rebate agreements are particularly useful for residential developments.
16. Q: Does debt payable from incremental taxes count against a city's or county's constitutional debt limit?
- A: Yes, it does. While Section 403.9 of the Code of Iowa contains language which states that such debt does not count against a constitutional debt limit, the Iowa Supreme Court ruled in 1975 that tax increment debt must be counted against a city's or county's constitutional debt limitation. However, if an "annual appropriation" clause is included in a bond issuance resolution or a rebate agreement, only annual payment amounts must be counted against a constitutional debt limit.

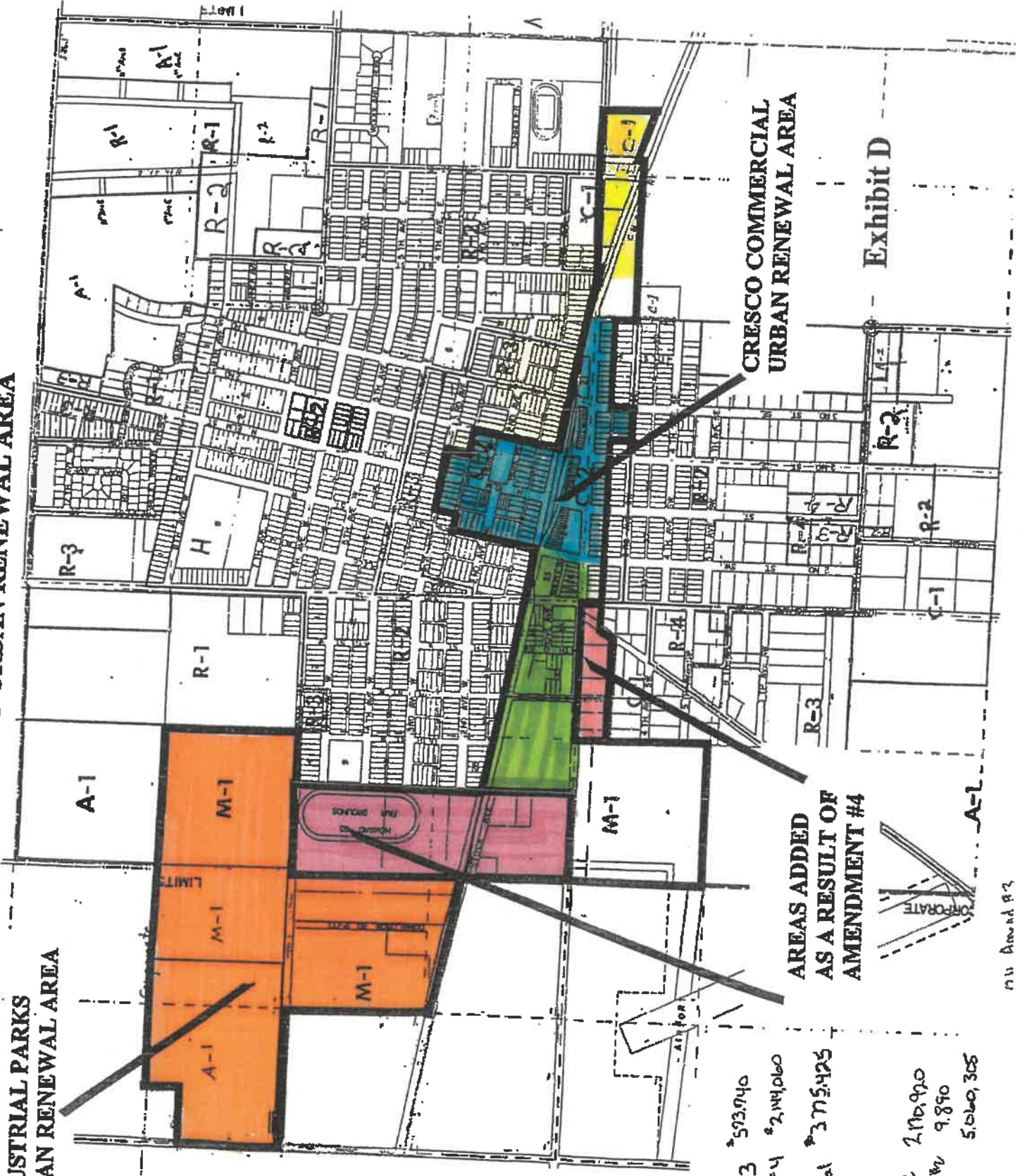
17. Q: How does tax increment financing affect local school districts?
- A: First, all debt service tax levies, as well as regular and voter-approved physical plant and equipment (PPEL) tax levies, are "protected," which means that funds produced from those levies go to the school district and do not become tax increment revenues. Second, because of the state foundation aid program that funds a portion of each local school district's general operating budget, only school districts that have significant general fund tax levies above \$5.40 per \$1,000 of valuation are likely to be seriously affected by a city or county tax increment financing district.
18. Q: May urban renewal/tax increment areas be expanded or combined with other areas, and, if so, what are the implications for the original area?
- A: New property may be added to existing urban renewal/tax increment areas, and separate areas may be combined or consolidated. It is not necessary that the new property be contiguous to the existing urban renewal area. The same process must be followed as that for creating the original area, including hearing and consultation session with other taxing entities. The areas which are added will be subject to the statutory rules in effect on the date that they are added, but the original district will not be affected. The property which is added will probably have a different base valuation date than the base valuation date for the original district.
19. Q: If a city or county has several separate urban renewal areas, may funds from any area be spent in any other area?
- A: Assuming that tax increment areas have not been combined or consolidated, as discussed above, and that the city or county wants its urban renewal areas to remain legally separate, funds must be spent within the boundaries of the urban renewal area from which they are derived, and, if there is more than one urban renewal area, the funds from one area may not be spent within another area.
20. Q: Is interest on tax increment debt exempt from federal or state income taxes?
- A: Depending upon the purposes for which the funds are expended, interest income on tax increment debt may be exempt from federal income taxation, as well as from state income taxation. If funds are used to make an economic development loan and/or if security is provided by a private enterprise, in the form of, for example, a minimum assessment agreement, or if TIF funds are not used for public improvements, the interest income may not be exempt from federal taxation, but it may still qualify for state tax exemption.
21. Q: May cities establish tax increment areas outside their city limits?
- A: Cities may include property located up to two miles outside their city limits in tax increment areas, but only after obtaining the consent of the County Board of Supervisors and any owners of agricultural land.
22. Q: What are the limitations on the establishment of county tax increment areas?
- A: County boards of supervisors may establish tax increment areas for projects in any area which is at least two miles outside the city limits of any city. In addition, with the agreement of a city council, a county board of supervisors may also establish a tax increment area within two miles of the city limits of a city, or inside the city.

CRESCO URBAN RENEWAL AREA

**INDUSTRIAL PARKS
URBAN RENEWAL AREA**

**CRESCO COMMERCIAL
URBAN RENEWAL AREA**

Exhibit D



**AREAS ADDED
AS A RESULT OF
AMENDMENT #4**

- 001 Amend #3 593,940
- 002 Amend #4 2,141,060
- 003 Industrial 3,715,425
- 004
- 005 Amend #2 2,170,920
- 206 Don-headed 9,890
- 207 Business 5,060,305
- 208 6/12-REP
- 209 Land

111 Amend #3

Addendum 7

MUNICIPAL DEBT FINANCING - TWO OPTIONS

GENERAL OBLIGATION NOTES/BONDS/LOANS

and

UTILITY REVENUE NOTES/BONDS/LOANS

by

Patrick Callahan, Callahan Municipal Consultants, LLC

The Two Basic Options - An Introduction

There are generally two kinds of municipal debt financing for improvements to the city's water system, wastewater treatment facility, and sanitary sewer system. The first is called general obligation debt, which is borrowed money backed by the "full faith and credit" of the city's taxing authority. In other words, the property taxpayers are obligated to repay the debt. The second is called revenue debt financing, which is borrowed money paid backed by the payment of city service fees or a specific revenue source (i.e. water or sewer utility payments.) General obligation (G.O.) bonds usually have the lowest rate of interest and are typically considered the municipal debt with the least risk.

There are two types of general obligation bonds- "essential" corporate purpose bonds and "general" corporate purpose bonds. Essential corporate purpose bonds do not require voter approval. General corporate purpose bonds may require voter approval.

Bonds issued for basic or necessary city functions are termed "essential" corporate purpose bonds and can include improvements to the city's water system, wastewater treatment facility, and sanitary sewer system which is the focus of this report. The objective of this report is to explain the advantages and disadvantages of general obligation bonds versus revenue bonds for the purpose of municipal debt financing for water and sewer projects.

While this report will make reference to general obligation and revenue bonds, loans and notes, the same concepts and characteristics apply to bonds, loans and notes. This report discusses "bonds" for the sake of brevity, rather than continually referring to loans, notes and bonds.

State Constitutional Debt Limit

There is a very important difference between a city's actual or 100% assessed valuation of property and the taxable valuation of property when it comes to calculating the city's

constitutional debt limit. There has been some confusion by city officials who have used the wrong valuation number when calculating the city's general obligation debt capacity.

The Iowa Constitution states that no city may become indebted in any manner, or for any purpose, in an amount exceeding five percent of the value of taxable property in the city. However, The Iowa Supreme Court has ruled that this provision applies only to debt payable from property taxes. The Iowa General Assembly has enacted a statute which interprets this Constitutional provision to allow the calculation of a city's debt capacity against the 100% or actual valuation of property, rather than the taxable value which incorporates the "roll-back." Further, this limit applies only to outstanding principal amounts of debt. It should be noted that utility revenue notes and bonds do not count against the city's "five percent debt limit."

General Obligation Bonds/Notes/Loans

General obligation bonds can be used to finance capital improvement projects for municipal water utilities, wastewater treatment plants, and sanitary sewer systems. The city council can issue essential corporate purpose bonds which would be backed by the city's legal authority to impose a debt service levy on all taxable property in order to repay the debt.

The Advantages of G.O. Bonds/Notes/Loans

1. Lower Interest Rates. A general obligation bond will generally have a lower interest rate than a revenue bond. While the difference will vary from city to city, depending upon the city's financial history and current trends in the bond market, a general obligation bond will have an interest rate of 0.25% to 0.50% less than a revenue bond.

2. Flexible Payment Options. When general obligation bonds are used to finance a water or sewer project, the city council retains the option of repaying the debt with either property taxes or user fees or a combination of both sources of revenue. Whereas, the city cannot use property taxes from a debt service levy to repay revenue bonds. Depending upon the circumstances and the legal requirements, it may also be permissible for the city to use special assessments, local option sales tax receipts, and general fund tax revenues to finance general obligation debt payments for water and sanitary sewer projects. The city cannot use property taxes from a debt service levy to repay revenue bonds.

3. Fewer Requirements. Since general obligation bonds are backed by the "full faith and credit" of the city, or the City's ability to use a property tax debt service levy, the requirements for such things as a reserve account, improvement fund, and sinking fund are less restrictive than revenue bonds.

Disadvantages of the G.O. Bonds/Notes/Loans

1. Constitutional Debt Limit. The State Constitution limits the amount of the city's outstanding general obligation debt to no more than five percent (5%) of the actual or 100% assessed valuation of property in the city. This limitation applies to all general obligation debt, regardless of the sources of revenues that are used to repay the debt. Therefore, a general obligation bond that is repaid with water or sewer revenues will still count against the city's five percent general obligation debt limit.

2. Enterprise Funds. It has been argued that the city's general obligation debt capacity should be reserved for those improvements such as streets, city halls, libraries, police stations, fire stations that cannot be financed with user fees. It can also be argued that water and sewer systems need to be operated as "stand alone independent operations" with no reliance on property taxes and general obligation bonds. Therefore, it can be argued that most, if not all, water and sewer debt financing should be covered by revenue bonds or special assessment bonds.

Revenue Bonds/Notes/Loans

If a city wants to issue revenue bonds for an improvement, it may do so without a vote of the citizens. However, the city must hold a bond public hearing and pass an authorizing resolution before such bonds can be issued.

Revenue bonds can be issued for many municipal projects including, but not limited to: parking facilities, civic centers, recreation facilities, port facilities, airports, water systems, sewer systems, municipal electric improvements, municipal gas improvements, solid waste facilities, bridges, hospitals, bus systems, stadiums, housing for the elderly or physically handicapped, and utility operations. Obviously, there must be adequate revenue from these enterprises to payoff these bonds, because the debt is NOT secured by the property tax base of the city.

Advantages of Revenue Bonds/Notes/Loans

1. No Legal Limits. Unlike general obligation bonds that have the "five percent debt limit," there is no legal limit on the outstanding balance of revenue bonds. However, revenues from the particular enterprise fund must be adequate to repay the bonds.

2. Debt Payments Based on User Fees. The payment of revenue bonds is basically funded from user fees or money paid by the people or businesses that actually benefit from the improvements. If the home owner or business owner is not connected to the city's water or sewer system, then they do not "contribute" to the city's account from which the debt is repaid. If the cost to finance a water or sewer improvement is financed in whole or

part from a debt service levy paid by property tax collections, then there may be property owners who are required to repay a debt for a service that they do not utilize.

3. The Question of Fairness. An example of the situation described above could be a business property owner who owns a warehouse or rental storage units who pays debt service property taxes to fund a water or sewer improvement, but does not have water or sewer service. The owner of a car wash, who pays a water and sewer bill that is based upon lower rates because a debt service property tax levy is used to repay a major utility improvement, then gets a "break". It could be argued that the warehouse owner is "subsidizing" the car wash owner in this example. The use of revenue bond to finance capital utility projects helps to ensure that the people, who benefit from an improvement, actually pay the bill for the debt attributed to the project.

Disadvantages of Revenue Bonds/Notes/Loans

1. Slightly Higher Interest Rates. Since revenue bonds are not backed by the "full faith and credit" of the city's property tax base, the interest rates are slightly higher than rates for general obligation bonds. While the difference in interest rates between the two types of financing has narrowed, there is still a "spread", because revenue from user fees is not quite as "rock solid" as property tax collections from a historical perspective.

2. Additional Requirements. The issuance of revenue bonds will typically require the establishment of special funds, such as a reserve account, an improvement fund, and sinking fund. The establishment of these special funds or accounts will require some additional work for city personnel. It will necessitate that the city adequately fund the enterprise to cover all the costs of operation, including the repayment of the revenue bonds. The City may be required to provide a coverage of 25% over the actual amount of the annual debt payment in order to assure potential investors that revenues will be adequate to repay the bonds or notes, plus interest. This requirement is typically called a "debt coverage ratio." It should be noted that the debt coverage ratio for a State Revolving Fund (SRF) loan is 10%, rather than 25%.

3. User Fee Increases. The repayment of revenue bonds for water or sewer construction projects will often times require an increase in water and sewer user fees. If the city has been reluctant to raise water and sewer rates in the past, the "required increase" in user fees can often times be significant and burdensome. Since water and sewer bills are normally paid on a monthly basis, the impact of user fee increases can be immediate, controversial, and politically unpopular.

4. Collection Problems. Since the city is responsible for the collection of the user fees required to repay revenue bonds, water and sewer receipts can be influenced by such problems as bankruptcies, slow collections, customer resistance, decreased consumption, industry closings, and citizens complaints. Collection problems can be very troublesome when the city's largest water and sewer customer, such as a meat packing plant, decides to

reduce water consumption or close its facilities in the community. The remaining rate payers may face additional user fee increases to "cover" the loss of revenues paid by the major user of the City's water or sewer services

Seek Legal and Financial Consultant Advice

City officials should always consult their financial consultant, city attorney, and bonding attorney prior to making any decisions regarding the options discussed in this report. There are court decisions and legislative actions that can have a significant impact on the city's ability to issue bonds or notes to fund capital improvement projects.

Conclusion

There is no "right or wrong answer" when making a choice between general obligation bonds and revenue bonds to finance water and sewer construction projects. City officials need to take into consideration many factors when selecting municipal debt financing alternatives. These factors can include:

- * The current amount of outstanding general obligation debt
- * Outstanding revenue bonds, notes, and loans.
- * City's current general obligation debt capacity.
- * Future capital project financing needs and the debt capacity projections.
- * Current and future user fees for water and sewer services.
- * Property tax debt service levy and the projected levy.
- * Citizen comments and suggestions.
- * Upcoming water and sewer projects.

After taking these factors into consideration, the city council can select the option that best meets the city's needs.

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SRF Overview

- The **State Revolving Fund** is one of Iowa's primary sources of financing for water quality and water supply projects. Loans are available for **planning and design** and **construction**.
- The SRF is jointly administered by the Iowa Department of Natural Resources and the Iowa Finance Authority.
- The **Clean Water SRF** finances publicly owned wastewater and sewer projects, as well as nonpoint source control practices. The **Drinking Water SRF** finances water system improvements and source water protection for eligible public water supplies.
- All uses of SRF dollars are outlined in Intended Use Plans (IUPs), including specific projects identified for funding. Applications are taken year-round, with quarterly updates to the IUPs. Iowa's SRF is currently able to fund all eligible projects.

• For more information, contact Theresa Enright, 515-725-0498; theresa.enright@dnr.iowa.gov.



Construction Financing

At any time after the facility plan is approved, the applicant may begin the process for an SRF construction loan. This includes working with a **Municipal Advisor**. The construction loan application is separate from the Intended Use Plan application and will include information on user rates, outstanding debt, and system financial data in the pro forma prepared by the Municipal Advisor.

The applicant works with bond counsel to schedule and hold a public hearing and pass a bond resolution. The Iowa Finance Authority (IFA) will provide an estimated debt service schedule for the proceedings.

The **construction loan application** must be submitted to IFA. The construction loan application, with the pro forma attached, should be submitted after bids have been received and the amount of the loan needed to complete the project is known.

Current interest rate is 1.75% for loans up to 20 years, with a 0.5% origination fee and .25% annual servicing fee on outstanding principal. Extended financing for up to 30 years is available for some projects.



State Revolving Fund Loan Application



Applicant: _____
 IFA ID Number: _____
 NPIES Number of application: _____
 PI-520 Number of application: _____
 Current period: _____
 City: _____ County: _____ State: IA GrCode
 Telephone Number: _____ Fax Number: _____
 E-mail address: _____
 Amount of Loan Request: \$ _____ (Total Year 501 or Discharge Year 502)
 Description of project: _____
 (Check all that apply)
 Sewer Treatment Plant
 Sewer Collection System
 Water Treatment Plant
 Water Distribution System
 Stormwater Management
 Other: _____
 Is the system under any regulatory compliance order? Yes No
 If Yes, what is the project that is in compliance?
 What is the expected completion start date? _____
 What is the expected project completion date? _____

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Addendum 9

CITY OF CRESCO, IOWA

CAPITAL IMPROVEMENTS PLAN (CIP)

**PRELIMINARY REVIEW OF FINANCES FOR CIP
AUGUST 30, 2021 – REVISED FEBRUARY 8, 2022**

1. Cash reserves on 6/30/2021 – CIP Projects?

• General Fund.....	\$1,387,086
• Local Option Sales Tax.....	\$1,485,826
• Equipment Fund.....	\$ 30,516
• Airport Trust.....	\$ 70,790
• Road Use Tax (RUT).....	\$ 648,744
• Water Utility.....	\$ 416,665
• Water Replacement.....	\$ 519,543
• Sewer Utility.....	\$ 626,527
• Sewer Replacement.....	\$ 1,175,214
• CIP Fund.....	\$ 90,612
• Street Trust.....	\$ 35,757
• Theatre Trust.....	\$ 41,672
• Fire Trust.....	\$ 41,312
• Library Trust.....	\$ 28,222
• Yard Waste.....	\$ 129,025

2. Property Tax Levy – Per \$1,000 Valuation

	F.Y. 2021	F.Y. 2022	F.Y. 2023 (Proposed)
Regular Levy.....	\$13.63	\$13.94	\$13.95
Debt Service.....	2.51	2.18	\$ 1.98
CIP Levy.....	0	0	
Total.....	<u>\$16.14</u>	<u>\$16.12</u>	<u>\$15.93</u>

3. Taxable Valuations – After Rollback

	F.Y. 2022	F.Y. 2023
General Fund.....	\$130,545,352	\$137,313,650
TIF Valuation (Not Used).....	\$ 3,619,831	\$ 1,527,113
Total (Debt Service).....	<u>\$134,165,183</u>	<u>\$138,840,763</u>

4. 100% Assessed Valuation & Debt Limit

• The Total Valuation.....	\$217,601,238	\$232,955,601
• Less Military Exemption.....	\$ 268,540	\$ 250,020
		<u>\$</u>
Net Total.....	<u>\$217,332,698</u>	<u>\$232,705,581</u>
Debt Limit (5%).....	<u>x 5%</u>	<u>x 5%</u>

Cresco G.O. Debt Capacity... \$ 10,866,635 \$11,635,279

5. Cresco Outstanding Debt – 6/30/2021

Cresco Debt Capacity.....	\$10,866,635
Less Outstanding G.O. Debt	
2010 G.O. Loan - \$120,000 – (Paid Off)	
2013 G.O. Loan - \$ 360,000	
2014 G.O. Loan - \$1,900,000	
 Total.....	 \$ 2,260,000
 Balance of G.O. Capacity.....	 <u>\$ 8,484,203</u>

Capacity Available – 79%

Capacity Used – 21%

6. Local Option Sales Tax

Resolution For LOST Money

- Property Tax Relief – 10%
- Maintenance for Streets, City Buildings, Parks & Fitness Center – 90%
- Annual Revenue – Budget F.Y. 2022 - \$525,000
- Actual Annual revenue F.Y. 2021 - \$580,427

7. Road Use Tax Fund

- For Streets, Sidewalks & Storm Sewers
- Annual Revenues - \$520,000 budgeted in F.Y. 2022 – (Expect \$528,000 to \$540,000)
- Actual revenue - \$578,900 in F.Y. 2021- Included \$36,836 for COVID Relief

8. Water Utility - F.Y. 2021-22

• Annual Revenues.....	\$579,800
• Water Accounts.....	2,275
• Gallons Sold.....	97,755,230
• Outstanding Debt.....	-0-

9. Sewer Utility – F.Y. 2021-22

• Annual Revenues.....	\$823,900
• Sewer Accounts	2,161
• Gallons Billed.....	81,131,515
• Outstanding Debt.....	\$268,000

(SRF Loan - Interest rate - 1.75%)

10. Population – Impact on LOST & RUT - None due to increase

2010 Census.....	3,868
2020 Census.....	3,888
Increase.....	20 (+ 0.5%)

11. Revenues Not Available For CIP

- Storm Sewer Utility
- Capital Projects Tax Levy
- Electric & Gas Franchise Fee
- Tax Increment Financing (TIF) for Debt Service Payments