CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Inter-fund Loan between the Sewer Enterprise Fund and the Stormwater Enterprise Fund

DATE: June 17, 2019

FINANCIAL IMPACT: There is no overall effect to the funds of the City, however, the Sewer Fund will earn interest at 1.5% during the course of the loan (at the expense of the Stormwater Fund), and the Sewer Fund will not have the flexibility to use this loaned fund balance to meet its obligations during the term of the loan.

BACKGROUND: The Staff has worked closely with its financial advisor, Public Financial Management (PFM), to develop multi-year stormwater and sewer enterprise system cash flow projections. These projection considered many factors, including planned and proposed capital projects, expected usage, and operating costs. When doing the projections it quickly became apparent that the City's Sewer Enterprise fund has a very adequate fund balance, while the Stormwater Enterprise fund has limited equity. At the same time, the Sewer Fund has a relatively small and manageable level of capital project needs in future years, whereas the capital project needs of the Stormwater are considerable.

Staff, PFM, and Legal Counsel considered several options to overcome this barrier, and ultimately settled on the concept of inter-fund loans. This is the second of several planned loans. The terms of this loan include borrowing of $7.5 million from the Sewer Fund to the Stormwater, to be repaid with interest at 1.5% over a 15 year term. The loans, as planned, will allow each fund to operate successfully while avoiding the need for outside financing.

OUTSTANDING ISSUES (if any): None.

RECOMMENDATION: Approval of Resolution authorizing the inter-fund loan.

Lead Staff Member: **Tim Stiles, Finance Director**

STAFF REVIEWS

Department Director	
Appropriations/Finance	
Legal	
Agenda Acceptance	

PUBLICATION(S) (if applicable)

Published In	
Dates(s) Published	

SUBCOMMITTEE REVIEW (if applicable)

Committee	Finance & Administration		
Date Reviewed	October 17, 2017		
Recommendation	Yes	No	Split

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RESOLUTION NO._____

AUTHORIZING APPROVAL OF LOAN FROM THE CITY OF WEST DES MOINES SEWER ENTERPRISE FUND TO THE CITY OF WEST DES MOINES STORMWATER ENTERPRISE FUND

WHEREAS, the City of West Des Moines operates a sanitary sewer system in which revenues and expenses are maintained in the City Sanitary Sewer Enterprise Fund; and

WHEREAS, the City of West Des Moines also operates a stormwater system in which revenues and expenses are maintained in the City Stormwater Enterprise Fund; and

WHEREAS, the current available balance and the revenue and debt projections of the Sanitary Sewer Enterprise Fund are adequate to allow loans to be made from the Fund; and

WHEREAS, the construction of current and/or future storm water capital improvements and other expenses will necessitate the incursion of debt by the Stormwater Enterprise Fund in order to provide funding for these expenses; and

WHEREAS, funding is available from the City Sanitary Sewer Enterprise Fund to provide proceeds to the City Stormwater Enterprise Fund necessary to fund these expenses.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WEST DES MOINES, IOWA THAT:

1. Authorization is hereby given for a loan to be made in the principal amount of $7,500,000.00 from the City of West Des Moines Sanitary Sewer Enterprise Fund to the City of West Des Moines Stormwater Enterprise Fund, payable in Fiscal Year 2018-19, subject to a repayment term of fifteen years beginning in Fiscal Year 2019-20, at an annual rate of interest of 1.5%.

2. The City Finance Department and City Legal Department shall prepare all necessary loan documentation consistent with the terms and conditions of this Resolution.

PASSED AND ADOPTED this 17th day of June, 2018.

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Steven K. Gaer, Mayor

ATTEST:

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Ryan T. Jacobson, City Clerk

City of West Des Moines, Iowa

Proposed Stormwater Internal Loan From Sewer (2019)

EXHIBIT 3

SOURCES & USES

SOURCES	
Par Amount of Bonds	7,500,000.00
Accrued Interest	
Other Monies	
Total Sources	7,500,000.00
USES	
Deposit to Construction Account	7,500,000.00
Deposit to Reserve Account	
Capitalized Interest Account	0.00
Municipal Bond Insurance	
Underwriters' Discount ($0.00 per bond)	
Costs of Issuance	
Accrued Interest	
Rounding Amount	
Total Uses	7,500,000.00
ASSUMPTIONS	
Dated Date	6/17/2019
Delivery Date	6/17/2019
First Interest Date	12/1/2019
First Principal Date	6/1/2020
Last Principal Date	6/1/2034
YIELD CALCULATIONS	
Arbitrage Yield	1.50003%
TIC	1.50003%
AIC	1.50003%
Average Life	8.24 Years

DEBT SERVICE SCHEDULE

	Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
	12/1/2019			51,250	51,250	
1.0	6/1/2020	450,000	1.500%	56,250	506,250	557,500
	12/1/2020			52,875	52,875	
2.0	6/1/2021	455,000	1.500%	52,875	507,875	560,750
	12/1/2021			49,463	49,463	
3.0	6/1/2022	465,000	1.500%	49,463	514,463	563,925
	12/1/2022			45,975	45,975	
4.0	6/1/2023	470,000	1.500%	45,975	515,975	561,950
	12/1/2023			42,450	42,450	
5.0	6/1/2024	475,000	1.500%	42,450	517,450	559,900
	12/1/2024			38,888	38,888	
6.0	6/1/2025	485,000	1.500%	38,888	523,888	562,775
	12/1/2025			35,250	35,250	
7.0	6/1/2026	490,000	1.500%	35,250	525,250	560,500
	12/1/2026			31,575	31,575	
8.0	6/1/2027	500,000	1.500%	31,575	531,575	563,150
	12/1/2027			27,825	27,825	
9.0	6/1/2028	505,000	1.500%	27,825	532,825	560,650
	12/1/2028			24,038	24,038	
10.0	6/1/2029	515,000	1.500%	24,038	539,038	563,075
	12/1/2029			20,175	20,175	
11.0	6/1/2030	520,000	1.500%	20,175	540,175	560,350
	12/1/2030			16,275	16,275	
12.0	6/1/2031	530,000	1.500%	16,275	546,275	562,550
	12/1/2031			12,300	12,300	
13.0	6/1/2032	540,000	1.500%	12,300	552,300	564,600
	12/1/2032			8,250	8,250	
14.0	6/1/2033	545,000	1.500%	8,250	553,250	561,500
	12/1/2033			4,163	4,163	
15.0	6/1/2034	555,000	1.500%	4,163	559,163	563,325
	12/1/2034					
16.0	6/1/2035					
	12/1/2035					
17.0	6/1/2036					
	12/1/2036					
18.0	6/1/2037					
	12/1/2037					
19.0	6/1/2038					
	12/1/2038					
20.0	6/1/2039					
		7,500,000		926,500	8,426,500	8,426,500

Scale : Proposed 1.50% Internal Loan from Sewer Fund