
CEDAR FALLS COMMUNITY SCHOOL DISTRICT, IOWA



School Infrastructure Sales, Services & Use Tax Revenue Private Placement Loan, Series 2019

September 2019



D|A|DAVIDSON
D.A. Davidson & Co. member SIPC

Nathan Summers
Vice President
515.471.2722
nsummers@dadco.com

Proposed Terms



- Principal amount of approximately \$10 million (subject to change).
- Tax status of interest:
 - ✓ Tax-exempt, bank qualified issue.
- Principal paid throughout term of loan, beginning June 1, 2020, with first interest payment June 1, 2020.
- Loan will be non-rated unless a rating is requested.
 - ✓ Open to rating if pricing benefit outweighs cost of rating.
- Average life of approximately 6.552 years.
- Callable June 1, 20____ at par.
- Parity with outstanding Series 2013 and Series 2016.
- 1.20x additional bonds test.
- No debt service reserve requirement.

Preliminary Timeline



- September 24: Information distributed to potential lenders
- **By 12:00 PM October 9: Initial feedback from lenders**
- October 9-14: Negotiate pricing and terms of loan, final underwriting, etc., as needed. Bond counsel prepares documents.
- **October 14 (board meeting): Award resolution approving bidder and final rate lock (as necessary)**
- October 28 (board meeting): Authorizing/issuance resolution
- November 12: Closing/delivery of funds for Series 2019

District Background and Purpose of Financing



- Growing metro area located in northeast Iowa.
- City of Cedar Falls is home to the University of Northern Iowa.
- Purpose: Proceeds of the Bonds will be used to finance planning and design costs, land preparation and construction related to the District's new high school project.
- The District is currently rated "A+ Stable" by Standard and Poor's for their outstanding Sales Tax Revenue Bonds, though the 2019 issue will not carry a rating.
- Current revenue purpose statement on statewide collections will sunset 1/1/31.
- New statewide collections sunset 1/1/2051. Any funds used for debt payment beyond 1/1/31 will require a new revenue purpose statement's approval by voters with a 50% approval required.
- The District has preliminary plans for a potential 2020 GO bond issue of up to \$69.9 million.
- The District also has preliminary plans for a potential 2020 SAVE revenue bond issue of approximately \$30 million if the new revenue purpose statement is approved.

Security for the Proposed Series 2019 Bonds



- State Legislature adopted Chapter 423F (the “Act”) authorized the statewide School Infrastructure Sales, Services & Use Tax as well as school corporations ability to issue bonds.
 - ✓ Tax collected by retailers in the State of Iowa and remitted at the end of each calendar month to the State.
 - ✓ State Department of Revenue remits the tax to the school corporations on the last day of the next month based on actual enrollment determined by registered students as of the first Friday of the previous October.
 - ✓ Each school corporation receives an equal amount of revenue per student.
- Act requires the State Department of Revenue and Finance to, annually prior to August 15; estimate the amount of revenue that will be remitted to the school corporations for the fiscal year beginning each July 1.
- Department is required to remit 95% of the annual estimate to the school corporations in monthly installments over the fiscal year, and is allowed to retain 5% of the estimate until the end of the fiscal year, at which time the Department completes an audit of the actual receipts and the actual remittances of the Tax.
- Department then reconciles the difference between actual and estimated and remits remaining balance on November 1 for fiscal year ending the previous June 30.

2019 SAVE Extension Legislation



- New law (Chapter 257) effective 7/1/2019 states all RPS are valid until 1/1/31 (or the date of expiration contained in the RPS).
- If the District intends to borrow beyond 1/1/31 then a new RPS must be approved.
- If the District does not borrow against the revenues beyond 1/1/31 then they do not need to approve the RPS prior to issuing the bonds.
- For SAVE bonds that close on or after 7/1/19:
 - ✓ FIRST BOARD MEETING: the Board must adopt a resolution setting for their proposal for the issuance of bonds, set a date/time/place of a public hearing on the resolution.
 - ✓ Publish notice of the public hearing not less than 10 nor more than 20 days prior to the date of the public hearing.
 - ✓ SECOND BOARD MEETING: Hold public hearing; adopt resolution approving use of SAVE revenues for athletic facility infrastructure project.
 - ✓ Wait 14 days. On day 15, if the Board has not received a petition requesting an election, the Board may use SAVE Revenues for the athletic facility infrastructure project. If a petition is received the Board can either rescind its action to use SAVE revenues for the project or call an election.

Historic Enrollment Trends



Historical Enrollment

<u>Count Date</u>	<u>Fiscal</u>	<u>Total</u>	<u>Total</u>
<u>October</u>	<u>Year</u>	<u>Enrollment</u>	<u>Growth</u>
2009	2010-11	4,452	n/a
2010	2011-12	4,755	6.81%
2011	2012-13	4,782	0.57%
2012	2013-14	4,862	1.67%
2013	2014-15	4,859	-0.06%
2014	2015-16	4,907	0.99%
2015	2016-17	5,052	2.95%
2016	2017-18	5,147	1.88%
2017	2018-19	5,128	-0.37%
2018	2019-20	5,238	2.15%

[1] Source: Iowa Dept. of Education

Historical Sales Tax Revenues



Historical Sales Tax Revenues

Ending <u>June 30</u>	Actual <u>Collection</u>	Percentage <u>Change</u>
2009	4,510,250	
2010	4,458,043	-1.16%
2011	3,562,637	-20.09% *
2012	4,011,799	12.61%
2013	4,158,288	3.65%
2014	4,230,658	1.74%
2015	4,483,000	5.96%
2016	4,627,427	3.22%
2017	4,747,651	2.60%
2018	5,000,628	5.33%

[1] Source: Iowa Dept. of Revenue

*Decrease reflects the transition from prior tax to new tax receipts.

Projected Sales Tax Revenues – No Growth



Projected Sales Tax Revenues - No Growth

Current Authorized Revenue Purpose Statement

<u>Ending</u> <u>June 30</u>	<u>Estimated</u> <u>Collection</u>
2019	4,949,726
2020	5,210,048
2021	5,210,048
2022	5,210,048
2023	5,210,048
2024	5,210,048
2025	5,210,048
2026	5,210,048
2027	5,210,048
2028	5,210,048
2029	5,210,048
2030	5,210,048

[1] Source: Iowa Dept. of Revenue

Projected Sales Tax Revenues – 2% Growth



Projected Sales Tax Revenues - 2% Growth *Current Authorized Revenue Purpose Statement*

<u>Ending</u> <u>June 30</u>	<u>Estimated</u> <u>Collection</u>
2019	4,949,726
2020	5,048,721
2021	5,149,695
2022	5,252,689
2023	5,357,743
2024	5,464,897
2025	5,574,195
2026	5,685,679
2027	5,799,393
2028	5,915,381
2029	6,033,688
2030	6,154,362

[1] Source: Iowa Dept. of Revenue

- Assumes 2% annual increase in revenue per student annually.

Estimated Coverage – After All Projected Issues



Estimated Coverage - After All Projected Issues

Current Authorized Revenue Purpose Statement

Period Ending <u>June 30</u>	No Growth		RPS	2% Growth		RPS
	<u>Estimated Collection</u>	<u>Combined P&I [1]</u>	<u>Estimated Coverage</u>	<u>Estimated Collection</u>	<u>Combined P&I</u>	<u>Estimated Coverage</u>
2020	5,210,048	3,515,558	1.48	5,048,721	3,515,558	1.44
2021	5,210,048	2,894,705	1.80	5,149,695	2,894,705	1.78
2022	5,210,048	2,880,370	1.81	5,252,689	2,880,370	1.82
2023	5,210,048	3,350,310	1.56	5,357,743	3,350,310	1.60
2024	5,210,048	2,599,530	2.00	5,464,897	2,599,530	2.10
2025	5,210,048	2,564,225	2.03	5,574,195	2,564,225	2.17
2026	5,210,048	2,533,500	2.06	5,685,679	2,533,500	2.24
2027	5,210,048	2,502,250	2.08	5,799,393	2,502,250	2.32
2028	5,210,048	2,470,475	2.11	5,915,381	2,470,475	2.39
2029	5,210,048	2,838,175	1.84	6,033,688	2,838,175	2.13
2030	5,210,048	1,488,350	3.50	6,154,362	1,488,350	4.14

[1] Subject to change based on final structuring, rate, escrow costs, etc.

General Credit – Valuation Trend



Valuation Trends

Valuation <u>As of</u>	Fiscal <u>Year</u>	Actual <u>Valuation</u>	% <u>Growth</u>	Taxable <u>Valuation</u>	% <u>Growth</u>
1/1/2014	FY 15-16	3,051,908,346		1,901,822,505	
1/1/2015	FY 16-17	3,185,619,469	4.38%	1,973,904,409	3.79%
1/1/2016	FY 17-18	3,247,584,088	1.95%	2,036,953,356	3.19%
1/1/2017	FY 18-19	3,364,891,010	3.61%	2,086,087,867	2.41%
1/1/2018	FY 19-20	3,459,928,685	2.82%	2,171,434,046	4.09%

Source: Iowa Department of Management

General Credit – Top Taxpayers



Top Taxpayers

<u>Taxpayer</u>	<u>1/1/18 Taxable Valuation</u>
1 Target Corporation	69,138,954
2 Midland Tarkenton LLC	14,029,290
3 Prime RE 2 LLC	13,588,155
4 Wal Mart RE Business Trust	12,642,237
5 Tailwind Cedar Falls LLC	10,820,093
6 Martin Realty Company LLC	10,392,012
7 WB CF Assoc LTD Partn III	9,768,429
8 R and N Investment Prop LC	9,494,964
9 Goldenstar Apartments LLP	9,230,506
10 Standard Distributing Co	8,416,287
<u>TOTAL</u>	<u>167,520,927</u>
% of Total Taxable Valuation	4.33%

Source: Black Hawk County, Iowa

General Credit – Median Household Income



Median Household Income

Black Hawk County had an estimated, median household income of \$50,916, compared to \$56,570 for the State of Iowa and \$57,652 for the National Average. The following table represents the distribution of household incomes for Black Hawk County according to the 2017 American Community Survey 5 year estimated table:

<u>Household Income</u>	<u># of Households</u>	<u>% of Households</u>
Less than \$10,000	3,973	7.5%
\$10,000 to \$14,999	2,622	5.0%
\$15,000 to \$24,999	5,678	10.8%
\$25,000 to \$34,999	6,015	11.4%
\$35,000 to \$49,999	7,576	14.3%
\$50,000 to 74,999	10,092	19.1%
\$75,000 to \$99,999	6,868	13.0%
\$100,000 to \$149,999	6,618	12.5%
\$150,000 to \$199,999	1,823	3.5%
\$200,000 or more	1,541	2.9%

Source: U.S. Census Bureau

General Credit – Unemployment Statistics



Unemployment Statistics

<u>Year</u>	<u>Black Hawk County [1]</u>	<u>State of Iowa [2]</u>
2019*	3.5%	2.4%
2018	2.7%	2.5%
2017	3.3%	2.8%
2016	4.4%	3.5%
2015	4.6%	3.7%
2014	5.0%	4.0%

[1] Not seasonally adjusted annual average

[2] Seasonally adjusted annual average

*As of July 2019

Source: Iowa Workforce Development