

**WOODBURY COUNTY BOARD OF SUPERVISORS AGENDA ITEM(S) REG**

#16d

Date: May 12, 2016

Weekly Agenda Date: May 17, 2017 \_\_\_\_\_

**ELECTED OFFICIAL / DEPARTMENT HEAD / CITIZEN:** Dennis D. Butler, Finance/Operations  
Controller \_\_\_\_\_

**WORDING FOR AGENDA ITEM:** Discussion on "Bank Qualified" Bonds

**ACTION REQUIRED:**

Approve Ordinance

Approve Resolution

Approve Motion

Give Direction

Other: Informational

Attachments

**EXECUTIVE SUMMARY:** This agenda item is to discuss and clarify "Bank Qualified" Bonds or Loans. The discussion will also give a status report for "Bank Qualified" Bonds or loans for calendar year 2016.

**BACKGROUND:**

**FINANCIAL IMPACT:** None

**IF THERE IS A CONTRACT INVOLVED IN THE AGENDA ITEM, HAS THE CONTRACT BEEN SUBMITTED AT LEAST ONE WEEK PRIOR AND ANSWERED WITH A REVIEW BY THE COUNTY ATTORNEY'S OFFICE?**

Yes  No

**RECOMMENDATION:**

**ACTION REQUIRED / PROPOSED MOTION:**



# Woodbury County Board of Supervisors

Courthouse • Room 104  
620 Douglas Street • Sioux City, Iowa 51101  
Telephone (712) 279-6525 • Fax (712) 279-6577

## MEMBERS

LARRY D. CLAUSEN  
SIOUX CITY

MARK A. MONSON  
SERGEANT BLUFF

JACLYN D. SMITH  
SIOUX CITY

MATTHEW A. UNG  
SIOUX CITY

JEREMY J. TAYLOR  
SIOUX CITY

BOARD ADMINISTRATIVE COORDINATOR  
KAREN JAMES

EXECUTIVE SECRETARY / PUBLIC BIDDER  
HEATHER SATTERWHITE

To: Woodbury County Board of Supervisors

From: Dennis D. Butler, Finance/Operations Controller

Date: May 11, 2016

RE: "Bank Qualified" Bonds for 2016

Following is a re-cap of the status of Woodbury County's "Bank Qualified" bonds for calendar year 2016.

Limit for Calendar Year 2016	\$10,000,000
Less:	
Woodbury County – Capital Improvements (2016)	-1,892,000
Loan is for 5 Years at an interest rate of 1.19%	
Woodbury County – Three TIF Projects:	
(1) CF Entrance (Rise Grant)	-158,000
(2) New Port Neal Circle Road	-800,000
(3) Dogwood Trail – Sergeant Bluff	<u>-801,000</u>
Balance Un-allocated "Bank Qualified" bonds	\$ 6,349,000

## **Bonds Issued Under Chapter 419 of the Code of Iowa.**

### **Authority of County to Issue Revenue Bonds**

The County is authorized pursuant to Chapter 419.2 of the Code of Iowa to issue revenue bonds for a project within, or within eight miles, of its boundaries for the purpose of defraying the cost of any "project" as defined at Section 419.1(12) of the Code. The proceeds of the bonds resulting from the purchase of the bonds by bondholders are in turn loaned to the Borrower. These types of bonds are commonly referred to as "conduit" bonds because the County acts as a conduit between the purchasers and the Borrower. The proceeds of the sale of the bonds are then loaned to the Borrower pursuant a Loan Agreement pursuant to which the Borrower agrees to make payments pursuant to the Loan Agreement corresponding to the payments on the bonds.

### **Revenue Bonds Cannot be Constitutional Debt of the Issuing County**

The County is not liable for repaying the bonds and the bonds are payable only from the amounts paid by the Borrower under the Loan Agreement. In fact, bonds issued pursuant to Chapter 419 are statutorily prohibited from being debt of the County within any state constitutional provision. Chapter 419 of the Code provides statutory protection to the County in Section 419.3, which reads:

*"The principle and interest on such bonds shall be payable solely out of the revenues derived from the project to be financed by the bonds... bonds... issued under the authority of this chapter shall never constitute an indebtedness of the County, within the meaning of any state constitutional provision or statutory limitation, and shall not constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. Such limitation shall be plainly stated on the face of each such bond."*

The documents providing for the loan from the County to the Borrower, the bond itself, and the authorizing proceedings for the bonds will clearly state the language of Chapter 419.3 in order that the Bank remains on notice that the bonds shall not constitute debt of the County.

### **Bank – Qualification**

The County will designate the bonds as bank-qualified. Section 265 of the Internal Revenue Code provides a governmental issuer may issue up to \$10,000,000 each calendar year. Any debt issued by the

## **Procedures for Issuing Revenue Debt Pursuant to Chapter 419**

A resolution to be considered by the Board of Supervisors at a regular meeting would set forth the intent to publish a notice and set a public hearing on the proposal to issue bonds. The notice of the public hearing would be published at least once not less than fifteen (15) days prior to the date of the public hearing as set forth in Section 419.9 of the Code of Iowa. A subsequent meeting of the Board of Supervisors would provide for considering the action of the hearing, consider the adoption of a resolution authorizing the issuance of the bonds and authorizing the Chairperson and the County Auditor to execute a loan agreement, offering documents, bonds, and closing certificates.