Our thanks to Deb Anderson, Hanna Inman, Luke Hoffman and Maggie McClelland who have been so responsive to our questions!

What is the status of the 2013 referendum bonds and what is the financial modeling for the 2021 referendum bonds?

The bonds from the 2013 referendum were issued in three series (2013, 2015, and 2019). They are scheduled to be paid off in June 2033. The tax rate for those bonds is $0.13389. When we initially modelled debt service over the 20-year repayment term, we assumed debt service of approximately $3 million/year, increasing annually by the rate of growth in taxable valuation (which we conservatively estimated at 2%) such that we would maintain a constant levy rate for the 20-year term. Under these parameters, estimated debt service would grow to $3.7 million by 2033, and the levy rate would stay at $0.13389. In fact, taxable valuation increased at more than 2%/year. Since we kept the levy rate constant, we periodically generated more tax revenue than needed for the current year's debt service. We held that tax revenue in reserve and applied it to buy down the principal on conservation bonds when we issued the next series or refinanced current conservation debt for interest savings.

Polk County has saved $6.9 million in debt service compared to the original model, thereby reducing annual debt service in the out years. The current debt service schedule has annual payments declining to $2.7 million in 2028, $1.3 million in 2029-2031, and $0.6M in 2032 and 2033.

As we modelled the newly proposed 2021 referendum bonds, we assumed that debt again would be issued in three series, and we would maintain a constant levy rate over the term of the bonds. We fit the new debt in around the existing (and declining) debt service schedule for the 2013 referendum bonds. We assumed a 3% annual increase in taxable valuations.

Using these parameters, we determined that a levy rate increase of $0.11200 would allow us to service the proposed new debt, so long as we also maintained the original $0.13389 levy. The portion of the $0.13389 levy no longer needed to service the declining 2013 referendum debt would instead be used to service a portion of the new 2021 referendum debt. With this constant combined levy rate of $0.24589, all debt from the 2013 and 2021 referenda still would be retired in 2033.

What is the rationale for "tailing out" to the 2013 referendum bonds rather that repaying them early?

The debt service that is tailing out is a result of several, but not all, series of Conservation bonds being repaid on an accelerated schedule. When we originally modeled the $50M Polk County Water and Land Legacy (PCWLL) bond issuance, we assumed all series of bonds would be repaid in 2033. However, as we proceeded through the actual bond issuances over a course of years, we realized more favorable interest rates and higher taxable valuations than originally anticipated. Because we maintained a constant levy rate, we periodically generated more tax revenue than needed for the current year's debt service. In order to apply those tax revenues to the Conservation bonds, we front-loaded the debt service on new (or refinanced) bond series, thereby shortening the repayment term for those series. The front-loading, early repayment occurred on the 2019 bond issuance (scheduled to be repaid 06/2029) and on the 2018 refinancing of the 2013 bonds (scheduled to be repaid 06/2031). We have not yet accelerated the repayment term on the 2015 bonds. The 2015 bonds were refinanced for interest savings in 2020, but being in the early stages of the pandemic, we were uncomfortable increasing our annual debt service obligation and cognizant that call features would allow us to shorten the repayment term if appropriate in the future.

Note that there are now three series of bonds outstanding:

2018 refinancing of Series 2013B
2019 new money Series 2019A
2020 refinancing of Series 2015B
These are callable in 2023, 2025, and 2028, respectively.

It is Polk County's current intention to continue to apply all tax revenues generated from the PCWLL levy rate towards the repayment of PCWLL debt. As the bond series become callable, we will evaluate opportunities to refinance/retire debt in the most economical manner, subject to any new debt that may be authorized in the November 2021 referendum.

What guarantee does the community have that all debt will be repaid by 2033?

The short answer is that there is not a guarantee. Instead, 2033 is our current estimate based upon the parameters that were previously outlined. The County's current intent is to pay the bonds as quickly as possible within the tax rate goal, and we believe that 2033 is a reasonable estimate. Note that this date may fluctuate (earlier or later) due to actual taxable valuations, interest rates, timing of bond sales, etc., varying from our original estimates.

What accounting is available for the funds?

In response to the question about an annual audit, we created a separate fund entitled "Polk County Water and Land Legacy (PCWLL)" within our accounting system. All revenues and expenditures for projects associated with the 2013 conservation bond referendum are tracked in this account. Please find attached a report listing all accounting entries for this fund.

Polk County Conservation makes public disclosure of the PCWLL projects through their website. Please click on the following link to view this information.

https://www.polkcountyiowa.gov/conservation/polk-county-water-land-legacy-bond/2012-2020-completed-bond-projects/

Additionally, bond updates are provided on a quarterly basis in Polk County's Nature News publications.

https://www.polkcountyiowa.gov/conservation/conservation-news/nature-news/

The proposal is to maintain the levy from the first referendum, to help reduce the levy for the second referendum bonds. Is this in the best interest of taxpayers? What other alternatives were considered?

The supporting data may be found on the website under "Alternative levy rate scenarios"

There are 3 iterations presented for your information:

The first iteration is the basis for the marketing materials which indicated an $11/year tax increase on a median home in Polk County; this is a combination of new levy + old levy being applied to retire all debt by FY 32/33 (with a slight carryover to FY 33/34); total new bond cost under this iteration is $71.7M

The second iteration uses only the new $0.11200 levy to pay debt service on the new bonds; the $0.13389 levy for the 2012 referendum bonds is eliminated once the old bonds are retired; new debt is retired in FY 39/40; total new bond cost under this iteration is $77.3M

The third iteration uses only a new levy to pay debt service on the new bonds; the $0.13389 levy for the 2012 referendum bonds is eliminated once the old bonds are retired; new debt is retired in FY 32/33 as originally proposed; the levy rate increase for the new bonds increases from $0.11200 to $0.17318; total new bond cost under this iteration is $69.2M