

**OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 97-174  
APRIL 7, 1997 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
ISSUANCE OF \$30,500,000 SEWER REVENUE REFUNDING BONDS— ADDITIONAL ACTION	◆ RESOLUTION ORDINANCE RECEIVE/FILE	KEVIN RIPER FINANCE DIRECTOR

**SYNOPSIS —**

The public hearing on the issuance of the above-referenced bonds will be held on this date at 5:30 PM. Following the hearing and consideration of any oral or written objections from any resident or property owner, the Council will consider authorizing additional action for the issuance of the bonds. Additional action includes setting the date of sale, preparing and publishing notice thereof, and any additional action necessary to permit the sale of the bonds.

**FISCAL IMPACT —**

As was explained in a communication on the March 24, 1997, agenda (item #59, Roll Call No. 97-977, resolution for fixing public hearing date), by refunding the 1987 Sewer Revenue bonds with the above sewer revenue issue, the City of Des Moines would save approximately \$300,000 in annual debt service over the life of the bonds. (After the recent rise in interest rates, this number has since been revised to approximately \$282,000 per our financial advisor, Springsted Incorporated). The attached *Recommendations for City of Des Moines* (\$30,300,000 Sewer Revenue Refunding Bonds, Series 1997C portion) from Springsted Incorporated, explain the bond issue and provide comparison schedules of existing and refunded debt service. As was stated previously, the 1987 bonds were originally issued on behalf of the Wastewater Reclamation Authority, and as such, the savings to Des Moines will be approximately 94 percent of the estimated \$282,000, with the remainder of the savings being passed on to the other WRA communities.

The new bonds are expected to be issued in the face amount of \$30,300,000 (not to exceed \$30,500,000) and carry a net interest cost (NIC) of an estimated 5.46 percent if interest rates stay constant compared to an NIC of 7.09 percent on the current bonds. Over the life of the bonds through June 1, 2012, the refunding issue would result in total debt service of \$44.9 million compared to the current schedule of \$49.2 million, or a total debt service savings of \$4.3 million.

**RECOMMENDATION —**

If the outcome of the public hearing is favorable, staff and the City's Bond Counsel recommend that the City Council approve additional action necessary for the sale and issuance of not to exceed \$30,500,000 in Sewer Revenue Refunding Bonds.

**BACKGROUND —**

The 1987 Sewer Revenue Bonds (original principal of \$38,610,000) were issued on April 1, 1987 to finance the local share of construction of the new wastewater treatment facilities and portions of the Saylor Creek Interceptor and Southside-Southern Tier Interceptor Sewers which feed the facility. These projects were undertaken as a result of the area-wide Integrated Community Area (ICA) Facility Plan to

update and build new wastewater treatment facilities and conveyance systems to comply with the Federal Clean Water Act of 1973. In addition to the sewer revenue bond amount, \$29,000,000 in federal and state grants and \$8,654,000 in cash contributions from other communities were needed to complete these facilities.

The bond sale date is proposed for April 21, 1997 with closing on May 8, 1997. Publishing of call notice for the outstanding bonds will be May 1, 1997 with the actual call date on June 2, 1997. If Council ultimately authorizes the issuance of refunding bonds, Council will be reiterating its original 1987 pledge to bondholders to maintain sewer rates at a level sufficient to guarantee repayment of the revenue bonds, plus a margin of safety.

**Recommendations**  
**For**  
**City of Des Moines, Iowa**

**\$14,450,000**  
**General Obligation Bonds, Series 1997B**

**\$30,300,000**  
**Sewer Revenue Refunding Bonds, Series 1997C**

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**Presented to:**

Mayor Arthur Davis  
Members, City Council  
Mr. Eric Anderson, City Manager  
Mr. Kevin Riper, Finance Director  
City of Des Moines  
400 East First Street  
Des Moines, IA 50309-1891

Study No.: D1302R1Y1  
SPRINGSTED Incorporated  
March 28, 1997

**SPRINGSTED**  
*Public Finance Advisors*



## RECOMMENDATIONS

Re: Recommendations for the Issuance of \$14,450,000 General Obligation Bonds, Series 1997B and \$30,300,000 Sewer Revenue Refunding Bonds, Series 1997C

The proceeds of the Series 1997B Bonds will be used to finance a portion of the City's 1997-98 Capital Improvement Budget.

The proceeds of the Series 1997C Bonds will be used to refund the City's Sewer Revenue Bonds, Series 1987 to achieve interest cost savings.

We recommend the following for the bonds:

1. *Action Requested* To establish the date and time of receiving bids and establish the terms and conditions of the offering.
2. *Sale Date and Time* Monday, April 21, 1997, at 11:00 A.M., with award that afternoon at 4:30 P.M.
3. *Authority for the Bond Issues* The Bonds are being issued pursuant to Chapter 384 of the Iowa Code.
4. *Principal Amount of Offerings*  
Series 1997B Bonds: \$14,450,000  
Series 1997C Bonds: \$30,300,000  
  
Included in the attached Official Terms of Offering for the Series 1997C Bonds is a provision that permits the City to increase or reduce the principal in any of the maturities for the Series 1997C Bonds in a total amount not to exceed \$200,000. This will allow for any necessary adjustments to the new reserve fund, which is based on the new lower debt service requirements, and adjustments for final issuance costs.
5. *Repayment Term*  
Series 1997B Bonds: June 1, 1999-2016  
Series 1997C Bonds: June 1, 1998-2012
6. *Source of Payments and Payment Cycle*  
The Series 1997B Bonds will be general obligations of the City, payable from general ad valorem taxes.  
  
The Series 1997C Bonds will be special obligations of the City, payable solely from net revenues of the Sewer Utility, including payments made by the Constituent Communities of the Des Moines Wastewater Reclamation Authority (WRA). The Series 1997C Bonds are being issued on a parity with ten existing issues which are also payable solely from sewer net revenues. This issue meets the coverage test required by the covenants for issuance of Parity Bonds.

7. *Prepayment Provisions*

Bonds due on or after June 1, 2006 will be callable on June 1, 2005, and any day thereafter, at a price of par plus accrued interest.

8. *Credit Rating Comments*

Rating applications will be made to Moody's Investors Service and Standard & Poor's for ratings on the Series 1997B Bonds.

We recommend that the City purchase bond insurance for the Series 1997C Bonds. The security for payment of the Series 1997C Bonds is not as broad as the security for the Series 1997B General Obligation Bonds, since the Series 1997C Bonds are payable solely from net revenues of the sewer utility. Typically, ratings for utility revenue bonds can be one full letter grade below a community's general obligation bond rating. Insured bonds, however, receive the "AAA" ratings of the insurance company since they guarantee to pay debt service if the City has insufficient revenues. Purchasing insurance will thus increase the marketability of the Series 1997C Bonds and result in lower interest rates. The 1987 Bonds which are being refunded, as well as the City's 1992 Sewer Revenue Bonds, were insured and we recommend using the same insurance company the City used for its 1992 issuance, Financial Guaranty Insurance Company, or FGIC.

9. *Rebate Requirements*

The Series 1997B Bonds are subject to the federal arbitrage requirements. If the City can meet either the eighteen-month or two-year spend down exemption for the issue, it will be exempt from rebating arbitrage earnings to the federal government.

The Series 1997C Bonds are also subject to the federal arbitrage requirements. However, proceeds will be spent within six months to repay the 1987 Bonds, so the issue will be exempt from rebate.

10. *Bona Fide Debt Service Fund*

The City must maintain a bona fide debt service fund for each issue, or be subject to yield restriction.

11. *Economic Life*

The average life of the Bonds cannot exceed 120% of the economic life of the projects to be financed. The economic life for infrastructure improvements and capital facilities is 20-40 years. Both issues are within the economic life requirements.

12. *Continuing Disclosure*

These issues are subject to the SEC's new continuing disclosure requirements. The new SEC rules require the City to undertake an annual update of its Official Statement information and report any material events to the national repositories.

13. *Attachments*

- a) Debt Service Schedule-Series 1997B Bonds
- b) Refunding Schedules-Series 1997C Bonds
- c) Official Terms of Offering

## DISCUSSION

### **The Series 1997B Bonds**

Proceeds of the Series 1997B Bonds will finance a portion of the City's 1997-98 Capital Improvement Budget and the costs of issuance associated with the Bonds. The issue has been structured over 19 years and provides for even annual debt service requirements.

Page 5 indicates the proposed debt service schedule for the Series 1997B Bonds. The first payment on the Bonds is an interest payment due December 1, 1997. This payment, as well as the June 1, 1998 interest payment, will be made from the 1997 levy. Thereafter, the amount levied each year will be sufficient to cover the December 1 interest payment due in that same year and the subsequent June 1 principal and interest payment.

### **The Series 1997C Bonds**

The Series 1997C Bonds constitutes a "current" refunding since all the remaining maturities of the 1987 Bonds will be called within 90 days of settlement of this issue. Proceeds of the Bonds will be used to redeem the June 1, 1998 through 2012 maturities of the 1987 Bonds on June 1, 1997. The refunding has been structured to provide for even annual savings, which are expected to average approximately \$282,000 per year in 1998 through 2012. The City will make the June 1, 1997 principal and interest payment on the 1987 Bonds as originally scheduled.

Attached is the analytical summary of the refunding. Page 7 shows the debt service on the 1987 Bonds as it exists now. Page 8 shows the principal amount of the 1987 Bonds which will be called for redemption on June 1, 1997 and paid from the proceeds of this issue. Page 9 shows the June 1, 1997 principal and interest payment on the 1987 Bonds which will be paid by the City as originally scheduled. Page 10 shows the projected debt service on the new refunding issue and Page 11 shows the projected annual savings (Column 6).

City of Des Moines, Iowa  
March 28, 1997

We will monitor the bond market between now and the date of the sale. In the event interest rates rise to a level that will result in insufficient savings, the sale can be postponed or the bids received can be rejected. We will keep the City apprised of changes in the market as the sale date approaches.

Respectfully submitted,

*Springsted Incorporated*  
SPRINGSTED Incorporated

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## Current Refunding Summary

Partial Current Refunding of Sewer Revenue Bonds of 1987	
Even Annual Debt Service Structure	
Refunding Bond Rating:	Aaa (Insured)

Date of Bonds:	05/01/97
Delivery Date:	05/21/97
Refunded Call:	06/01/97
1st Callable:	06/01/98

### Refunding Delivery Date Sources / Uses

Sources of Funds on:	05/21/97
Refunding Principal:	30,300,000.00
Accrued Interest:	86,835.39
Old Bond Reserve:	3,279,677.50
<b>Total Sources of Funds:</b>	<b>33,666,512.89</b>
Uses of Funds on:	05/21/97
New Bond Reserve:	3,007,787.50
Discount @ \$10.00 :	303,000.00
Acc. Int. & Unused Disc:	86,835.39
Refunding Expenses:	300,000.00
Investment to Call Date:	29,968,890.00
<b>Total Uses of Funds:</b>	<b>33,666,512.89</b>

### Refunded Bond Call Date Sources / Uses

Sources of Funds on:	06/01/97
Invest. Proceeds Mature:	29,968,890.00
Inv. Earnings @ 4.00% :	33,298.77
Funds from Issuer:	
<b>Total Sources of Funds:</b>	<b>30,002,188.77</b>
Uses of Funds on:	06/01/97
Refunded Principal:	29,705,000.00
Refunded Call Premium:	297,050.00
Excess Proceeds:	138.77
<b>Total Uses of Funds:</b>	<b>30,002,188.77</b>

### Refunded / Refunding Bond Comparison

As of: 05/01/97	Refunded Statistics	Refunding Statistics
Principal:	29,705,000	30,300,000
Interest:	19,630,351	14,635,566
Bond Yrs:	277.050	273.550
Avg. Mat:	9.327	9.028
NIC:	7.09%	5.46%

### Total Net Savings/Present Value Savings

Future Savings:	4,226,385.55
Less Old Bond Reserve:	3,279,677.50
Plus A.I. & E.P. to D/S Fund:	86,974.16
Plus New Bond Reserve:	3,007,787.50
<b>Total Net Savings:</b>	<b>4,041,469.71</b>
Present Value Sav @ 5.41% :	2,682,534.55
As % of P.V. Refunded Int.:	18.51%



Des Moines, Iowa  
 Sewer Revenue Bonds of 1987  
 Existing Debt Service

Prepared: 03/17/97  
 By SPRINGSTED Incorporated

Date	Principal	Rate	Interest	Semi-Annual	Annual
06/01/97	1,125,000.00	6.200%	1,075,275.00	2,200,275.00	2,200,275.00
12/01/97			1,040,400.00	1,040,400.00	
06/01/98	1,195,000.00	6.350%	1,040,400.00	2,235,400.00	3,275,800.00
12/01/98			1,002,458.75	1,002,458.75	
06/01/99	1,270,000.00	6.500%	1,002,458.75	2,272,458.75	3,274,917.50
12/01/99			961,183.75	961,183.75	
06/01/2000	1,355,000.00	6.600%	961,183.75	2,316,183.75	3,277,367.50
12/01/2000			916,468.75	916,468.75	
06/01/2001	1,445,000.00	6.800%	916,468.75	2,361,468.75	3,277,937.50
12/01/2001			867,338.75	867,338.75	
06/01/2002	1,545,000.00	7.000%	867,338.75	2,412,338.75	3,279,677.50
12/01/2002			813,263.75	813,263.75	
06/01/2003	1,650,000.00	7.000%	813,263.75	2,463,263.75	3,276,527.50
12/01/2003			755,513.75	755,513.75	
06/01/2004	1,765,000.00	7.000%	755,513.75	2,520,513.75	3,276,027.50
12/01/2004			693,738.75	693,738.75	
06/01/2005	1,890,000.00	7.100%	693,738.75	2,583,738.75	3,277,477.50
12/01/2005			626,643.75	626,643.75	
06/01/2006	2,025,000.00	7.125%	626,643.75	2,651,643.75	3,278,287.50
12/01/2006			554,503.12	554,503.12	
06/01/2007	2,170,000.00	7.125%	554,503.12	2,724,503.12	3,279,006.25
12/01/2007			477,196.87	477,196.87	
06/01/2008	2,325,000.00	7.125%	477,196.87	2,802,196.87	3,279,393.75
12/01/2008			394,368.74	394,368.74	
06/01/2009	2,490,000.00	7.125%	394,368.74	2,884,368.74	3,278,737.45
12/01/2009			305,662.49	305,662.49	
06/01/2010	2,665,000.00	7.125%	305,662.49	2,970,662.49	3,276,324.95
12/01/2010			210,721.87	210,721.87	
06/01/2011	2,855,000.00	7.125%	210,721.87	3,065,721.87	3,276,443.75
12/01/2011			109,012.50	109,012.50	
06/01/2012	3,060,000.00	7.125%	109,012.50	3,169,012.50	3,278,025.00

Totals 30,830,000.00 20,532,226.18 51,362,226.18 51,362,226.18

Bond Years:	277,144.17	All lower calculations	Refunded Bonds Only
Avg. Mat...:	8.989	are made from the date	Avg. Mat...: 9.327
NIC.....:	7.085%	of the refunding bonds	NIC.....: 7.085

Des Moines, Iowa  
 Sewer Revenue Bonds of 1987  
 Refunded Principal and any Call Premium

Prepared: 03/17/97  
 By SPRINGSTED Incorporated

Date	Principal	Premium	Semi-Annual	Annual
06/01/97	29,705,000.00	297,050.00	30,002,050.00	30,002,050.00

Totals 29,705,000.00 297,050.00 30,002,050.00 30,002,050.00

Call Date.....: 06/01/97  
 First Date Called.....: 06/01/98  
 Call Premium.....: 1.00%

This portion will be paid with proceeds.

Des Moines, Iowa  
Sewer Revenue Bonds of 1987  
on-Refunded Debt Service

Prepared: 03/17/97  
By SPRINGSTED Incorporated

Date	Principal	Rate	Interest	Semi-Annual	Annual
06/01/97	1,125,000.00	6.200%	1,075,275.00	2,200,275.00	2,200,275.00
Totals	1,125,000.00		1,075,275.00	2,200,275.00	2,200,275.00

This portion will be paid by the issuer. The first payment includes interest on the entire existing debt service.

Des Moines, Iowa  
 Revenue Refunding Bonds, Series 1997  
 Refunding Debt Service

Prepared: 03/17/97  
 By SPRINGSTED Incorporated

Date	Principal	Rate	Interest	Semi-Annual	Annual
12/01/97			911,771.88	911,771.88	
06/01/98	1,300,000.00	4.250%	781,518.75	2,081,518.75	2,993,290.63
12/01/98			753,893.75	753,893.75	
06/01/99	1,500,000.00	4.450%	753,893.75	2,253,893.75	3,007,787.50
12/01/99			720,518.75	720,518.75	
6/01/2000	1,550,000.00	4.600%	720,518.75	2,270,518.75	2,991,037.50
2/01/2000			684,868.75	684,868.75	
6/01/2001	1,625,000.00	4.700%	684,868.75	2,309,868.75	2,994,737.50
2/01/2001			646,681.25	646,681.25	
6/01/2002	1,700,000.00	4.800%	646,681.25	2,346,681.25	2,993,362.50
2/01/2002			605,881.25	605,881.25	
6/01/2003	1,775,000.00	4.900%	605,881.25	2,380,881.25	2,986,762.50
2/01/2003			562,393.75	562,393.75	
6/01/2004	1,875,000.00	5.000%	562,393.75	2,437,393.75	2,999,787.50
2/01/2004			515,518.75	515,518.75	
6/01/2005	1,975,000.00	5.100%	515,518.75	2,490,518.75	3,006,037.50
2/01/2005			465,156.25	465,156.25	
6/01/2006	2,075,000.00	5.200%	465,156.25	2,540,156.25	3,005,312.50
2/01/2006			411,206.25	411,206.25	
6/01/2007	2,175,000.00	5.300%	411,206.25	2,586,206.25	2,997,412.50
2/01/2007			353,568.75	353,568.75	
6/01/2008	2,300,000.00	5.400%	353,568.75	2,653,568.75	3,007,137.50
2/01/2008			291,468.75	291,468.75	
6/01/2009	2,400,000.00	5.500%	291,468.75	2,691,468.75	2,982,937.50
2/01/2009			225,468.75	225,468.75	
6/01/2010	2,550,000.00	5.550%	225,468.75	2,775,468.75	3,000,937.50
2/01/2010			154,706.25	154,706.25	
6/01/2011	2,675,000.00	5.600%	154,706.25	2,829,706.25	2,984,412.50
2/01/2011			79,806.25	79,806.25	
6/01/2012	2,825,000.00	5.650%	79,806.25	2,904,806.25	2,984,612.50

Totals 30,300,000.00 14,635,565.63 44,935,565.63 44,935,565.63

End Date.: 05/01/97 Delivery...: 05/21/9  
 Avg. Mat...: 9.028 Discount.%: 1.00000%  
 IC.....: 5.461% Bond Yield: 5.41170%

Des Moines, Iowa  
 Revenue Refunding Bonds, Series 1997  
 Annual Savings Analysis

Prepared: 03/17/97  
 By SPRINGSTED Incorporated

Date (1)	Refunding Debt Service (2)	Non-Refunded Debt Service (3)	Total New Debt Service (4)	Existing Debt Service (5)	Savings or (Loss) (6)
06/01/97		2,200,275	2,200,275	2,200,275	
12/01/97					
06/01/98	2,993,291		2,993,291	3,275,800	282,509
12/01/98					
06/01/99	3,007,788		3,007,788	3,274,918	267,130
12/01/99					
06/01/2000	2,991,038		2,991,038	3,277,368	286,330
12/01/2000					
06/01/2001	2,994,738		2,994,738	3,277,938	283,200
12/01/2001					
06/01/2002	2,993,363		2,993,363	3,279,678	286,315
12/01/2002					
06/01/2003	2,986,763		2,986,763	3,276,528	289,765
12/01/2003					
06/01/2004	2,999,788		2,999,788	3,276,028	276,240
12/01/2004					
06/01/2005	3,006,038		3,006,038	3,277,478	271,440
12/01/2005					
06/01/2006	3,005,313		3,005,313	3,278,288	272,975
12/01/2006					
06/01/2007	2,997,413		2,997,413	3,279,006	281,594
12/01/2007					
06/01/2008	3,007,138		3,007,138	3,279,394	272,256
12/01/2008					
06/01/2009	2,982,938		2,982,938	3,278,737	295,800
12/01/2009					
06/01/2010	3,000,938		3,000,938	3,276,325	275,387
12/01/2010					
06/01/2011	2,984,413		2,984,413	3,276,444	292,031
12/01/2011					
06/01/2012	2,984,613		2,984,613	3,278,025	293,413

Totals	44,935,566	2,200,275	47,135,841	51,362,226	4,226,386
Present Value Rate....:		5.4117%		Funds From Issuer.....:	(3,279,678)
Present Value Savings:		2,682,535		Funds To Issuer.....:	3,094,762
As % of P.V. Ref. Int:		18.51%		Total Net Savings.....:	4,041,470

## OFFICIAL TERMS OF OFFERING

\$30,300,000\*

### CITY OF DES MOINES, IOWA SEWER REVENUE REFUNDING BONDS, SERIES 1997C

(BOOK ENTRY ONLY)

Sealed bids for the Bonds will be received by the City Finance Director or his designee on Monday, April 21, 1997, until 11:00 A.M., Central Time, at the offices of the Finance Director in City Hall, 400 East First Street, Des Moines, Iowa, Attention: Kevin Riper, City Finance Director. Sealed bids will be received until the City Finance Director declares the time for filing of the sealed bids to be closed, after which time they will be opened and tabulated. The City Finance Director will present all bids and his recommendation with respect thereto to the City Council at its meeting at 4:30 P.M. Central Time, on the same day in City Hall.

#### DETAILS OF THE BONDS

The Bonds will be dated May 1, 1997, as the date of original issue, and will bear interest payable on June 1 and December 1 of each year, commencing December 1, 1997. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature June 1 in the years and amounts as follows:

1998	\$1,300,000	2003	\$1,775,000	2008	\$2,300,000
1999	\$1,500,000	2004	\$1,875,000	2009	\$2,400,000
2000	\$1,550,000	2005	\$1,975,000	2010	\$2,550,000
2001	\$1,625,000	2006	\$2,075,000	2011	\$2,675,000
2002	\$1,700,000	2007	\$2,175,000	2012	\$2,825,000

- \* *The City reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be in a total amount not to exceed \$200,000 and will be made in multiples of \$5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*

#### BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## REGISTRAR

The Treasurer of the City will serve as registrar and paying agent.

## OPTIONAL REDEMPTION

The City may elect on June 1, 2005, and on any day thereafter, to prepay Bonds due on or after June 1, 2006. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

## SECURITY AND PURPOSE

The Bonds will be special obligations of the City payable solely from net revenues derived from the operation of the City's Municipal Sanitary Sewerage Utility, including revenues derived from the Constituent Communities in the area of the Des Moines Wastewater Reclamation Authority (the "WRA") as hereinafter defined and shall not constitute a debt for which the faith and credit or taxing powers of the City will be pledged. The proceeds will be used to refund in advance of maturity the 1998-2012 maturities of the City's Sewer Revenue Bonds, Series 1987, dated April 1, 1987 and to pay costs of issuance of the Bonds.

## TYPE OF BID

Bids shall be for not less than \$29,997,000 and accrued interest on the total principal amount of the Bonds. Bids shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of \$303,000, payable to the order of the City. If a check is used, it must accompany each bid. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Iowa, and preapproved by the City. Such bond must be submitted to Springsted Incorporated prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a bidder using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted Incorporated in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement. The City will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted bid, said amount will be retained by the City. No bid can be withdrawn after the time set for receiving bids unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional bid will be accepted.

## AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (TIC) basis. The City's computation of the interest rate of each bid, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause, and, (iii) reject any bid which the City determines to have failed to comply with the terms herein.

#### CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

#### SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the City and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Ahlers, Cooney, Dorweiler, Haynie Smith & Allbee, P.C. attorneys of Des Moines, Iowa, and of customary closing papers, including a no-litigation certificate. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the City, or its agents, the purchaser shall be liable to the City for any loss suffered by the City by reason of the purchaser's non-compliance with said terms for payment.

#### CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Bond Resolutions, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement. The City has complied in all material respects with any previous undertaking under the Rule.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or the Resolutions. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

#### OFFICIAL STATEMENT

The City has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement and the Official Bid Form or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the City, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (612) 223-3000.



The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting an Official Bid Form therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded 250 copies of the Official Statement and the addendum or addenda described above. The City designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering an Official Bid Form with respect to the Bonds agrees thereby that if its bid is accepted by the City (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated April 7, 1997

BY ORDER OF THE CITY COUNCIL

/s/ Donna Boetel-Baker  
City Clerk