

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

98-221

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

AGENDA:
JUNE 1, 1998

SYNOPSIS –

Authorizing the sale of General Obligation Bonds to pay for the City’ s 1998-99 Capital Improvements Program (CIP).

SUBJECT:
GENERAL
OBLIGATION BOND
ISSUE

FISCAL IMPACT –

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

The funding amounts for various capital projects are consistent with the 1998-99 CIP, adopted by City Council on March 2, 1998. Annual debt service on this year’ s General Obligation Bond issue will be paid, as usual, from: (i) the property tax debt service levy approved by City Council and certified to the State; and (ii) tax increment funds, as available. Estimated annual debt service on the 20-year bond issue will be provided to Council in a separate communication on Monday, June 1, 1998, after bids are received.

SUBMITTED BY:
KEVIN RIPER
FINANCE
DIRECTOR

RECOMMENDATION –

Authorize the sale of General Obligation Bonds, Series 1998 D, in a par amount of \$19,400,000.

BACKGROUND –

On March 2, 1998, Council adopted the 1998-99 CIP, including dozens of projects to be financed with the annual General Obligation Bond issuance in the Spring. Those capital improvement projects fall into the following categories:

Bridge and Viaduct	\$ 147,105
Fire Protection	2,572,645
Library	450,627
Municipal Buildings	3,691,352

Neighborhood Development	1,000,000
Parking System	500,000
Parks	2,469,000
Sidewalks	145,178
Streets	6,051,565
Traffic Control	695,192
Total	\$17,722,664

In addition, three non-CIP projects that total \$1,340,000 (ACCENT Neighborhood, \$550,000; Central Place, \$290,000; and Grocery Store, \$500,000) were appropriated, with the funding to come from the same General Obligation Bond issue. The specific expenditures to be made in furtherance of the ACCENT Neighborhood, Central Place, and Grocery Store projects have not yet been determined, although some degree of land acquisition and private sector involvement in each project is contemplated. Since tax-exempt bonds are being issued for these activities, it is important to recognize that federal tax regulations may limit the use of bond proceeds for certain project-related activities. It is possible, for example, that minimum assessment agreements with owners of property acquired with bond proceeds, or City loans to developers made from bond proceeds, will not be permitted. Staff intends to monitor these projects closely following the closing of the bond issue, and to recommend expenditures of the bond proceeds for specific project activities only after it has been determined that the proposed expenditures are permitted under the applicable regulations.

The list of projects above requires a General Obligation Bond issue of \$19,400,000. This par amount is slightly larger than the sum of the project amounts shown herein, because it includes cost of issuance of the bonds, primarily underwriter's discount, but also costs for the financial advisor, bond counsel, rating agencies, arbitrage rebate consultants, printing and distribution of the Official Statement, etc.

Attached is a six-page spreadsheet showing each specific project under the categories listed above. The structure of the bond issue is consistent with the City's debt management

policy. Bond closing, i.e., delivery of proceeds to the City, is scheduled for June 22, 1998.

Attachment

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