

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

98-238

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

AGENDA:
JUNE 1, 1998

SYNOPSIS –

SUBJECT:
SALE OF GENERAL
OBLIGATION
BONDS

This communication is a supplement to Council Communication No. 98-221, which was included in the Council packet of last week. This morning the City received five bids involving 33 firms for its \$19,400,000 General Obligation Bonds. The best bid (and, therefore, the lowest interest rate) was from Salomon Smith Barney, at a true interest cost of 4.877 percent over the 20-year life of the bonds.

TYPE:
RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT –

SUBMITTED BY:
KEVIN RIPER
FINANCE
DIRECTOR

Annual debt service on the bonds will average \$1,582,651, to be paid from property tax debt service levy and tax increment funds, as available.

RECOMMENDATION –

Direct the sale of \$19,400,000 General Obligation Bonds, Series D, to Salomon Smith Barney.

BACKGROUND –

This bond issue will fund a portion of the City's 1998-99 Capital Improvements Program (and several non-Capital Improvements Program projects) approved by Council on March 2, 1998.

The City's General Obligation Bond rating has been confirmed by Moody's at "Aa3" and by Standard & Poor's at "AA+." In addition, Standard & Poor's upgraded the City's financial outlook from "negative" to "stable." It appears that this action, combined with a favorable interest rate environment, contributed to this morning's very aggressive bidding for the City's bonds.

Five bids for the General Obligation Bonds were received this morning from the following firms:

- Salomon Smith Barney
- Morgan Keegan
- ABN-Amro, Inc.
- Harris Trust with Norwest Investment Services, Inc., and 24 other firms, including Ruan Securities and Securities Corporation of Iowa
- Piper Jaffrey with William Blair, Robert W. Baird, and AG Edwards

The best bid was from Salomon Smith Barney, at a true interest cost of 4.877 percent. This is the lowest interest rate for any of the City' s outstanding long-term debt. The second best bid was from ABN-Amro, Inc., at a true interest cost of 4.884 percent.

The structure of the bond issue is consistent with the City' s debt management policy. Bond closing is scheduled for June 22, 1998.

Attachments