



**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

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

**98-411**

**SYNOPSIS —**

**AGENDA:**

SEPTEMBER 14, 1998

During the September 14, 1998, Council meeting, a visual presentation will be made concerning the City’ s general obligation debt– historical and projected.

**SUBJECT:**

GENERAL  
OBLIGATION BOND  
UPDATE

**FISCAL IMPACT –**

**TYPE:**

RESOLUTION  
ORDINANCE

None.

**RECEIVE/FILE**

**RECOMMENDATION –**

**SUBMITTED BY:**

KEVIN RIPER  
FINANCE  
DIRECTOR

**Receive and File.**

**BACKGROUND –**

Annually, the City issues general obligation bonds to pay for a substantial portion of each year’ s Capital Improvements Program. This debt is repaid from property taxes collected under the debt service levy. Occasionally, the City issues debt supported by tax increment, rather than by the debt service levy. Under State Law, tax increment-supported bonds count against the constitutional limit on the City’ s general obligation debt: five percent of total assessed (not taxable) valuation; so do some economic development loans, and certain lease-purchase obligations.

As of June 30, 1998, the City’ s total outstanding general obligation debt was \$215.4 million, or 68.2 percent of the constitutional limit of \$315.9 million (which itself represents five percent of total assessed valuation in the City, or \$6.3 billion).

In late 1995, the City Council approved a debt management policy calling for general obligation debt not to exceed 70

percent of the constitutional limit, on a rolling three-year-average basis. Exceptions can be made if the City faces emergency needs. As of June 30, 1998, the City had a 1.8 percent margin under that policy (70 percent policy minus 68.2 percent outstanding).

Debt issuance projections assume that property valuations will grow three percent annually. They show that, through 2001-02, the margin under the 70 percent policy will range from 1.2 percent to 2.4 percent (in dollar terms, from \$4.0 million to \$8.4 million). These projections include assumed debt issuance of \$16 million for the Gateway Project, but nothing for either Court Avenue or Gray' s Lake, for both of which a debt profile is still in the formative stage.