

**CITY COUNCIL  
COMMUNICATION:**

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

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

**99-289**

**SYNOPSIS -**

**AGENDA:**

JUNE 21, 1999

**SUBJECT:**

GENERAL  
OBLIGATION BOND  
ISSUE

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

The City of Des Moines will be conducting three separate public hearings for issuance of General Obligation (G.O.) Bonds. These hearings must be held a second time due to incorrect printing by the Des Moines Register of three of seven legal notices (announcing the date and content of the public hearings), thus invalidating three public hearings originally conducted on May 17, 1999.

These hearings will authorize the sale of G.O. Bonds to pay for the City's 1999-2000 Capital Improvements Program (CIP) and two major non-CIP economic development projects (Court Avenue and Gateway). The City will receive competitive bids from underwriters at 11:00 A.M., Monday, June 21, 1999. After the public hearings at that night's City Council meeting, Council will be asked to award the sale to the firm or group of firms with the best bid (lowest interest rate) and to authorize issuance of the bonds.

**SUBMITTED BY:**

KEVIN RIPER  
FINANCE  
DIRECTOR

**FISCAL IMPACT -**

Public Hearing on Bond Proposals  
The three bond proposals the Council is asked to reconsider relate to the issuance of G.O. Bonds for the Gateway Project (proposed for hearing purposes in the amount of \$3,151,750), fire stations and library improvements (proposed for hearing purposes in the amount of \$783,022), and municipal building/Blank Park Zoo and Sec Taylor Stadium improvements (proposed for hearing purposes in the amount of \$961,046).

Movement in the term structure of interest rates between June 7 and June 21 will determine whether the City will face higher or lower interest costs as a result of the two-week delay in the bond sale caused by the printing errors.

### Authorization of Bond Issuance

The funding amounts for various capital projects are consistent with the 1999-2000 CIP, adopted by the City Council on March 1, 1999, by Roll Call No. 99-604. Annual debt service on this year's G.O. 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. Annual debt service on the 20-year bond issue will be provided to Council in a separate communication on Monday, June 21, 1999, after bids are received.

### **RECOMMENDATION -**

**To conduct three separate public hearings for issuance of G.O. Bonds to fund the City's 1999-2000 CIP; and authorize the sale of G.O. Bonds, Series A (tax-exempt) and B (taxable), in an aggregate par amount of \$23,400,000.**

### **BACKGROUND -**

#### Public Hearing on Bond Proposals

After the seven public hearings were held on May 17, 1999, for the sale of G.O. Bonds, bond counsel discovered that the Des Moines Register incorrectly printed three of the seven legal notices (announcing the date and content of the public hearings), thus invalidating those three May 17 public hearings. Therefore, three public hearings needed to be republished in the newspaper (at no additional cost to the City) and conducted again at the June 21 Council meeting. After the three public re-hearings, Council will be in a position to consider awarding the sale of bonds to the winning bidder(s) of the competitive auction to be conducted earlier in the day on June 21 and to consider authorizing the issuance of the bonds. These latter two actions had previously been scheduled for June 7, 1999.

The cost of delaying the bond sale will depend on interest rates received at the June 21 sale. Staff will determine at that time- and provide to Council- fairly accurate interest cost increases or decreases based on movement in the term structure of interest rates between June 7 and June 21.

### Authorization of Bond Issuance

On March 1, 1999, Council adopted the 1999-2000 CIP, including dozens of projects to be financed with the G.O. Bond

issuance in the Spring. Those Capital Improvement Projects fall into the following categories:

**Series 1999A (Tax-Exempt)**

<u>Projects Paid from Taxes</u>	
Bridge and Viaduct	\$ 287,089
Fire Prevention	2,177,000
Flood Control Improvements	200,000
Library	435,000
Municipal Improvements	1,577,000
Parks Improvements	3,315,000
Sidewalks	472,000
Street Improvements	4,948,338
Traffic Control Improvements	400,000
Neighborhood Development	921,302
Subtotal	\$14,732,729
<u>Projects Paid from Tax Increment</u>	
Parks Improvements	\$ 150,000
Street Improvements	1,884,951
Traffic Control Improvements	30,000
Subtotal	\$ 2,064,951
Total Projects Series 1999A (Tax-Exempt)	\$16,797,680

**Series 1999B - (Taxable)**

<u>Projects Paid from Tax Increment</u>	
Gateway	\$ 3,100,000
Court Avenue	3,100,000
Total Projects Series 1999B	\$ 6,200,000

Total issuance and contingency costs allocated to Series 1999A and 1999B are \$402,320-the majority of which is the underwriter's discount for selling the City's bonds-for a total sale of \$23,400,000. Attached are more detailed bond-sizing spreadsheets (three pages), and a list of projects considered during each of the seven public hearings (five pages).

The structure of the bond issue is consistent with the City's debt management policy. The third attachment (seven pages) is an updated version of the debt margin model which has been presented to Council periodically over the past year.

Bond closing (delivery of proceeds to the City) is scheduled for June 30, 1999.

[Attachments](#)