



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-300

SYNOPSIS -

AGENDA:

JUNE 21, 1999

This communication supplements Council Communication No. 99-289, which was included in the Council packet for tonight's meeting.

SUBJECT:

SALE OF GENERAL
OBLIGATION
BONDS

This morning the City received three bids involving 28 firms for its \$17,100,000 General Obligation Bonds, Series 1999A (tax-exempt). The best bid (and, therefore, the lowest interest rate) was from ABN AMRO, Inc., at a true interest cost of 5.260 percent over the 20-year life of the bonds. A fourth bid was disqualified due to its submission of a price below the minimum bid required for the bonds. The City received three other bids involving seven firms for its \$6,300,000 General Obligation Bonds, Series 1999B (taxable). The best bid (lowest interest rate) was from U.S. Bancorp Piper Jaffray at a true interest cost of 7.1888 percent. The first attachment lists each bid and the members of each bidding syndicate of underwriters.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

Various factors affect the interest rate received for bond issues such as this, including the City's general obligation bond rating. The City-for the first time since 1976-received a general obligation bond rating upgrade from Moody's Investors Service to Aa2 from Aa3. This upgrade-combined with its excellent AA+ rating affirmed by Standard & Poor's-reflects improvement in the City's financial position, overall favorable economic performance, and improved expenditure controls. The second attachment is a table showing the City's bond ratings on a scale of rating agency rankings, and the third and fourth attachments are the new credit reports on the City from the rating agencies.

SUBMITTED BY:

KEVIN RIPER
FINANCE
DIRECTOR

FISCAL IMPACT -

Annual debt service on the bonds will average \$1.99 million, to be paid from property tax debt service levy and tax increment funds, as available.

A delay in the bond sale from June 7 to June 21 due to printing errors by the Des Moines Register was mitigated by no change in taxable interest rates, during the intervening two weeks, and therefore no change in total debt service costs for the smaller portion of this bond issue, the \$6,300,000 Series B Bonds. Tax-exempt interest rates, however, have climbed 20 to 25 basis points since June 7. (One basis point equals 1/100th of 1 percent.) Therefore, annual debt service costs on the larger portion of this bond issue, the \$17,100,000 Series A Bonds, will be approximately \$19,000 higher than if the City had been able to sell bonds on June 7, as originally scheduled.

RECOMMENDATION -

Direct the sale of \$17,100,000 General Obligation Bonds, Series A to ABN AMRO Incorporated, and the sale of \$6,300,000 General Obligation Bonds, Series B to U.S. Bancorp Piper Jaffray.

BACKGROUND -

This bond issue will fund a portion of the City's 1999-2000 Capital Improvements Program (and several non-Capital Improvements Program economic development projects) approved by Council on March 1, 1999, by Roll Call No. 99-604.

Three bids for the General Obligation Bonds Series 1999A (tax-exempt) and three bids for Series 1999B (taxable) were received this morning. A complete list of all firms participating in these bids is attached.

For Series 1999A, the best bid was from ABN AMRO Incorporated, at a true interest cost of 5.260 percent. The second best bid was from U.S. Bancorp Piper Jaffray at a true interest cost of 5.3150 percent.

For Series 1999B, the best bid was from U.S. Bancorp Piper Jaffray at a true interest cost of 7.1888 percent. The second best bid was from Dain Rauscher at a true interest cost of 7.1966 percent.

Attached are two replacement pages from the Ahlers Law Firm for roll calls related to agenda items 105F and 105G. These pages fill in the blanks setting forth the winning bidder and interest rate structures.

The structure of the bond issue is consistent with the City's debt management policy. Bond closing is scheduled for June 30, 1999.

Attachments