



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-174

SYNOPSIS -

AGENDA:

APRIL 24, 2000

SUBJECT:

SETTING DATE OF
HEARING FOR
ISSUANCE OF NOT
TO EXCEED \$45
MILLION PUBLIC
PARKING SYSTEM
REVENUE BONDS

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

KEVIN RIPER
FINANCE DIRECTOR

The pending final adoption of an ordinance increasing parking rates allows the City to proceed with the parking bond refunding and new-money issue that has been discussed and planned for since 1997. The following parking-related actions by City Council contemplated this bond issue:

- June 2, 1997: Approval of Center Street Park-and-Ride Project (Roll Call No. 97-1972).
- March 1, 1999: Adoption of Capital Improvements Program (CIP) for 1999-2000/2004-05 (Roll Call No. 99-604).
- July 12, 1999: Resolution of Intent to Reimburse for Expenditures for Parking System Projects (Roll Call No. 99-2232).
- February 7, 2000: Selection of Merrill Lynch as Senior Managing Underwriter (Roll Call No. 00-334).
- March 6, 2000: Adoption of CIP for 2000-01/2005-06 (Roll Call No. 00-681).

The recommendation is to conduct a public hearing on May 1, 2000 for the purpose of considering issuance of Public Parking System Revenue Bonds that are not to exceed \$45 million. A conservative estimate of \$25 million of these bonds would refund the outstanding 1990 Series A and Series B Parking System Revenue Bonds at lower interest rates. The remaining \$20 million (also conservatively estimated) would be applied to the improvement and expansion of the City's parking system including: (1) an expansion of the parking facility at 8th and Mulberry; (2) a new park-and-ride facility at 11th and Cherry, including the acquisition of shuttle buses; and (3) additional improvements throughout the parking system.

As the optimal structure of the bond issue is finalized, the ultimate size is likely to be several million dollars less than \$45 million.

FISCAL IMPACT -

The Public Parking System Revenue Bonds to be issued are not

to exceed \$45 million. The City pledges that the annual debt service will be paid from revenues of the City's parking system. This is a revenue bond issue, not a general obligation bond issue. Hence, the debt does not count toward the City's constitutional debt limit. Once the optimal structure of the bond issue is complete, an estimated dollar amount for annual debt service will be available.

RECOMMENDATION -

Set date of public hearing (May 1, 2000) on the proposition of the issuance of Public Parking System Revenue Bonds that are not to exceed \$45 million and provide for publication of notice thereof.

BACKGROUND -

Interest rates are lower now than when the Series 1990A and 1990B parking bonds were issued. Present value savings can be garnered from refunding those bonds now at the lower interest rates. In addition, to meet the City's obligations to bondholders the maturity structure of those bonds needs to be modified and extended, which is warranted by the Engineering Department's recent physical assessment of the useful lives of the parking facilities. The new bonds need to be sold by the end of May in order to notify holders of the old (1990) bonds ahead of the next call date, July 1, that proceeds are in hand to redeem their bonds. A small portion (perhaps \$2 million) of these refunding bonds is likely to be taxable, and thus, carry a higher interest rate. This would allow the parking facilities at 5th & Walnut and 8th & Mulberry to be managed with maximum flexibility of use, lease, rent, and services while not running afoul of Internal Revenue Service regulations on the private use of tax-exempt bond proceeds. An even smaller taxable portion (less than \$100,000) of these refunding bonds will be used to defease tax-exempt debt on the parking facility at 7th & Grand so that it can be sold to a private buyer.

The second component of the combined bond issue, in addition to the refunding bonds, is the new-money piece that would pay for the expansion and improvement of the parking system. A larger portion of this part of the bond issue is likely to be taxable so that both the expansion of the facility at 8th and Mulberry and the new park-and-ride facility at 11th and Cherry can be operated with the same flexibility as 5th & Walnut and

8th & Mulberry.

After the public hearing (perhaps at the May 1 meeting itself or shortly thereafter), the Council will receive a preliminary official statement for review and approval. As mentioned above, the bond sale itself needs to occur before the end of May. Council will be asked to authorize on the date of sale the execution of a bond purchase agreement; issuance of new bonds; and redemption (i.e., "call") of the old 1990 bonds. The bond sale will be conducted on a negotiated basis by Merrill Lynch, the City's parking revenue bond underwriter. The City's financial advisor, Public Financial Management, Inc., will assist the City in negotiating the terms of sale with Merrill Lynch.

Recent fluctuations in capital markets, both stock and bond, and Federal Reserve actions to change the term structure of interest rates may lead the financing team to recommend selling the bonds on a date other than May 22, which is the only scheduled Council meeting date for the second half of May. If so, I will request the Council's participation in a specially scheduled Council meeting later in May to authorize the three actions listed in the previous paragraph.



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