CITY COUNCIL COMMUNICATION:

00-194

AGENDA:

MAY 1, 2000

SUBJECT:

ISSUANCE OF NOT TO EXCEED $45 MILLION PUBLIC PARKING SYSTEM REVENUE BONDS

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

KEVIN RIPER
FINANCE DIRECTOR

ITEM ____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS -

With the successful final reading of a new parking-rate ordinance elsewhere on the Council agenda of May 1, 2000, the City can proceed with a public hearing for the purpose of considering issuance of not to exceed $45 million of public parking system revenue bonds. At the present time, staff expects an estimated $29 million of these bonds to be sold simultaneously in two series-one tax-exempt, the other taxable, as explained below. These two series of bonds would refund the outstanding 1990 Series A and Series B Parking System Revenue Bonds at lower interest rates, and raise new funds for the improvement and expansion of the City's parking system, notably the parking facility at 8th and Mulberry. A separate, third series of an estimated $7 million of bonds would be sold several weeks later to build a new park-and-ride facility at 11th and Cherry, including the acquisition of shuttle buses.

FISCAL IMPACT -

The public hearing has been scheduled to consider the issuance of Public Parking System Revenue Bonds in an amount not to exceed $45 million. In fact, staff expects the bond issuance to be closer to $36 million when the financing structure is complete. The City pledges that 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. Under the financing structure outlined in the attachments, and at the current prevailing level of interest rates (which could go up or down between now and the date of sale), total annual debt service for the parking system (excluding park-and-ride facilities) would be approximately $3.4 million through FY2011-12, and $2.4 million through FY2017-18. The former figure, $3.4 million, consists of two parts: debt service on the new $29 million parking bond issue, and existing debt service of $0.8 million annually to Polk County, for the taxable general obligation bonds it issued in 1997 on behalf of the Center Street Park-and-Ride facility. After final maturity of the Polk County bonds in FY2006-07, debt service on the new Series 2000 parking bonds increases to $3.4 million for the final five years.

Alongside the $29 million bond issue would be a stand-alone $7 million bond issue for a second park-and-ride facility, at 11th & Cherry. Annual debt service on these bonds is expected (subject to the same assumptions cited above) to be $0.7 million through FY2017-18. Debt service would be paid from the existing Center Street Park-and-Ride facility's net income, which under Federal grant restrictions must be used only for other mass transit-related purposes, not for general parking.

RECOMMENDATION -

Conduct public hearing and institute proceedings to take additional action for the issuance of not to exceed $45,000,000 Public Parking System Revenue Bonds.

BACKGROUND -

Interest rates are lower now than when the Series 1990A and 1990B parking bonds were issued, so 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 refunding 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, which is July 1, that proceeds are in hand with which to redeem their bonds.

Of the $29 million of refunding and new-money bonds for the parking system, approximately $5 million would be taxable (and thus, carry a higher interest rate), so that the parking facilities at 5th & Walnut and 8th & Mulberry can 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. A very small portion (less than $100,000) of this taxable piece of the 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. All of the $7 million bond issue for the new park-and-ride facility at

11th & Cherry would be taxable, for the same reasons that apply to 5th & Walnut, 8th & Mulberry and, indeed, the first park-and-ride facility on Center Street.

At its May 15, 2000 meeting the Council will receive a preliminary official statement and related legal documents for review and approval. The financing team has determined that Wednesday, May 24, 2000 is the optimal date to sell the two series that comprise the $29 million bond issue. Therefore, it is requested that the Council hold a specially scheduled Council meeting on that date.

The financing team also recommends a mid- to late June 2000 sale date for the third series of bonds, $7 million for the new park-and-ride facility at 11th & Cherry. Therefore, this will be returning to Council at a later date for additional approval of a separate preliminary official statement and legal documents for that part of the overall financing-and probably for a second public hearing with more detail than is available in the second set of attachments below. The first six pages of those attachments provide financing structure details for the first two series of bonds (estimated $24 million taxable, $5 million tax-exempt, for a total of $29 million). The last four pages provide the same for the third, standalone series (estimated $7 million, all taxable).

Attachments