

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-233

SYNOPSIS -

AGENDA:

MAY 22, 2000

SUBJECT:

PRELIMINARY
OFFICIAL
STATEMENT FOR
GENERAL
OBLIGATION
BONDS

On May 15, 2000, the City Council held six separate public hearings on the issuance of General Obligation Bonds. The next step in the financing process is City Council approval of completion and the distribution of a preliminary official statement to potential buyers of the City's bonds in the capital markets. The bond structure recommended by the financing team includes \$24,950,000 of bonds to be sold simultaneously in two series on June 5, 2000.

FISCAL IMPACT -

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

The funding amounts for various projects are consistent with the Fiscal Year (FY) 2000-01 Capital Improvement Program (CIP), adopted by the City Council on March 6, 2000. Annual debt service on this year's General Obligation Bond issue will be paid, as usual, from the property tax debt service levy approved by City Council and certified to the State, and tax increment funds, as available. Estimated annual debt service on the 20-year bond issue is \$2.2 million through FY 2013-14, decreasing to \$2.0 million through FY 2019-20. The approximate true interest cost (based on May 17, 2000 interest rates) is 6.05 percent for the tax-exempt bonds, and 7.65 percent for the taxable bonds.

SUBMITTED BY:

KEVIN RIPER
FINANCE
DIRECTOR

RECOMMENDATION -

Authorize completion and distribution of Preliminary Official Statement relating to the issuance of General Obligation Bonds.

BACKGROUND -

At its May 15, 2000 meeting, the City Council held public hearings and approved the issuance of the General Obligation

Bonds.

The approved 1999-2000 CIP calls for the following improvements to be financed with bond proceeds:

Series 2000 D (Tax-Exempt)	
<u>Projects Paid from Taxes</u>	
Bridge and Viaduct	\$ 148,134
Fire Prevention	2,130,947
Library Improvements	343,341
Municipal Improvements	948,908
Parks Improvements	3,755,347
Sidewalk Improvements	285,647
Street Improvements	4,665,341
Traffic Control Improvements	529,719
Neighborhood and Economic Development	<u>2,061,517</u>
Subtotal	\$ 14,868,901
<u>Projects Paid from Tax Increment</u>	
Parks Improvements	\$ 50,000
Street Improvements	2,090,000
Neighborhood and Economic Development	<u>5,500,000</u>
Subtotal	\$ 7,640,000
Total Projects, Series 2000D (Tax-Exempt)	\$ 22,508,901
Series 2000E - (Taxable)	
<u>Projects Paid from Tax Increment</u>	
Neighborhood and Economic Development	\$ 2,000,000
Total Projects, Series 2000E	<u>\$ 2,000,000</u>
Grand Total Projects, Series 2000D and E	\$ 24,508,901

Total issuance and contingency costs allocated to Series 2000D and 2000E are \$441,099-the majority of which is the underwriter's discount for selling the City's bonds-for a total sale of \$24,950,000. Attached are more detailed bond-sizing spreadsheets (three pages) and a list of the projects considered during each of the six public hearings on May 15, 2000 (four pages).

The structure of the bond issue is consistent with the City's debt management policy. There is narrow adherence to the City's self-imposed debt limit policy of 70 percent of the constitutional debt limit. Indeed, the projected three-year average debt margin touches the 30 percent level at the end of FY 2000-01, as shown in the CIP document presented to Council in early January.

The bond sale is scheduled for Monday, June 5, 2000, with closing scheduled for Wednesday, June 28, 2000.

Attachments