

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-254

SYNOPSIS -

AGENDA:

This communication supplements Council Communication No. 00-251, which was included in the Council packet for tonight's meeting.

JUNE 5, 2000

SUBJECT:

SALE OF GENERAL
OBLIGATION
BONDS

This morning the City received four bids involving 32 firms for its \$22,910,000 General Obligation Bonds, Series 2000D (tax-exempt). The best bid (and, therefore, the lowest interest rate) was from a 23-firm syndicate led by Harris Trust and Savings Bank and joint managed by Norwest Investment Services, Inc., at a true interest cost of 5.701 percent over the 20-year life of the bonds. The City received four other bids involving five firms for its \$2,040,000 General Obligation Bonds, Taxable Series 2000E. The best bid (lowest interest rate) was from Cronin & Company/Salomon Smith Barney at a true interest cost of 7.5978 percent. The first page attached shows the combined annual debt service on the two series of bonds. The second page attached lists the members of Harris Trust's winning syndicate of underwriters for the tax-exempt bonds.

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. As shown in the third page attached, the City continues to hold a general obligation bond rating of Aa2 from Moody's and AA+ from Standard and Poor's, with a "stable" outlook from both rating agencies. The final attachment is the credit analysis from Moody's.

SUBMITTED BY:

KEVIN RIPER
FINANCE
DIRECTOR

FISCAL IMPACT -

Annual debt service on the bonds will average \$2,185,000 through FY 2013-14, then \$1,965,000 through FY 2019-20. Debt service will be paid from property tax debt service levy and tax increment funds, as available.

RECOMMENDATION -

Direct the sale of \$22,910,000 General Obligation Bonds, Series D

to Harris Trust and Savings Bank, and the sale of \$2,040,000 General Obligation Bonds, Taxable Series 2000E to Cronin & Company/Salomon Smith Barney.

BACKGROUND -

This bond issue will fund a portion of the City's 2000-01 Capital Improvements Program approved by Council on March 6, 2000, by Roll Call No. 99-691.

Four bids were received this morning for both the General Obligation Bonds Series 2000D (tax-exempt) and Taxable Series 2000E. For Series 2000D, the best bid was from Harris Trust and Savings Bank, at a true interest cost of 5.701 percent. The second best bid was from U.S. Bancorp Piper Jaffray/William Blair at a true interest cost of 5.7097 percent--less than one basis point above the winning bid. (One basis point equals 1/100th of 1 percent.) For Taxable Series 2000E, the best bid was from Cronin & Company/Salomon Smith Barney at a true interest cost of 7.5978 percent. The second best bid was from Dain Rauscher at a true interest cost of 7.6663 percent.

The structure of the bond issue is consistent with the City's debt management policy. Final Council action to authorize the bonds will occur on June 19, 2000, once the precise debt service levies have been calculated. Bond closing is scheduled for June 28, 2000.

Attachments