

## Meeting Agendas/Info

### CITY COUNCIL COMMUNICATION:

ITEM \_\_\_\_\_

01-215

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

#### AGENDA:

APRIL 23, 2001

#### SUBJECT:

SETTING DATE OF  
HEARING FOR  
GENERAL  
OBLIGATION BOND  
ISSUE

#### TYPE:

RESOLUTION  
ORDINANCE  
RECEIVE/FILE

#### SUBMITTED BY:

ALLEN MCKINLEY  
ACTING FINANCE  
DIRECTOR

#### SYNOPSIS -

Setting the date for five separate public hearings on May 7, 2001, for issuance of General Obligation Bonds in an aggregate amount not to exceed \$33,350,000. This will begin the annual springtime process of borrowing from the capital markets to pay for the City's FY 2001-02 Capital Improvements Program (CIP). Like last year, this year a large number of public hearings are required, because the diverse nature of the FY 2001-02 CIP projects yields a wide range of categories for which, under State law, separate public hearings must be held.

#### FISCAL IMPACT -

The funding amounts for various capital projects are consistent with the FY 2001-02 CIP, adopted by City Council on March 2, 2001. Annual debt service on this year's General Obligation Bond issue will be paid, as usual, from: (1) the property tax debt service levy approved by City Council and certified to the State; and (2) tax increment funds, as available.

#### RECOMMENDATION -

**Approval.**

#### BACKGROUND -

CIP improvements to be financed include projects in the following categories: bridge and viaduct, fire protection, library, municipal buildings, parks, sidewalks, streets, traffic control, and neighborhood/economic development.

Attached are two lists of the various projects to be financed by this bond issue. The first list is the "bond-sizing spreadsheet." This three-page document follows the same structure and sequence as

the CIP document, and lists every project to be financed, and the associated dollar amount of the borrowing, including issuance costs. The second list is from bond counsel, and lists the same projects, sorted into separate public hearings that will be conducted on May 7, 2001.

This spring's borrowing includes \$4.0 million as the third in a four-year series of General Obligation Bonds expected to total \$16.2 million for the Gateway Project (Last year the City borrowed \$7.5 million for Gateway). Debt service on the bonds issued for Gateway will be paid from tax increment. Under federal law and U.S. Treasury Department regulations, the interest on the bonds to be issued for Wells Fargo is expected to be taxable to investors. Therefore, investors will demand from the City a higher interest rate (approximately 200 "basis points," equal to two percentage points) on the portion of this debt that is taxable than on the remainder of the bond issue, which will be tax-exempt.

Due to recent changes in legislation, the City will also have the opportunity to issue \$4.0 million of "double tax-exempt" bonds. The term "double tax-exempt" means that the interest on these bonds will be tax-exempt under both state and federal law. It is anticipated that the City will realize a lower interest rate (25 "basis points," equal to ¼ percentage point) compared to the remainder of the tax-exempt bond issue.

Attachments

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