

Meeting Agendas/Info

CITY COUNCIL COMMUNICATION: 	ITEM _____
01-256	OFFICE OF THE CITY MANAGER CITY OF DES MOINES, IOWA
AGENDA: MAY 18, 2001	SYNOPSIS - On May 7, 2001, the City Council held five separate public hearings for 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 (POS) to potential buyers of the City's bonds in the capital markets. The bond structure recommended by the financing team includes \$33,350,000 of bonds to be sold simultaneously in three series on June 4, 2001.
SUBJECT: PRELIMINARY OFFICIAL STATEMENT FOR 2001 GENERAL OBLIGATION BONDS	FISCAL IMPACT - The funding amounts for various capital projects are consistent with the FY2001-02 Capital Improvement Plan (CIP), adopted by the City Council on March 2, 2001. Annual debt service on this year's General Obligation Bond issue will be paid from: (1) the property tax debt service levy approved by City Council and certified to the State; and (2) tax increment funds, as available. Estimated annual debt service on the 20-year bond issue is just over \$1.9 million, with an approximate true interest cost (based on May 16, 2001 interest rates) of 5.31 percent for the tax-exempt bonds, 5.26 percent for the double tax-exempt bonds, and 6.74 percent for the taxable bonds.
TYPE: <u>RESOLUTION</u> ORDINANCE RECEIVE/FILE	RECOMMENDATION - Authorize completion and distribution of the POS relating to the issuance of General Obligation Bonds.
SUBMITTED BY: ALLEN MCKINLEY ACTING FINANCE DIRECTOR	BACKGROUND - At its May 7, 2001 meeting, the City Council held public hearings and approved the issuance of the General Obligation Bonds Series 2001A (tax-exempt), 2001B (double tax-exempt), and 2001C (taxable). The approved FY2001-02 CIP calls for the following improvements to be

financed with bond proceeds:

Series 2001A (Tax-Exempt)

Projects Paid from Taxes

Bridge and Viaduct	\$ 1,2
Fire Protection	1,1
Flood Control Improvements	2
Library Improvements	
Municipal Improvements	2,0
Parks Improvements	2,1
Sidewalk Improvements	2
Street Improvements	8,6
Traffic Control Improvements	4
Neighborhood and Economic Development	4,1
Subtotal	\$ 20,4

Projects Paid from Tax Increment

Parks Improvements	\$
Sidewalk Improvements	2,0
Street Improvements	1,6
Traffic Control Improvements	3
Subtotal	\$ 4,1

Total Projects, Series 2001A (Tax-Exempt) \$ 24,6

Series 2001B - (Double Tax-Exempt)

Projects Paid from Tax Increment

Neighborhood and Economic Development	\$ 4,0
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Total Projects, Series 2001B (Double Tax-Exempt) \$ 4,0

Series 2001C - (Taxable)

Projects Paid from Taxes

Neighborhood and Economic Development	\$ 4,1
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Total Projects, Series 2001C (Taxable) \$ 4,1

Total issuance and contingency costs allocated to Series 2001A, 2001B, and 2001C are \$583,619-the majority of which is the underwriter's discount for selling the City's bonds-for a total sale of \$33,350,000. Attached are detailed bond-sizing spreadsheets (three pages) and a list of which projects will be considered during each of the five public hearings (four pages). The POS is attached to the roll call.

This spring's borrowing includes \$4 million as the third in a 4-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 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.

The structure of the bond issue is consistent with the City's debt management policy; more specifically, adherence to the City's self-imposed debt limit policy of 80 percent of the constitutional debt limit.

The bond sale, and Council approval thereof, are scheduled for Monday, June 4, 2001. Closing is scheduled for Wednesday, June 27, 2001.

Attachments
