Meeting Agendas/Info

CITY COUNCIL COMMUNICATION:

01-257

AGENDA:

MAY 18, 2001

SUBJECT:

PRELIMINARY OFFICIAL STATEMENT FOR GENERAL OBLIGATION REFUNDING BONDS (REFUNDING SERIES 1992A, 1992C, AND 1992G)

TYPE:

<u>RESOLUTION</u>
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

ALLEN MCKINLEY
ACTING FINANCE DIRECTOR

ITEM ____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS -

On May 7, 2001, the City Council held a public hearing on the issuance of General Obligation Refunding Bonds (to call General Obligation Bonds, Series 1992C and 1992G). As a separate item on the May 21, 2001 Council agenda, the City Council is conducting a public hearing to issue General Obligation Refunding Bonds in an aggregate amount not to exceed $6,500,000. This issuance will be used to call the General Obligation Bonds, Series 1992A.

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 $15,660,000 of bonds to be sold simultaneously in two series on June 4, 2001. The POS includes the refunding of the General Obligation Bonds, Series 1992A. If Council decides not to approve this item during public hearing in a separate action, under Council direction, the refunding of General Obligation Bonds, Series 1992A, will be removed from the POS.

FISCAL IMPACT -

By issuing General Obligation Refunding Bonds to retire the existing General Obligation Bonds of 1992, which have an outstanding principal balance of $15,098,332, the annual savings in the form of debt service would approximate $85,000 at current interest rates.

The new bonds will be sold in two series. The first series, General Obligation Refunding Bonds, Series 2001D, would carry a net interest cost (NIC) of an estimated 4.62 percent if interest rates stay constant, compared to a 6.16 percent and 6.20 percent rate on the current bonds. The second series, General Obligation/Hotel-Motel Tax Refunding Bonds, Series 2001E, would carry a net interest cost of an estimated 4.55 percent if interest rates stay constant, compared to a 6.015 percent rate on the current bonds. Over the life of the bonds, this refunding issue would result in a total net present value savings of approximately $790,000.

RECOMMENDATION -

Authorize completion and distribution of the POS relating to the issuance of General Obligation Refunding Bonds.

BACKGROUND -

The General Obligation/Hotel-Motel Bonds, Series 1992A (original principal of $8,070,000), were issued on January 20, 1992 to finance swimming pools, sports complexes, and playground equipment. The General Obligation Bonds, Series 1992C and 1992G (original principal of $16,475,000), were issued on June 1, 1992 to finance the 1991-92 Capital Improvement Program. The bond sale is proposed for June 4, 2001, with closing on June 27, 2001. The call date on the old bonds is December 1, 2003 (for Series 1992A) and June 1, 2002 (for Series 1992C and 1992G).