

Meeting Agendas/Info

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

01-309

SYNOPSIS -

AGENDA:

JUNE 4, 2001

Authorization is necessary for the sale of General Obligation (G.O.) Bonds to pay for the City's 2001-02 Capital Improvement Program (CIP).

SUBJECT:

SALE OF GENERAL
OBLIGATION
BONDS

The City will receive competitive bids from underwriters at 12:00 P.M. on Monday, June 4, 2001. At tonight's City Council meeting, Council will be asked to award the sale to the firm or group of firms with the best bid (lowest interest rate) and to authorize issuance of the bonds.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT -

The funding amounts for various capital projects are consistent with the 2001-02 CIP, adopted by the City Council on March 2, 2001, by Roll Call No. 01-643. Annual debt service on this year's G.O. Bond issue will be paid, as usual, from: (i) the property tax debt service levy approved by City Council and certified to the State; and (ii) tax increment funds, as available.

SUBMITTED BY:

ALLEN MCKINLEY
ACTING FINANCE
DIRECTOR

Annual debt service on the bond issue will be provided to Council in a separate communication on Monday, June 4, 2001, after bids are received.

RECOMMENDATION -

Authorize the sale of G.O. Bonds, Series 2001A (tax-exempt), Series 2001B (double tax-exempt) and Taxable Series 2001C, in an aggregate par amount of \$33,350,000.

BACKGROUND -

The approved 2001-02 CIP calls for the following improvements to

be financed with bond proceeds:

Series 2001A (Tax-Exempt)	
<u>Projects Paid from Taxes</u>	
Bridge and Viaduct	\$ 1,256,874
Fire Protection	1,153,000
Flood Control Improvements	290,000
Library Improvements	40,000
Municipal Improvements	2,033,000
Parks Improvements	2,186,000
Sidewalk Improvements	292,000
Street Improvements	8,601,174
Traffic Control Improvements	495,000
Neighborhood and Economic Development	<u>4,130,000</u>
Subtotal	<u>\$ 20,477,048</u>
<u>Projects Paid from Tax Increment</u>	
Parks Improvements	\$ 50,000
Sidewalk Improvements	2,074,333
Street Improvements	1,630,000
Traffic Control Improvements	<u>370,000</u>

Subtotal	\$ 4,124,333
Total Projects, Series 2001A (Tax-Exempt)	\$ 24,601,381
Series 2001B (Double Tax-Exempt)	
<u>Project Paid from Tax Increment</u>	
Neighborhood and Economic Development	\$ 4,000,000
Total Projects, Series 2001B (Double Tax-Exempt)	\$ 4,000,000
Series 2001C (Taxable)	
<u>Projects Paid from Taxes</u>	
Neighborhood and Economic Development	\$ 4,165,000
Total Projects, Series 2001C (Taxable)	\$ 4,165,000

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 more detailed bond-sizing spreadsheets (three pages) and a list of the projects considered during each of the five public hearings on May 7, 2001 (four pages).

This spring's borrowing includes \$4.0 million as the third in a four-year series of G.O. 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 $\frac{1}{4}$ 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 closing for the bonds is scheduled for June 27, 2001.

Attachments
