

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

02-040

SYNOPSIS -

AGENDA:

JANUARY 28, 2002

Authorization is necessary for issuance of Sewer Revenue Refunding Bonds in an aggregate amount not to exceed \$12,000,000. This issuance will be used to call the bonds, Series 1992D and possibly 1989 State Revolving Fund (SRF) Loan, and replace them with bonds issued at a lower interest rate, as a means of reducing interest expenses.

SUBJECT:

SEWER REVENUE
REFUNDING
BONDS, SERIES
2002D (REFUNDING
SERIES 1992D AND
1989 SRF)

The City will receive competitive bids from underwriters at 12:00 PM on Monday, January 28, 2002. 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. Information regarding bids received will be provided just prior to the Council meeting.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

The Preliminary Operating Statement (POS) has been drafted showing the refunding of the Series 1992D Bonds only, because that is the most realistic scenario at this time due to market conditions. Should the markets improve prior to the sale date, we would be able to amend the POS to reflect the second issue, since the public hearing is being held for a sufficient amount.

SUBMITTED BY:

MERRILL R.
STANLEY
FINANCE
DIRECTOR

FISCAL IMPACT -

The refinancing of the Series 1992D, which have an outstanding principal balance of \$6,955,000, and the 1989 SRF, which have an outstanding principal balance of \$4,325,000, will provide for estimated average annual debt service savings of \$57,000 through 2012.

The new bonds would have an estimated net interest cost of 3.9 percent as compared to an average rate of 5.7 percent on the outstanding bonds. Over the life of the bonds, the refinancing would result in an estimated total net present value savings of \$450,000.

RECOMMENDATION -

Award the sale of Sewer Revenue Refunding Bonds in an aggregate amount not to exceed \$12,000,000.

BACKGROUND -

Series 1992D were originally issued in the amount of \$25,105,000, on May 19, 1992, to refund bonds issued on June 1, 1984 and March 1, 1985, and to construct the Beaver Creek and Saylor Creek Interceptors and make improvements to the Wastewater Treatment Plant facilities. The 1989 SRF were originally issued in the amount of \$9,284,000 on November 6, 1989 to fund the construction of the Pleasant Hill and Four-Mile Creek Interceptors. The call date on both issues to be refunded is June 30, 2002.
