

**CITY COUNCIL  
COMMUNICATION:**

**03-145**

**AGENDA:**

MARCH 24, 2003

**SUBJECT:**

SALE OF \$21,340,000  
GENERAL  
OBLIGATION  
REFUNDING BONDS,  
SERIES 2003A  
(REFUNDING SERIES  
1993B AND 1994A)

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

MERRILL R. STANLEY  
FINANCE DIRECTOR

**ITEM \_\_\_\_\_**

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

**SYNOPSIS —**

Authorization is necessary for the issuance of General Obligation Refunding Bonds in an aggregate amount estimated at \$21,340,000. This issuance will be used to call the General Obligation Bonds, Series 1993B and 1994A, and replace them with bonds issued at a lower interest rate, as a means of reducing interest expenses.

The City will receive competitive bids from underwriters midday on Monday, March 24, 2003. 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. The City has maintained its General Obligation Bond rating for these bonds at Aa2 from Moody's and AA+ from Standard & Poor's.

**FISCAL IMPACT —**

The refinancing of the General Obligation Bonds, Series 1993B, which have an outstanding principal balance of \$10,000,000, and the Series 1994A, which have an outstanding balance of \$13,150,000, will provide for estimated average annual debt service savings of \$145,000 through 2014.

The Fiscal Year (FY) 2003-04 Adopted Budget assumes that savings of \$144,000 will be realized from this refunding in order to help balance the budget without increasing tax rates.

**RECOMMENDATION —**

**Award the sale of General Obligation Refunding Bonds, Series 2003A.**

**BACKGROUND —**

The General Obligation Bonds, Series 1993B, were originally issued in the amount of \$14,500,000, on May 24, 1993, to fund the City's FY1992-93 Capital Improvement Program (CIP). The General Obligation Bonds, Series 1994A, were originally issued in the amount of \$17,750,000, on May 23, 1994, to fund the City's FY1993-94 CIP. Staff had initially planned to refund these bonds in

	<p>January 2002, but due to a slight increase in interest rates at the time, the savings were insufficient to make the transaction economically justified. Since then, interest rates have dropped and the call dates have drawn nearer, making the refunding of bonds good economic sense. The call date on the outstanding Series 1993B Bonds is June 1, 2003, and the call date on the outstanding Series 1994A Bonds is June 1, 2004.</p>
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