

Date November 20, 2006

RESOLUTION DIRECTING THE ADVERTISEMENT FOR
SALE OF \$16,750,000 STORMWATER MANAGEMENT
UTILITY REVENUE BONDS, SERIES 2006D

WHEREAS, it is deemed necessary and advisable that the City of Des Moines, Iowa, should issue its Stormwater Management Utility Revenue Bonds to the amount of \$16,750,000, as authorized by Section 384.84A of the City Code of Iowa, for the purpose of providing funds to pay costs of constructing storm water drainage construction projects and improvements and related landscaping amenities, including the Crawford Creek - Watershed Improvements, Leetown Creekway Wooden Box Replacement, Easter Lake Watershed Improvements, Dean's Lake Pump Station Improvements, Flood Protection System Improvements, and 12th Street Storm Sewer Improvements.

WHEREAS, pursuant to notice published as required by Section 384.83 of the City Code of Iowa, a public meeting and hearing was held on November 6, 2006, upon the proposal to institute proceedings for the issuance of the above described Bonds, and all objections, if any, to such action made by any resident or property owner of said City were received and considered and no petition calling for an election thereon was received; and, it is the decision of this governing body that additional action be taken for the issuance of said bonds, and that such action is considered to be in the best interests of said City and the residents thereof.

WHEREAS, a preliminary form of Official Statement has been prepared for the purpose of offering the Bonds for sale to the public.

WHEREAS, it is appropriate that the form of the preliminary Official Statement be approved and deemed final and, upon completion of the same, that the preliminary Official Statement be used in connection with the offering of the Bonds for sale to the public.

WHEREAS, the Council has received information from its Financial Consultant evaluating and recommending the procedure hereinafter described for electronic, facsimile and internet bidding to maintain the integrity and security of the competitive bidding process and to facilitate the delivery of bids by interested parties; and

Date November 20, 2006

WHEREAS, the Council deems it in the best interests of the City and the residents thereof to receive bids to purchase such Bonds by means of both sealed and electronic internet communication.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DES MOINES, IOWA:

Section 1. That the receipt of electronic bids through the PARITY® competitive bidding system described in the Notice of Bond Sale are hereby found and determined to provide reasonable security and to maintain the integrity of the competitive bidding process, and to facilitate the delivery of bids by interested parties in connection with the offering of the Bonds at public sale.

Section 2. That the preliminary Official Statement in the form presented to this meeting be and the same hereby is approved as to form and deemed final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, subject to such revisions, corrections or modifications as the Finance Director/Treasurer, upon the advice of bond counsel and the City's financial consultant, shall determine to be appropriate, and is authorized to be distributed thereafter in connection with the offering of the Bonds for sale.

Section 3. That the Bonds hereinafter described be offered at public sale, pursuant to advertisement as required by law.

Section 4. That the City Clerk is hereby directed to publish notice of sale of said bonds at least once, the last one of which shall be not less than four clear days nor more than twenty days before the date of the sale. Publication shall be made in The Des Moines Register, a legal newspaper, printed wholly in the English language, published within the county in which the Bonds are to be offered for sale or an adjacent county. Said notice is given pursuant to Chapter 75 of the Code of Iowa, and shall state that this Council, on the 29th day of November, 2006, at 4:00 o'clock P.M., will hold a meeting to receive and act upon bids for said Bonds; said notice to be in substantially the following form:

Date November 20, 2006

NOTICE OF BOND SALE

Time and Place of Sealed Bids: Sealed bids for the sale of Bonds of the City of Des Moines, Iowa, will be received at the office of the Finance Director/Treasurer, City Hall, 400 Robert D. Ray Drive, in the City of Des Moines, Iowa (the "Issuer") at 10:00 o'clock A.M., on the 29th day of November, 2006. The bids will then be publicly opened and referred for action to the meeting of the City Council as stated below.

Manner of Bidding: Open bids will not be received. Bids will be received in any of the following methods:

- Sealed Bidding: Sealed bids may be submitted and will be received at the office of the Finance Director/Treasurer, Des Moines, Iowa
- Electronic Internet Bidding: Electronic internet bids will be received at the office of the Finance Director/Treasurer, Des Moines, Iowa. The bids must be submitted through the PARITY® competitive bidding system.

Consideration of Bids: After the time for receipt of bids has passed, the close of sealed bids will be announced. Sealed bids will then be publicly opened and announced. Finally, electronic internet bids will be accessed and announced.

Sale and Award: The sale and award of the Bonds will be held at the Council Chambers, City Hall, at a meeting of the City Council on the above date beginning at 4:00 o'clock P.M.

Date November 20, 2006

The Bonds: The Bonds to be offered are the following:

STORMWATER MANAGEMENT UTILITY REVENUE
BONDS, SERIES 2006D, in the amount of \$16,750,000, to be
dated the date of delivery (the "Bonds").

Official Statement: The Issuer has issued an Official Statement of information pertaining to the Bonds to be offered, including a statement of the Terms of Offering and an Official Bid Form, which is incorporated by reference as a part of this notice. The Official Statement may be obtained by request addressed to the Finance Director/Treasurer, City Hall, 400 Robert D. Ray Drive, Des Moines, Iowa 50309 (telephone: 515/283-4844) or the financial consultant to the City, Public Financial Management, Inc., 2600 Grand Avenue, Des Moines, Iowa 50312 (telephone: (515)243-2600).

Terms of Offering: All bids shall be in conformity with and the sale shall be in accord with the Terms of Offering as set forth in the Official Statement.

Legal Opinion: Said Bonds will be sold subject to the opinion of Ahlers & Cooney, P.C., Attorneys of Des Moines, Iowa, as to the legality and their opinion will be furnished together with the printed Bonds without cost to the purchaser and all bids will be so conditioned. Except to the extent necessary to issue their opinion as to the legality of the Bonds, the attorneys will not examine or review or express any opinion with respect to the accuracy or completeness of documents, materials or statements made or furnished in connection with the sale, issuance or marketing of the Bonds. The opinion will be printed on the back of the Bonds.

Rights Reserved: The right is reserved to reject any or all bids, and to waive any irregularities as deemed to be in the best interests of the public.

By order of the City Council of the City of Des Moines, Iowa.

City Clerk of the City of Des Moines, Iowa

★ Roll Call Number

Agenda Item Number

35

.....
Date November 20, 2006

Published in The Des Moines Register on _____, 2006.

(End of Notice)

★ Roll Call Number

Agenda Item Number

35

Date November 20, 2006

Moved by: _____ to adopt.

Form approved: _____
Deputy City Attorney

(Council Communication No. 06-744)

DCORNELLA507999.1\WP\10387205

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
KIERNAN				
HENSLEY				
MAHAFFEY				
VLISSIS				
TOTAL				
MOTION CARRIED			APPROVED	

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

- 6 -

Mayor

City Clerk

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 21, 2006

New Issue

Rating: Applications Made

Assuming compliance with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present law interest on the Bonds paid to the owners thereof is not included in gross income for purposes of present Federal income taxation to the extent and subject to exceptions as more fully discussed in the section "Tax Exemption and Related Considerations" herein.

CITY OF DES MOINES, IOWA

\$16,750,000 Stormwater Management Utility Revenue Bonds, Series 2006D

BIDS RECEIVED: Wednesday, November 29, 2006, 10:00 o'clock A.M., Central Time

AWARD: Wednesday, November 29, 2006, 4:00 o'clock P.M., Central Time

Dated: December 19, 2006

Minimum Bid: \$16,518,154

Principal Due: June 1, 2008-2023

Good Faith Deposit: \$167,500

The \$16,750,000 Stormwater Management Utility Revenue Bonds, Series 2006D (the "Bonds") are being issued pursuant to Section 384.84A of the Code of Iowa, and resolutions to be adopted by the City Council of the City of Des Moines, Iowa (the "City"). The Bonds are being issued to finance costs of constructing storm water drainage construction projects and improvements and related landscaping amenities, including the Crawford Creek-Watershed Improvements, Leetown Creekway Wooden Box Replacement, Easter Lake Watershed Improvements, Dean's Lake Pump Station Improvements, Flood Protection System Improvements, and 12th Street Storm Sewer Improvements. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, but are payable solely and only from net revenues of the Stormwater Management Utility of the City.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. The City will pay principal of the Bonds, payable annually on each June 1, beginning June 1, 2008 and interest on the Bonds, payable initially on June 1, 2007 and thereafter on each December 1, and June 1, to DTC which will in turn remit such principal and interest to its participants for subsequent disbursements to the beneficial owners of the Bonds as described herein.

The Bonds will mature June 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$770,000	2016	\$1,015,000
2009	800,000	2017	1,045,000
2010	835,000	2018	1,080,000
2011	855,000	2019	1,205,000
2012	895,000	2020	1,260,000
2013	920,000	2021	1,320,000
2014	940,000	2022	1,385,000
2015	975,000	2023	1,450,000

REDEMPTION: Bonds due after June 1, 2015 will be subject to call for prior redemption on said date or on any day thereafter upon terms of par plus accrued interest to date of call.

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to the legal opinion of Ahlers & Cooney, P.C., Bond Counsel, of Des Moines, Iowa, to be furnished upon delivery of the Bonds. It is expected that the Bonds will be available for delivery on or about December 19, 2006. This Official Statement will be further supplemented by offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and underwriter, together with any other information required by law, and shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in Rule 15c2-12.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

Official Statement: This Official Statement was prepared for the City for dissemination to prospective bidders. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive bids in accordance with the Notice of Bond Sale contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the "Near Final Official Statement".

Review Period: This Official Statement has been distributed to members of the legislative body and other public officials of the City as well as to prospective bidders for an objective review of its disclosure. Comments or omissions or inaccuracies must be submitted to Public Financial Management at least two business days prior to the sale. Requests for additional information or corrections in the Official Statement received on or before this date will not be considered a qualification of a bid received from an underwriter. If there are any changes, corrections or additions to the Official Statement, prospective bidders will be informed by an addendum at least one business day prior to the sale.

Final Official Statement: Upon award of sale of the Bonds, the legislative body will authorize the preparation of a Final Official Statement that includes the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the Syndicate Manager and Syndicate Members. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, other than those contained in the Official Statement. This Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement and any addenda thereto were prepared relying on information of the City and other sources, which are believed to be reliable.

Bond Counsel has not participated in the preparation of this Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of Public Financial Management payable entirely by the City is contingent upon the sale of the issue.

TABLE OF CONTENTS

NOTICE OF BOND SALE i

TERMS OF OFFERING ii

SCHEDULE OF BOND YEARS vi

INTRODUCTION 1

Authority and Purpose 1

Payment and Security for the Bonds..... 2

Book-Entry Only System..... 3

Future Financing..... 5

Litigation; Debt Payment History; Legality..... 5

Tax Exemption and Related Considerations; 6

Ratings..... 6

Financial Advisor; Certification; Continuing Disclosure..... 7

DESCRIPTION OF THE STORMWATER MANAGEMENT UTILITY 8

Stormwater Utility Facilities..... 8

Sales History and Total Stormwater Management Utility Charges..... 10

Number of Stormwater Management Utility Customers..... 10

Larger Stormwater Management Utility Customers, Stormwater Utility Rates and Charges 11

Stormwater Management Utility Revenues by Classification..... 12

Cash Funds on Hand - Stormwater Management Utility (June 30, 2006)..... 12

Revenue Debt Supported by Stormwater Revenues..... 12

Historical Cashflow and Debt Coverage..... 13

CITY PROPERTY VALUES 14

Iowa Property Valuations; 1/1/05 Valuations (Taxes Payable July 1, 2006 through June 30, 2007) 14

2005 Gross Taxable Valuation by Class of Property 14

Trend of Valuations; Larger Taxpayers 15

CITY INDEBTEDNESS 16

Debt Limit; Direct Debt..... 16

Other Debt 22

Indirect General Obligation Debt; Debt Ratios 24

Levies and Tax Collections..... 24

Tax Rates; Levy Limits..... 25

THE CITY 26

City Government; City Budgeting Process 26

General Fund - Available Fund Balance..... 27

Employees; Pensions 27

Risk Management 29

GENERAL INFORMATION..... 30

Location and Transportation; General Services and Attractions..... 30

Larger Employers 31

Retail Sales and Buying Income; Average Annual Labor Force Data 32

Building Permits; U.S. Census Data 33

Education; Financial Services; Financial Statements..... 34

APPENDIX A - FORM OF LEGAL OPINION

APPENDIX B - EXCERPTS FROM FINANCIAL STATEMENTS

APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE

OFFICIAL BID FORM

City of Des Moines, Iowa

Mayor/City Council

T.M. Franklin Cownie	Mayor
Christopher J. Coleman	Council Member – At Large
Michael Kiernan	Council Member – At Large
Thomas D. Vlassis	Council Member – Ward 1
Robert L. Mahaffey	Council Member – Ward 2
Christine Hensley	Council Member – Ward 3
Vacant	Council Member – Ward 4

Administration

Richard A. Clark, City Manager
Merrill Stanley, Deputy City Manager
Allen McKinley, Finance Director/Treasurer
Diane Rauh, City Clerk

Corporation Counsel

Bruce E. Bergman

Bond Counsel

Ahlers & Cooney, P.C.
Des Moines, Iowa

Financial Advisor

Public Financial Management
Des Moines, Iowa

NOTICE OF BOND SALE

Time and Place of Sealed Bids: Sealed bids for the sale of Bonds of the City of Des Moines, Iowa, will be received at the office of the Finance Director/Treasurer, City Hall, 400 Robert D. Ray Drive, in the City of Des Moines, Iowa (the "Issuer") at 10:00 o'clock A.M., on the 29th day of November, 2006. The bids will then be publicly opened and referred for action to the meeting of the City Council as stated below.

Manner of Bidding: Open bids will not be received. Bids will be received in any of the following methods:

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the Finance Director/Treasurer, Des Moines, Iowa.

Electronic Internet Bidding: Electronic internet bids will be received at the office of the Finance Director/Treasurer, Des Moines, Iowa. The bids must be submitted through the PARITY® competitive bidding system.

Consideration of Bids: After the time for receipt of bids has passed, the close of sealed bids will be announced. Sealed bids will then be publicly opened and announced. Finally, electronic internet bids will be accessed and announced.

Sale and Award: The sale and award of the Bonds will be held at the Council Chambers, City Hall, at a meeting of the City Council on the above date beginning at 4:00 o'clock P.M.

The Bonds: The Bonds to be offered are the following:

STORMWATER MANAGEMENT UTILITY REVENUE BONDS, SERIES 2006D, in the amount of \$16,750,000, to be dated the date of delivery (the "Bonds").

Official Statement: The Issuer has issued an Official Statement of information pertaining to the Bonds to be offered, including a statement of the Terms of Offering and an Official Bid Form, which is incorporated by reference as a part of this notice. The Official Statement may be obtained by request addressed to the Finance Director/Treasurer, City Hall, 400 Robert D. Ray Drive, Des Moines, Iowa 50309 (telephone: 515/283-4844) or the financial consultant to the City, Public Financial Management, Inc., 2600 Grand Avenue, Des Moines, Iowa 50312 (telephone: (515)243-2600).

Terms of Offering: All bids shall be in conformity with and the sale shall be in accord with the Terms of Offering as set forth in the Official Statement.

Legal Opinion: Said Bonds will be sold subject to the opinion of Ahlers & Cooney, P.C., Attorneys of Des Moines, Iowa, as to the legality and their opinion will be furnished together with the printed Bonds without cost to the purchaser and all bids will be so conditioned. Except to the extent necessary to issue their opinion as to the legality of the Bonds, the attorneys will not examine or review or express any opinion with respect to the accuracy or completeness of documents, materials or statements made or furnished in connection with the sale, issuance or marketing of the Bonds. The opinion will be printed on the back of the Bonds.

Rights Reserved: The right is reserved to reject any or all bids, and to waive any irregularities as deemed to be in the best interests of the public.

By order of the City Council of the City of Des Moines, Iowa.

City Clerk of the City of Des Moines, Iowa

TERMS OF OFFERING

CITY OF DES MOINES, IOWA

In addition to the provisions of the official Notice of Bond Sale, this section sets forth the description of certain of the terms of the Bonds as well as the terms of offering with which all bidders and bid proposals are required to comply, as follows:

DETAILS OF THE BONDS

Stormwater Management Utility Revenue Bonds, Series 2006D (the "Bonds"), in the principal amount of \$16,750,000 to be dated December 19, 2006, in the denomination of \$5,000 or multiples thereof, and to mature June 1, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$770,000	2016	\$1,015,000
2009	800,000	2017	1,045,000
2010	835,000	2018	1,080,000
2011	855,000	2019	1,205,000
2012	895,000	2020	1,260,000
2013	920,000	2021	1,320,000
2014	940,000	2022	1,385,000
2015	975,000	2023	1,450,000

OPTIONAL REDEMPTION

Bonds due after June 1, 2015 will be subject to call prior to maturity in whole or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call.

INTEREST

Interest on the Bonds will be payable on June 1, 2007 and semiannually on the 1st day of June and December thereafter. Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB.

LIEN

The obligation of the Bonds will constitute a lien on the net revenues of the Stormwater Management Utility System (the "System") of the City.

PARITY BONDS

The City will issue no other bonds or obligations having priority over the Bonds or parity bonds with respect to the lien on the net revenues of the System, but reserves the right to issue parity bonds to share equally and ratably in the net revenues of the System upon meeting the following condition:

1. The City has procured a statement of an independent certified public accountant, not a regular employee of the City, reciting the opinion based upon necessary investigations that the net revenues of the System for the preceding fiscal year were equal to at least 1.10 times the maximum amount that will be required in any fiscal year prior to the longest maturity of any of the then outstanding bonds for both principal and interest on all bonds then outstanding which are payable from the net revenues of the System and the bonds then proposed to be issued. The net revenues may be adjusted so as to reflect any changes in the amount of such revenues, which would have resulted had any revision of the schedules of rates or charges having been in effect during all of such preceding fiscal year.

2. The additional bonds must be payable as to principal on June 1 and as to interest on June 1 and December 1.
3. For purposes of the foregoing "preceding fiscal year" means the most recently completed fiscal year for which audited financial statements are available, but in no event a fiscal year which ended more than eighteen (18) months prior to the issuance of the additional bonds.

BOOK-ENTRY SYSTEM

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the City to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The successful bidder, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC.

GOOD FAITH DEPOSIT

A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of \$167,500 for the Bonds, payable to the order of the City, is required for each bid to be considered. If a check is used, it must accompany each bid. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Iowa and such a bond must be submitted to the City or its Financial Advisor prior to the opening of the bids. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such a bond. If the Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that successful bidder ("Purchaser") is required to submit its Deposit to the City or Financial Advisor in the form of a cashier's check (or wire transfer such amount as instructed by the City or its Financial Advisor) not later than 3:30 P.M. Central Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the City to satisfy the Deposit requirement. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the City will retain the Deposit.

FORM OF BIDS AND AWARD

All bids shall be unconditional for the entire issue of Bonds for a price not less than \$16,518,154 plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations stated below. Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the City. The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The TIC shall be determined by the "present value method," i.e., by ascertaining the semiannual rate, compounded semi-annually, necessary to discount to present worth as of the anticipated dated date of the Bonds, the amount payable on each interest payment date and on each stated maturity date or earlier mandatory redemption, so that the aggregate of such amounts will equal the aggregate purchase price offered therefor. The TIC shall be stated in terms of an annual percentage rate and shall be that rate of interest, which is twice the semiannual rate, so ascertained. (This method is also known as the "Canadian Method"). The TIC shall be as determined by the Financial Advisor based on the Terms of Offering and all amendments, and on the bid as submitted. The Financial Advisor's computation of the TIC of each bid shall be controlling.

The rates of interest specified in the bidder's proposal must conform to the following limitations:

1. All bonds of each annual maturity must bear the same interest rate.
2. Rates of interest bid must be in multiples of one-eighth or one-twentieth of one percent.

3. Each rate of interest of any annual maturity shall not be less than a rate of interest specified for any earlier maturity.

RECEIPT OF BIDS

Forms of Bids: Bids must be submitted on or in substantial compliance with the Official Bid Form provided by the City or through the Internet Bid System as defined below. The City shall not be responsible for malfunction or mistake made by any person, or as a result of the use of the electronic bidding or other means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be accepted after the time specified in the Notice of Bond Sale. The time as maintained by the Internet Bid System shall constitute the official time with respect to all bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the City Finance Director/Treasurer, City of Des Moines, 400 Robert D. Ray Drive, Des Moines, Iowa 50309.

Internet Bidding: Internet bids must be submitted through the PARITY[®] competitive bidding system (“the Internet Bid System”). Information about the Internet Bid System may be obtained by calling (212) 404-8102.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its Internet bid in a timely manner and in compliance with the requirements of the Terms of Offering. The City is permitting bidders to use the services of Internet Bid System solely as a communication mechanism to conduct the Internet bidding and the Internet Bid System is not an agent of the City. Provisions of the Notice of Bond Sale, Terms of Offering and Official Bid Form shall control in the event of conflict with information provided by the Internet Bid System.

BOND INSURANCE AT PURCHASER’S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that initial rating fee. Any other rating agency fees shall be the responsibility of the Purchaser. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds.

DELIVERY

The Bonds will be delivered to the Purchaser through DTC in New York, New York, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within forty-five days after the sale. Should delivery be delayed beyond sixty days from date of sale for any reason except failure of performance by the Purchaser, the Purchaser may withdraw their bid and thereafter their interest in and liability for the Bonds will cease. When the Bonds are ready for delivery, the City may give the Purchaser five working days notice of the delivery date and the City will expect payment in full on that date, otherwise reserving the right of its option to determine that the Purchaser has failed to comply with the offer of purchase.

CERTIFICATE OF PURCHASER

The Purchaser of the Bonds will be required as a condition of the sale to execute and submit to the City within 15 days after the date of sale, a Certificate in a form satisfactory to the City as to the initial offering price of the Bonds to the public (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or

wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were in fact sold, and certifying that the prices are not greater than as shown on the Certificate and that the prices are not unreasonably low.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement (POS) containing pertinent information relative to the Bonds. The POS when further supplemented with maturity dates, principal amounts, and interest rates of the Bonds, and any other information required by law or deemed appropriate by the City, shall constitute a Final Official Statement of the City with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). By awarding the Bonds to any underwriter or underwriting syndicate submitting an Official Bid Form therefore, the City agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 100 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of such Rule. The City shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter executing and delivering a bid with respect to the Bonds agrees thereby that if its bid is accepted by the City, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CONTINUING DISCLOSURE

In order to assist bidders in complying with S.E.C. Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolution for the Bonds and a Continuing Disclosure Certificate for the Bonds, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in Appendix C of this Official Statement. The City will deliver the Continuing Disclosure Certificate at closing, and any failure on the part of the City to deliver the same shall relieve the Purchaser of its obligation to purchase the Bonds. The City has complied in all material respects with any previous undertaking under the Rule.

CUSIP NUMBERS

It is anticipated that CUSIP numbers will be printed on the Bonds and the Purchaser must agree in the bid proposal to pay the cost thereof. In no event will the City, Bond Counsel or Financial Advisor be responsible for the review or express any opinion that the CUSIP numbers are correct. Incorrect CUSIP numbers on said Bonds shall not be cause for the Purchaser to refuse to accept delivery of said Bonds.

BY ORDER OF THE CITY COUNCIL
Diane Rauh
City Clerk

SCHEDULE OF BOND YEARS

\$16,750,000

CITY OF DES MOINES, IOWA

Stormwater Management Utility Revenue Bonds, Series 2006D

Bonds Dated: Date of Delivery (Anticipated December 19, 2006)
 Interest Due: June 1, 2007 and each December 1 and June 1 to maturity
 Principal Due: June 1, 2008-2023

<u>Year</u>	<u>Principal</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
2008	\$770,000	1,116.50	1,116.50
2009	800,000	1,960.00	3,076.50
2010	835,000	2,880.75	5,957.25
2011	855,000	3,804.75	9,762.00
2012	895,000	4,877.75	14,639.75
2013	920,000	5,934.00	20,573.75
2014	940,000	7,003.00	27,576.75
2015	975,000	8,238.75	35,815.50
2016	1,015,000	9,591.75	45,407.25
2017	1,045,000	10,920.25	56,327.50
2018	1,080,000	12,366.00	68,693.50
2019	1,205,000	15,002.25	83,695.75
2020	1,260,000	16,947.00	100,642.75
2021	1,320,000	19,074.00	119,716.75
2022	1,385,000	21,398.25	141,115.00
2023	1,450,000	23,852.50	164,967.50

Average Maturity (dated date): 9.849 Years

**OFFICIAL STATEMENT
CITY OF DES MOINES, IOWA**

\$16,750,000 Stormwater Management Utility Revenue Bonds, Series 2006D

INTRODUCTION

This Official Statement contains information relating to the City of Des Moines, Iowa (the "City") and its issuance of \$16,750,000 Stormwater Management Utility Revenue Bonds, Series 2006D (the "Bonds"). This Official Statement has been executed on behalf of the City by its City Finance Director and may be distributed in connection with the sale of the Bonds authorized therein.

Inquiries may be directed to Public Financial Management, Terrace Place, 2600 Grand Avenue, Suite 214, Des Moines, Iowa 50312, or by telephoning (515) 243-2600. Information can also be obtained from Mr. Allen McKinley, City Finance Director, City of Des Moines, 400 Robert D. Ray Drive, Des Moines, Iowa 50309, or by telephoning (515) 283-4844.

AUTHORITY AND PURPOSE

The Bonds are being issued pursuant to Section 384.84A of the Code of Iowa, and resolutions to be adopted by the City Council of the City.

The Bonds are being issued to finance costs of constructing storm water drainage construction projects and improvements and related landscaping amenities, including the Crawford Creek-Watershed Improvements, Leetown Creekway Wooden Box Replacement, Easter Lake Watershed Improvements, Dean's Lake Pump Station Improvements, Flood Protection System Improvements, and 12th Street Storm Sewer Improvements.

The estimated Sources and Uses of the Bonds are as follows:

Sources of Funds

Par Amount of Bonds	\$16,750,000
---------------------	--------------

Uses of Funds

Deposit to Construction Fund	\$15,000,000
Deposit to Reserve Fund	1,448,198
Underwriter's Discount	231,845
Costs of Issuance and Contingency	<u>69,957</u>
Total Uses	\$16,750,000

PAYMENT OF AND SECURITY FOR THE BONDS

This section contains a summary of security provisions. Further details of the security provisions are contained in the resolution for the Bonds which is available upon request of Public Financial Management.

Source of Payment: THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, but will be payable solely from and secured by the net revenues of the Stormwater Management Utility (the "System"). Under the City's Municipal Code, stormwater management charges are imposed upon and collected from the owners of occupants of all lots, parcels of real estate and buildings that discharge stormwater or surface or subsurface waters to the City's stormwater drainage system. Properties subject to the charges include single-family residential property, multi-family residential property, unclassified residential property and non-residential property (which consists of commercial, industrial, governmental or institutional use property, including churches and hospitals, but excluding undeveloped property and property used exclusively for agricultural purposes). The charge for each such class of property is an established percentage or multiple of an "equivalent residential unit" rate set forth in the Municipal Code. The City pledges a first lien on the net revenues of the System for payment of principal and interest on the Bonds and parity bonds after payment of operation and maintenance expenses. The Bonds are being issued on a parity with the outstanding \$9,440,000 Stormwater Management Utility Revenue Bonds, Series 2003B, dated May 1, 2003, of which \$7,985,000,000 is outstanding, and the \$8,510,000 Stormwater Management Utility Revenue Bonds, Series 2004F, dated July 15, 2004, of which \$8,055,000 is outstanding (the "Parity Bonds").

Unpaid Stormwater Charges: As provided by Section 384.84, Subsection 1, City Code of Iowa, unpaid stormwater charges constitute a lien upon the premises served by the System upon certification by the City to the county treasurer that the rates or charges are past due. The lien has equal precedence with ordinary taxes, may be certified to the county treasurer and collected in the same manner as taxes, and is not divested by a judicial sale.

Rate Covenant: The City covenants to impose rates and charges upon customers of the System to generate sufficient revenues to pay all reasonable expenses of operation and maintenance, to fund all reserves as provided in the resolutions for the Bonds and Parity Bonds, and to maintain a balance of net revenues equal to at least 110% of the annual debt service requirement for principal and interest on the Bonds and any other Parity Bonds outstanding from time to time, as the same become due.

Sinking Fund: The City covenants to maintain a Sinking Fund. The required amount to be deposited from net revenues of the System in the Sinking Fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date on the then outstanding Bonds and Parity Bonds plus the equal monthly amount necessary to pay the installment of principal coming due on such bonds on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason, the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund. Money in the Sinking fund shall be used solely for the purpose of paying principal and interest on the Bonds and Parity Bonds, as the same shall become due and payable.

Reserve Fund: The City covenants to establish and maintain a Reserve Fund in an amount equal to the lesser of the 1) maximum annual principal and interest coming due on the Bonds and outstanding Parity Bonds in any succeeding fiscal year, 2) 10% of the stated principal amount of the Bonds and outstanding Parity Bonds or 3) 125% of the average annual debt service on the Bonds and all outstanding Parity Bonds. Currently, the City has \$1,743,100 in the Reserve Fund. Upon issuance of the Bonds, the City will deposit approximately \$1,448,198 into the Reserve Fund using Bond proceeds. This deposit will bring the Reserve Fund to the required balance of \$3,191,298, which represents maximum annual debt service on such Bonds and all then outstanding Parity Bonds.

Subordinate Obligations: Monies available after the payment of the Bonds and all then outstanding Parity Bonds may next be used to pay the principal of and interest on other obligations which are payable from the revenues of the System, but which are subordinate to the Bonds or any Parity Bonds, and which have been issued for the purposes of extensions and improvements to the System, or to retire the Bonds or Parity Bonds in advance of maturity, or to pay for extraordinary repairs or replacements to the System.

Additional Parity Debt: The City will issue no other bonds or obligations having priority over the Bonds or Parity Bonds with respect to the lien on the net revenues of the System, but reserves the right to issue additional bonds on parity to share equally and ratably in the net revenues of the System upon meeting the following conditions:

1. The City has procured a statement of an independent certified public accountant, not a regular employee of the City, reciting the opinion based upon necessary investigations that the net revenues of the System for the preceding fiscal year were equal to at least 1.10 times the maximum amount that will be required in any fiscal year prior to the longest maturity of any of the then outstanding bonds for both principal and interest on all bonds then outstanding which are payable from the net revenues of the System and the bonds then proposed to be issued. The net revenues may be adjusted so as to reflect any changes in the amount of such revenues, which would have resulted had any revision of the schedules of rates or charges having been in effect during all of such preceding fiscal year.
2. The additional bonds must be payable as to principal on June 1 and as to interest on June 1 and December 1.
3. For purposes of the foregoing “preceding fiscal year” means the most recently completed fiscal year for which audited financial statements are available, but in no event a fiscal year which ended more than eighteen (18) months prior to the issuance of the additional bonds.

BOOK-ENTRY ONLY SYSTEM

The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE”. The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity specified on the cover page hereof in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among the Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between the Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through the Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual Purchaser(s) of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will

not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by the Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to the Direct Participants, by the Direct Participants to the Indirect Participants, and by the Direct Participants and Indirect Participants to the Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on the payable date in accordance with their respective holding shown on DTC's records. Payments by the Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the bond certificates are required to be printed and delivered.

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE MASTER RESOLUTION; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS OF A SERIES; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF

ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE BONDS; OR (VI) ANY OTHER MATTER.

FUTURE FINANCING

The City has no plans to issue any additional debt for the remainder of the 2006 calendar year.

LITIGATION

In a January 5, 2006 decision, the Iowa District Court for Polk County (the "District Court") ruled that the gas and electric franchise fees imposed by the City of Des Moines, Iowa (the "City") are illegal because they constitute unauthorized taxes (*Kragnes v. City of Des Moines*). In reaching that decision, the District Court concluded that a franchise fee, when used as a revenue-generating measure, constitutes a tax which has been assessed in violation of Iowa Code Section 364.3(4). The District Court denied the plaintiff's motion to certify the case as a class action, and enjoined the City of Des Moines from collecting the franchise fees from the individual plaintiff while its ruling remains in effect. The City of Des Moines appealed the District Court's rulings to the Iowa Supreme Court and on May 26, 2006, the Iowa Supreme Court reversed the District Court's ruling and remanded the case to determine the class certification question and for a trial on the question of the appropriate amount of the franchise fees to be charged. According to the Iowa Supreme Court's decision, any franchise fee charged by a city must be reasonably related to the city's administrative expenses in the exercise of its police power. Those expenses may include the reasonable costs of inspecting, licensing, supervising or otherwise regulating the activity the city is franchising and the incidental consequences of the franchised services. The Court agreed that the City's franchise fees may be assessed as a percentage of the gross receipts derived from the utility's sale of its services to the public, so long as the charge is reasonably related to the City's administrative expenses.

The District Court subsequently certified a class for purposes of the litigation, consisting of all customers of the gas and electric utilities within the City that currently pay the franchise fees. The City has filed a motion for partial summary judgment seeking the dismissal of the plaintiff's claim for a refund of all franchise fees that have been improperly collected by the City, and the motion is expected to be argued in January 2007. The parties are beginning to conduct pre-trial discovery, and no trial date has yet been set.

The City has engaged a consultant and currently is reviewing the administrative costs associated with its regulation of the gas and electric utilities, and the extent to which its franchise fee ordinances result in the collection of amounts that are consistent with the standards set forth by the Iowa Supreme Court. There can be no assurance that future rulings in the litigation will not require the City to refund a portion of the franchise fees that have been collected in the past or to substantially reduce the amount of the franchise fees. If the City is required to substantially reduce its franchise fees, City staff presently intends to recommend to the City Council that the City address the loss of franchise fee revenues by reducing discretionary capital improvements and reallocating costs to other funds.

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds, or any other litigation which could have a material adverse affect on the City's ability to meet its financial obligations.

DEBT PAYMENT HISTORY

The City knows of no instance in which it has defaulted in the payment of principal or interest on its debt.

LEGALITY

The Bonds are subject to approval as to certain matters by Ahlers & Cooney, P.C. of Des Moines, Iowa as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements, or data contained in this Official Statement and will express no opinion with respect thereto. A draft legal opinion is set forth as Appendix A to this Official Statement.

TAX EXEMPTION AND RELATED CONSIDERATIONS

In the opinion of Ahlers & Cooney, P.C. as Bond Counsel, assuming compliance with certain covenants made by the City, interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternate minimum tax imposed on such corporations.

Prospective purchasers of the Bonds should be aware that (i) Section 265 of the Internal Revenue Code of 1986 (the "Code"), denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by some corporations could be subject to the environmental tax imposed by Section 59A of the Code, (iv) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (v) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (vi) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

The Bonds are **NOT** qualified tax-exempt obligations.

In order to maintain the exemption from federal income taxes of interest on the Bonds and for no other purpose, the City covenants in the resolution authorizing the Bonds to comply with the provisions of the Code. Until and unless, and except to the extent in the opinion of Bond Counsel, the following are not necessary to maintain the tax-exempt status of said Bonds, the City makes certain covenants, representations and warranties with respect to the Bonds. The City covenants to submit in a timely manner all reports, accountings and information to the Internal Revenue Service and will take whatever action is necessary within its power to assure the continued tax exemption on the Bonds, and to take whatever action is necessary within its power to comply with the applicable law and regulations in order to maintain tax exemption with respect to the Bonds.

The Resolution authorizing the issuance of the Bonds may be amended without the consent of any owner of the Bonds for the purpose of taking action necessary to maintain tax exemption with respect to the Bonds under applicable federal law or regulation.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest on the Bonds. Prospective purchasers or Bondholders should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

RATINGS

The City's outstanding Stormwater Utility Revenue long-term debt has an underlying rating of "Aa3" by Moody's Investors Service, Inc. and "AA+" by Standard & Poor's. The City's Series 2003B Stormwater Management Utility Revenue Bonds and Series 2004F Stormwater Management Utility Revenue Bonds are both rated "Aaa/AAA" (both FSA insured). The City's General Obligation Bonds are rated "Aa2" by Moody's Investors Service and "AA+" by Standard & Poor's. The City has requested a rating on this issue from both Moody's Investors Service, Inc. and Standard & Poor's and bidders will be notified as to the assigned ratings prior to the sale. Such ratings, if and when received, will reflect only the view of the rating agencies and any explanation of the significance of such rating may only be obtained from the respective rating agency. There is no assurance that such ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of the ratings may have an effect on the market price of the Bonds.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Des Moines, Iowa as financial advisor (the “Financial Advisor”) in connection with the preparation of the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Financial Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTIFICATION

The City has authorized the distribution of this Official Statement for use in connection with the initial sale of the Bonds. As of the date of the settlement of the Bonds, the Purchaser will be furnished with a certificate signed by the appropriate officers of the City. The certificate will state that as of the date of the Official Statement, it did not and does not as of the date of the certificate contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other Participating Underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the resolution authorizing the issuance of the Bonds and the Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth as Appendix C to this Official Statement. The City has complied in all material respects with any previous undertaking under the Rule.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or the resolution for the Bonds. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

DESCRIPTION OF THE STORMWATER MANAGEMENT UTILITY

STORMWATER UTILITY FACILITIES

The Des Moines City Council approved the establishment of the Stormwater Management Utility (the "System") on July 5, 1994. The mission of the System was, and is, to provide comprehensive and efficient stormwater management to the citizens of the City of Des Moines (the "City").

The City is responsible for stormwater management within its city limits. This includes planning, design, development of a capital improvements program, operation and maintenance activities, as well as establishing initiatives to facilitate compliance with federal and state regulatory requirements with regard to flood prevention, mitigation, and water pollution prevention and control-related activities.

A series of comprehensive studies have been completed through the years that have identified stormwater problems in various drainage basins across the City. Prior to the implementation of the System, traditional funding sources, such as general obligation bonding and special assessments, were used to implement needed improvements. The City, not unlike other communities, determined that ongoing stormwater needs would exceed its capacity to respond, and therefore, established the System.

Administration

The City Council is the governing body of the System, and the City Engineer serves as director. The City of Des Moines Finance Department provides financial planning, auditing, purchasing, vendor payments, and program operations review. The City of Des Moines Public Works Director and the Sewer Enterprise Operations Administrator, supervise the day-to-day operations. The City Council must also approve financial decisions relating to the System, including rate changes and the System's capital and operating budget (incorporated as part of the City's annual operating and capital budgets).

The System is managed by the following:

- (a) **City Manager.** The City Manager is Mr. Richard Clark who is responsible for the day to day management of the City. Mr. Clark has a Bachelor's degree in Business and Economics from Cornell College and a Masters Degree in Community and Regional Planning from Iowa State University. Mr. Clark has 33 years of experience in Public Administration, including 11 years as Deputy City Manager of the City of Des Moines. Mr. Clark was appointed the City Manager of the City of Des Moines in February of 2006. As City Manager, Mr. Clark serves as the Chief Administrative Officer for the City, supervises all City departments and staff, serves as the primary advisor to the City Council, prepares the Operating and Capital Improvements Budgets for final approval, works with State and Federal legislative issues, meets with citizens and neighborhood organizations, directs major economic development initiatives, and is the chief negotiator for City government.
- (b) **City Engineer.** The City Engineer, Mr. Jeb E. Brewer, P.E., is responsible for supervising and managing the Engineering Department and staff, including the Design and Construction Division. As the Chief Civil Engineer for the City he has overall responsibility for ensuring Capital Improvements Projects including stormwater and flood control projects are properly managed and constructed. The City Engineer reports directly to the City Manager. Mr. Brewer has a B.S. degree in Civil Engineering with Distinction from Iowa State University at Ames Iowa, and a M.S. degree in Facility Engineering/Astronautical Engineering from the Air Force Institute of Technology at Dayton Ohio; he is a licensed engineer in the State of Iowa in the branch of Civil Engineering. Mr. Brewer has been at the City for 11 years including positions as the Deputy City Engineer and Assistant Civil Engineer, Airport Section. Mr. Brewer has been the City Engineer since February 4, 2002. He has extensive experience in managing large public works organizations as an Engineering Officer in the United States Air Force. He is currently a Lieutenant Colonel in the Air Force Reserves acting as the mobilization augmentee for the Civil Engineering Squadron Commander at Schriever Air Force Base. He has received numerous awards including Meritorious Service Medal with Oak Leaf Cluster. He has also worked for the Galveston District U. S. Corps of Engineers performing design and analysis of flood control projects for

Houston Texas and surrounding Harris County. Mr. Brewer is a member of the American Society of Civil Engineers (ASCE) and the American Public Works Association (APWA).

- (c) **Public Works Director.** The Public Works Director, Mr. William Stowe, is responsible for supervising the Public Works Department and staff including the Sewer Enterprise Administrator. He prepares departmental level Operating and Capital Improvement budgets, oversees the City's infrastructure maintenance and municipal service delivery, and reports directly to the City Manager. Mr. Stowe has a BA Degree from Grinnell University in Grinnell, Iowa, a Master's Degree in Labor Relations from the University of Illinois in Champaign-Urbana, Illinois, a Master's in Engineering at the University of Wisconsin in Madison, and a Juris Doctor (law) Degree from Loyola University Law School in New Orleans, Louisiana. Mr. Stowe has been with the City of Des Moines for nine years. He is presently a member of the Iowa Chapter American Public Works Association Board and the Iowa Municipal Attorneys Association.
- (d) **Sewer Enterprise Administrator.** The Sewer Enterprise Administrator, Mr. Carl Elshire, is responsible for supervising the budget and design of the City's storm and sanitary sewer collection and conveyance systems and reports directly to the Public Works Director. Mr. Elshire has a MS Degree in Engineering Management from the University of Kansas and a BS Degree in Civil Engineering from Michigan State University in East Lansing, Michigan. Mr. Elshire has five years experience with the City after having served over nine years as the Public Works Director for North Kansas City, Missouri. Mr. Elshire is a Member of the American Public Works Association (APWA) and the American Society of Civil Engineering (ASCE).

Operation and Maintenance Program

The City's stormwater infrastructure includes approximately 400 miles of storm sewers integrated with an extensive network of inlet structures, open ditches, ravines, mini-sewers and detention basins, and 24 stormwater pumping stations. The infrastructure spans the entire 80 square miles of the City. With revenues provided by System user fees, the Public Works Department has been able to nearly triple operation and maintenance activities conducted from those of pre-utility levels. River levy maintenance and streambed restoration activities have expanded as well. The Public Works Department has also been able to undertake numerous small drainage improvement/construction projects throughout the City. The ability to perform construction of these smaller projects by City staff has saved the City from additional expense that would have been incurred from the usage of private contractors.

Capital Improvement Program

In the five years preceding the creation of the System, FY90-FY94, the City was only able to accomplish \$8.6 million in stormwater-related capital improvements. Of this total, \$4.8 million were funded through special assessments. After eleven full years (FY95-FY06) of operations, through the dedicated funding source provided by user fees, the System has been able to accomplish approximately \$40 million in capital improvement projects.

The current six-year System Capital Improvement Program (FY07-FY12) has programmed an additional \$31.4 million that will be spent on capital improvement projects. Major projects during this period include: Crawford Creek Watershed, Dean's Lake Pump Station, Des Moines River Flood Protection, Leetown Creekway Outlet Improvements and Wooden Box Replacement, 12th Street Storm Sewer, and improvements within the Closes Creek and Easter Lake Watersheds. In addition, several smaller projects have been planned that could be facilitated into the program dependent upon the timing of construction-related and funding acquisition activities.

Funding for the current six-year Capital Improvement Program will be provided from revenues derived from user fees and the issuance of revenue bonds. On December 18, 2002, the Des Moines City Council approved a change in the Stormwater Ordinance with regard to future year fee adjustments in order to provide the funds needed to complete the planned projects, and to provide sufficient funds for bond repayment.

The fee adjustments approved by the Des Moines City Council will provide additional revenue in future years, with annual adjustments of five percent (5%) in the "equivalent residential unit" (ERU) rate per year through FY2011 to facilitate the acceleration of a number of the planned capital projects. See "Stormwater Utility Rates and Charges" section herein.

Insurance for the System

The City's Risk Management Office is a division of the Finance Department. The Risk Management Office places all insurance coverages required for the City, determines the appropriate levels of risk transfer to third parties, and coordinates the City's comprehensive risk management program among City departments.

The System's pumping stations are covered by the City's Blanket Property Insurance Policy issued through Federal Insurance Company (Chubb Group). These facilities are covered at replacement value up to an aggregate per occurrence loss of \$250,000,000 less a \$100,000 deductible. Liability coverage for the System is provided through the City's Special Excess Liability Policy issued through Everest National Insurance Company. The per occurrence and aggregate limits of the policy are \$10,000,000, respectively. Automobile Liability Insurance is maintained through St. Paul/Travelers Insurance Company with a per occurrence limit of \$2,000,000 with a \$3,000 deductible. This covers the excess liability self-insured retention. Workers Compensation coverage is provided through Safety National Casualty Corporation at statutory limits with a \$450,000 self-insured retention.

SALES HISTORY AND TOTAL STORMWATER MANAGEMENT UTILITY CHARGES

<u>Fiscal Year Ending</u>	<u>Average No. of Customers</u>	<u>Average Annual ERU Units</u>	<u>Storm Water Sewer Charges</u>
2001	63,167	1,629,708	\$7,260,844
2002	63,230	1,684,447	7,755,020
2003	63,504	1,668,337	7,674,535
2004	64,197	1,850,678	9,189,936
2005	65,456	1,889,511	9,974,679
2006	66,287	1,902,602	10,907,402

NUMBER OF STORMWATER MANAGEMENT UTILITY CUSTOMERS

<u>Fiscal Year Ending</u>	<u>Residential</u>	<u>Commercial/Industrial</u>	<u>Total Customers</u>
2001	56,219	6,948	63,167
2002	56,275	6,955	63,230
2003	56,506	6,998	63,504
2004	57,152	7,045	64,197
2005	58,291	7,165	65,456
2006	59,050	7,237	66,287

LARGER STORMWATER MANAGEMENT UTILITY CUSTOMERS (2006)

<u>Customer Name</u>	<u>Monthly ERUs Billed</u>	<u>Charge Per Month</u>	<u>Annual Charges</u>
DM International Airport	4,751	\$27,698.33	\$332,379.96
DM Public Schools	3,200	18,656.00	223,872.00
Iowa State Fair	1,803	10,511.49	126,137.88
State of Iowa	1,126	6,564.58	78,774.96
Drake University	1,094	6,378.02	76,536.24
City of Des Moines	1,077	6,278.91	75,346.92
Iowa Air Guard	1,018	5,934.94	71,219.28
Titan Tire	749	4,366.67	52,400.04
Merle Hay Mall Inc.	595	3,468.85	41,626.20
RR Donnelley	561	3,270.63	39,247.56
Iowa Methodist Hospital	527	3,072.41	36,868.92
Dico/Titan Distr.	523	3,049.09	36,589.08
WRA Waste Water	497	2,897.51	34,770.12
Polk County Event Center	484	2,821.72	33,860.64
Mercy Medical Center	400	2,332.00	27,984.00

Top ten larger stormwater customers account for 10.25% of the total FY 06 revenues and the top fifteen customers account for 11.81%.

STORMWATER UTILITY RATES AND CHARGES

Monthly stormwater management charges are imposed upon and collected from the owners or occupants of all lots, parcels of real estate and buildings that discharge stormwater, surface or subsurface waters to the City's stormwater drainage systems, including single-family residential property, multifamily residential property, unclassified residential property and non-residential property, with the charge for each such class of property being an established percentage or multiple of an ERU rate set forth in the city ordinance. The following Stormwater Management Utility Rates and Charges were adopted by the City Council on December 18, 2002.

<u>Effective Date</u>	<u>ERU Rate</u>	<u>Effective Date</u>	<u>ERU Rate</u>
July 2003	\$5.29	July 2007	\$6.43
July 2004	5.55	July 2008	6.75
July 2005	5.83	July 2009	7.09
July 2006	6.12	July 2010	7.44

Single-Family Residential Rates

1,400 Sq Ft or less	50% of ERU rate
1,401 Sq Ft to 4,900 sq Ft	100% of ERU rate
4,901 Sq Ft or more	150% of ERU rate

Multi-Family Residential Rates

ERU rate multiplied by number of individual dwelling units

Unclassified Residential Rates

ERU rate multiplied by (total impervious area divided by 2,349), but not less than ERU rate

Non-Residential Rates

ERU rate multiplied by (total impervious area divided by 2,349), but not less than ERU rate

STORMWATER MANAGEMENT UTILITY REVENUES BY CLASSIFICATION

<u>Source of Revenue</u>	<u>Percentage</u>	<u>ERU Units</u>	<u>FY2006 Revenue</u>
Residential	35%	665,911	\$3,817,591
Commercial	49%	932,275	5,344,627
Industrial	7%	133,182	763,518
Municipal	9%	171,234	981,666
Total	100%	1,902,602	\$10,907,402

CASH FUNDS ON HAND – STORMWATER MANAGEMENT UTILITY (June 30, 2006)

Operating Account	\$5,904,979
Capital Account	4,894,626
Sinking Fund	83,333
Reserve Fund	\$1,743,100

REVENUE DEBT SUPPORTED BY STORMWATER REVENUES

The City has revenue debt payable from stormwater revenues. The debt is as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
5/03B	\$9,440,000	Construction and Improvements	6/18	\$7,985,000
6/04F	8,510,000	Construction and Improvements	6/19	8,055,000
12/06	16,750,000	Construction and Improvements	6/23	16,750,000
Total				\$32,790,000

<u>Fiscal Year</u>	<u>Current Outstanding Revenue Debt Paid by Stormwater Revenues</u>		<u>The Bonds</u>		<u>Total Outstanding Principal and Interest</u>
	<u>Outstanding Principal</u>	<u>Outstanding Principal and Interest</u>	<u>Outstanding Principal</u>	<u>Outstanding Principal and Interest</u>	
FY 2006-07	\$1,000,000	\$1,642,465		\$345,393	\$1,987,858
FY 2007-08	1,030,000	1,642,465	\$770,000	1,537,540	3,180,005
FY 2008-09	1,070,000	1,650,203	800,000	1,534,430	3,184,633
FY 2009-10	1,110,000	1,654,015	835,000	1,535,030	3,189,045
FY 2010-11	1,160,000	1,663,703	855,000	1,519,125	3,182,828
FY 2011-12	1,210,000	1,669,365	895,000	1,521,933	3,191,298
FY 2012-13	1,265,000	1,675,965	920,000	1,508,000	3,183,965
FY 2013-14	1,335,000	1,695,365	940,000	1,487,520	3,182,885
FY 2014-15	1,395,000	1,700,138	975,000	1,480,690	3,180,828
FY 2015-16	1,465,000	1,711,215	1,015,000	1,476,815	3,188,030
FY 2016-17	1,545,000	1,726,820	1,045,000	1,460,633	3,187,453
FY 2017-18	1,630,000	1,743,100	1,080,000	1,447,563	3,190,663
FY 2018-19	825,000	863,775	1,205,000	1,522,343	2,386,118
FY 2019-20			1,260,000	1,520,708	1,520,708
FY 2020-21			1,320,000	1,520,858	1,520,858
FY 2021-22			1,385,000	1,522,498	1,522,498
FY 2022-23			1,450,000	1,520,325	1,520,325
Total	\$16,040,000		\$16,750,000		

HISTORICAL CASHFLOW AND DEBT COVERAGE

The following table represents the financial performance of the Stormwater Management Utility for FY01 through FY05 using information from the City's Audited Financial Statements. In addition, the table provides unaudited information for FY06. Based on the FY05 Audited Financial Statements, net revenues available for debt of \$5,784,119 would provide 1.81 times coverage of the \$3,191,298 maximum annual debt service. Based on FY 06 unaudited financial information, the net revenues available for debt of \$6,418,981 would provide 2.01 times coverage of the \$3,191,298 maximum annual debt service.

CITY of DES MOINES

Stormwater Enterprise Fund

	-- Audited Financial Statements --					Unaudited
	FY 2000-01	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
OPERATING REVENUES						
Sales to Customers	\$7,283,765	\$7,635,449	\$7,620,802	\$9,536,919	\$10,160,148	\$11,059,217
Miscellaneous Revenue	0	0	1,267,888	0	0	148,453
Total Operating Revenues	\$7,283,765	\$7,635,449	\$8,888,690	\$9,536,919	\$10,160,148	\$11,207,670
OPERATING EXPENSES						
Personal Services	\$2,824,479	\$2,963,011	\$3,861,367	\$3,971,353	\$4,086,680	\$3,897,821
Contractual Services**	789,830	837,706	1,490,220	777,787	571,645	1,085,304
Commodities	129,483	317,287	168,188	192,666	201,208	238,559
Other Charges**	321,700	780,505	858,220	383,213	100,551	307,103
Net Operating	\$4,065,492	\$4,898,509	\$6,377,995	\$5,325,019	\$4,960,084	\$5,528,787
Depreciation	280,620	297,771	981,862	385,137	527,998	530,001
Total Operating Expense	\$4,346,112	\$5,196,280	\$7,359,857	\$5,710,156	\$5,488,082	\$6,058,788
NET OPERATING REVENUE	\$2,937,653	\$2,439,169	\$1,528,833	\$3,826,763	\$4,672,066	\$5,148,882
NONOPERATING REVENUE & EXPENSES						
Interest on Reserves	\$423,018	\$215,731	\$159,051	\$236,573	\$577,976	\$740,098
Intergovernmental Revenues	701,521	324,910	14,600	31,077	6,079	0
Other Non Operating Items	0	5,225	415,841	0	0	0
Depreciation	280,620	297,771	981,862	385,137	527,998	530,001
REV AVAILABLE FOR D/S	\$4,342,812	\$3,282,806	\$3,100,187	\$4,479,550	\$5,784,119	\$6,418,981
**.- Net of Payment in lieu of taxes (PILOT) and Return on investment (ROI- transfer to General Fund) pursuant to Section 384.89						
STORMWATER DEBT SERVICE						
1998 Lease Agreement	\$70,969	\$70,969	\$70,969	\$70,969	\$70,970	\$0
1999 Lease Agreement	27,493	27,493	27,493	0	0	0
Series 2003B Revenue Bonds	0	0	0	819,150	850,900	848,275
Series 2004F Revenue Bonds	0	0	0	0	296,943	793,290
Series 2006 Revenue Bonds	0	0	0	0	0	0
Total Stormwater Debt	\$98,462	\$98,462	\$98,462	\$890,119	\$1,218,813	\$1,641,565
Debt Service Coverage						
Net Revenues/ Revenue Debt	44.11	33.34	31.49	5.03	4.75	3.91
CASHFLOW AFTER DEBT	\$4,244,350	\$3,184,344	\$3,001,725	\$3,589,431	\$4,565,306	\$4,777,416

CITY PROPERTY VALUES

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The Polk County Auditor adjusted the final Actual Values for 2005. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2005, a 45.9960% rate was applied to the assessment for residential property, a 99.1509% was applied for commercial property and railroad property; and a 100% rate was applied for industrial and utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for the specific classes of property to 4% annually. Political subdivisions whose taxable values are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

1/1/05 VALUATIONS (Taxes payable July 1, 2006 through June 30, 2007)

	<u>100% Actual Value</u>	<u>Taxable Value (With Rollback)</u>
Residential	\$6,128,996,454	\$2,813,940,394
Commercial	2,317,544,791	2,293,340,031
Industrial	159,158,190	159,158,190
Utilities w/o Gas & Electric	41,963,038	41,963,038
Railroad	<u>7,757,764</u>	<u>7,691,893</u>
Gross valuation	\$8,655,420,237	\$5,316,093,546
Less military exemption	<u>(18,792,150)</u>	<u>(18,792,150)</u>
Net valuation	\$8,636,628,087	\$5,297,301,396
TIF increment (used to compute Debt service levies and Constitutional debt limit)	\$614,752,405	\$594,194,445
Taxed separately		
Utilities – Gas & Electric	\$266,445,807	\$225,980,285
Agricultural Land	\$1,843,840	\$1,843,840
Agricultural Buildings	\$357,200	\$357,200

2005 Gross Taxable Valuation by Class of Property

		<u>Percent Total</u>
Residential	\$2,813,940,394	50.77%
Commercial	2,293,340,031	41.38%
Industrial, Utility & Railroad	208,813,121	3.77%
Utilities – Gas & Electric	<u>225,980,285</u>	<u>4.08%</u>
Total Gross Taxable Valuation*	\$5,542,073,831	100.00%

* Excludes TIF Increment, Agricultural Land and Agricultural Buildings.

TREND OF VALUATIONS

<u>Assessment Year</u>	<u>Payable Fiscal Year</u>	<u>100% Actual Valuation</u>	<u>Taxable Valuation (With Rollback)</u>	<u>Taxable TIF Increment</u>
2001	2002-03	\$7,627,115,322	\$4,878,719,069	\$392,495,124
2002	2003-04	7,745,390,149	4,953,459,219	446,920,620
2003	2004-05	8,615,856,637	5,238,631,200	539,070,245
2004	2005-06	8,667,085,560	5,285,047,624	488,199,515
2005	2006-07	9,520,027,339	5,523,281,681	594,194,445

The 100% Actual Valuation, before rollback and after reduction of military exemption, include agricultural land and buildings, TIF increment, and gas and electric utilities. The Taxable Valuation, with the rollback and after the reduction of military exemption, includes gas and electric valuation and excludes agricultural land and buildings and the Taxable TIF Increment. Iowa cities certify operating levies against Taxable Valuation excluding the Taxable TIF Increment and debt service levies are certified against Taxable Valuations including the Taxable TIF Increment.

LARGER TAXPAYERS

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>1/1/05 Taxable Valuation</u>
MidAmerican Energy	Electric Utility	\$225,905,546
Principal Mutual Life	Insurance Company	212,883,790
Nationwide Mutual Life	Insurance Company	70,162,780
Iowa Methodist Hospital	Hospital	51,717,650
SDG Macerich Properties	Shopping Mall	48,125,790
Wells Fargo Financial	Banking Services	45,196,080
Ruan Center Corp.	Transportation	42,433,920
Hubbell Realty	Property Management	42,372,700
Meredith Corporation/Publishing	Publishing Company	40,721,990
Employers Mutual Casualty	Insurance Company	38,631,150
Mercy Hospital	Hospital	29,047,530

Note: This list represents larger taxpayers in this jurisdiction, not necessarily the top 10 taxpayers.

CITY INDEBTEDNESS

DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the actual value of all taxable property within the corporate limits, as taken from the last certified state and county tax list. The debt limit for the City, based on its most recent certified (2005) valuation, is as follows:

2005 Actual Valuation of Property	\$9,538,819,489
Less: Military Exemption	<u>(18,792,150)</u>
Subtotal	\$9,520,027,339
Legal Debt Limit of 5%	<u>.05</u>
Legal Debt Limit	\$476,001,367
Less: General Obligation Debt	(346,935,268)
Less: Other Debt Subject to Limit	<u>(2,000,000)*</u>
Legal Debt Margin	\$127,066,099

* Section 108 CDBG Loans.

DIRECT DEBT

General Obligation Debt Paid by Property Taxes

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
6/99A	\$14,955,000	Various Purpose	6/07	\$650,000
6/00D	15,135,000	Various Purpose	6/08	1,240,000
6/01A	16,704,247	Various Purpose	6/19	15,816,058
6/01D	8,815,000	Refunding	6/12	5,325,000
6/02E	26,605,000	Various Purpose	6/22	25,345,000
6/02F	3,505,000	Various Purpose	6/22	3,205,000
6/02G	1,625,000	Various Purpose	6/07	575,000
5/03A	18,878,000	Refunding	6/14	14,708,000
6/03C	18,415,000	Various Purpose	6/23	17,277,617
6/03D	840,000	Various Purpose	6/23	750,873
6/03E	7,330,000	Refunding	6/14	5,855,000
6/04A	3,330,000	Refunding	6/09	1,595,000
6/04B	26,470,000	Refunding	6/16	24,195,000
6/04C	13,685,000	Various Purpose	6/24	13,330,000
4/05A	22,049,000	Refunding	6/18	19,228,000
6/05B	27,775,000	Various Purpose	6/25	27,775,000
6/05D	95,000	Various Purpose	6/12	85,000
11/05E	20,825,000	Refunding	6/20	20,825,000
6/06A	20,295,000	Various Purpose	6/26	<u>20,295,000</u>
Subtotal				\$218,075,548

General Obligation Debt Paid by Tax Increment

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
6/99A	\$2,105,000	Various Purpose (TIF Portion)	6/07	\$90,000
6/99B	6,300,000	Taxable – Various Purpose	6/19	4,875,000
6/00D	7,775,000	Various Purpose (TIF Portion)	6/08	625,000
6/00E	2,040,000	Taxable – Various Purpose	6/20	1,380,000
10/00F	10,000,000	Taxable – Land Acquisition	6/10	5,496,669 ¹⁾
6/01A	8,340,753	Various Purpose	6/19	7,378,942
6/01B	4,070,000	Various Purpose	6/21	3,395,000
6/01C	4,235,000	Various Purpose	6/07	875,000
6/01D	770,000	Refunding (TIF Portion)	6/12	460,000
3/02A	3,185,000	1993A TIF Refunding	6/12	2,135,000
6/02E	4,315,000	Various Purpose (TIF Portion)	6/22	4,005,000
6/02F	5,010,000	Various Purpose (TIF Portion)	6/22	4,525,000
5/03A	1,930,000	Refunding	6/14	1,580,000
6/03C	725,000	Various Purpose	6/23	647,383
6/03D	11,020,000	Various Purpose	6/23	9,849,127
6/03E	2,130,000	Refunding	6/14	1,695,000
6/04A	17,485,000	Refunding	6/14	14,020,000
6/04B	6,830,000	Refunding	6/16	6,230,000
6/04D	14,425,000	Various Purpose	6/24	14,325,000
6/04E	4,830,000	Various Purpose	6/13	4,310,000
4/05A	5,324,000	Refunding	6/18	4,894,000
6/05C	10,000,000	Various Purpose	6/25	10,000,000
6/05D	4,890,000	Various Purpose	6/12	4,365,000
11/05E	7,360,000	Refunding	6/20	7,360,000
6/06B	9,210,000	Various Purposes	6/26	9,210,000
6/06C	1,170,000	Various Purposes	6/09	<u>1,170,000</u>
Subtotal				\$124,896,121

¹⁾ Debt represents a non-appropriation loan agreement. The debt service payments of \$1,690,268 is appropriated in FY 06-07, of which \$1,690,268 is left outstanding for the year and is included for purposes of the legal debt limit calculation.

General Obligation Debt Paid from Hotel-Motel Tax Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
6/01E	\$5,950,000	Hotel-Motel Tax Refunding	12/11	\$4,230,000 ¹⁾
3/02B	3,290,000	Hotel-Motel Tax Refunding	12/11	<u>2,360,000</u> ¹⁾
Subtotal				\$6,590,000

¹⁾ Approximately 89% of the annual debt service on the Series 2001E and Series 2002B Bonds is being abated from revenues generated by a lodging tax. The remaining 11% is being abated by revenue from eight surrounding local governments as set out in a 28E Agreement signed by all eight communities and the City of Des Moines.

General Obligation Debt Paid from Airport Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
6/04A	\$520,000	Refunding (Airport Portion)	6/09	\$280,000
4/05A	941,000	Refunding (Airport Portion)	6/10	<u>673,000</u>
Subtotal				\$953,000

General Obligation Debt Paid from Solid Waste Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
5/03A	\$162,000	Refunding	6/14	\$132,000
4/05A	116,000	Refunding	6/11	<u>95,000</u>
Subtotal				\$227,000

Summary of General Obligation Debt Outstanding

General Obligation Debt Paid by Property Taxes	\$218,075,548
General Obligation Debt Paid by Tax Increment	124,896,121
General Obligation Debt Paid by Hotel-Motel Tax Revenues	6,590,000
General Obligation Debt Paid by Airport Revenues	953,000
General Obligation Debt Paid by Solid Waste Revenues	<u>227,000</u>
General Obligation Debt outstanding:	\$350,741,669
Less: Non-appropriation debt Series 2000F	(5,496,669)
Plus: Appropriated payment Series 2000F	<u>1,690,268</u>
Total General Obligation Debt Subject to Limit:	\$346,935,268

Annual Fiscal Year Debt Service Payments

G.O. Debt Paid by Property Taxes

Current Outstanding G.O. Debt Paid by Taxes

<u>Fiscal Year</u>	<u>Outstanding Principal</u>	<u>Outstanding Principal and Interest</u>
2006-07	\$13,351,482	\$22,066,221
2007-08	14,984,808	24,208,237
2008-09	15,918,176	24,477,031
2009-10	16,119,216	24,007,141
2010-11	15,513,663	22,714,430
2011-12	15,313,549	21,846,595
2012-13	15,126,290	20,996,858
2013-14	13,419,986	18,630,418
2014-15	12,118,536	16,717,723
2015-16	11,616,081	15,650,772
2016-17	11,081,220	14,586,565
2017-18	11,616,570	14,618,266
2018-19	11,048,553	13,518,004
2019-20	8,684,784	10,642,012
2020-21	7,940,918	9,495,309
2021-22	8,355,471	9,528,128
2022-23	6,026,245	6,796,242
2023-24	4,650,000	5,131,164
2024-25	3,630,000	3,878,063
2025-26	<u>1,560,000</u>	1,632,150
Total	\$218,075,548	

G.O. Debt Paid by Tax Increment

**Current Outstanding
G.O. Debt Paid by Tax Increment**

<u>Fiscal Year</u>	<u>Outstanding Principal</u>	<u>Outstanding Principal and Interest</u>
2006-07	\$9,273,202	\$15,235,083
2007-08	8,926,553	14,581,107
2008-09	9,805,539	14,868,961
2009-10	9,725,693	14,256,974
2010-11	8,420,337	12,455,333
2011-12	8,444,451	12,080,483
2012-13	8,213,710	11,444,719
2013-14	8,380,014	11,221,702
2014-15	6,071,464	8,521,891
2015-16	6,023,919	8,197,805
2016-17	6,168,780	8,071,091
2017-18	6,463,430	8,084,723
2018-19	6,426,447	7,750,177
2019-20	5,190,216	6,214,969
2020-21	4,789,082	5,581,202
2021-22	4,699,529	5,275,015
2022-23	4,153,755	4,516,679
2023-24	2,255,000	2,431,188
2024-25	715,000	781,863
2025-26	<u>750,000</u>	784,688
Total	\$124,896,121	

G.O. Debt Paid by Hotel-Motel Tax Revenues

<u>Fiscal Year</u>	<u>Outstanding Principal</u>	<u>Outstanding Principal and Interest</u>
2006-07	\$975,000	\$1,260,704
2007-08	1,020,000	1,261,959
2008-09	1,070,000	1,264,674
2009-10	1,135,000	1,278,074
2010-11	1,200,000	1,287,259
2011-12	<u>1,190,000</u>	1,219,189
Total	\$6,590,000	

G.O. Debt Paid by Airport Revenues

<u>Fiscal Year</u>	<u>Outstanding Principal</u>	<u>Outstanding Principal and Interest</u>
2006-07	\$334,000	\$374,020
2007-08	233,000	259,660
2008-09	236,000	252,390
2009-10	<u>150,000</u>	156,000
Total	\$953,000	

G.O. Debt Paid by Solid Waste Revenues

<u>Fiscal Year</u>	<u>Outstanding Principal</u>	<u>Outstanding Principal and Interest</u>
2006-07	\$32,000	\$40,943
2007-08	34,000	41,813
2008-09	33,000	39,565
2009-10	35,000	40,320
2010-11	36,000	39,920
2011-12	17,000	19,480
2012-13	20,000	21,800
2013-14	<u>20,000</u>	21,000
Total	\$227,000	

OTHER DEBT

Revenue Debt Supported by Sewer Revenues

The City has revenue debt payable from net revenues of the Sewer System as follows:

Sewer Revenue Bonds

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
11/04G	\$5,160,000	Sewer Improvements	6/19	\$4,945,000
11/04H	14,040,000	Sewer Revenue Refunding	6/20	<u>14,040,000</u>
Subtotal				\$18,985,000

Des Moines Metropolitan Wastewater Reclamation Authority (“WRA”)

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
6/95	\$809,840	Sewer Revenue (State Revolving Loan Fund No. 4)	6/15	\$348,867 ¹⁾
6/95	7,985,127	Sewer Revenue (State Revolving Loan Fund No. 6)	6/16	4,865,426 ²⁾
6/96	4,382,792	Sewer Revenue (State Revolving Loan Fund No. 7)	6/18	3,044,356 ³⁾
11/04A	21,357,014	Sewer Revenue Acquisition Bonds	6/12	15,976,516 ⁴⁾
11/04B	25,626,440	Sewer Improvements	6/34	<u>22,828,943</u> ⁵⁾
Subtotal				\$47,064,108

Total Sewer Revenue Debt Outstanding: \$66,049,108

The amounts below represent the City’s share of the debt service payments of the various issues. Other participating communities within the WRA area pay the remaining amount.

- ¹⁾ This represents the City’s share of the WRA’s SRF Loan No. 4 outstanding in the amount of \$1,696,000, originally issued by the City of Des Moines on behalf of (and subsequently transferred to) the WRA in the amount of \$3,937,000.
- ²⁾ This represents the City’s share of the WRA’s SRF Loan No. 6 outstanding in the amount of \$6,845,000, originally issued by the City of Des Moines on behalf of (and subsequently transferred to) the WRA in the amount of \$11,234,000.
- ³⁾ This represents the City’s share of the WRA’s SRF Loan No. 7 outstanding in the amount of \$4,283,000, originally issued by the City of Des Moines on behalf of (and subsequently transferred to) the WRA in the amount of \$6,166,000.
- ⁴⁾ This represents the City’s share of the WRA’s Series 2004A outstanding in the amount of \$20,030,000, originally issued by the WRA in the amount of \$26,850,000. The City’s share is determined by participation in refunded series, and is not subject to change.
- ⁵⁾ This represents the City’s estimated flow-based share of the WRA’s Series 2004B outstanding in the amount of \$66,830,000, originally issued by the WRA in the amount of \$66,830,000. The City’s flow-base share is calculated annually and subject to change. Although no bonds have matured, the City’s flow based share on November 15, 2006 is less than the original amount due to the decrease in debt allocated to the City as a result of decreased flow.

Revenue Debt Supported by Parking Revenues

The City has revenue debt payable from parking facility revenues. The debt is as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
6/00A	\$19,545,000	Refunding & Improvements	6/20	\$18,545,000
6/00B	9,625,000	Refunding & Improvements	6/12	6,250,000
7/04	14,682,112	Lease Purchase Agreement	6/14	<u>9,282,112</u> ¹⁾
Total				\$34,077,112

¹⁾ Lease Purchase Agreement. Amount outstanding is subordinate to the Series 2000A and 2000B Bonds.

Revenue Debt Supported by Airport Revenues

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
4/98	\$6,335,000	Series 1998A	7/28	\$5,790,000
4/98	23,870,000	Series 1998B	7/28	21,840,000
4/98	12,465,000	Series 1998C	7/28	<u>11,355,000</u>
Total				\$38,985,000

Airport Commercial Paper Program

<u>Date of Issue</u>	<u>Authorized Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 11/21/06</u>
1/05C	\$12,000,000	Commercial Paper Program	2/07	\$7,300,000

INDIRECT GENERAL OBLIGATION DEBT

<u>Taxing District</u>	<u>1/1/05 Taxable Valuation</u> ¹⁾	<u>Percent In City</u>	<u>G.O. Debt</u> ¹⁾ <u>Outstanding</u>	<u>City's Proportionate Share</u>
Polk County	\$16,558,531,887	36.96%	\$184,311,000	\$68,121,345
Carlisle CSD	196,467,622	11.69%	12,070,000	1,410,983
Des Moines Ind. CSD	6,199,583,141	95.53%	3,545,000	3,386,539
Johnston CSD	1,430,062,685	8.73%	53,690,000	4,687,137
Saydel CSD	498,041,680	3.47%	4,065,000	141,056
Southeast Polk CSD	1,116,666,138	1.70%	49,835,000	847,195
West Des Moines CSD	3,881,801,189	0.33%	4,655,000	15,362
Urbandale Sanitary Sewer	1,829,519,298	0.11%	5,084,000	5,592
Urban.-Windsor Heights Sanitary Sewer	350,085,000	4.75%	0	0
Des Moines Area Community College	28,840,151,222	21.22%	66,610,000	<u>14,134,642</u>

1) Includes TIF Increment, Ag. Land and Buildings; excludes military exemption.

City share of total overlapping G.O. debt **\$92,749,851**

DEBT RATIOS

	<u>Debt</u>	<u>Debt/Actual Market Value (\$9,520,027,339)</u>	<u>Debt/198,682 Population</u>
Total General Obligation Debt	\$350,741,669	3.68%	\$1,765.34
Less: G.O. Debt Paid From Enterprise Funds	1,180,000		
G.O. Debt Paid From Lodging Tax	<u>6,590,000</u>		
Net G.O. Debt Paid by Taxes and Tax Increment	\$342,971,669	3.60%	\$1,726.23
City's share of overlapping G.O. debt	\$92,749,851	0.97%	\$466.83

LEVIES AND TAX COLLECTIONS

<u>Fiscal Year</u>	<u>Levy</u>	<u>Collected During Collection Year</u>	<u>Percent Collected</u>	<u>Delinquent Tax Collections</u>
2002/03	\$100,900,488	\$99,823,847	98.93%	\$75,765
2003/04	104,555,582	104,780,453	100.22%	135,285
2004/05	114,052,883	113,038,664	99.11%	71,039
2005/06	109,546,578	109,155,322	99.64%	23,192
2006/07	118,144,246	-----In process of collection-----		

Collections include delinquent taxes from all prior years. Taxes in Iowa are delinquent each October 1 and April 1 and a late payment penalty of 1% per month of delinquency is enforced as of those dates. If delinquent taxes are not paid, the property may be offered at the regular tax sale on the third Monday of June following the delinquency date. Purchasers at the tax sale must pay an amount equal to the taxes, special assessments, interest and penalties due on the property and funds so received are applied to taxes. A property owner may redeem from the regular tax sale but, failing redemption within three years, the tax sale purchaser is entitled to a deed, which in general conveys the title free and clear of all liens except future tax installments.

TAX RATES

	FY 02/03 <u>\$/1,000</u>	FY 03/04 <u>\$/1,000</u>	FY 04/05 <u>\$/1,000</u>	FY 05/06 <u>\$/1,000</u>	FY 06/07 <u>\$/1,000</u>
Polk County ¹⁾	9.37854	9.44511	9.64715	9.58881	9.87773
City of Des Moines	17.04857	17.04806	17.05539	16.52000	16.45083
Des Moines Comm. School District	17.10442	17.35368	18.02657	18.01394	18.01713
Des Moines Area Community College	0.54584	0.58184	0.59856	0.68408	0.68688
Polk County Assessor	0.34363	0.31715	0.31745	0.35437	0.29738
Des Moines Regional Transit Authority	---	---	---	---	0.59980
State of Iowa	<u>0.00400</u>	<u>0.00400</u>	<u>0.00400</u>	<u>0.00400</u>	<u>0.00400</u>
Total Tax Rate	44.42500	44.74984	45.64912	45.16520	45.93393

1) Polk County tax rate consists of the tax rates of Polk County, Polk County agricultural extension and Broadlawns Medical Center.

LEVY LIMITS

A city's general fund tax levy is limited to \$8.10 per \$1,000 of taxable value, with provision for an additional \$0.27 per \$1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the \$8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the \$8.10 limitation is \$8.10 for FY 2006-07. The City did not levy the additional \$0.27 per \$1,000 for general fund purposes for FY 2006-07.

Debt service levies are not limited.

THE CITY

CITY GOVERNMENT

The City, incorporated as a town in 1851 and as a city in 1857, is the State of Iowa's capital, Polk County's seat and the most populous city in the State. The City operates under a council-manager-ward form of government. The Mayor and two other Council Members are elected at-large; four Council Members each represent a ward of the City.

Mr. Richard Clark is the City Manager and is responsible for the day-to-day management of the City. Mr. Clark has a Bachelors degree in Business and Economics from Cornell College and a Masters Degree in Community and Regional Planning from Iowa State University. As City Manager, Mr. Clark serves as the Chief Administrative Officer for the City, supervises all City departments and staff, serves as the primary advisor to the City Council, prepares the operating and capital improvements budgets for final approval, works with State and Federal legislative issues, meets with citizens and neighborhood organizations, directs major economic development initiatives, and is the chief negotiator for city government.

Mr. Allen McKinley is the City of Des Moines Finance Director and Treasurer and is responsible for the financial affairs of the City. He was appointed to the position in July 2006 after serving as the City's Research and Budget Officer for 21 years. Mr. McKinley holds a Bachelor of Arts degree in Political Science from San Diego State University and a Masters in Public Administration-Public Finance from Indiana University's School of Public and Environmental Affairs. Since 2000 he has served on the board of the Municipal Fire and Police Retirement System of Iowa.

CITY BUDGETING PROCESS

The City's budget policy states that the proposed budget will balance ongoing revenues and expenditures without the use of one-time revenues. The proposed budget will also include a balanced forecast of revenues and expenditures for the two following fiscal years. Goals of the budget policy include development of a general fund balance that equals 10% of the general fund budget and reduced reliance on property tax revenues with development of significant new revenue sources. One-time surplus revenues will have a first priority of supporting capital investment in neighborhood economic development programs and ongoing surplus revenues will have a first priority of increasing the number of police officers for the City.

In August of each year, preliminary budget materials are distributed to departments to begin compilation of the revised budget estimates for the current fiscal year and recommended budget estimates for the upcoming fiscal year. Staffing levels, materials and equipment are essential to every City activity. As a result, budget preparation involves reviewing those resources to ensure the quantity of each necessary to maintain the existing level of services. New requests are evaluated to determine what they would accomplish and how necessary the accomplishments are in terms of adequately providing for the well being, safety and development of the community. The request must also include a level of performance and measure that can be used to determine the progress being made towards the service goal. For services funded from the general fund, any new requests must have no negative financial impact. Thus, either a new revenue source must be identified or existing resources reallocated.

Departmental requests for capital outlays are submitted to the Research and Budget Office in the finance department for review and possible inclusion in the preparation of the budget. Meetings are held between the Research and Budget staff and department directors, on an individual basis, to review budget recommendations and discuss the effectiveness of existing or proposed programs. Particular attention is directed towards proposals to improve productivity and efficiency. From these discussions, the Research and Budget staff may modify their recommended appropriation levels and revenue estimates, performance objectives and work measures and comments on changes in programs and staffing levels. Those programs expected to be fully or partially self-supporting are examined to ensure that they, in fact, achieved that status.

The City Manager's review formally begins by early November at a macro level. The City Manager, with assistance from the Research and Budget Office, reviews the operating level proposed to ensure that current expenditures do not exceed current revenues. If there are sufficient resources available, the City Manager may include either an increase to an existing service(s) or a new service(s) that addresses the well being, safety and development of the community. The budget is then presented to the City Council in January. Public hearings precede Council modifications and approval of the budget. Tax levies for the new fiscal year are certified to the State of Iowa by March 15.

GENERAL FUND – AVAILABLE FUND BALANCE

The City Council has established a policy to maintain a General Fund balance equal to approximately 10% of General Fund operating expenditures plus operating transfers out. The table below details the historical General Fund Balance available:

	2001	2002	2003	2004	2005
Available General Fund Balance	\$10,980,696	\$10,208,476	\$8,385,836	\$8,598,313	\$9,280,167
General Fund Operating Expenditures	118,087,510	121,133,340	128,026,129	127,248,351	115,827,346
Available General Fund Balance as a Percent of General Fund Expenditures	9.3%	8.4%	6.6%	6.8%	8.01%

EMPLOYEES; PENSIONS

The City currently has 1,855 permanent full-time employees, 67 permanent part-time employees and 236 temporary employees. Of the City's 2,158 employees, 371 are police officers and 302 are full-time fire fighters. The following section describes five unions representing 1,623 City employees.

Central Iowa Public Employees Council (CIPEC) – Employees from the Park and Recreation, Public Works, Aviation, and Engineering Departments. These employees' duties are construction, maintenance, and operations. The total number of employees covered by this bargaining unit is 538. The current contract expires June 30, 2009.

American Federation of State, County, and Municipal Employees (AFSCME) – Employees from the Housing Services Department. These employees' duties are administration and maintenance. The total number of employees covered by this bargaining unit is 39. The current contract expires June 30, 2008.

Municipal Employees Association (MEA) – Clerical and Support staff throughout the City. The total number of employees covered by this bargaining unit is 379. The current contract expires June 30, 2008.

Des Moines Association of Professional Fire Fighters, Local 4 – These employees are from the Fire Department and their responsibilities include fire suppression, emergency, and inspection. The total number of employees covered by this bargaining unit is 297. The current contract expires June 30, 2008.

Des Moines Police Bargaining Unit Association – These employees are from the Police Department and they are police officers and senior police officers. The total number of employees covered by this bargaining unit is 286. The current contract expires June 30, 2009.

Professional Employees Lodge No. 254, Unit 10 – These employees are from the Des Moines Public Library and they include building equipment and maintenance workers, clerks, and couriers. The total number of employees covered by this bargaining unit is 41. Their contract expires June 20, 2008.

Professional Employees Lodge No. 254, Unit 11 – These employees are from the Des Moines Public Library and they include professional librarians and library assistants. The total number of employees covered by this bargaining unit is 43. Their contract expires June 20, 2008.

The City contributes to two employee retirement systems, the Iowa Public Employees' Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa (MFPRSI). The State of Iowa administers IPERS and a nine-member board of trustees governs the MFPRSI. Though separate and apart from state government, the board is authorized by state legislature, which also establishes by statute the pension and disability benefits and the system's funding mechanism. All full-time employees must participate in either IPERS or MFPRSI.

Iowa Public Employees' Retirement System (IPERS): The City contributes to IPERS, which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute, to plan members and beneficiaries.

Plan members are required to contribute 3.70 percent of their annual covered salary, and the City is required to contribute 5.75 percent of annual covered payroll. Contribution requirements are established by state statute. Under legislation approved in April 2006, the contribution rates will increase 0.5% per year for four years beginning July 1, 2007. The City's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$3,536,662, \$3,507,933, and \$3,498,193 respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa (MFPRSI): The City contributes to MFPRSI, which is a cost-sharing multiple-employer defined benefit pension plan. MFPRSI provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statute, and vest after four years of credited service.

MFPRSI plan members are required to contribute a percentage of their annual covered salary, and the City is required to contribute at an actuarially determined rate of annual covered payroll. The contribution requirements of plan members and the City are established, and may be amended by state statute.

The MFPRSI contribution rates for plan members and the City are as follows:

<u>Fiscal Year</u>	<u>Plan Member Contribution</u>	<u>City Contribution</u>
2002-2003	9.35%	17.00%
2003-2004	9.35%	20.48%
2004-2005	9.35%	24.92%
2005-2006	9.35%	28.21%
2006-2007	9.35%	27.75%

The City contributed the required amount to MFPRSI for each year as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
MFPRSI City Contribution	\$5,307,370	\$6,683,138	\$8,940,227	\$10,855,365

Post-Retirement Health and Dental Care Benefits: Post-retirement health and dental benefits are available to all full-time employees of the City who retire at the normal retirement age. The group health insurance plan provided to full time City employees allows retirees to continue medical coverage if such election is made within 31 days subsequent to retirement. Retirees are required to reimburse the City for a portion of the cost of this coverage. At October 13, 2006, approximately 186 retirees were covered under the City's group health plan.

Deferred Compensation: The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

RISK MANAGEMENT

The City has a Risk Management Office within the Finance Department. Information is collected on the City’s loss experience and efforts are directed at maintaining a comprehensive risk management program. The program identifies exposures, educates employees and management about the risks, and implements risk reduction and control programs. The risk identification and control efforts, as well as the educational process, are ongoing.

Property insurance for the City is provided by the Chubb Group of Insurance Companies in the aggregate amount of \$250,000,000 with loss of business income and extra expense coverage of up to \$9,000,000. Excess liability coverage is maintained through Everest National Insurance Company in the amount of \$10,000,000 per occurrence and aggregate, with a \$2,000,000 self-insured retention. For certain enterprise fund operations (including Storm Water), automobile liability insurance is maintained through St. Paul/Travelers Insurance Company with a per occurrence limit of \$2,000,000 with a \$3,000 deductible. This covers the excess liability self-insured retention. Workers compensation insurance is maintained through Safety National Casualty Corporation at statutory limits with a \$450,000 self-insured retention.

Chapter 384 of the Code of Iowa provides that a city may establish a Debt Service Fund, and shall certify taxes to be levied for the Debt Service Fund in the amount necessary to pay judgments against the city, except those authorized by State law to be paid from other funds. As a result, the City self-insures the first \$2 million per occurrence of liability on its General Fund operations, and is able to provide this coverage through its taxing process.

The City’s tort liability claims and related administration expenses are accounted for in the Tort Fund. Health benefit claims and related administration expenses are accounted for in an internal service fund. The current portion of worker’s compensation claims is recorded in the same fund as the recipient’s payroll. The City has excess or stop-loss coverage as follow:

	<u>Losses in excess of</u>	
	<u>Per Incident</u>	<u>Per Year</u>
Workers’ Compensation	\$450,000	Up to Statutory Limits
Tort Liability	2,000,000	Variable

While eight claims have been reported as having a potential of exceeding the City’s self-insured retention, there has been only one instance in the past three years in which a settlement amount has exceeded coverage. That claim in the area of Worker’s Compensation and payments currently stand at \$470,000. There has been no significant reduction in insurance from coverage in the prior year.

Liabilities are reported when it is probable that a loss will occur, and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering recent claim settlement trends, including frequency and amount of payouts and other economic and social factors.

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City is located near the center of Iowa and serves as Iowa's capital. The City also serves as the political, economic, and cultural capital of the State. The City is a center of insurance, printing, retail and wholesale trade as well as industry, providing a diverse economic base. Highways serving the area include Interstates 35, 235 and 80. In addition to rail service and motor carrier transportation, air travel is available through the Des Moines International Airport located just south of downtown Des Moines.

GENERAL SERVICES AND ATTRACTIONS

The City provides its citizens a full range of services including the municipal functions of police and fire protection; sanitation services; park and recreational programs and activities; construction and maintenance of infrastructure, including streets, roads and bridges; enforcement of building code regulations; traffic control and parking; operation and maintenance of an international airport; housing and other community improvements and social services; economic development; and six libraries.

The City currently maintains 70 parks, covering approximately 3,210 acres, 5 cemeteries, and road medians and boulevards. Recreation facilities include playgrounds, tennis courts, softball and soccer complexes, bike trails, swimming pools, community centers and three golf courses. The City is also home to the Principal Park baseball stadium, which serves the Iowa Cubs AAA baseball team.

Municipal water, sanitary sewer and storm sewer services are provided to essentially all developed areas of the City. The Des Moines Water Works is under the direction of a five-member Board of Trustees, which oversees the management and operation of Des Moines Water Works including setting water rates. The Water Works Trustees are appointed by the Mayor, subject to the approval of the City Council, and serve six-year terms. The Des Moines Water Works utilizes water from the Raccoon River and the Des Moines River as its primary sources for water supply. Also, the Water Works owns the 1.5 billion-gallon Maffitt Reservoir and 5 billion gallons of storage capacity in the Saylorville Reservoir, which may be used to release water into the rivers at periods of low-river flow. The Water Works distribution system consists of over 1,000 miles of pipe, with two standpipes, an elevated storage tank and a ground storage tank providing total storage capacity of approximately 15 million gallons.

The City, as Operating Contractor to The Des Moines Metropolitan Wastewater Reclamation Authority (WRA), is responsible for the design, construction, and operation of the wastewater reclamation facility, conveyance and flow equalization facilities. The WRA, which includes the City, nine surrounding communities, two counties and three sanitary sewer districts, was formed to implement wastewater conveyance and treatment facilities improvements mandated by federal law. Each WRA participant institutes user charges to cover the cost of operation of WRA facilities as well as debt payments related to the construction of improvements.

To facilitate the implementation of capital improvements to expand the treatment and conveyance capacity of the existing facility, the constituent communities have accomplished a reorganization of the WRA to provide for a financing structure that allows all participants to share in debt liability, as well as establish a mechanism for new communities to acquire ownership rights to the facility.

The WRA is a separate legal entity created July 1, 2004, governed by an Intergovernmental Agreement under Chapters 28E (Joint Exercise of Governmental Powers) and 28F (Joint Financing of Public Works and Facilities) of the Code of Iowa.

LARGER EMPLOYERS

A representative list of larger employers in the Des Moines Metropolitan Area is as follows:

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
Wells Fargo	Financial Services	10,610
Principal Financial Group	Insurance	8,000
State of Iowa	State Government	7,486
Mercy Hospital Medical Center	Healthcare (Hospitals and Clinics)	6,200
Iowa Health Systems	Healthcare	5,343
Des Moines Public Schools	Education	4,521
Hy-Vee Food Stores	Retail Food Stores	3,731
Allied Group	Financial Services	2,200
City of Des Moines	Local Government	2,158
Pioneer Hi-Bred International Inc.	Seed Manufacturing	2,023
Firestone Agricultural Tire ¹⁾	Tire Manufacturing	1,656
Foods Inc. ²⁾	Retail Food Stores	1,640
Federal Government	Government	1,631
United Parcel Service (UPS)	Package Shipping	1,600
Wellmark Blue Cross and Blue Shield of Iowa	Insurance Provider	1,506
Qwest	Telecommunications	1,500
Racing Association of Central Iowa ³⁾	Entertainment Facility	1,500
John Deere Des Moines Works	Manufacturer of Agricultural Equipment	1,350
Communications Data Services	Data Entry	1,250
Polk County	County Government	1,119
Marsh Company	Insurance	1,100
MidAmerican Energy Company	Utility	1,040
Drake University	Higher Education	1,030
Broadlawns Medical Center	Medical Center	1,016
Meredith Corporation	Publishing	1,000
Des Moines Register	Newspaper Publication	900

Source: Telephone Survey conducted in April, 2006 and LocationOne Information System Website.

- 1) Formerly Bridgestone-Firestone, Inc.
- 2) D.b.a. Dahl's Foods
- 3) D.b.a. Prairie Meadows Racetrack and Casino in Altoona, Iowa

RETAIL SALES AND BUYING INCOME

Sales & Marketing Management's "Survey of Buying Power" for 2001 through 2005 report effective buying income ("EBI") and retail sales in the City to be as follows:

	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>	<u>Total Retail Sales (\$000)</u>	<u>Retail Sales Per Household</u>
2000	\$3,601,622	\$36,960	\$2,639,098	\$31,873
2001	3,560,471	36,488	2,362,559	29,276
2002	3,239,470	34,668	2,490,139	30,857
2003	3,163,203	33,510	2,509,435	31,368
2004	3,186,405	34,347	2,402,585	30,490

Note: The Iowa median household EBI for 2004 was \$36,403.

2004 Effective Buying Income Groups

	<u>\$20,000-\$34,999</u>	<u>\$35,000-\$49,999</u>	<u>\$50,000 and Over</u>
City	27.2%	22.6%	26.2%
Polk County	22.8%	22.0%	37.8%
State of Iowa	25.4%	22.4%	30.2%

AVERAGE ANNUAL LABOR FORCE DATA

	<u>Total Civilian Labor Force</u>		<u>Unemployment Rate</u>	
	<u>Des Moines Metro Area</u>	<u>State of Iowa</u>	<u>Des Moines Metro Area</u>	<u>State of Iowa</u>
2001	282,400	1,622,600	2.8%	3.3%
2002	290,600	1,638,000	3.5%	3.9%
2003	290,400	1,628,500	4.0%	4.4%
2004	295,100	1,635,700	4.5%	4.7%
2005	301,300	1,659,800	4.2%	4.6%

Source: Iowa Workforce Development

BUILDING PERMITS

City officials report the following construction activity as of June 30, 2006. Permits for the City are reported on a fiscal year basis.

	<u>FY 01/02</u>	<u>FY 02/03</u>	<u>FY 03/04</u>	<u>FY 04/05</u>	<u>FY 05/06</u>
<u>Single Family Homes:</u>					
No. of new homes:	348	371	449	378	341
Valuation:	\$40,066,787	\$45,172,351	\$61,603,103	\$57,737,813	\$51,809,629
<u>Multiple Family Dwellings:</u>					
No. of new buildings:	39	39	52	40	52
Valuation:	\$23,433,972	\$35,476,768	\$41,190,793	\$28,322,944	\$47,385,626
<u>Residential Homes - Additions & Alterations:</u>					
No. of permits issued:	1,475	1,231	1,972	1,422	1,492
Valuation:	\$19,966,478	\$11,077,623	\$21,014,830	\$29,370,155	\$75,639,855
<u>Commercial/Industrial/Other:</u>					
No. of new buildings/additions:	225	156	169	140	191
Valuation:	\$139,186,839	\$152,746,271	\$130,924,628	\$192,270,915	\$115,535,163
<u>Commercial/Industrial/Other Remodels & Alterations:</u>					
No. of permits:	251	261	259	279	285
Valuation:	\$40,034,410	\$44,917,332	\$40,622,534	\$48,187,050	\$56,693,450
<u>Demolitions:</u>					
No. of permits:	310	220	175	251	215
Valuation:	\$64,644	\$171,147	\$0	\$0	\$0
Total Permits:	2,648	2,278	3,076	2,510	2,576
Total Valuations:	\$262,753,130	\$289,561,492	\$295,355,888	\$355,888,877	\$347,063,723

U.S. CENSUS DATA

City Population

1970 U.S. Census	201,404
1980 U.S. Census	191,007
1990 U.S. Census	193,189
2000 U.S. Census	198,682

EDUCATION

The Des Moines Independent Community School District provides education in the City. The District has had the following enrollment for the last five school years:

<u>School Year</u>	<u>Total Enrollment</u>
2001-02	32,580
2002-03	32,463
2003-04	32,149
2004-05	31,851
2005-06	31,549

The Des Moines metropolitan area is also served by five other community school districts. Those districts are Carlisle, Johnston, Saydel, Southeast Polk and West Des Moines Community School Districts. Higher educational facilities serving the Des Moines area include the four-year private institutions of Drake University, Des Moines University (formerly University of Osteopathic Medicine and Health Services) and Grand View College. Two-year degree programs are offered at Des Moines Area Community College, American Institute of Business (AIB) and Hamilton College.

FINANCIAL SERVICES

The City is serviced by numerous regional banks and banking headquarters, including over 39 banking institutions and credit unions. Collectively, total assets for year-end 2005 exceeded \$40 billion. Various branches of financial institutions located throughout the Des Moines metropolitan area provide additional banking services. Some of the banks servicing the City and their deposits as of December 31, 2005 are listed as follows:

<u>Bank</u>	<u>Deposits</u>
Bankers Trust Company, N.A.	\$1,181,548,000
Iowa State Bank	209,729,000

FINANCIAL STATEMENTS

Excerpts from the City's June 30, 2005, 2004 and 2003 Audited Financial Statements relative to the General Fund and the Stormwater Management Utility, as prepared by a certified public accountant, as well as the Financial Notes for June 30, 2005 only, are reproduced as Appendix B. Further information regarding financial performance and the Audited Financial Statements can be obtained from Public Financial Management. The auditors have not consented to the inclusion of the Financial Statements and have done no additional review.

The City has authorized the distribution of this Official Statement for use in connection with the initial sale of the Bonds. I have reviewed the information contained within this Official Statement prepared on behalf of the City of Des Moines, Iowa, by Public Financial Management, Des Moines, Iowa and said Official Statement does not contain any material misstatements of fact nor omission of any material fact regarding the issuance of \$16,750,000 Stormwater Management Utility Revenue Bonds, Series 2006D.

CITY OF DES MOINES, IOWA
/s/ Allen McKinley, Finance Director/Treasurer

APPENDIX A

Form of Legal Opinion

APPENDIX B

Excerpts from Financial Statements

APPENDIX C

Form of Continuing Disclosure Certificate

OFFICIAL BID FORM

TO: City Council
City of Des Moines, Iowa

Date: November 29, 2006
10:00 AM, CT

RE: \$16,750,000 Stormwater Management Utility Revenue Bonds, Series 2006D

For all or none of the Bonds, in accordance with the Terms of Offering, we will pay you not less than \$ _____ (\$16,518,154 minimum) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2008	_____ % due 2016
_____ % due 2009	_____ % due 2017
_____ % due 2010	_____ % due 2018
_____ % due 2011	_____ % due 2019
_____ % due 2012	_____ % due 2020
_____ % due 2013	_____ % due 2021
_____ % due 2014	_____ % due 2022
_____ % due 2015	_____ % due 2023

In making this offer we accept all of the terms and conditions of the Terms of Offering published in the Preliminary Official Statement dated November 15, 2006. In the event of failure to deliver the Bonds in accordance with the Terms of Offering as printed in the Preliminary Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission. We enclose our good faith deposit in the amount of \$167,500, to be held by you pending delivery and payment. Alternatively, we have provided a Financial Surety Bond in accordance with the Terms of Offering.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ _____

TRUE INTEREST COST: _____ % (Calculated to December 19th, 2006)

Account Manager: _____ By: _____

Account Members:

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Des Moines, Iowa this 29th day of November, 2006.

Attest: _____ By: _____

Title: _____ Title: _____

Sure Bid _____

Good Faith Check _____