**PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 24, 2014**

**New Money and Refunding Issue**

**Ratings: Standard & Poor's Application Made**
**Moody's Investors Service Application Made**

*Assuming compliance with certain covenants, in the opinion of Ahlers & Cooney, P.C., Bond Counsel, under present law and assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (i) interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations; however, interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations, as described in the section "Tax Matters" herein. Interest on the Notes is not exempt from present Iowa income taxes. The Notes will NOT be designated as "qualified tax-exempt obligations".*

# CITY OF DES MOINES, IOWA

## $16,240,000* Sewer Revenue Capital Loan Notes, Series 2014B

BIDS RECEIVED: Wednesday, March 12, 2014, 10:00 o'clock A.M., Central Time
AWARD: Wednesday, March 12, 2014, 4:30 o'clock P.M., Central Time

**Dated:** April 23, 2014 **Principal Due:** June 1 as shown inside front cover

The $16,240,000* Sewer Revenue Capital Loan Notes, Series 2014B (the "Notes") are being issued pursuant to Division V of Chapter 384 of the Code of Iowa and a resolution to be adopted by the City Council of the City. The Notes are being issued to finance the construction of sanitary trunk and lateral sewer lining improvements, Lower Oak Park and Highland Park Sewer Separation improvements and the Hamilton and Birdland Pump Station improvements. In addition, the Notes are being issued to current refund, on June 1, 2014, $2,880,000 of the Sewer Revenue Bonds, Series 2004G originally dated November 17, 2004 and maturing June 1, 2015 through 2019 and $9,230,000 of the Sewer Revenue Bonds, Series 2004H originally dated November 17, 2004, and maturing June 1, 2015 through 2020 (the "Refunded Bonds"). The Purchaser of the Notes agrees to enter into a loan agreement (the "Loan Agreement") with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Notes are issued in evidence of the City's obligations under the Loan Agreement. The Notes are not general obligations of the City, but are payable solely and only from net revenues of the Municipal Sanitary Sewer Utility System of the City (the "System").

The Notes will be issued as fully registered notes 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 Notes. 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 Notes purchased. The City Treasurer, as designated Paying Agent/Registrar (the "Registrar"), will pay principal on the Notes payable annually on each June 1, beginning June 1, 2015 and interest on the Notes, payable initially on December 1, 2014, and thereafter on each June 1 and December 1 to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein. Interest and principal shall be paid to the registered holder of a Note as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date").

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**THE NOTES WILL MATURE AS LISTED ON THE INSIDE FRONT COVER**

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| | |
|---|---|
| **MINIMUM BID:** | $16,110,080 |
| **GOOD FAITH DEPOSIT:** | Required of Purchaser Only |
| **TAX MATTERS:** | Federal: Tax-Exempt<br>State: Taxable<br>See "*TAX MATTERS*" for more information. |

The Notes are offered, subject to prior sale, withdrawal or modification, when, as, and if issued subject to the legal opinion of Ahlers & Cooney, P.C., Bond Counsel, of Des Moines, Iowa, to be furnished upon delivery of the Notes. It is expected that the Notes will be available for delivery on or about April 23, 2014. This Preliminary 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 Notes, as defined in Rule 15c2-12.

* Preliminary; subject to change.

# CITY OF DES MOINES, IOWA

## $16,240,000* Sewer Revenue Capital Loan Notes, Series 2014B

**MATURITY:** June 1 as follows:

| Year | Amount* | Year | Amount* |
|---|---|---|---|
| 2015 | $2,660,000 | 2020 | $1,065,000 |
| 2016 | 2,160,000 | 2021 | 1,095,000 |
| 2017 | 2,785,000 | 2022 | 1,130,000 |
| 2018 | 2,840,000 | 2023 | 1,175,000 |
| 2019 | 1,330,000 | | |

**PRINCIPAL ADJUSTMENT:** ***** Preliminary; subject to change. The aggregate principal amount of the Notes, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of $5,000 but the total amount to be issued will not exceed $18,000,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Notes is adjusted as described above. Any change in the principal amount of any maturity of the Notes will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of the Note’s principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

**OPTIONAL REDEMPTION**: Notes due after June 1, 2022 will be subject to call on said date or on any date thereafter upon terms of par plus accrued interest to date of call.

**INTEREST:** December 1, 2014 and semiannually thereafter.

## 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.

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

**Review Period:** This Preliminary 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, omissions or inaccuracies must be submitted to Public Financial Management, Inc. (the "Financial Advisor") at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received. If there are any changes, corrections or additions to the Preliminary 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 Notes, 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 underwriter (the "Syndicate Manager") and syndicate members. Copies of the Final Official Statement will be delivered to the 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 Preliminary Official Statement. This Preliminary 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 Notes 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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

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

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## TABLE OF CONTENTS

# City of Des Moines, Iowa

## Mayor/City Council

| | |
|---|---|
| T.M. Franklin Cownie | Mayor |
| Christopher J. Coleman | Council Member – At Large |
| Skip Moore | Council Member – At Large |
| Bill Gray | Council Member – Ward 1 |
| Robert L. Mahaffey | Council Member – Ward 2 |
| Christine Hensley | Council Member – Ward 3 |
| Carl Voss | Council Member – Ward 4 (through March 10, 2014) |

## Administration

Richard A. Clark, City Manager
Scott Sanders, Finance Director/Treasurer
Diane Rauh, City Clerk

## Corporation Counsel

Jeffrey D. Lester

## Bond Counsel

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

## Financial Advisor

Public Financial Management, Inc.
Des Moines, Iowa

# TERMS OF OFFERING

## CITY OF DES MOINES, IOWA

Bids for the purchase of the City of Des Moines, Iowa's (the "City") Sewer Revenue Capital Loan Notes, Series 2014B (the "Notes") will be received on Wednesday, March 12, 2014 before 10:00 o'clock A.M. Central Time after which time they will be tabulated. The City will consider award of the Notes at 4:30 o'clock P.M. Central Time, on the same day. Questions regarding the sale of the Notes should be directed to the City's Financial Advisor at 515-243-2600. This section sets forth the description of certain of the terms of the Notes as well as the TERMS OF OFFERING with which all bidders and bid proposals are required to comply, as follows:

### DETAILS OF THE NOTES

SEWER REVENUE CAPITAL LOAN NOTES, SERIES 2014B, in the principal amount of $16,240,000* to be dated the date of delivery (April 23, 2014) in the denomination of $5,000 or multiples thereof, and will mature June 1, as follows:

| Year | Amount* | Year | Amount* |
|---|---|---|---|
| 2015 | $2,660,000 | 2020 | $1,065,000 |
| 2016 | 2,160,000 | 2021 | 1,095,000 |
| 2017 | 2,785,000 | 2022 | 1,130,000 |
| 2018 | 2,840,000 | 2023 | 1,175,000 |
| 2019 | 1,330,000 | | |

* Preliminary; subject to change. The aggregate principal amount of the Notes, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of $5,000 but the total amount to be issued will not exceed $18,000,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Notes is adjusted as described above. Any change in the principal amount of any maturity of the Notes will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of Note's principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

### TERM-BOND OPTION

Bidders shall have the option of designating the Notes as serial Notes or term Notes, or both. The bid must designate whether each of the principal amounts shown above represent a serial maturity or a mandatory redemption requirement for a term bond maturity. (See the OFFICIAL BID FORM for more information.) In any event, the above principal amount scheduled shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both.

### OPTIONAL REDEMPTION

The Notes due after June 1, 2022 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. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Notes to be redeemed at the address shown on the registration books.

## INTEREST ON THE NOTES

Interest on the Notes will be payable on December 1, 2014 and semiannually on the 1st day of June and December thereafter. Interest and principal shall be paid to the registered holder of a Note as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). 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 Municipal Securities Rulemaking Board.

## GOOD FAITH DEPOSIT

A good faith deposit (the "Deposit") in the amount of $162,400 is required from the lowest bidder only for the Notes. The lowest bidder is required to submit such Deposit payable to the order of the City in the form of either (i) a cashier's check provided to the City or its Financial Advisor prior to the opening of bids or (ii) a wire transfer as instructed by the City's Financial Advisor not later than 12:00 P.M. Central Time on the day of sale of the Notes. If not so received, the bid of the lowest bidder may be rejected and the City may direct the second lowest bidder to submit a Deposit and thereafter may award the sale of the Notes to the same. No interest on a deposit will accrue to the successful bidder ("Purchaser"). The Deposit will be applied to the purchase price of the Notes. In the event a Purchaser fails to honor its accepted bid proposal, the Deposit will be retained by the City.

## FORM OF BIDS AND AWARD

All bids shall be unconditional for the Notes for a price not less than $16,110,080 plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations set forth under the "BIDDING PARAMETERS" section. Bids must be submitted on or in substantial compliance with the OFFICIAL BID FORM provided by the City. The Notes will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (the "TIC") basis assuming compliance with the "GOOD FAITH DEPOSIT" section. The TIC shall be determined by the present value method, i.e., by ascertaining the semiannual rate, compounded semiannually, necessary to discount to present value as of the dated date of the Notes, 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 therefore. 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 (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 bids as submitted. The Financial Advisor's computation of the TIC of each bid shall be controlling. In the event of tie bids for the lowest TIC, the Notes will be awarded by lot.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Notes, (ii) reject all bids without cause and (iii) reject any bid which the City determines to have failed to comply with the terms herein.

## BIDDING PARAMETERS

Each bidder's proposal must conform to the following limitations:

1. Each annual maturity must bear a single rate of interest from the dated date of the Notes to the date of maturity.
2. Rates of interest bid must be in multiples of one-eighth or one-twentieth of one percent.
3. The initial price to the public for each maturity must be 98% or greater.

## RECEIPT OF BIDS

Forms of Bids: Bids must be submitted on or in substantial compliance with the TERMS OF OFFERING and OFFICIAL BID FORM provided by the City or through PARITY® competitive bidding system (the "Internet Bid System"). The City shall not be responsible for malfunction or mistake made by any person, or as a result of the use of the electronic bid or the 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 OFFICIAL BID FORM. The time as maintained by the Internet Bid System as defined below 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.

Electronic Internet Bidding: Electronic internet bids must be submitted through 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, and OFFICIAL BID FORM. The City is permitting bidders to use the services of the 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 TERMS OF OFFERING and OFFICIAL BID FORM shall control in the event of conflict with information provided by the Internet Bid System.

## BOOK-ENTRY-ONLY ISSUANCE

The Notes will be issued by means of a book-entry only system with no physical distribution of bond certificates made to the public. The Notes will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Notes 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 Notes. Individual purchases of the Notes 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 Registrar to DTC or its nominee as registered owner of the Notes. 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 Purchaser, as a condition of delivery of the Notes, will be required to deposit the bond certificates with DTC.

## MUNICIPAL BOND INSURANCE AT PURCHASER'S OPTION

If the Notes 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(s). Any increased costs of issuance of the Notes resulting from such purchase of insurance shall be paid by the Purchaser(s), except that, if the City has requested and received a rating on the Notes from a rating agency, the City will pay that initial rating fee. Any other rating agency fees shall be the responsibility of the Purchaser(s). Failure of the municipal bond insurer to issue the policy after the Notes have been awarded to the Purchaser(s) shall not constitute cause for failure or refusal by the Purchaser(s) to accept delivery on the Notes. The City reserves the right in its sole discretion to accept or deny changes to the financing documents requested by the insurer selected by the Purchaser.

## DELIVERY

The Notes will be delivered to the Purchaser(s) through DTC in New York, New York, against full payment in immediately available cash or federal funds. The Notes 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 a Purchaser(s), the Purchaser(s) may withdraw their bid and thereafter their interest in and liability for the Notes will cease. When the Notes are ready for delivery, the City may give the Purchaser(s) 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(s) has failed to comply with the offer of purchase.

## INFORMATION FROM PURCHASER

The Purchaser will be required to certify to the City immediately after the opening of bids: (i) the initial public offering price of each maturity of the Notes (not including sales to 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 Notes (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed the fair market value of the Notes on the sale date. The Purchaser will also be required to provide a certificate at closing confirming the information required by this paragraph.

## OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Notes. The Preliminary Official Statement when further supplemented with maturity dates, principal amounts, and interest rates of the Notes, 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 Notes, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). By awarding the Notes to any underwriter or underwriting syndicate submitting an OFFICIAL BID FORM, 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 Notes are awarded up to 25 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 Notes are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to the Participating Underwriter. Any underwriter executing and delivering an OFFICIAL BID FORM with respect to the Notes 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 Notes 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 paragraph (b)(5) of the Rule, the City will undertake, pursuant to the resolution for the Notes and the Continuing Disclosure Certificate for the Notes, to provide certain annual financial information and notices of the occurrence of certain material events. A description of these undertakings is set forth in APPENDIX C of this Preliminary 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 Notes.

The City is currently compliant with its continuing disclosure undertakings. However, during the past five years the City inadvertently failed to comply with certain of its previous continuing disclosure undertakings in accordance with the Rule. While the required tables of operating data were timely filed in accordance with the previous undertakings (within 270 days after the end of the fiscal year), the Comprehensive Annual Financial Reports for the fiscal years ending June 30, 2008, 2009, 2010 and 2011 were not timely filed; however, such late filings were completed within 30 days of the 270 day requirement for each year. The City has taken steps to assure future compliance with its disclosure covenants and has timely filed its June 30, 2012 Comprehensive Annual Financial Report.

The Board of Trustees of the Des Moines Water Works (the “DMWW”) is the governing body for the purposes of issuance of all water revenue bonds. The DMWW is currently compliant in all material respects with its previous undertakings under the Rule. However, during the last five years, the DMWW inadvertently failed to comply with previous disclosure covenants in accordance with the reporting requirements of paragraph (f)(3) of the Rule, concerning the timely filing of audited financial statements and the required financial and operating data tables for the fiscal year ending June 30, 3011. On July 8, 2013, the DMWW filed the outstanding audited financial statements and the outstanding financial and operating data tables in accordance with the Rule. In addition, the DMWW has implemented additional internal staffing procedures intended to assure future compliance by the DMWW with all of its disclosure covenants.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Notes or the resolution for the Notes. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Notes 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 Notes and their market price.

## CUSIP NUMBERS

It is anticipated that the Committee on Uniform Security Identification Procedures ("CUSIP") numbers will be printed on the Notes 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 Notes shall not be cause for the Purchaser to refuse to accept delivery of said Notes.

BY ORDER OF THE CITY COUNCIL
Diane Rauh, City Clerk
City of Des Moines
400 Robert D. Ray Drive
Des Moines, Iowa 50309

## SCHEDULE OF BOND YEARS

**$16,240,000***
**CITY OF DES MOINES, IOWA**
**Sewer Revenue Capital Loan Notes, Series 2014B**

Notes Dated: April 23, 2014
Interest Due: December 1, 2014 and each June 1 and December 1 to maturity
Principal Due: June 1, 2015-2023

| Year | Principal* | Bond Years | Cumulative Bond Years |
|---|---|---|---|
| 2015 | $2,660,000 | 2,940.78 | 2,940.78 |
| 2016 | 2,160,000 | 4,548.00 | 7,488.78 |
| 2017 | 2,785,000 | 8,648.97 | 16,137.75 |
| 2018 | 2,840,000 | 11,659.78 | 27,797.53 |
| 2019 | 1,330,000 | 6,790.39 | 34,587.92 |
| 2020 | 1,065,000 | 6,502.42 | 41,090.33 |
| 2021 | 1,095,000 | 7,780.58 | 48,870.92 |
| 2022 | 1,130,000 | 9,159.28 | 58,030.19 |
| 2023 | 1,175,000 | 10,699.03 | 68,729.22 |

Average Maturity (dated date): 4.232 Years

* Preliminary; subject to change.

**PRELIMINARY OFFICIAL STATEMENT**

**CITY OF DES MOINES, IOWA**

**$16,240,000* Sewer Revenue Capital Loan Notes, Series 2014B**

## INTRODUCTION

This Preliminary Official Statement contains information relating to the City of Des Moines, Iowa (the "City") and its issuance of $16,240,000* Sewer Revenue Capital Loan Notes, Series 2014B (the "Notes"). This Preliminary Official Statement has been executed on behalf of the City by its Finance Director/Treasurer and may be distributed in connection with the sale of the Notes authorized therein. Inquiries may be directed to Public Financial Management, Inc., 801 Grand Avenue, Suite 3300, Des Moines, Iowa 50309, or by telephoning 515-243-2600. Information can also be obtained from Mr. Scott Sanders, Finance Director/Treasurer, City of Des Moines, 400 Robert D. Ray Drive, Des Moines, Iowa, 50309, or by telephoning 515-283-4523.

## AUTHORITY AND PURPOSE

The Notes are being issued to finance the construction of sanitary trunk and lateral sewer lining improvements, Lower Oak Park and Highland Park Sewer Separation improvements and Hamilton and Birdland Pump Station improvements. In addition, the Notes are being issued to current refund, on June 1, 2014, $2,880,000 of the Sewer Revenue Bonds, Series 2004G originally dated November 17, 2004 and maturing June 1, 2015 through 2019 and $9,230,000 of the Sewer Revenue Bonds, Series 2004H originally dated November 17, 2004, and maturing June 1, 2015 through 2020 (the "Refunded Bonds"). The Purchaser of the Notes agrees to enter into a loan agreement (the "Loan Agreement") with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Notes are issued in evidence of the City's obligations under the Loan Agreement.

| Name of Issue to be Refunded | Call Date | Call Price | Maturities to be Refunded | Principal Amount | Coupon |
|---|---|---|---|---|---|
| Series 2004G Bonds | 6/1/2014 | 100% | 6/1/2015 | $530,000 | 4.000% |
| | | | 6/1/2016 | 550,000 | 4.000% |
| | | | 6/1/2017 | 575,000 | 4.000% |
| | | | 6/1/2018 | 600,000 | 5.000% |
| | | | 6/1/2019 | 625,000 | 5.000% |
| | | | | $2,880,000 | |
| Series 2004H Bonds | 6/1/2014 | 100% | 6/1/2015 | $1,360,000 | 5.000% |
| | | | 6/1/2016 | 1,425,000 | 5.000% |
| | | | 6/1/2017 | 1,495,000 | 5.000% |
| | | | 6/1/2018 | 1,570,000 | 5.000% |
| | | | 6/1/2019 | 1,650,000 | 5.000% |
| | | | 6/1/2020 | 1,730,000 | 5.000% |
| | | | | $9,230,000 | |

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

| Sources of Funds | Notes |
|---|---|
| Par Amount of Notes | $16,240,000* |
| Existing Debt Reserve Fund | 1,920,000 |
| Total Funds | $18,160,000* |
| | |
| Uses of Funds | |
| Deposit to Project Fund | $4,200,000 |
| Redemption of Refunded Bonds | 12,110,000 |
| Deposit to Debt Service Reserve Fund | 1,624,000 |
| Underwriter's Discount | 129,920 |
| Cost of Issuance & Contingency | 96,080 |
| Total Uses | $18,160,000* |

* Preliminary; subject to change.

## OPTIONAL REDEMPTION

The Notes due after June 1, 2022 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. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Notes to be redeemed at the address shown on the registration books.

## INTEREST

Interest on the Notes will be payable on December 1, 2014 and semiannually on the 1st day of June and December thereafter. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). 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 Municipal Securities Rulemaking Board.

## PAYMENT OF AND SECURITY FOR THE NOTES

This section contains a summary of security provisions. Further details of the security provisions are contained in the Master Resolution, which authorized the Series 2004H Bonds and the Series Resolution authorizing the Notes. The Master Resolution contains definitions for each of the following terms below: Bonds, Debt Service Requirement, Debt Service Reserve Requirement, Fiscal Year, Governing Body, Maximum Annual Debt Service Requirement, Net Revenues, Operation and Maintenance Expenses, Outstanding, Principal, Rebate Fund, Revenue Fund, Senior Bonds, Senior SRF Bonds, Subordinate SRF Bonds, Series Resolution, Subordinate Bonds, Subordinate Bond Fund, System, WRA, WRA Agreement and WRA Payment Obligation. The resolutions are available upon request of the City's Financial Advisor, Public Financial Management, Inc.

Source of Payment: THE NOTES ARE NOT GENERAL OBLIGATIONS OF THE CITY, but will be payable from and secured by the Net Revenues of the Municipal Sanitary Sewer Utility System of the City (the "System"). The Notes are being issued as Senior Bonds under the Master Resolution and will stand on a parity with Senior SRF Bonds, and the City's annual payment obligation to the Des Moines Metropolitan Wastewater Reclamation Authority ("WRA") (defined in the Master Resolution as the "WRA Payment Obligation"), which consists of the City's proportionate share of annual debt service on obligations issued by the WRA under the WRA Agreement. See "SEWER REVENUE DEBT SUPPORTED BY THE SYSTEM" herein for the outstanding debt of the WRA.

The City pledges a lien on the Net Revenues of the System for payment of principal and interest on the Notes and all Senior Bonds.

Unpaid Sewer Charges: As provided by Section 384.84, Subsection 1, City Code of Iowa, unpaid sewer charges constitute a lien upon the premises served by the sewer utility 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 Master Resolution provides that the City shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain and collect rates, fees and other charges for the services and facilities furnished by the System that are fully sufficient at all times to:

1. provide for 100% of the budgeted Operation and Maintenance Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor; and

2. produce Net Revenues in each Fiscal Year which:

    a. will equal at least 125% of the Debt Service Requirement on all Senior Bonds then Outstanding for the year of computation;

    b. will enable the City to make all required payments, if any, into the Debt Service Reserve Fund and the Rebate Fund;

    c. will enable the City to accumulate an amount which, in the judgment of the Governing Body, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System; and

    d. will remedy all deficiencies in required payments into any of the funds and accounts established under the Master Resolution from prior Fiscal Years.

Debt Service Reserve Fund: The City covenants to establish and maintain a reserve for the payment of principal of and interest on Senior Bonds which are not Senior SRF Bonds or the WRA Payment Obligation, which amount shall be the least of (a) 10% of the stated Principal amount of the Senior Bonds which are not Senior SRF Bonds or the WRA Payment Obligation, (b) the maximum annual Principal and interest requirements on the Senior Bonds which are not Senior SRF Bonds or the WRA Payment Obligation (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds), or (c) 125% of the average annual Principal and interest requirements on the Senior Bonds which are not Senior SRF Bonds or the WRA Payment Obligation (determined as of the issue date of each series of Senior Bonds which are not Senior SRF Bonds). If the aggregate initial offering price of a series of Notes to the public is less than 98% or more than 102% of par, such offering price shall be used in lieu of the stated Principal amount. Notwithstanding the foregoing, the Debt Service Reserve Requirement, if any, in connection with any Senior SRF Bonds or any Subordinate Bonds, including Subordinate SRF Bonds, shall be as provided in the Series Resolution authorizing the issuance of such Senior SRF Bonds or such Subordinate Bonds. The Debt Service Reserve Fund Requirement for the Notes is $1,624,000 which represents 10% of stated Principal amount of the Senior Bonds.

Subordinate Bonds: Bonds may also be issued on a subordinate basis to the Notes and any other Senior Bonds pursuant to a Series Resolution, and the bonds so issued shall constitute Subordinate Bonds, if all of the following conditions are satisfied:

1. The Series Resolution authorizing the Subordinate Bonds shall provide that such Subordinate Bonds shall be junior and subordinate in lien and right of payment to all Senior Bonds Outstanding at any time.

2. The Series Resolution authorizing the Subordinate Bonds shall establish funds and accounts for the moneys to be used to pay debt service on the Subordinate Bonds, and to provide reserves therefor.

3. The requirements of Section 8.3(d) of the Master Resolution are met with respect to such Subordinate Bonds (as if such bonds constituted Senior Bonds).

Additional Senior Bonds: The City will issue no other bonds or obligations having priority over the Notes and Senior Bonds with respect to the lien on the Net Revenues of the System, but reserves the right to issue additional Senior Bonds to share equally and ratably in the Net Revenues of the System upon meeting all of the following conditions:

1. The City shall have received, at or before issuance of the Senior Bonds, a report by an Independent Auditor to the effect that the historical Net Revenues for a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Senior Bonds were equal to at least 125% of the Maximum Annual Debt Service Requirement on all Senior Bonds which will be Outstanding immediately after the issuance of the proposed Senior Bonds.

   The report by the Independent Auditor as aforesaid may contain proforma adjustments to historical Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees and charges for the services and facilities furnished by the System, adopted prior to the date of delivery of the proposed Senior Bonds and not fully reflected in the historical Net Revenues actually received during such 12 month period.

2. The City shall have received, at or before issuance of the Senior Bonds, a report from an Independent Auditor to the effect that the payments required to be made into each account of the Sinking Fund, the Debt Service Reserve Fund and the Subordinate Bond Fund have been made and the balance in each account of each such Fund is not less than the balance required by the Master Resolution as of the date of issuance of the proposed Senior Bonds.

3. Except with respect to the WRA Payment Obligation and Senior SRF Bonds, the Series Resolution authorizing the proposed Senior Bonds must require (i) that the amount to be accumulated and maintained in the Debt Service Reserve Fund be increased to not less than 100% of the Debt Service Reserve Requirement computed on a basis which includes all Senior Bonds which will be Outstanding immediately after issuance of the proposed Senior Bonds and (ii) that the amount of such increase be deposited in the Debt Service Reserve Fund on or before the date and at least as fast as specified in Section 6.6 of the Master Resolution.

4. The Series Resolution authorizing the proposed Senior Bonds must require the proceeds of such proposed Senior Bonds to be used solely to make capital improvements to the System, to fund interest on the proposed Senior Bonds, to acquire existing or proposed sanitary sewer utilities, to refund other obligations issued for such purposes (whether or not such refunding Bonds satisfy the requirements of Section 8.2 of the Master Resolution), and to pay expenses incidental thereto and the costs of issuance of the proposed Senior Bonds.

**BOOK-ENTRY-ONLY ISSUANCE**

*The information contained in the following paragraphs of this subsection "Book-Entry-Only Issuance" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND 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 securities (the "Securities"). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue. DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with

DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 (the "Indirect Participants"). DTC has Standard & Poor's rating: AA+. 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 and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security (the "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 interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by 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 Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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 Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to 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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI 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 Securities are credited on the record date identified in a listing attached to the Omnibus Proxy.

Redemption proceeds, distributions, and dividend payments on the Securities 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 Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender/Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Tender/Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender/Remarketing Agent's DTC account.

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

## FUTURE FINANCING

The City has no additional sewer revenue borrowing plans within the next 90 days of the date of this Preliminary Official Statement.

## FRANCHISE FEE LITIGATION

In a 2006 decision (Kragnes v. City of Des Moines, 714 N.W.2d 632 (Iowa 2006)), the Iowa Supreme Court ruled that the natural gas and electric franchise fees imposed by the City (at the rate of 5%) could be illegal and constitute unauthorized taxes if the fees were not reasonably related to the City's administrative and regulatory expenses incurred in the exercise of its police power. The Iowa Supreme Court also upheld a decision by the Iowa District Court for Polk County (the "District Court") to certify a class action seeking to recover any excess franchise fees. The District Court subsequently certified a class for purposes of the litigation, consisting generally of those City residents and businesses that had paid the franchise fees during specified periods. Following a trial on the merits, the District Court determined that the amount of the franchise fees received by the City exceeded the costs allowable under the Iowa Supreme Court's ruling, and ordered a refund in an amount to be determined. On March 2, 2012, the Iowa Supreme Court affirmed the District Court's certification of the class (Kragnes v. City of Des Moines, 810 N.W.2d 492 (Iowa 2012)), and held that members of the class are entitled to a refund of the fees that the District Court determined were collected in excess of the amounts approved in the earlier ruling. The case was remanded to the District Court to determine how to implement the refund and for the award of attorney's fees (hereinafter referred to as the "Franchise Fee Litigation").

In 2009, during the course of the Franchise Fee Litigation, Iowa law was amended to specify that a franchise fee assessed by a city may be based upon a percentage of gross revenues generated from sales by the franchise holder within the city not to exceed five percent (5%), without regard to the city's cost of inspecting, supervising, and otherwise regulating the franchise. The legislation therefore authorized the collection and usage of City's current franchise fees. However, the legislation was not retroactive and did not eliminate the refund claims asserted in the Franchise Fee Litigation.

On November 27, 2013, the District Court entered judgment in favor of the plaintiff class in the amount of $39,929,062.24, along with court costs of $74,867.37, in the Franchise Fee Litigation. On January 6, 2014, the City issued $38,830,000 General Obligation Bonds, Series 2014A, and used the proceeds there of to pay the required amount to the third-party class administrator appointed by the District Court that will be responsible for issuing refunds to class members. The class administrator will mail notices to the class members of their right to file a claim for their share of the judgment proceeds. To be eligible for payment, a completed claim form must be returned to the class administrator within a period of 150 days following the mailing of the class administrator's notice. Once all of the claims submitted during the notice period are approved and paid by the class administrator, the District Court will determine whether any unclaimed judgment proceeds should be paid by the class administrator to the City or to the State of Iowa, those being the two alternatives available to the District Court under Iowa law. In such post-payment judicial proceedings, the City will contend and urge that any and all unclaimed judgment proceeds should be paid to the City. Any such unclaimed judgment proceeds that are paid to the City may be used by the City to effect an extraordinary optional redemption of the Series 2014A Bonds.

In 2013, Iowa law was further amended to allow the City to amend its franchise fee ordinances and thereafter hold an election on a proposal to approve the amended ordinances and increase its current franchise fees from five percent (5%) up to a maximum of seven and one-half percent (7.50%) for seven (7) consecutive fiscal years once the franchise fee is first imposed at a rate in excess of five percent (5%), as a means of raising the funds necessary to pay the costs of the judgment, but the increased franchise fees cannot be collected after July 1, 2030. On December 9, 2013, the City Council amended the natural gas and electric franchise ordinances to temporarily increase the franchise fees payable under the ordinances, to be used toward payment of the Kragnes judgment, and to make other textual clarifications to the same, and called for a special election to be held on March 4, 2014 for the voters to approve the amended ordinance to temporarily increase the franchise fees. The recent legislation does not limit the number of subsequent elections that could be called in the event a proposal to increase the franchise fees does not receive a majority vote at an election called for that purpose.

The City is not aware of any threatened or pending litigation affecting the validity of the Notes, or any other litigation which could have a material adverse effect 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 Notes 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 Preliminary 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 Preliminary Official Statement, and will express no opinion with respect thereto. The form of Legal Opinion as set out in APPENDIX A to this Preliminary Official Statement will be delivered at closing.

## TAX MATTERS

Tax Exemptions and Related Considerations: Federal tax law contains a number of requirements and restrictions that apply to the Notes. These include investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and facilities financed with bond proceeds, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest on the Notes to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Notes to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

Subject to the City's compliance with the above referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax imposed on individuals and corporations. However, with respect to corporations (as defined for federal income tax purposes), such interest is included in adjusted current earnings for the purpose of determining the federal alternative minimum tax for such corporations

Interest on the Notes is not exempt from present Iowa income taxes. Ownership of the Notes may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Notes. Prospective purchasers of the Notes should consult their tax advisors regarding the applicability of any such state and local taxes.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

Qualified Tax-Exempt Obligations: The City will NOT designate the Notes as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

Tax Accounting Treatment of Discount and Premium on Certain Notes: The initial public offering price of certain Notes (the "Discount Notes") may be less than the amount payable on such Notes at maturity. An amount equal to the difference between the initial public offering price of Discount Notes (assuming that a substantial amount of the Discount Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Notes. Owners of Discount Notes should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Notes. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Notes may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Notes ("Premium Notes") may be greater than the amount of such Notes at maturity. An amount equal to the difference between the initial public offering price of Premium Notes (assuming that a substantial amount of the Premium Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes a premium to the initial purchaser of such Premium Notes. Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

Disclaimer Regarding Federal Tax Discussion: The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of the Notes, including the tax consequences under federal, state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

State Tax Considerations: In addition to the federal income tax consequences described above, potential investors should consider the state income tax consequences of the acquisition, ownership, and disposition of the Notes. State income tax law may differ substantially from the corresponding federal law, and the foregoing is not intended to describe any aspect of the income tax laws of any state. Therefore, potential investors should consult their own tax advisors with respect to the various state tax consequences of an investment in Notes.

Information Reporting and Back-up Withholding: In general, information reporting requirements will apply with respect to payments to an owner of principal and interest (and with respect to annual accruals of original issue discount) on the Notes, and with respect to payments to an owner of any proceeds from a disposition of the Notes. This information reporting obligation, however, does not apply with respect to certain owners including corporations, tax-exempt organizations, and individual retirement accounts. In the event that an owner subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the Internal Revenue Service (the “Service”) that it has failed to properly report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the owner on or with respect to the Notes.

Any amounts withheld under the backup withholding provisions may be credited against the United States federal income tax liability of the beneficial owner, and may entitle the beneficial owner to a refund, provided that the required information is furnished to the Service.

Related Tax Matters: The Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Notes. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.

Current and future legislative proposals, including some that carry retroactive effective dates, if enacted into law, or clarification of the Code may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Notes from realizing the full current benefit of the tax status of such interest. As one example, legislation has been proposed by the Obama Administration that would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Notes. The introduction or enactment of any such legislative proposals or clarification of the Code may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed tax legislation, as to which Bond Counsel expresses no opinion.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Opinion: Bond Counsel’s opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel’s opinion is not binding on the Service. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise.

## NOTEHOLDERS’ RISKS

An investment in the Notes is subject to certain risks. No person should purchase the Notes unless such person understands the risks described below and is willing to bear those risks. There may be other risks not listed below which may adversely affect the value of the Notes.

Nature of Obligation: The Notes are not general obligations of the Issuer or the City but are payable solely from the net revenues of the Municipal Sanitary Sewer Utility System of the City (the “System”). The Notes are not payable by, and have no recourse to, the power of taxation. The noteholders have no lien on or security interest in any of the physical assets of the City, including the System.

Future revenues and expenses of the City, with respect to the System, are subject to conditions which may change in the future to an extent that cannot be determined at this time. Future events may occur that upset the assumptions upon which projections of revenues and expenses are based or those assumptions may fail to materialize. Because no assurance can be made that actual events will correspond to such assumptions, no assurances can be made that the net revenues will be realized in amounts sufficient to pay the debt service on the Notes.

Revenues and Expenses: Several factors not within the control of the City could affect the System's ability to generate sufficient net revenues to pay the debt service on the Notes. These factors include, but are not limited to, inflation and adverse economic conditions, increases in operation and maintenance costs, unexpected repairs, replacements or improvements to the System and the ability of the City to supply the services demanded and to maintain necessary rates for those services. Any one of the above factors, among others, individually or combined may cause the System to be unable to generate sufficient net revenues to pay debt service on the Notes.

Secondary Market Not Established: There is no established secondary market for the Notes, and there is no assurance that a secondary market will develop for the purchase and sale of the Notes. Prices of municipal notes traded in the secondary market, if any, are subject to adjustment upward and downward in response to changes in the credit markets and changes in the operating performance of the entities operating the facilities subject to bonded indebtedness. From time to time it may be necessary to suspend indefinitely secondary market trading in selected issues of municipal notes as a result of the financial condition or market position, prevailing market conditions, lack of adequate current financial information about the entity, operating the subject facilities, or a material adverse change in the operations of that entity, whether or not the subject Notes are in default as to principal and interest payments, and other factors which, may give rise to uncertainty concerning prudent secondary market practices.

Municipal notes are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

## RATINGS

The City has requested ratings on the Notes from Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P"). Currently, Moody's and S&P rate the City's outstanding sewer revenue long-term debt 'Aa2' and 'AA' respectively. Such ratings reflect only the view of the rating agencies and any explanation of the significance of such ratings 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 Notes.

## FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., Des Moines, Iowa as financial advisor (the "Financial Advisor") in connection with the preparation of the issuance of the Notes. In preparing the Preliminary 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 Preliminary Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## CONTINUING DISCLOSURE

In order to assist bidders in complying with paragraph (b)(5) of the Rule, the City will undertake, pursuant to the resolution for the Notes and the Continuing Disclosure Certificate for the Notes, to provide certain annual financial information and notices of the occurrence of certain material events. A description of these undertakings is set forth in APPENDIX C of this Preliminary 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 Notes.

The City is currently compliant with its continuing disclosure undertakings. However, during the past five years the City inadvertently failed to comply with certain of its previous continuing disclosure undertakings in accordance with the Rule. While the required tables of operating data were timely filed in accordance with the previous undertakings (within 270 days after the end of the fiscal year), the Comprehensive Annual Financial Reports for the fiscal years ending June 30, 2008, 2009, 2010 and 2011 were not timely filed; however, such late filings were completed within 30 days of the 270 day requirement for each year. The City has taken steps to assure future compliance with its disclosure covenants and has timely filed its June 30, 2012 Comprehensive Annual Financial Report.

The Board of Trustees of the Des Moines Water Works (the "DMWW") is the governing body for the purposes of issuance of all water revenue bonds. The DMWW is currently compliant in all material respects with its previous undertaking under the Rule. However, during the last five years, the DMWW inadvertently failed to comply with previous disclosure covenants in accordance with the reporting requirements of paragraph (f)(3) of the Rule, concerning the timely filing of audited financial statements and the required financial and operating data tables for the fiscal year ending June 30, 3011. On July 8, 2013, the DMWW filed the outstanding audited financial statements and the outstanding financial and operating data tables in accordance with the Rule. In addition, the DMWW has implemented additional internal staffing procedures intended to assure future compliance by the DMWW with all of its disclosure covenants.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Notes or the resolution for the Notes. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Notes 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 Notes and their market price.

## CERTIFICATION

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Notes. I have reviewed the information contained within this Preliminary Official Statement prepared on behalf of the City of Des Moines, Iowa, by Public Financial Management, Inc., Des Moines, Iowa and said Preliminary Official Statement does not contain any material misstatements of fact nor omission of any material fact regarding the issuance of $16,240,000* Sewer Revenue Capital Loan Notes, Series 2014B.

CITY OF DES MOINES, IOWA
/s/ Scott Sanders, Finance Director/Treasurer

* Preliminary; subject to change.

## MUNICIPAL SANITARY SEWER UTILITY SYSTEM

The City owns its Municipal Sanitary Sewer Utility System (the "System"). The management and operation of the System is directed by the City Council. The City Council has complete authority to establish rates and charges for utility services and is not subject to rate regulation by any state agency. The Public Works Director is responsible for implementation of City Council policies and daily operations of the System.

The mission and purpose of the System) is to collect and convey sanitary sewer flows; operate and maintain the System through cleaning, minor repair, and minor reconstruction; and facilitate the design and major reconstruction of existing sanitary sewers and the design and construction of new sanitary sewers. The System includes pump stations as well as piping.

The City is responsible for sanitary sewer and pump station system management within its city limits. This includes development of a capital improvements program comprised of planning, design, and construction activities, operation and maintenance of lateral sewers, trunk sewers, pump stations, and all appurtenances as well as establishing programs to facilitate compliance with federal and state regulatory requirements.

A series of comprehensive studies have been completed through the years that have identified areas of combined sewers and overflow facilities in the City. Efforts are underway to address the separation of storm and sanitary sewers and reduce the number of overflow events through the construction of new separate storm and/or sanitary systems and the reconstruction and closure of overflow structures. A long-term control strategy plan has been submitted to the Iowa Department of Natural Resources that provides a detailed timeframe and activity analysis for the elimination of combined sewerage and overflow structures.

The City conveys its sanitary sewer flow to the Des Moines Wastewater Reclamation Facility, which is owned and operated by the Des Moines Metropolitan Wastewater Reclamation Authority ("WRA"). The WRA is a regional utility which joins 17 member communities for the purpose of wastewater conveyance and treatment. The communities of Altoona, Ankeny, Bondurant, Clive, Cumming, Des Moines, Greenfield Plaza Sanitary Sewer District, Johnston, Norwalk, Pleasant Hill, Polk City, Polk County, Urbandale Sanitary Sewer District, Urbandale-Windsor Heights Sanitary Sewer District, Warren County, Waukee and West Des Moines constitute the service area of the WRA. The City acts as the operating contractor for the WRA.

## SYSTEM OPERATION AND MAINTENACE AND CAPITAL IMPROVEMENT PROGRAMS

The System's operation and maintenance program and capital improvement program are described below:

<u>Operation and Maintenance Program</u>
The City's sanitary sewer infrastructure includes approximately 800 miles of sanitary sewers. The infrastructure spans the entire 79 square miles of the City. With revenues generated by system user fees, the Public Works Department has been able to maintain and improve the collection system. The City has revenues and personnel dedicated to the operation and maintenance of the conveyance system. The maintenance personnel annually televise several miles of the sewer system for the purpose of a condition analysis and the development of an ensuing repair, relining, and cleaning program. With a goal of televising the entire system on a 5-year basis, the City is developing a solid database of knowledge utilizing a computer assisted rating program. The rating program identifies areas of potential deficiency and is a basis for a long term maintenance and replacement program.

<u>Capital Improvement Program ("CIP")</u>
The CIP is a five-year program that identifies projects for new construction related to new development and sewer separation as well as reconstruction for the replacement of existing sewers. The long-term control strategy has developed goals that will eliminate combined sewers and overflow structures in future years. However, the City has already constructed several projects resulting in the separation of the combined sewers into storm and sanitary sewers and has other projects currently under construction. The CIP includes an annual relining program for the purpose of

extending the life of the existing sanitary collection system. To serve areas of new development, the City establishes trunk sewer connection fee districts to provide service to existing unsewered areas within the city limits and future annexation areas.

Funding for the CIP will be provided from revenues derived from user fees and the issuance of revenue bonds. A review of the CIP together with a review of appropriate rates and charges has been performed as a part of the FY2014-15 city budget process, prior to the March 15, 2014 deadline for budget approval. Future capital improvements will be dependent on user fees generated to fund the improvements.

**LARGER SYSTEM USERS (July 2012 through July 2013)**

| Business Name | Type of Business | Annual Gallons | Flow Charges |
|---|---|---|---|
| Titan Tire Total | Tire Maker | 155,607,936 | $754,751 |
| Archer Daniels Midland Total | Soybean Oil Refinery | 136,913,202 | 664,082 |
| Pine Ridge Farms Llc Total | Pork Packing Plant | 115,302,704 | 559,271 |
| Iowa Methodist Group Total | Health Care | 77,708,972 | 376,941 |
| Anderson Erickson Total | Dairy | 69,391,960 | 336,604 |
| Mercy Medical Center Total | Health Care | 49,501,892 | 240,137 |
| Darling International Inc Total | Rendering Plant | 46,178,528 | 224,019 |
| Drake University Total | University | 41,376,368 | 200,728 |
| Principal Financial Group Total | Financial | 39,457,000 | 191,419 |
| Aramark Uniform Servs Total | Clothing | 33,360,800 | 161,853 |

**ANNUAL USAGE**

| Fiscal Year | No. of Sewage Bills | Annual Usage (Gallons) |
|---|---|---|
| 2009 | 65,666 | 6,206,146,989 |
| 2010 | 65,967 | 5,920,607,334 |
| 2011 | 66,036 | 5,824,251,970 |
| 2012 | 66,100 | 5,880,959,717 |
| 2013 | 66,178 | 5,943,350,815 |

**RATES AND CHARGES**

Monthly sanitary sewer charges are imposed upon and collected from System users based on metered water flow to residences and businesses. Billing and collection of charges is performed under contract with Des Moines Water Works and remitted monthly to the City. The City's rate structure utilizes a base monthly fee ("Base Charge") in addition to a rate per 1,000 gallons of consumption. The table below shows the five-year history of sanitary sewer rates and charges and the adopted sewer rates and charges for July 1, 2014 and 2015.

| Effective Date | Base Charge | Rate per 1,000 gallons |
|---|---|---|
| July 1, 2009 | $4.40 | $4.20 |
| July 1, 2010 | 4.40 | 4.45 |
| July 1, 2011 | 4.40 | 4.45 |
| July 1, 2012 | 4.40 | 4.85 |
| July 1, 2013 | 4.40 | 5.29 |

| | | |
|---|---|---|
| July 1, 2014 [1] | 4.40 | 5.76 |
| July 1, 2015 [1] | 4.40 | 6.28 |

1) On March 1, 2012 an ordinance was adopted by the Des Moines City Council to increase rates for July 1, 2014 and July 1, 2015.

## SEWER REVENUE DEBT SUPPORTED BY THE SYSTEM

The City has revenue debt payable from Net Revenues of the System as follows:

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 11/04G | $5,160,000 | Sewer Improvements | 6/14 | $510,000 [1] |
| 11/04H | 14,040,000 | Sewer Revenue Refunding | 6/14 | 1,290,000 [2] |
| 11/04I | 5,965,000 | Sewer Improvements (SRF) | 6/25 | 3,990,000 |
| 3/14B | 16,240,000* | Refunding & Improvements | 6/23 | 16,240,000* |
| Subtotal | | | | $22,030,000* |

1) The Notes will current refund the 2015 through 2019 maturities on June 1, 2014.
2) The Notes will current refund the 2015 through 2020 maturities on June 1, 2014.

*Preliminary; subject to change.

The City has a governmental-lease purchase master agreement payable from the System as follows:

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 4/12 | $1,147,482 | Three Vactor Trucks | 12/18 | $833,012 |

**Des Moines Metropolitan Wastewater Reclamation Authority ("WRA") Proposed Payment Obligations**

WRA has authorized and is planning to issue the following State Revolving Fund Loans within the next 90 days. The amounts below represent the City's share of the debt service payments of the proposed issues. Other participating communities of the WRA pay the remaining amount. Flow-based allocations are subject to change on an annual basis; as such the amount outstanding may be greater than the amount issued due to fluctuations in flow.

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| TBD | $3,296,867 | Sewer Improvements (SRF) | 6/34 | $3,296,867 [1] |
| TBD | 1,351,175 | Sewer Improvements (SRF) | 6/34 | 1,351,175 [2] |
| TBD | 1,909,643 | Sewer Improvements (SRF) | 6/34 | 1,909,643 [3] |
| TBD | 1,044,899 | Sewer Improvements (SRF) | 6/34 | 1,044,899 [4] |
| Subtotal | | | | $7,602,584 |

1) The City's share of the WRA's proposed SRF Loan in the amount of $6,100,000.
2) The City's share of the WRA's proposed SRF Loan in the amount of $2,500,000.
3) The City's flow-based share of the WRA's proposed SRF Loan in the amount of $5,300,000.
4) The City's flow-based share of the WRA's proposed SRF Loan in the amount of $2,900,000.

**Des Moines Metropolitan Wastewater Reclamation Authority (“WRA”) Existing Payment Obligations**

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 6/95 | $809,840 | Sewer Revenue (SRF Loan No. 4) | 6/15 | $87,834 1) |
| 6/95 | 7,985,127 | Sewer Revenue (SRF Loan No. 6) | 6/16 | 1,691,704 2) |
| 6/96 | 4,382,792 | Sewer Revenue (SRF Loan No. 7) | 6/18 | 1,452,164 3) |
| 11/04B | 24,191,647 | Sewer Improvements | 6/14 | 479,553 4) |
| 12/06 | 11,313,574 | Sewer Improvements | 6/36 | 10,082,273 5) |
| 6/08A | 5,732,440 | Sewer Improvements (SRF) | 6/39 | 5,551,647 6) |
| 4/10A | 3,074,450 | Sewer Improvements (SRF) | 6/40 | 2,932,813 7) |
| 6/10C-1 | 1,121,921 | Sewer Improvements (SRF) | 6/32 | 1,080,424 8) |
| 6/10C-2 | 12,060,645 | Sewer Improvements (SRF) | 6/32 | 11,181,055 9) |
| 5/11A | 33,657,615 | Sewer Improvements (SRF) | 6/42 | 32,458,768 10) |
| 5/11C | 3,347,063 | Sewer Improvements (SRF) | 6/41 | 3,388,537 11) |
| 12/11D | 5,628,301 | Sewer Improvements (SRF) | 6/43 | 5,188,480 12) |
| 5/12C | 10,529,114 | Sewer Improvements (SRF) | 6/43 | 9,728,484 13) |
| 5/12D | 4,094,656 | Sewer Improvements (SRF) | 6/42 | 3,786,382 14) |
| 11/12G | 8,578,900 | Sewer Improvements (SRF) | 6/44 | 7,926,820 15) |
| 4/13A | 4,349,345 | Sewer Improvements (SRF) | 6/43 | 4,161,643 16) |
| 6/13B | 19,133,993 | Refunding | 6/34 | 18,316,846 17) |
| 2/14A | 972,846 | Sewer Improvements (SRF) | 6/34 | 972,846 18) |
| 2/14B | 216,188 | Sewer Improvements (SRF) | 6/34 | 216,188 19) |
| 2/14D | 2,161,860 | Sewer Improvements (SRF) | 6/34 | 2,161,860 20) |
| Subtotal | | | | $122,846,321 |

The amounts below represent the City’s share of the debt service payments of the various issues. Other participating communities of the WRA pay the remaining amount. Flow-based allocations are subject to change on an annual basis; as such the amount outstanding may be greater than the amount issued due to fluctuations in flow.

1) The City’s share of the WRA’s SRF Loan No. 4 outstanding in the amount of $427,000.
2) The City’s share of the WRA’s SRF Loan No. 6 outstanding in the amount of $2,380,000.
3) The City’s share of the WRA’s SRF Loan No. 7 outstanding in the amount of $2,043,000.
4) The City’s flow-based share of the WRA’s Series 2004B outstanding in the amount of $1,310,000. The 2015-2034 maturities were advance refunded by the WRA’s Series 2013B on June 1, 2014.
5) The City’s flow-based share of the WRA’s Series 2006 outstanding in the amount of $34,145,000.
6) The City’s flow-based share of the WRA’s Series 2008A SRF loan outstanding in the amount of $15,390,000.
7) The City’s flow-based share of the WRA’s Series 2010A SRF loan outstanding in the amount of $8,131,000.
8) The City’s flow-based share of the WRA’s Series 2010C-1 SRF loan outstanding in the amount of $1,999,000.
9) The City’s flow-based share of the WRA’s Series 2010C-2 SRF loan outstanding in the amount of $20,648,000.
10) The City’s flow-based share of the WRA’s Series 2011A SRF loan outstanding in the amount of $59,999,000.
11) The City’s flow-based share of the WRA’s Series 2011C SRF loan outstanding in the amount of $9,395,000.
12) The City’s flow-based share of the WRA’s Series 2011D SRF loan outstanding in the amount of $14,400,000.
13) The City’s flow-based share of the WRA’s Series 2012C SRF loan outstanding in the amount of $18,000,000.
14) The City’s flow-based share of the WRA’s Series 2012D SRF loan outstanding in the amount of $6,999,000.
15) The City’s flow-based share of the WRA’s Series 2012G SRF loan outstanding in the amount of $22,000,000.
16) The City’s flow-based share of the WRA’s Series 2013A SRF loan outstanding in the amount of $7,700,000.
17) The City’s flow-based share of the WRA’s Series 2013B outstanding in the amount of $56,420,000.
18) The City’s flow-based share of the WRA’s Series 2014A SRF loan outstanding in the amount of $1,800,000.
19) The City’s flow-based share of the WRA’s Series 2014B SRF loan outstanding in the amount of $400,000.
19) The City’s flow-based share of the WRA’s Series 2014DSRF loan outstanding in the amount of $6,000,000.

| | |
|---|---|
| **Total Sewer Revenue Debt Outstanding:** | **$145,709,333** |
| **Total Sewer Revenue Debt Outstanding and Proposed** | **$153,311,917** |

**ANNUAL FISCAL YEAR SENIOR BONDS, SENIOR SRF BONDS AND WRA PAYMENT OBLIGATIONS DEBT PAYMENTS [1)]**

| | Senior SRF Bonds Existing | | Senior Bonds Existing | | Notes | | Total Senior SRF Bonds & Senior Bonds | | Existing WRA Payment Obligations | Proposed WRA Payment Obligations | Total WRA Payment Obligations | Total Parity Debt Service Requirements |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Principal | Debt Service | Principal | Debt Service | Principal | Debt Service | Principal | Debt Service | Debt Service | Debt Service | Debt Service | Debt Service |
| 2014 | $281,000 | $340,850 | $1,800,000 | $2,136,925 | | | $2,081,000 | $2,477,775 | $5,594,632 | $6,621 | $5,601,253 | $8,079,028 |
| 2015 | 290,000 | 410,543 | | | $2,660,000 | $3,012,138 | 2,950,000 | 3,422,681 | 7,714,509 | 198,202 | 7,912,710 | 11,335,391 |
| 2016 | 298,000 | 409,118 | | | 2,160,000 | 2,449,523 | 2,458,000 | 2,858,641 | 8,014,507 | 484,584 | 8,499,090 | 11,357,731 |
| 2017 | 307,000 | 408,433 | | | 2,785,000 | 3,046,875 | 3,092,000 | 3,455,307 | 7,422,546 | 484,778 | 7,907,324 | 11,362,631 |
| 2018 | 316,000 | 407,455 | | | 2,840,000 | 3,060,378 | 3,156,000 | 3,467,833 | 7,424,415 | 484,836 | 7,909,251 | 11,377,084 |
| 2019 | 326,000 | 407,185 | | | 1,330,000 | 1,498,406 | 1,656,000 | 1,905,591 | 7,107,496 | 484,576 | 7,592,073 | 9,497,664 |
| 2020 | 336,000 | 406,590 | | | 1,065,000 | 1,204,279 | 1,401,000 | 1,610,869 | 7,162,920 | 484,904 | 7,647,824 | 9,258,693 |
| 2021 | 346,000 | 405,670 | | | 1,095,000 | 1,206,270 | 1,441,000 | 1,611,940 | 7,220,028 | 484,904 | 7,704,932 | 9,316,872 |
| 2022 | 356,000 | 404,425 | | | 1,130,000 | 1,208,420 | 1,486,000 | 1,612,845 | 7,213,432 | 484,760 | 7,698,192 | 9,311,037 |
| 2023 | 367,000 | 403,855 | | | 1,175,000 | 1,216,243 | 1,542,000 | 1,620,098 | 7,219,472 | 485,373 | 7,704,844 | 9,324,942 |
| 2024 | 378,000 | 402,928 | | | | | 378,000 | 402,928 | 7,215,385 | 484,922 | 7,700,307 | 8,103,235 |
| 2025 | 389,000 | 401,643 | | | | | 389,000 | 401,643 | 7,217,236 | 484,868 | 7,702,105 | 8,103,748 |
| 2026 | | | | | | | | | 7,210,102 | 485,020 | 7,695,121 | 7,695,121 |
| 2027 | | | | | | | | | 7,208,513 | 485,009 | 7,693,522 | 7,693,522 |
| 2028 | | | | | | | | | 7,202,043 | 485,016 | 7,687,059 | 7,687,059 |
| 2029 | | | | | | | | | 7,197,366 | 484,677 | 7,682,043 | 7,682,043 |
| 2030 | | | | | | | | | 7,191,404 | 484,177 | 7,675,581 | 7,675,581 |
| 2031 | | | | | | | | | 7,183,162 | 484,414 | 7,667,576 | 7,667,576 |
| 2032 | | | | | | | | | 7,180,764 | 485,012 | 7,665,777 | 7,665,777 |
| 2033 | | | | | | | | | 6,299,371 | 484,879 | 6,784,250 | 6,784,250 |
| 2034 | | | | | | | | | 6,290,561 | 484,205 | 6,774,766 | 6,774,766 |
| 2035 | | | | | | | | | 4,789,334 | | 4,789,334 | 4,789,334 |
| Total | $3,990,000 | | $1,800,000 | | $16,240,000 | | $22,030,000 | | | | | |

1) Not all outstanding Existing WRA Payment Obligations mature prior to the end of Fiscal Year 2035. Actual WRA Payment Obligations extend to Fiscal Year 2044. Excludes lease payments.

## HISTORICAL CASHFLOW AND DEBT COVERAGE

The following table represents actual operating revenues and expenditures for the System for the five-year period ending June 30, 2009 through 2013. Based on the City's June 30, 2013 Comprehensive Annual Financial Report, Net Revenues for Debt of $18,884,023 would provide 1.66 times coverage of the projected $11,377,084 maximum annual debt service.

Audited Financial Statements

| | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|---|---|---|---|---|---|
| **OPERATING REVENUES** | | | | | |
| Customer Usage Charges | $29,380,321 | $30,189,874 | $30,679,167 | $31,360,268 | $33,499,597 |
| Miscellaneous Revenue | 0 | 0 | 0 | 73,765 | 107,137 |
| Total Operating Revenues | $29,380,321 | $30,189,874 | $30,679,167 | $31,434,033 | $33,606,734 |
| **OPERATING EXPENSES** | | | | | |
| Personal Services | $3,741,190 | $4,295,235 | $4,247,894 | $4,221,917 | $4,403,200 |
| Contractual Services | 14,349,371 | 16,080,033 | 18,063,838 | 18,362,066 | 18,594,886 |
| Commodities | 372,164 | 631,219 | 382,271 | 486,343 | 371,690 |
| Depreciation | 2,488,160 | 2,641,778 | 2,812,533 | 2,992,601 | 3,149,462 |
| Other Charges | 4,608,430 | 5,011,148 | 5,901,819 | 5,477,280 | 4,979,648 |
| Total Operating Expense | $25,559,315 | $28,659,413 | $31,408,355 | $31,540,207 | $31,498,886 |
| **NET OPERATING REVENUE** | $3,821,006 | $1,530,461 | ($729,188) | ($106,174) | $2,107,848 |
| **NONOPERATING (+/-)** | | | | | |
| Investment Earnings | $371,095 | $112,382 | $143,154 | $138,351 | $162,666 |
| Add Back: Return on Investment ** | 3,678,140 | 3,788,484 | 3,903,000 | 4,021,000 | 4,141,630 |
| Add Back: PILOT ** | 334,931 | 385,445 | 523,777 | 560,956 | 586,858 |
| Add Back: WRA Debt | 6,089,136 | 6,279,312 | 7,171,113 | 6,236,182 | 5,889,846 |
| Add Back: WRA R&R Payments | 1,197,150 | 1,197,150 | 1,486,491 | 1,635,536 | 1,959,581 |
| Add Back: WRA Reserve Payments | 0 | 0 | 0 | 0 | 156,230 |
| Add Back: Capital Outlays Operations | 118,698 | 650,001 | 454,034 | 1,242,353 | 578,519 |
| Add Back: Amortization | (82,218) | 29,991 | 29,911 | 28,277 | 151,383 |
| Add Back: Depreciation | 2,488,160 | 2,641,778 | 2,812,533 | 2,992,601 | 3,149,462 |
| **NET REVENUE FOR DEBT** | $18,016,098 | $16,615,004 | $15,794,825 | $16,749,082 | $18,884,023 |
| **SEWER DEBT SERVICE** | | | | | |
| Series 2004G Revenue Bonds | $313,025 | $309,425 | $310,825 | $656,763 | $655,613 |
| Series 2004H Revenue Bonds | 702,000 | 702,000 | 1,817,000 | 1,821,250 | 1,817,500 |
| Series 2004I Revenue Bonds | 414,441 | 413,694 | 412,513 | 412,160 | 411,548 |
| Prop. Series 2014 Revenue Notes | 0 | 0 | 0 | 0 | 0 |
| Sewer Lease Obligation | 0 | 0 | 0 | 85,583 | 179,937 |
| City portion of WRA Revenue Debt | 6,089,136 | 6,279,312 | 7,171,113 | 6,236,182 | 5,889,846 |
| Subtotal Sewer Revenue Debt | $7,518,602 | $7,704,431 | $9,711,451 | $9,211,938 | $8,954,443 |
| G.O. Bonds, Series 2012D | $0 | $0 | $0 | $0 | $905,646 |
| Reserved | 0 | 0 | 0 | 0 | 0 |
| Total Sewer Debt | $7,518,602 | $7,704,431 | $9,711,451 | $9,211,938 | $9,860,089 |
| **Debt Service Coverage** | | | | | |
| Net Revenues/ Revenue Debt | 2.40 | 2.16 | 1.63 | 1.82 | 2.11 |
| Net Revenues / All Debt | 2.40 | 2.16 | 1.63 | 1.82 | 1.92 |
| **CASHFLOW AFTER DEBT** | $10,497,496 | $8,910,573 | $6,083,375 | $7,537,144 | $9,023,934 |

**- Net of Payment in lieu of taxes (PILOT) and Return on investment (ROI- transfer to General Fund) pursuant to Section 384.89

# CITY PROPERTY VALUES

## IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs the county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The Polk and Warren County Auditors adjusted the final actual values for 2012. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2012, the Taxable Value rollback rate was 52.8166% of Actual Value for residential property; 59.9334% of Actual Value for agricultural property; and 100% of Actual Value for commercial, industrial, railroad 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.

## 1/1/2012 VALUATIONS (Taxes payable July 1, 2013 through June 30, 2014)

| | 100% Actual Value | Taxable Value (With Rollback) |
|---|---|---|
| Residential | $7,267,055,372 | $3,814,798,389 |
| Commercial | 2,346,478,803 | 2,346,478,803 |
| Industrial | 166,662,361 | 166,662,361 |
| Railroad | 16,509,244 | 16,509,244 |
| Utilities w/o Gas & Electric | 38,883,380 | 38,883,380 |
| Gross valuation | $9,835,589,160 | $6,383,332,177 |
| Less military exemption | (14,934,518) | (14,934,518) |
| Net valuation | $9,820,654,642 | $6,368,397,659 |
| TIF Increment (used to compute Debt service levies and Constitutional debt limit) | $735,935,354 | $735,935,354 |
| Taxed separately | | |
| Gas & Electric Utilities | $350,675,644 | $227,111,429 |
| Ag. Land | $9,328,700 | $5,591,007 |
| Ag. Buildings | $996,200 | $597,058 |

## 2012 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY [1)]

| | Taxable Valuation | Percent Total |
|---|---|---|
| Residential | $3,814,798,389 | 57.71% |
| Commercial | 2,346,478,803 | 35.50% |
| Industrial, Railroad & Utility | 222,054,985 | 3.36% |
| Gas & Electric Utilities | 227,111,429 | 3.43% |
| Total Gross Taxable Valuation | $6,610,443,606 | 100.00% |

1) Excludes Taxable TIF Increment, Ag. Land and Ag. Buildings.

**TREND OF VALUATIONS**

| Assessment Year | Payable Fiscal Year | 100% Actual Valuation | Taxable Valuation (With Rollback) | Taxable TIF Increment |
|---|---|---|---|---|
| 2009 | 2010-11 | $11,051,949,782 | $6,397,515,722 | $629,710,790 |
| 2010 | 2011-12 | 11,163,960,293 | 6,583,898,786 | 611,989,020 |
| 2011 | 2012-13 | 10,836,883,434 | 6,440,220,679 | 700,007,540 |
| 2012 | 2013-14 | 10,917,590,540 | 6,595,509,088 | 735,935,354 |
| 2013 [1)] | 2014-15 | 10,731,371,692 | 6,531,043,284 | 678,072,609 |

1) The City's 1/1/2013 valuations are now available from the State of Iowa and become effective July 1, 2014.

The 100% Actual Valuations, before rollback and after reduction of military exemption, include Ag. Land, Ag. Buildings, Taxable TIF Increment and Gas & Electric Utilities. The Taxable Valuations, with the rollback and after the reduction of military exemption, include Gas & Electric Utilities and exclude Ag. Land, Ag. Buildings and 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 [1)]**

| Taxpayer | Type of Property/Business | 1/1/2012 Taxable Valuation |
|---|---|---|
| Mid-American Energy | Electric Company | $226,802,111 |
| Principal Mutual Life | Insurance Company | 192,814,820 |
| Nationwide Mutual Life | Insurance Company | 171,472,280 |
| Wellmark | Insurance Company | 116,314,200 |
| Wells Fargo Financial | Banking Services | 95,934,105 |
| Employers Mutual Casualty | Insurance Company | 53,082,572 |
| Mercy Medical | Hospital | 39,684,572 |
| Iowa Methodist Hospital | Hospital | 35,561,390 |
| Meredith Corporation | Publishing | 32,330,998 |
| Merle Hay Mall | Commercial | 30,337,200 |

1) This list represents larger taxpayers in this jurisdiction, not necessarily the top 10 taxpayers.

## RECENT PROPERTY TAX LEGISLATION

During the 2013 legislative session, the Iowa General Assembly enacted Senate File 295 (the "Act"), which the Governor signed into law on June 12, 2013. Among other things, the Act (i) reduces the maximum annual taxable value growth percent, due to revaluation of existing residential and agricultural property, from the current 4% to 3%, (ii) assigns a "rollback" (the percentage of a property's value that is subject to tax) to commercial, industrial and railroad property of 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, (iii) creates a new property tax classification for multi-residential properties (mobile home parks, manufactured home communities, land-lease communities, assisted living facilities and property primarily used or intended for human habitation containing three or more separate dwelling units) ("Multi-residential Property") that begins in the 2015 assessment year, and assigns a declining rollback percentage of 3.75 percent to such properties for each subsequent year until 2021 assessment year (the rollback percentage for Multi-residential Properties will be equal to the residential rollback percentage in 2022 assessment year and thereafter) and (iv) exempts a specified portion of the assessed value of telecommunication properties.

The Act includes a standing appropriation to replace some of the tax revenues lost by local governments, including tax increment districts, resulting from the new rollback for commercial and industrial property. Prior to Fiscal Year 2017-18, the appropriation is a standing unlimited appropriation, but beginning in Fiscal Year 2017-18 the standing appropriation cannot exceed the actual Fiscal Year 2016-17 appropriation amount. The appropriation does not replace losses to local governments resulting from the Act's provisions that reduce the annual revaluation growth limit for residential and agricultural properties to 3% from 4%, the gradual transition for Multi-residential Property from the commercial rollback percentage (100% of Actual Value) to the residential rollback percentage (currently 52.8166% of Actual Value), or the reduction in the percentage of telecommunications property that is subject to taxation.

Given the wide scope of the statutory changes, and the State of Iowa's discretion in establishing the annual replacement amount that is appropriated each year commencing in Fiscal Year 2017-18, the impact of the Act on the City's future property tax collections is uncertain and the City is unable to accurately assess the financial impact of the Act's provisions on the City's future operations.

In Moody's Investor Service US Public Finance Weekly Credit Outlook, dated May 30, 2013, Moody's Investor Service ("Moody's") projected that local governments in the State of Iowa are likely to experience modest reductions in property tax revenues starting in Fiscal Year 2014-15 as a result of the Act, with sizeable reductions possible starting in Fiscal Year 2017-18. According to Moody's, local governments that may experience disproportionately higher revenue losses include regions that have a substantial commercial base, a large share of Multi-residential Property (such as college towns), or significant amounts of telecommunications property.

Notwithstanding any decrease in property tax revenues that may result from the Act, Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation bonds, "the governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full."

From time to time, other legislative proposals may be considered by the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described in this Preliminary Official Statement. It cannot be predicted whether or in what forms any of such proposals may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for the levy of taxes by the City.

# 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 state and county tax list. The debt limit for the City, based on its 2012 actual valuation currently applicable to the fiscal year 2013-14, is as follows:

| | | |
|---|---|---|
| 2012 Actual Valuation of Property | | $10,932,525,058 |
| Less: | Military Exemption | (14,934,518) |
| | Subtotal | $10,917,590,540 |
| Legal Debt Limit of 5% | | 0.05 |
| | Legal Debt Limit | $545,879,527 |
| Less: | General Obligation Debt Subject to Debt Limit | (437,045,000) |
| Less: | Lease Debt Paid by Taxes | (2,856,814) [1)] |
| Less: | Section 108 Loan | (463,749) [2)] |
| Less: | TIF Rebate Agreements | (12,663,194) [3)] |
| Legal Debt Margin | | $92,850,770 |

1) Amount represents the principal outstanding on five lease notes payable from the debt service levy.
2) Amount represents the portion of the $8.5 million Section 108 Loan that is subject to the FY 2013-14 debt limit.
3) Amount represents TIF Rebate Agreements and obligations that are subject to the FY 2013-14 debt limit.

## DIRECT DEBT

### General Obligation Debt Paid by Property Taxes (Includes the Bonds)

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 12/05E | $20,825,000 | Refunding | 6/20 | $12,690,000 |
| 8/06A | 20,295,000 | Various Purpose | 6/14 | 905,000 [1)] |
| 6/07B | 18,255,000 | Various Purpose | 6/27 | 14,850,000 |
| 6/08D | 24,055,000 | Various Purpose | 6/28 | 20,535,000 |
| 6/09C | 16,045,000 | Refunding | 6/19 | 8,175,000 |
| 6/09E | 19,605,000 | Various Purpose | 6/29 | 17,700,000 |
| 6/09G | 3,115,000 | Various Purpose | 6/19 | 2,060,000 |
| 1/10A | 15,320,000 | Refunding | 6/24 | 10,860,000 |
| 1/10C | 18,855,000 | Refunding | 6/16 | 5,340,000 |
| 6/10D | 20,790,000 | Various Purpose | 6/30 | 19,195,000 |
| 12/10H | 52,395,000 | Refunding | 6/25 | 49,570,000 |
| 6/11A | 32,365,000 | Various Purpose/Refunding | 6/31 | 28,720,000 |
| 6/12A | 19,965,000 | Various Purpose | 6/32 | 19,795,000 |
| 6/12C | 2,745,000 | Various Purpose | 6/17 | 2,220,000 |
| 8/13A | 27,880,000 | Various Purpose | 6/33 | 27,880,000 |
| 8/13B | 14,200,000 | Refunding | 6/26 | 14,200,000 |
| 1/14A | 38,830,000 | Franchise Fee | 6/22 | 38,830,000 |
| Subtotal | | | | $293,525,000 |

1) The 2015-2026 maturities will be crossover refunded by the Series 2013B Bonds on June 1, 2014.

**General Obligation Debt Paid by Tax Increment**

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 6/05C | $10,000,000 | Various Purpose | 6/23 | $9,270,000 |
| 12/05E | 7,360,000 | Refunding | 6/20 | 4,730,000 |
| 8/06B | 9,210,000 | Various Purpose | 6/14 | 440,000 1) |
| 4/07A | 4,635,000 | Taxable - Refunding | 6/19 | 2,680,000 |
| 6/07B | 160,000 | Various Purpose (TIF Portion) | 6/27 | 135,000 |
| 6/07C | 15,045,000 | Various Purpose | 6/22 | 10,120,000 |
| 6/08E | 6,325,000 | Various Purpose | 6/23 | 4,620,000 |
| 6/09A | 1,155,000 | Refunding | 6/14 | 215,000 |
| 6/09B | 2,870,000 | Refunding | 6/21 | 2,035,000 |
| 6/09C | 15,210,000 | Refunding | 6/19 | 5,655,000 |
| 6/09F | 3,055,000 | Various Purpose | 6/17 | 1,600,000 |
| 1/10A | 670,000 | Refunding | 6/14 | 175,000 |
| 1/10B | 13,440,000 | Refunding | 6/24 | 13,140,000 |
| 1/10C | 3,775,000 | Refunding | 6/16 | 1,180,000 |
| 6/10D | 4,540,000 | Various Purpose | 6/19 | 4,170,000 |
| 12/10H | 12,965,000 | Refunding | 6/23 | 11,695,000 |
| 6/11A | 13,155,000 | Various Purpose/Refunding | 6/26 | 11,395,000 |
| 6/12B | 6,895,000 | Various Purpose | 6/28 | 6,705,000 |
| 6/12C | 1,530,000 | Various Purpose | 6/22 | 1,410,000 |
| 8/13A | 9,210,000 | Various Purpose | 6/32 | 9,210,000 |
| 8/13B | 6,850,000 | Refunding | 6/26 | 6,850,000 |
| Subtotal | | | | $107,430,000 |

1) The 2015-2026 maturities will be crossover refunded by the Series 2013B Bonds on June 1, 2014.

**General Obligation Debt Paid by Enterprise Funds**

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 9/12D | $13,210,000 | Sanitary Sewer Improvements | 6/32 | $12,570,000 |
| 9/12E | 10,825,000 | Stormwater Improvements | 6/32 | 10,490,000 |
| 9/12F | 13,030,000 | Parking Refunding | 6/20 | 13,030,000 |
| Subtotal | | | | $36,090,000 |

**Summary of General Obligation Debt Outstanding**

| | |
|---|---|
| General Obligation Debt Paid by Property Taxes | $293,525,000 |
| General Obligation Debt Paid by Tax Increment | 107,430,000 |
| General Obligation Debt Paid by Enterprise Funds | 36,090,000 |
| **Total General Obligation Debt Subject to Limit:** | **$437,045,000** |

## OTHER DEBT

### Lease Debt Supported by Taxes

The City has lease debt payable from taxes as follows:

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 12/09 | $589,949 | Supplement DLL5 (MLS5) | 6/15 | $165,562 |
| 1/10 | 254,018 | Supplement DLL D-1b | 6/15 | 104,498 |
| 2/10 | 396,718 | Supplement DLL D-1a | 6/15 | 162,887 |
| 7/11 | 942,038 | Supplement #1 | 6/18 | 637,038 |
| 8/12 | 1,880,000 | Supplement #3 | 6/22 | 1,786,829 |
| Total | | | | $2,856,814 |

### Revenue Debt Supported by Stormwater Revenues

The City has revenue debt payable from the Stormwater Enterprise Fund as follows:

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 12/06D | $16,750,000 | Stormwater Improvements | 6/23 | $11,675,000 |
| 1/09 | 190,292 | Stormwater Note C1a | 6/15 | 56,216 |
| 10/09 | 1,116,017 | Stormwater Note D2 | 6/15 | 385,924 |
| 10/10F | 19,300,000 | Improvements/Refunding | 6/30 | 15,990,000 |
| 10/10G | 5,100,000 | Refunding | 6/18 | 3,745,000 |
| Total | | | | $31,852,140 |

### Revenue Debt Supported by Solid Waste Revenues

The City has revenue debt payable from the Solid Waste Enterprise Fund as follows:

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 4/23/14 |
|---|---|---|---|---|
| 8/08 | $72,029 | Solid Waste Equipment Note | 6/15 | $21,279 |
| 8/08 | 1,920,611 | Solid Waste Equipment Note | 6/15 | 548,746 |
| 9/09 | 637,569 | Solid Waste Equipment Note | 6/15 | 188,662 |
| Total | | | | $758,687 |

**INDIRECT GENERAL OBLIGATION DEBT**

| Taxing District | 1/1/2013 Taxable Valuation [1] | Portion of Taxable Valuation within the City | Percent In City | G.O. Debt Outstanding [2] | City's Proportionate Share |
|---|---|---|---|---|---|
| Polk County | $20,922,162,763 | $7,200,627,853 | 34.42% | $271,825,566 [3] | $93,562,360 |
| Warren County | 1,916,277,024 | 14,028,795 | 0.73% | 153,936 | 1,124 |
| Carlisle CSD | 299,418,398 | 64,930,797 | 21.69% | 7,040,000 | 1,526,976 |
| Des Moines Ind. CSD | 7,191,476,982 | 6,875,228,485 | 95.60% | 0 | 0 |
| Indianola CSD | 791,700,069 | 382,476 | 0.05% | 20,025,000 | 10,013 |
| Johnston CSD | 2,035,596,241 | 139,859,661 | 6.87% | 32,270,000 | 2,216,949 |
| Norwalk CSD | 505,654,026 | 3,105,422 | 0.61% | 17,580,000 | 107,238 |
| Saydel CSD | 646,249,135 | 19,189,912 | 2.97% | 8,580,000 | 254,826 |
| Southeast Polk CSD | 1,677,994,061 | 100,372,807 | 5.98% | 47,955,000 | 2,867,709 |
| West Des Moines CSD | 4,275,650,297 | 11,587,088 | 0.27% | 41,275,000 | 111,443 |
| Urbandale Sanitary Sewer | 2,399,174,684 | 1,767,000 | 0.07% | 0 | 0 |
| Urbandale-Windsor Heights Sanitary Sewer | 385,067,482 | 19,537,839 | 5.07% | 0 | 0 |
| Des Moines Area Comm. College | 39,094,550,025 | 7,214,656,648 | 18.45% | 66,390,000 | 12,248,955 |
| City's Share of Total Indirect G.O. Debt | | | | | $112,907,593 |

1) Taxable Valuation is less military exemption and includes Ag. Land & Buildings, Taxable TIF Increment and all Utilities.
2) Includes general obligation bonds, PPEL notes, certificates of participation and new jobs training certificates.
3) Includes Polk County's issuance of $25,335,000 General Obligation Bonds, Series 2013 that priced on December 2, 2013.

**DEBT RATIOS**

| | Debt | Debt/Actual Market Value ($10,731,371,692) [1] | Debt/203,433 [2] Population |
|---|---|---|---|
| Total General Obligation Debt | $437,045,000 | 4.07% | $2,148.35 |
| Less: G.O. Debt Paid From Enterprise Funds | (36,090,000) | (0.34%) | (177.40) |
| Net G.O. Debt Paid by Taxes and Tax Increment | $400,955,000 | 3.73% | $1,970.95 |
| Leases Paid by the Debt Service Levy | $2,856,814 | 0.03% | $14.04 |
| City's share of Indirect G.O. debt | $112,907,593 | 1.05% | $555.01 |

1) Based on the City's 2013 Actual Valuation; includes Ag. Land, Ag. Buildings, all Utilities and Taxable TIF Increment.
2) Based on the City's 2010 U.S. Census.

## LEVIES AND COLLECTIONS

| Fiscal Year | Levy | Collected During Collection Year | Percent Collected |
|---|---|---|---|
| 2009-10 | $132,206,542 | $131,836,341 | 99.72% |
| 2010-11 | 134,377,724 | 133,294,886 | 99.19% |
| 2011-12 | 137,113,954 | 136,542,499 | 99.58% |
| 2012-13 | 141,463,006 | 140,922,592 | 99.62% |
| 2013-14 | 145,603,151 | ---------- 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.

Source: Polk & Warren County.

## CITY TAX RATES

| | FY 2009-10 $/$1,000 | FY 2010-11 $/$1,000 | FY 2011-12 $/$1,000 | FY 2012-13 $/$1,000 | FY 2013-14 $/$1,000 |
|---|---|---|---|---|---|
| Polk County [1)] | 9.97134 | 10.05423 | 10.01509 | 10.07059 | 10.25715 |
| City of Des Moines | 16.57614 | 16.57614 | 16.58000 | 16.91982 | 16.92001 |
| Des Moines Ind. CSD | 17.64277 | 17.64347 | 18.34848 | 18.34845 | 18.34842 |
| Des Moines Area Comm. College | 0.56778 | 0.56008 | 0.59018 | 0.58466 | 0.69120 |
| Des Moines Regional Transit Authority | 0.46232 | 0.44430 | 0.44400 | 0.59400 | 0.67400 |
| State of Iowa | 0.00300 | 0.00340 | 0.00320 | 0.00330 | 0.00330 |
| Total Tax Rate | 45.22335 | 45.28162 | 45.98095 | 46.52082 | 46.89408 |

1) Polk County tax rate includes the following tax rates: Polk County-wide, Polk County Assessor, Polk County Ag. Extension and the 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 Fiscal Year 2013-14. The City does levy costs for tort liability, other insurance expense and employee benefits in addition to the $8.10 general fund limit as authorized by law. Currently, the City does not levy for an emergency fund. 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 Bachelor's Degree in Business and Economics from Cornell College and a Master's 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. Scott Sanders is the Finance Director/Treasurer and is responsible for the financial affairs of the City. Mr. Sanders was appointed to the position in April 2011. Prior to joining the City, Mr. Sanders was the Finance Director at the cities of West Des Moines, Iowa and Council Bluffs, Iowa. Mr. Sanders holds a Bachelor of Science degree in Computer Science and a Master's Degree in Community and Regional Planning from Iowa State University.

## 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. Goals of the budget policy include development of a general fund unassigned balance that is no less than 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. The City approved a two-year budget for FY 2011 and FY 2012 in February of 2010. Resolving budget issues two years at a time allowed the City to take a one-year reprieve from potential budget cuts in the second year of the plan. The Mayor, City Council, and City Manager were pleased with the process and outcomes of the two-year budget plan so, in February of 2012 they adopted a new two-year budget plan for FY 2013 and FY 2014 and will likely continue this practice moving forward. It is the City Manager's intent to pursue another two-year budget for FY 2015 and FY 2016.

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 departments 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 and staffing levels. Those programs expected to be fully or partially self-supporting are examined to ensure that they, in fact, achieved that status.

Starting in September the City Council holds regularly scheduled budget workshops with the City Manager and departments to review various financial forecasts and strategies and establish priorities for the coming year. These workshops are held until the budget is adopted in late February.

The City Manager, with assistance from the Research and Budget Office, reviews the departments' budget requests and revenue forecasts 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 priorities established in the council workshop process. The recommended 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 goal 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:

| | **2009** | **2010** | **2011** | **2012** | **2013** |
|---|---|---|---|---|---|
| Available General Fund Balance | $9,522,706 | $9,394,712 | $13,554,759 | $15,613,514 | $17,057,774 |
| General Fund Operating Expenditures | $134,529,654 | $134,458,199 | $135,664,207 | $146,386,068 | $150,587,947 |
| Available General Fund Balance as a Percent of General Fund Expenditures | 7.08% | 6.99% | 9.99% | 10.67% | 11.33% |

**EMPLOYEES AND PENSIONS**

The City currently has 1,581 permanent full-time employees, 96 permanent part-time employees and 181 temporary employees. Of the City's 1,581 permanent full-time employees, 367 are police officers and 263 are full-time fire fighters. The following sections describe eight unions representing 1,458 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 440. The current contract expires June 30, 2015.

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 27. The current contract expires June 30, 2016.

Municipal Employees Association ("MEA"): Clerical and support staff throughout the City. The total number of employees covered by this bargaining unit is 348. The current contract expires June 30, 2015.

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 253. The current contract expires June 30, 2016.

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 284. The current contract expires June 30, 2015.

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 28. Their contract expires June 30, 2015.

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 30, 2014.

Gold Braid Organization: Certain Police Captains, Lieutenants, and Sergeants in the Police Department established a new union. The total number of employees covered is 35. The current contract expires June 30, 2015.

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. IPERS is authorized to adjust the total contribution rate up or down each year, by no more than 1.0 percentage point, based upon the actuarially required contribution rate. Employees will pay 40 percent of the contribution rate and employers will pay 60 percent.

| | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|---|---|---|---|
| IPERS City Contribution | $4,847,268 | $5,605,331 | $5,590,585 |

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

| | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|---|---|---|---|
| MFPRSI City Contribution | $8,772,090 | $11,548,981 | $11,874,300 |

Deferred Compensation: The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457, and Section 401(a). The Section 457 plan, available to all City employees, and the Section 401(a) plan available only to the SPM employment group, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees at termination, retirement, death, or unforeseeable emergency, loan or via in – services contributions at age 70 ½.

**OTHER POST EMPLOYMENT BENEFITS**

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 30 days subsequent to retirement. Although retirees pay 100% of the "cost of coverage", the pre-age 65 group of retirees is grouped with the active employees when determining the cost of coverage. The computation creates a small implicit rate subsidy that would not exist if the cost of the coverage for this group (pre-age 65 retirees) was computed separately and paid 100% by that group. As of June 30, 2013, 195 retirees were covered under the city's current group health plan.

Beginning with the Fiscal Year that commenced on July 1, 2007, the City is now required by the Government Accounting Standards Boards Statement No. 45 ("GASB 45"), Accounting by Employers for Other Postemployment Benefits ("OPEB"), to report an actuarially determined cost of post-employment benefits, other than pension, such as health and life insurance for current and future retirees. The City contracted for an actuarial determination of the City's implicit liability under GASB 45, which computed the City's Actuarial Accrued Liability ("AAL") at $15.9 million as of July 1, 2011. The City's Annual Required Contribution ("ARC") for FY 2013 was at $1.72 million with an offsetting pay-as-you-go funding of $781,005 and a Net OPEB Obligation ("NOO") of $5.065 million. This liability was allocated across all appropriate funds. There has been no substantial change in the health plan design, single digit health premium increases, and reductions in authorized permanent employees. Therefore, the City's AAL for June 30, 2014 and thereafter should be somewhat stable over time.

For further information, please refer to Note 15 of the City's June 30, 2013 Comprehensive Annual Financial Report included as Appendix B to this Official Statement.

## RISK MANAGEMENT

Risk management 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 Travelers Property Casualty Insurance Company 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 Star Indemnity & Liability Company in the amount of $10,000,000 per occurrence, 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 $5,000 deductible. This covers the excess liability self-insured retention. Workers compensation insurance is maintained through Safety National Casualty Corporation at statutory limits with a $1,000,000 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 General Fund Tort Account. 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:

| | Losses in excess of | |
|---|---|---|
| | Per Incident | Per Year |
| Workers' Compensation | $1,000,000 | Up to Statutory Limits |
| Tort Liability | $2,000,000 | Variable |

There have been only two instances in which a claim has exceeded the City's self-insured retention. 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 the state of Iowa's (the "State") 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 (formerly Sec Taylor 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 wastewater reclamation facility, conveyance and flow equalization facilities. The WRA, which includes the City, twelve 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.

**MAJOR EMPLOYERS**

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

| Employer | Type of Business | Approximate Number of Employees |
|---|---|---|
| Wells Fargo | Financial Services | 13,500 [1)] |
| State of Iowa | State Government | 8,800 [2)] |
| Mercy Hospital Medical Center | Healthcare (Hospitals and Clinics) | 7,100 |
| Principal Financial Group | Insurance | 6,131 |
| UnityPoint Health [3)] | Healthcare | 5,505 |
| Nationwide/Allied Insurance | Insurance | 5,000 |
| Des Moines Public Schools | Education | 4,642 |
| John Deere Companies | Farm Equipment & Consumer Financial Services | 3,100 [4)] |
| DuPont Pioneer | Seed Manufacturing | 2,849 |
| Hy-Vee Food Stores | Retail Food Stores | 2,100 |
| YMCA of Greater Des Moines | Non-profit Youth Development & Fitness Centers | 1,868 |
| Kum & Go | Convenience Store Chain | 1,820 |
| Marsh | Insurance | 1,800 |
| Bridgestone Americas Tire [6)] | Tire Manufacturer | 1,600 |
| United Parcel Service (UPS) | Package Shipping | 1,600 |
| City of Des Moines | Government | 1,581 [5)] |
| Wellmark Inc. | Insurance Provider | 1,550 |
| HP Enterprise Services | Global Technology Services | 1,500 |
| Casey's General Store, Inc. | Retail General Store | 1,400 |
| EMC Insurance Companies | Insurance | 1,126 |
| Polk County | County Government | 1,120 |
| Prairie Meadows | Entertainment Facility | 1,003 |
| Meredith Corporation | Publishing | 1,000 |
| FBL Financial Services, Inc. | Financial Services | 955 |
| CDS Global | Magazine & Direct Marketing Services | 950 |
| Athene Holdings Ltd. [7)] | Financial Services | 950 |
| MidAmerican Energy Company | Utility | 929 |
| Dahl's Foods | Retail Food Stores | 900 |
| Drake University | Higher Education | 900 |
| American Enterprise Mutual Holding | Insurance | 900 |

1) Includes both Wells Fargo Banks and Wells Fargo Financial.
2) Total is for the Greater Des Moines metropolitan statistical area which includes Dallas, Guthrie, Madison, Polk and Warren counties.
3) Formerly Iowa Health System.
4) Includes both John Deere Des Moines Works and John Deere Credit Company.
5) Includes full-time, part-time and seasonal employees.
6) Formerly Firestone International.
7) Formerly Aviva USA

Source: The Greater Des Moines Partnership as of June 2013. The list is updated frequently as changes are identified and is not to be construed as a complete profile.

## RETAIL SALES AND BUYING INCOME

The following table lists the City's total effective buying income ("EBI"), median household EBI, total retail sales and per household retail sales for the survey years 2009 through 2013.

| Survey Year | Total EBI ($000) | Median Household EBI | Total Retail Sales ($000) | Retail Sales Per Household |
|---|---|---|---|---|
| 2009 | $3,508,283 | $35,624 | $2,424,234 | $27,707 |
| 2010 | 3,582,582 | 36,476 | 2,281,796 | 28,229 |
| 2011 | 3,496,025 | 34,502 | 2,527,017 | 30,887 |
| 2012 | 3,501,377 | 34,529 | 2,323,964 | 28,362 |
| 2013 | 3,835,865 | 35,598 | 3,437,868 | 40,969 |

Note: The Iowa median household EBI for 2013 was $39,920.

| | 2013 Effective Buying Income Groups | | |
|---|---|---|---|
| | Less than $15,000-$34,999 | $35,000-$74,999 | $75,000 and Over |
| City | 49.2% | 37.4% | 13.4% |
| Polk County | 37.8% | 39.4% | 22.8% |
| Warren County | 31.9% | 42.6% | 25.5% |
| State of Iowa | 43.6% | 39.3% | 17.1% |

Source: Claritas, Inc. 2013 report.

## AVERAGE ANNUAL LABOR FORCE DATA

| | Total Civilian Labor Force | | Unemployment Rate | |
|---|---|---|---|---|
| | Des Moines Metro Area | State of Iowa | Des Moines Metro Area | State of Iowa |
| 2009 | 317,100 | 1,678,300 | 5.8% | 6.2% |
| 2010 | 316,400 | 1,671,500 | 6.2% | 6.3% |
| 2011 | 313,100 | 1,659,300 | 5.9% | 5.9% |
| 2012 | 311,500 | 1,638,800 | 5.3% | 5.2% |
| 2013 | 316,600 | 1,652,400 | 4.6% | 4.7% |

1) Includes the averages for January through December 2013.

Source: Iowa Workforce Development

**CITY BUILDING PERMITS**

City officials report the following construction activity as of December 31, 2013. Permits for the City are reported on a fiscal year basis.

| | FY 09-10 | FY 10-11 | FY 11-12 | FY 12-13 | FY 13-14 |
|---|---|---|---|---|---|
| Single Family Homes: | | | | | |
| No. of new homes: | 120 | 103 | 112 | 104 | 100 |
| Valuation: | $23,936,127 | $19,419,500 | $21,699,297 | $19,255,306 | $19,936,825 |
| Multiple Family Dwellings: | | | | | |
| No. of new buildings: | 6 | 38 | 42 | 66 | 30 |
| Valuation: | $24,223,931 | $39,870,702 | $21,949,714 | $33,263,332 | $44,216,172 |
| Residential Homes - Additions & Alterations: | | | | | |
| No. of permits issued: | 1,510 | 1,335 | 1,901 | 1,732 | 921 |
| Valuation: | $48,383,656 | $29,955,413 | $54,006,600 | $68,187,520 | $38,597,505 |
| Commercial/Industrial/Other: | | | | | |
| No. of new buildings/additions: | 77 | 102 | 93 | 148 | 54 |
| Valuation: | $84,515,041 | $81,287,882 | $94,217,853 | $98,353,689 | $30,020,740 |
| Commercial/Industrial/Other: Remodels & Alterations: | | | | | |
| No. of permits: | 272 | 304 | 370 | 373 | 160 |
| Valuation: | $69,014,813 | $114,950,777 | $72,989,311 | $71,131,713 | $80,758,942 |
| Demolitions: | | | | | |
| No. of permits: | 239 | 184 | 226 | 200 | 82 |
| Valuation: | $0 | $0 | $0 | $0 | $0 |
| Total Permits: | 2,224 | 2,066 | 2,744 | 2,623 | 1,347 |
| Total Valuations: | $250,073,568 | $285,484,274 | $264,862,775 | $290,191,560 | $213,530,184 |

**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 |
| 2010 U.S. Census | 204,220 |

Source: U.S. Census Bureau website. The City's population was corrected by the Bureau as of March 20, 2013.

## EDUCATION

The Des Moines Independent Community School District provides education in the City. The District has had the following certified enrollment for the last five school years. Listed below is also the projected enrollment for school year 2014-15.

| School Year | Total Enrollment |
|---|---|
| 2009-10 | 30,783 |
| 2010-11 | 30,954 |
| 2011-12 | 30,975 |
| 2012-13 | 31,546 |
| 2013-14 | 32,062 |
| 2014-15 | 32,413 |

A small portion of the Des Moines residents are 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

Residents of the Des Moines metropolitan area are serviced by numerous regional banking institutions. Collective total deposits for banks located within Polk County as of September 30, 2013 exceeding $7.4 billion. Total deposits as of September 30, 2013 for a sampling of banks headquartered within the Des Moines metropolitan area are listed as follows:

| Bank | Deposits |
|---|---|
| Bankers Trust Company, N.A. | $2,239,684,000 |
| Principal Bank | 1,899,059,000 |
| West Bank | 1,172,403,000 |

Source: Federal Deposit Insurance Corporation (FDIC) web site.

## FINANCIAL STATEMENTS

The City's June 30, 2013 Comprehensive Annual Financial Report as prepared by a certified public accountant is reproduced as APPENDIX B. The City's certified public accountant has not consented to distribution of the Comprehensive Annual Financial Report and has not undertaken added review of their presentation. Further information regarding financial performance and copies of the City's prior Comprehensive Annual Financial Reports may be obtained from the City's Financial Advisor, Public Financial Management, Inc.

# APPENDIX A

FORM OF LEGAL OPINION

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AHLERS & COONEY, P.C.

100 COURT AVENUE, SUITE 600
DES MOINES, IOWA 50309-2231
PHONE: 515-243-7611
FAX: 515-243-2149
WWW.AHLERSLAW.COM

We hereby certify that we have examined a certified transcript of the proceedings of the City Council and acts of administrative officers of the City of Des Moines, Iowa (the "Issuer"), relating to the issuance of Sewer Revenue Capital Loan Notes, Series 2014B, by the City, dated date of delivery, in the denomination of $5,000 or multiples thereof, in the aggregate amount of $16,240,000 (the "Notes").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion as bond counsel.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the resolution authorizing the Loan Agreement and issuance of the Notes (the "Resolution") and in the certified proceedings and certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination and in reliance upon the certified proceedings and other certifications described above, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a body corporate and politic and political subdivision of the State of Iowa with the corporate power to adopt and perform the Resolution and Loan Agreement and issue the Notes.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer. The Resolution creates a valid lien on the net revenues of the Municipal Wastewater Treatment Utility System pledged by the Resolution for the security of the Notes.

The lien of the Notes ranks on a parity as to the pledge of revenues with respect to other obligations outstanding and additional obligations. The right to issue additional obligations is reserved upon conditions set forth in the Resolution.

3. The Notes have been duly authorized, issued and delivered by the Issuer and are valid and binding special obligations of the Issuer, payable solely from the sources provided therefor in the Resolution.

4. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability of the Notes are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

00999771-1\10387-250

# APPENDIX B

JUNE 30, 2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Des Moines, Iowa (the "Issuer"), in connection with the issuance of $16,240,000 Sewer Revenue Capital Loan Notes, Series 2014B (the "Notes") dated the date of delivery. The Notes are being issued pursuant to a Resolution of the Issuer approved on ____________________, 2014 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Business Day" shall mean a day other than a Saturday or a Sunday or a day on which banks in Iowa are authorized or required by law to close.

"Dissemination Agent" shall mean the Issuer or any Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Holders" shall mean the registered holders of the Notes, as recorded in the registration books of the Registrar.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

"National Repository" shall mean the MSRB's Electronic Municipal Market Access website, a/k/a "EMMA" (emma.msrb.org).

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Iowa.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than two hundred seventy (270) days after the end of the Issuer's fiscal year (presently June 30th), commencing with the report for the 2013/2014 fiscal year, provide to the National Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report must be submitted in such format as is required by the MSRB (currently in "searchable PDF" format). The Annual Report may be submitted as a single document or as separate documents comprising a package. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Issuer is unable to provide to the National Repository an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the Municipal Securities Rulemaking Board, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) each year file the Annual Report with the National Repository; and

(ii) (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Report has been filed pursuant to this Disclosure Certificate, stating the date it was filed.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) The last available audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements for the preceding years are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The City's comprehensive annual financial report ("CAFR") for the prior fiscal year, prepared in accordance with the prevailing Certificate of Achievement program requirements of the Government Finance Officers Association ("GFOA"); provided, however, that the City does not undertake, as a part hereof, to submit its CAFR to the GFOA in any future year for such purposes, nor does the City make any representation as to whether any future CAFR will receive said Certificate of Achievement.

(c) To the extent such information is not included in the materials submitted under subparagraphs (a) and (b) of this Section 4, a table or schedule, prepared as of the end of the prior fiscal year, containing information of the type set forth in the final Official Statement with respect to the Bonds under the following headings:

(1) Largest System Users
(2) Annual Usage
(3) Rates and Charges
(4) [Historical Cashflow and Debt Coverage]

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been filed with the National Repository. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not later than 10 Business Days after the day of the occurrence of the event;

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements relating to the Notes reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series Notes, or material events affecting the tax-exempt status of the Notes;

(7) Modifications to rights of Holders of the Notes, if material;

(8) Note calls (excluding sinking fund mandatory redemptions), if material, and tender offers;

(9) Defeasances of the Notes;

(10) Release, substitution, or sale of property securing repayment of the Notes, if material;

(11) Rating changes on the Notes;

(12) Bankruptcy, insolvency, receivership or similar event of the Issuer;

(13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains the knowledge of the occurrence of a Listed Event, the Issuer shall determine if the occurrence is subject to notice only if material, and if so shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event is not subject to materiality, or determines such occurrence is subject to materiality and would be material under applicable federal securities laws, the Issuer shall promptly, but not later than 10 Business Days after the occurrence of the event, file a notice of such occurrence with the Municipal Securities Rulemaking Board through the filing with the National Repository.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Notes in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: __________ day of _______________, _2014.

CITY OF DES MOINES, IOWA

By: ______________________________________
Mayor

ATTEST:

By: ___________________________________
City Clerk

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Des Moines, Iowa.

Name of Note Issue: $16,240,000 Sewer Revenue Capital Loan Notes, Series 2014B

Dated Date of Issue:  Date of delivery

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Notes as required by Section 3 of the Continuing Disclosure Certificate delivered by the Issuer in connection with the Notes. The Issuer anticipates that the Annual Report will be filed by ____________________.

Dated: __________ day of _______________, __________.

CITY OF DES MOINES, IOWA

By: ____________________________________

Its: ____________________________________

# OFFICIAL BID FORM

TO: City Council of
City of Des Moines, Iowa

Date: March 12, 2014
10:00 AM, CT

RE: $16,240,000* Sewer Revenue Capital Loan Notes, Series 2014B (the "Notes")

For all or none of the Notes, in accordance with the TERMS OF OFFERING, we will pay you not less than $________________________ (minimum of $16,110,080) plus accrued interest to date of delivery for fully registered Notes bearing interest rates and maturing in the stated years as follows:

| Coupon | Maturity | Coupon | Maturity |
|---|---|---|---|
| __________ | 2015 | __________ | 2020 |
| __________ | 2016 | __________ | 2021 |
| __________ | 2017 | __________ | 2022 |
| __________ | 2018 | __________ | 2023 |
| __________ | 2019 | | |

* Preliminary; subject to change. The aggregate principal amount of the Notes, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of $5,000 but the total amount to be issued will not exceed $18,000,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Notes is adjusted as described above. Any change in the principal amount of any maturity of the Notes will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of the Note's principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

We hereby designate that the following Notes to be aggregated into term notes maturing on June 1 of the following years and in the following amounts (leave blank if no term notes are specified):

| Years Aggregated | Maturity Year | Aggregate Amount |
|---|---|---|
| _______ through _______ | ______________ | ______________ |
| _______ through _______ | ______________ | ______________ |
| _______ through _______ | ______________ | ______________ |
| _______ through _______ | ______________ | ______________ |
| _______ through _______ | ______________ | ______________ |

In making this offer we accept all of the terms and conditions of the TERMS OF OFFERING published in the Preliminary Official Statement dated February 24, 2014. In the event of failure to deliver the Notes 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. 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 the dated date of April 23, 2014)

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 12th day of March 2014.

Attest: ______________________________________________ By: ____________________________________________

Title: _______________________________________________ Title: __________________________________________