

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

**CITY COUNCIL COMMUNICATION 97-219
APRIL 21, 1997 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
SALE OF \$14,450,000 GENERAL OBLIGATION BONDS, SERIES 1997B	◆ RESOLUTION ORDINANCE RECEIVE/FILE	KEVIN RIPER FINANCE DIRECTOR

SYNOPSIS —

On April 7, the City Council passed a resolution calling for the sale of \$14,450,000 General Obligation (GO) Bonds, Series 1997B. The Bonds are being sold to fund a significant portion of the 1997-98 CIP.

FISCAL IMPACT —

The GO Bonds will be repaid from ad valorem property taxes and to a lesser degree tax increment income. The city solicited proposals through a national mailing of official statements, and various other notices in national bond publications and wire services. The City received bids from nine (9) national and regional investment banking syndicates. The best and lowest bid was from Bear-Stearns in joint venture with Smith Barney at a true interest rate of 5.5333 percent. The balance of the bidding was as follows:

<u>Name</u>	<u>Net Interest Cost</u>	<u>True Interest Rate</u>
1. Bear-Stearns/Smith Barney	\$9,487,363	5.5333%
2. Goldman Sachs	9,498,470	5.5442
3. Piper, Jaffray	9,484,878	5.5482
4. Interstate/Johnson	9,549,212	5.5678
5. Harris Trust	9,552,417	5.5736
6. Dain-Bosworth	9,547,958	5.5800
7. Hutchinson, Schodzky	9,576,927	5.59096
8. Merrill-Lynch	9,576,240	5.5976
9. First American	9,647,000	5.6310

Pre-Sale Estimate (4-7-97) 5.704%

Summary of bids with additional analysis
is attached.

RECOMMENDATION —

Staff, bond counsel, and financial advisor have reviewed all bids for conformance with terms of sale and mathematical accuracy. City staff and financial advisor recommend award of the GO Bonds, Series 1997B to the joint manager syndicate of Bear-Stearns/Smith Barney at a true interest rate of 5.5333 percent, which has been determined to be the lowest and best bid submitted.

BACKGROUND —

The GO Bonds will fund a portion of the City's 1997 CIP. The major projects to be funded with bond proceeds include:

- Firefighting equipment acquisition (\$600,000)
- Abandoned housing demolition (\$400,000)
- Citywide information and communication system (\$1,000,000)
- Bike trails (\$250,000)
- Blank Park Zoo projects (\$250,000)
- Neighborhood park improvements (\$300,000)
- Park infrastructure (\$225,000)
- Swimming pool renovation (\$250,000)
- Sidewalks and Downtown Skywalk System (\$390,000)
- Citywide paving in neighborhoods (\$1,394,000)
- Concrete median island replacement (\$300,000)
- Concrete paving restoration (\$500,000)
- Merle Hay & Meredith intersection (\$285,000)
- S.E. Indianola—Army Post Road (\$562,000)
- Traffic signals (\$463,000)
- Neighborhood Finance Corporation (\$1,000,000; non-CIP)
- Public Housing (\$290,000; non-CIP)

Structure of the bond issue is consistent with the City's debt management policies. Principal and interest will be funded through a combination of ad valorem tax levy and tax increment. Bond closing is scheduled for early June.

The bonds were assigned an AA+ rating from Standard & Poor's, with a negative credit-rating outlook; and an Aa3 rating from Moody's with a stable credit-rating outlook. This is shown on the last page, attached.

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SPRINGSTED*Public Finance Advisors***\$14,500,000****CITY OF DES MOINES, IOWA****GENERAL OBLIGATION BONDS, SERIES 1997B****AWARD:**

**BEAR, STEARNS & CO., INC.
SMITH BARNEY
PAINWEBBER INCORPORATED
And Associates**

SALE:**April 21, 1997**

**Moody's Rating: Aa3
Standard & Poor's Rating: AA+**

Bidder	Interest Rates	Price	Net Interest Cost	True Interest Rate
BEAR, STEARNS & CO., INC.	5.10% 1999-2007	\$14,316,430.50	\$9,487,363.25	5.5333%
SMITH BARNEY	5.20% 2008			
PAINWEBBER INCORPORATED	5.30% 2009			
Dean Witter Reynolds Incorporated	5.40% 2010			
EVEREN Securities, Inc.	5.50% 2011-2012			
	5.625% 2013-2016			
GOLDMAN, SACHS & CO.	5.00% 1999-2006	\$14,296,605.00	\$9,496,470.00	5.5422%
Craigie Inc.	5.25% 2007-2009			
Fleet Securities	5.50% 2010-2011			
William E. Simon & Sons, Municipal	5.60% 2012-2016			
Sterne, Agee & Leach, Inc.				
PIPER JAFFRAY INC.	5.20% 1999-2006	\$14,291,509.25	\$9,484,878.25	5.5482%
A.G. EDWARDS & SONS, INCORPORATED	5.30% 2007			
ROBERT W. BAIRD & COMPANY, INCORPORATED	5.35% 2008			
	5.40% 2009			
	5.45% 2010			
	5.50% 2011-2016			

(Continued)

Bidder	Interest Rates	Price	Net Interest Cost	True Interest Rate
INTERSTATE/JOHNSON LANE CORPORATION	4.75% 1999	\$14,291,050.00	\$9,549,212.50	5.5678%
	5.00% 2000-2006			
	5.10% 2007-2009			
	5.50% 2010			
	5.55% 2011			
	5.60% 2012			
	5.65% 2013			
	5.70% 2014-2015			
	5.75% 2016			
HARRIS TRUST & SAVINGS BANK	4.50% 1999	\$14,292,894.75	\$9,552,417.75	5.5736%
NORWEST INVESTMENT SERVICES, INC.	4.70% 2000			
Banc One Capital Corporation	4.80% 2001			
Bank of Oklahoma	4.90% 2002			
Boatmen's National Bank of St. Louis	5.00% 2003			
Commerce Bank of Kansas City, N.A.	5.05% 2004			
Douglas & Co. Municipals, Inc.	5.10% 2005			
FBS Investment Services, Inc.	5.15% 2006			
Ferris, Baker Watts, Inc.	5.25% 2007			
Isaak Bond Investments, Inc.	5.35% 2008			
Josephthal, Lyon & Ross, Inc.	5.40% 2009			
Mark Twain Bank	5.50% 2010			
Northern Trust Securities, Inc.	5.55% 2011			
Old Kent Bank - Chicago	5.60% 2012-2014			
Roosevelt & Cross, Inc.	5.65% 2015-2016			
Ruan Securities Corporation				
Securities Corporation of Iowa				
R. Seelaus & Co, Inc.				
Stern Brothers & Co.				
Wachovia Bank of North Carolina, N.A.				
A.H. Williams & Company				
DAIN BOSWORTH INCORPORATED	5.25% 1999-2007	\$14,302,466.25	\$9,547,958.75	5.5800%
GRIFFIN, KUBIK, STEPHENS & THOMPSON, INC.	5.30% 2008			
	5.40% 2009			
ABN AMRO CHICAGO CORPORATION	5.50% 2010-2013			
FIRST CHICAGO CAPITAL MARKETS, INC.	5.60% 2014-2016			
FIDELITY CAPITAL MARKETS				
Hanifen Imhoff Inc.				
Oppenheimer & Co., Inc.				
Gruntal & Co., Inc.				
HUTCHINSON, SHOCKEY, ERLEY & COMPANY	5.25% 1999-2006	\$14,315,535.25	\$9,576,927.25	5.5909%
	5.30% 2007-2008			
MORGAN KEEGAN & CO., INC.	5.40% 2009			
FIRST ALBANY CORPORATION	5.45% 2010			
Coastal Securities	5.50% 2011-2013			
Fitzgerald, Davis & Associates	5.60% 2014			
Principal Financial Securities Inc.	5.70% 2015-2016			

(Continued)

Bidder	Interest Rates	Price	Net Interest Cost	True Interest Rate
MERRILL LYNCH & CO. William Blair & Company	5.25% 1999-2007	\$14,292,403.25	\$9,576,240.50	5.5976%
	5.30% 2008			
	5.375% 2009			
	5.40% 2010			
	5.50% 2011-2012			
	5.60% 2013			
	5.625% 2014-2016			
FIRST OF AMERICA SECURITIES	5.10% 1999-2005	\$14,291,050.00	\$9,647,093.75	5.6310%
	5.15% 2006			
	5.25% 2007			
	5.30% 2008			
	5.40% 2009			
	5.50% 2010			
	5.60% 2011			
	5.625% 2012-2013			
	5.70% 2014-2015			
	5.75% 2016			

REOFFERING SCHEDULE OF THE PURCHASER

Rate	Year	Yield
5.10%	1999	4.35%
5.10%	2000	4.55%
5.10%	2001	4.65%
5.10%	2002	4.75%
5.10%	2003	4.85%
5.10%	2004	4.95%
5.10%	2005	5.05%
5.10%	2006	5.15%
5.10%	2007	NRO
5.20%	2008	5.30%
5.30%	2009	5.40%
5.40%	2010	5.50%
5.50%	2011	NRO
5.50%	2012	NRO
5.625%	2013	NRO
5.625%	2014	NRO
5.625%	2015	NRO
5.625%	2016	NRO

BBI: 5.87%
Average Maturity: 11.89 Years

April 21, 1997

MUNICIPAL BOND RATINGS

STANDARD & POORS

MOODY'S

AAA

AA+

AA

AA-

A+

A

A-

BBB+

BBB

BBB-

Aaa

Aa1

Aa2

Aa3

A1

A

Baa1

Baa

Ba1

**Des Moines
GENERAL OBLIGATION
BONDS***

**Below investment grade,
i.e., "junk bonds"**

*Note: Standard & Poor's rating outlook for the City is "negative". Moody's rating outlook for the City is "stable".