

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 97-220
APRIL 21, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
DIRECT SALE OF \$3,150,000 SEWER REFUNDING BONDS, SERIES 1997C	◆ RESOLUTION ORDINANCE RECEIVE/FILE	KEVIN RIPER FINANCE DIRECTOR

SYNOPSIS —

Competitive bids were received at 11 AM, April 21, 1997 from seven syndicates representing national and regional investment banking firms. These Bonds refund the 1987 Series of Sewer Revenue Bonds. This Resolution awards the bonds based upon the lowest interest rate.

FISCAL IMPACT —

Savings will result in all years subsequent to the call of the old bonds on June 1, 1997. The net savings resulting from the refunding total \$4,401,341 over the remaining term of the bonds. The annual debt service savings approximate \$310,000. The City received seven (7) bids on the Sewer Revenue Bonds. The following is a summary of those bids:

<u>Syndicate Manager</u>	<u>Net Interest Cost</u>	<u>True Interest Rate</u>
1. Bear-Stearns/Smith Barney	14,362,442	5.3916%
2. Dain Bosworth	14,792,981	5.4210
3. Merrill Lynch	14,773,769	5.4220
4. Interstate/Johnson	14,784,756	5.4256
5. Hutchinson, Schodzky	14,802,972	5.43771
6. Piper Jaffray	14,825,495	5.4429
7. Goldman Sachs	14,841,899	5.4451
Pre-Sale Estimate (4-7-97)		5.4671

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 Sewer Revenue Refunding Bonds, Series 1997C to the investment banking syndicate headed by Bear-Stearns of New York whose true interest cost bid of 5.3915 percent has been determined to be the lowest.

BACKGROUND --

The Series 1997C Sewer Revenue Refunding Bond proceeds will be used to call the 1987 Sewer Revenue Bonds that are outstanding at a true interest rate of 7.09 percent. A summary of the refunding analyses is attached. So is a fax-copy reprint of Standard & Poor's rating of the underlying credit worthiness of the City's Sewer Enterprise Fund. S & P has assigned a very strong AA rating to all the revenue bonds of the Sewer Enterprise Fund. (For this particular refunding, the City also purchased municipal bond insurance, at a very attractive price, from Financial Guaranty Insurance Company, in order to maximize the savings. With the insurance, the Series 1997C bonds are rated AAA by S & P, and Aaa by Moody's.)

Attachment

ID: PFT

TIK:

HEADLINE: S&P Rts Des Moines, Iowa's Swr Rev Refdg Ends AA SPUR
 NY -- Standard & Poor's CreditWire 4/18/97 -- Standard &
 Poor's today has assigned its double-'A' underlying rating to Des
 Moines, Iowa's \$30.3 million sewer revenue refunding bonds series
 1997C due June 1 and Dec. 1, 1999-2012.

rating reflects the following strengths:

- A stable and diverse economy,
- Sound financial performance, and
- Competitive rates which lend flexibility for any future
 rate increases.

These strengths are offset by a reliance upon smaller
 residential based communities for 28% of revenues, and marginal
 treatment capacity.

Des Moines, the state capital, serves as the industrial,
 commercial, financial, and transportation center of Iowa. Polk
 County population (349,560) has grown 5% since 1991. County
 unemployment is low at 2.4% as compared to the state and national
 averages of 3.7% and 5.6%. The county's median household
 effective buying income is 121% of the state and 109% of the U.S.
 levels.

The city and several surrounding communities form the
 Wastewater Reclamation Authority, formerly known as the Des
 Moines Integrated Community Area (ICA). Under the ICA agreement,
 Des Moines serves as the operating agency for the regional
 wastewater treatment facility responsible for its design,
 construction, and operation. On behalf of the communities, Des
 Moines may issue debt for facility construction and improvements.
 In turn, each community is responsible for paying Des Moines its
 pro rata share of costs and debt service. Treatment capacity is
 marginal as seen by average flows of 50.3 millions of gallons per
 day (mgd) and peak flows of 97.4 mgd being hardly met by average
 capacity of 97 mgd. Plans are underway to increase capacity to
 125 mgd (average) and 220 mgd (peak) to meet rising flows. The
 system is in compliance with all regulatory requirements. Rates
 are competitive with an average monthly residential bill of \$20
 per 8,000 gallons. Rates have flexibility and are expected to
 remain competitive even with possible 5% increases per year, 1998
 through 2003.

Financial performance is healthy with future maximum annual
 debt service coverage of 1.5 times utilizing 1996 revenues. Debt
 levels are moderate with an equity level of 62%. No additional
 debt is planned and improvements are expected to be funded with
 available revenues. Liquidity is healthy with unrestricted cash
 and investments representing almost one and half years' operating
 expenses.

OUTLOOK: Stable.

The outlook reflects the sustenance of the stable economic
 base, healthy financial margins, and implementation of increased

treatment capacity, Standard & Poor's said. -- CreditWire

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Des Moines, Iowa
 Revenue Refunding Bonds, Series 1997

Prepared: 04/21/97
 By SPRINGSTED Incorporated

Current Refunding Summary

Partial Current Refunding of Sewer Revenue Bonds of 1987	
Even Annual Debt Service Structure	
Refunding Bond Rating:	Aaa (Insured)

Date of Bonds:	05/01/97
Delivery Date:	05/08/97
Refunded Call:	06/01/97
1st Callable:	06/01/98

Refunding Delivery Date Sources / Uses	
Sources of Funds on:	05/08/97
Refunding Principal:	30,150,000.00
Accrued Interest:	30,710.56
Old Bond Reserve:	3,279,677.50
Total Sources of Funds:	33,460,388.06
Uses of Funds on:	05/08/97
New Bond Reserve:	2,976,650.00
Discount @ \$9.43 :	284,366.99
Acc. Int. & Unused Disc:	30,710.56
Refunding Expenses:	219,000.00
Investment to Call Date:	29,949,660.51
Total Uses of Funds:	33,460,388.06

Refunded Bond Call Date Sources / Uses	
Sources of Funds on:	06/01/97
Invest. Proceeds Mature:	29,949,660.51
Inv. Earnings @ 4.00% :	76,538.02
Funds from Issuer:	
Total Sources of Funds:	30,026,198.53
Uses of Funds on:	06/01/97
Refunded Principal:	29,705,000.00
Refunded Call Premium:	297,050.00
Excess Proceeds:	24,148.53
Total Uses of Funds:	30,026,198.53

Refunded / Refunding Bond Comparison		
As of:	Refunded	Refunding
05/01/97	Statistics	Statistics
Principal:	29,705,000	30,150,000
Interest:	19,630,351	14,362,442
Bond Yrs:	277,050	273,213
Avg. Mat:	9.327	9.062
NIC:	7.09%	5.36%

Total Net Savings/Present Value Savings	
Future Savings:	4,649,509.51
Less Old Bond Reserve:	3,279,677.50
Plus A.I. & E.P. to D/S Fund:	54,859.09
Plus New Bond Reserve:	2,976,650.00
Total Net Savings:	4,401,341.10
Present Value Sav @ 5.30% :	2,931,681.84
As % of P.V. Refunded Int.:	20.15%

Des Moines, Iowa
 Revenue Refunding Bonds, Series 1997
 Annual Savings Analysis

Prepared: 04/21/99
 By SPRINGSTED Incorporated

Schedule E

Date (1)	Refunding Debt Service (2)	Non-Refunded Debt Service (3)	Total New Debt Service (4)	Existing Debt Service (5)	Savings or (Loss) (6)
06/01/97		2,200,275	2,200,275	2,200,275	
12/01/97					
06/01/98	2,961,017		2,961,017	3,275,800	314,783
12/01/98					
06/01/99	2,964,400		2,964,400	3,274,918	310,518
12/01/99					
06/01/2000	2,964,000		2,964,000	3,277,368	313,368
12/01/2000					
06/01/2001	2,959,700		2,959,700	3,277,938	318,238
12/01/2001					
06/01/2002	2,976,500		2,976,500	3,279,678	303,178
12/01/2002					
06/01/2003	2,963,100		2,963,100	3,276,528	313,428
12/01/2003					
06/01/2004	2,970,800		2,970,800	3,276,028	305,228
12/01/2004					
06/01/2005	2,973,300		2,973,300	3,277,478	304,178
12/01/2005					
06/01/2006	2,970,600		2,970,600	3,278,288	307,688
12/01/2006					
06/01/2007	2,962,700		2,962,700	3,279,006	316,306
12/01/2007					
06/01/2008	2,974,600		2,974,600	3,279,394	304,794
12/01/2008					
06/01/2009	2,953,850		2,953,850	3,278,737	324,887
12/01/2009					
06/01/2010	2,976,650		2,976,650	3,276,325	299,675
12/01/2010					
06/01/2011	2,966,500		2,966,500	3,276,444	309,944
12/01/2011					
06/01/2012	2,974,725		2,974,725	3,278,025	303,300

Totals	44,512,442	2,200,275	46,712,717	51,362,226	4,649,510
Present Value Rate		5.2957%		Funds From Issuer	(3,279,678)
Present Value Savings:		2,931,682		Funds To Issuer	3,031,509
% of P.V. Ref. Int:		20.15%		Total Net Savings	4,401,341

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SPRINGSTED
Public Finance Advisors



\$30,300,000*

CITY OF DES MOINES, IOWA
SEWER REVENUE REFUNDING BONDS, SERIES 1997C
(BOOK ENTRY ONLY)

AWARD:

BEAR, STEARNS & CO., INC.
SMITH BARNEY
PAINWEBBER INCORPORATED
AND ASSOCIATES

SALE:

April 21, 1997

Moody's Rating: Aaa
Standard & Poor's Rating: AAA
FGIC Insured

Bidder	Interest Rates	Price	Net Interest Cost	True Interest Rate
BEAR, STEARNS & CO., INC.	5.20% 1998-2007	\$30,014,218.25	\$14,665,773.42	5.3916%
SMITH BARNEY	5.25% 2008			
PAINWEBBER INCORPORATED	5.30% 2009-2012			
Dean Witter Reynolds Incorporated EVEREN Securities, Inc.				
DAIN BOSWORTH INCORPORATED	5.00% 1998-2003	\$30,056,848.00	\$14,792,981.17	5.4210%
GRIFFIN, KUBIK, STEPHENS & THOMPSON, INC.	5.10% 2004			
ABN AMRO CHICAGO CORPORATION	5.125% 2005-2006			
FIRST CHICAGO CAPITAL MARKETS INC.	5.25% 2007			
FIDELITY CAPITAL MARKETS	5.30% 2008			
Hanifen, Imhof Inc. Oppenheimer & Co., Inc. Gruntal & Co., Inc.	5.40% 2009 5.50% 2010-2012			
MERRILL LYNCH & CO. Securities Corporation of Iowa William Blair & Company	5.00% 1998-2004 5.125% 2005 5.20% 2006-2007 5.25% 2008 5.35% 2009 5.375% 2010 5.50% 2011-2012	\$29,997,000.00	\$14,773,769.27	5.4220%

(Continued)

Bidder	Interest Rates	Price	Net Interest Cost	True Interest Rate
INTERSTATE/JOHNSON LANE CORPORATION	5.00% 1998-2002	\$29,997,000.00	\$14,784,756.25	5.4256%
	5.05% 2003			
	5.10% 2004-2006			
	5.20% 2007			
	5.25% 2008			
	5.30% 2009			
	5.40% 2010			
	5.55% 2012			
HUTCHINSON, SHOCKEY, ERLEY & COMPANY	5.25% 1998-2006	\$30,044,830.25	\$14,802,972.88	5.4377%
	5.30% 2007-2008			
	5.35% 2009-2010			
	5.375% 2011-2012			
MORGAN KEEGAN & CO., INC.				
FIRST ALBANY CORPORATION				
Coastal Securities				
Josephthal, Lyon & Ross, Inc.				
Fitzgerald, Davis & Associates				
Mesirow Financial Inc.				
Principal Financial Securities Inc.				
PIPER JAFFRAY INC.	5.25% 1998-2006	\$30,067,982.85	\$14,825,495.28	5.4429%
	5.35% 2007			
	5.375% 2008-2012			
A.G. EDWARDS & SONS, INCORPORATED				
ROBERT W. BAIRD & COMPANY, INCORPORATED				
GOLDMAN, SACHS & CO.	5.00% 1998-2002	\$30,028,618.25	\$14,841,899.98	5.4451%
	5.125% 2003			
	5.25% 2004-2009			
	5.50% 2010-2012			
McDonald & Company Securities, Inc.				
William E. Simon & Sons				
Municipal Securities, Inc.				
Sterne, Agee & Leach, Inc.				

REOFFERING SCHEDULE OF THE PURCHASER

Rate	Year	Yield
5.20%	1998	4.20%
5.20%	1999	4.40%
5.20%	2000	4.60%
5.20%	2001	4.70%
5.20%	2002	4.80%
5.20%	2003	4.90%
5.20%	2004	5.00%
5.20%	2005	5.10%
5.20%	2006	5.20%
5.20%	2007	5.25%
5.25%	2008	5.35%
5.30%	2009	5.45%
5.30%	2010	NRO
5.30%	2011	NRO
5.30%	2012	NRO

BBI: 5.87%
Average Maturity: 9.03 Years

* Subsequent to bid opening, the issue size was reduced to \$30,150,000. The 1998 and 1999 maturities were reduced by \$50,000 each and the 2000 and 2001 maturities were reduced by \$25,000 each.