

CITY COUNCIL
COMMUNICATION:

03-113

AGENDA:

MARCH 10, 2003

SUBJECT:

GENERAL
OBLIGATION
REFUNDING BONDS
(REFUNDING SERIES
1993B AND 1994A)

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

MERRILL R. STANLEY
FINANCE DIRECTOR

ITEM _____

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

SYNOPSIS —

Approving the Preliminary Official Statement and directing the Notice of Sale, for the issuance of General Obligation Refunding Bonds in an aggregate amount not to exceed \$21,340,000. This issuance will be used to call the General Obligation Bonds, Series 1993B and Series 1994A, and replace them with bonds issued at a lower interest rate, as a means of reducing interest expenses.

FISCAL IMPACT —

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

The new bonds would carry an estimated net interest cost of 3.8 percent as compared to an average rate of 5.75 percent on the outstanding bonds. Over the life of the bonds, the refinancing would result in an estimated total net present value savings of \$1,140,000.

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

RECOMMENDATION —

Approval.

BACKGROUND —

The General Obligation Bonds, Series 1993B, were originally issued in the amount of \$14,500,000, on May 24, 1993, to fund the City's FY1992-93 Capital Improvement Program. The General Obligation Bonds, Series 1994A, were originally issued in the amount of \$17,750,000, on May 23, 1994, to fund the City's FY1993-94 Capital Improvement Program. The City had initially planned to refund these bonds in January 2002, but due to a slight increase in interest rates at the time, the savings were insufficient to make the transaction economically justified. Since then, interest

	<p>rates have dropped, and the call dates have drawn nearer making it an opportune time to refund. The call date on the outstanding Series 1993B Bonds is June 1, 2003, and the call date on the outstanding Series 1994A Bonds is June 1, 2004.</p>
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