# CITY OF WEST DES MOINES
# CITY COUNCIL MEETING COMMUNICATION

**ITEM:** Additional Action on Proposal to Enter Into General Obligation Refunding Loan Agreement, Combining Loan Agreements, Setting Date of Sale for $12,935,000 General Obligation Bonds (Series 2019E), and Approval of Preliminary Official Statement

**DATE:** July 1, 2019

**FINANCIAL IMPACT:** Ultimate debt service amounts (principal and interest) are undetermined, pending interest rate bids received on Monday, July 15, 2019. Interest is estimated to range from 1.74% to 2.92% with an approximate all-in interest rate of 2.41%, with final maturity scheduled for June 1, 2031 (12 year bonds). Bonds due after June 1, 2027 will be subject to call for redemption prior to maturity on said date or any day thereafter. The refunding component of this issuance will result in net present value interest savings of approximately $110,000.

**BACKGROUND:** This action allows the sale of $12,935,000 of General Obligation Bonds (Series 2019E), to partially defray the costs of constructing a number of general CIP projects which were approved by City Council as part of the FY 19-20 budget. In addition, it has been identified that the City's Series 2011A General Obligation Bonds are in a positon to be refunded with a result of interest savings. Staff has factored the cost of the proposed issuance compared to the total amount of funds available through the debt service levy in order to maintain positive cash flow throughout the life of the bond issuance.

The resolution also approves a Preliminary Official Statement and authorizes its distribution. The Council is encouraged to review the Preliminary Official Statement as its preparation is subject to Federal Securities Law regulation. As such, the City must be certain that facts and representations are true and correct in all material respects, up to and including the date of the delivery of the bonds. A copy of the Preliminary Official Statement has previously been sent electronically to the Councilmembers and is available for review in the offices of the City Clerk and Finance Director.

On March 5, 2019, a series of public hearings were held to institute proceedings on the issuance of "not to exceed" $7.77 million Essential Corporate Purpose General Obligation Bonds and four separate "not to exceed" General Corporate Purpose General Obligation Bonds in amounts ranging from $655,000 to $700.000. Iowa Code Section 384.28 specifically permits the City to sell bonds for different projects together for market efficiency, once legal authority has been established through the required hearings, notices, and approvals. No comments were received at these public hearings

Earlier in this meeting (July 1, 2019), a public hearing was held to institute proceedings on the issuance of "not to exceed" $2.935 million General Obligation Refunding Bonds.

Bids will be received Monday, July 15, 2019, at 11:00am, and either staff or a representative of the City's Financial Advisory Firm, Public Financial Management (PFM), will report on the results to Council at its meeting scheduled for that same evening.

**RECOMMENDATION:** Adoption of Resolution on proposal to enter into General Obligation Refunding Loan Agreement, combining loan agreements, setting the date of sale for $12,935,000 General Obligation Bonds (Series 2019E), and approving the Preliminary Official Statement.

**Lead Staff Member:** **Tim Stiles, Finance Director**

**STAFF REVIEWS**

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|---|---|
| Department Director | |
| Appropriations/Finance | |
| Legal | |
| Agenda Acceptance | |

**PUBLICATION(S)** (if applicable)

| | |
|---|---|
| Published In | |
| Dates(s) Published | |

**SUBCOMMITTEE REVIEW** (if applicable)

| | | | |
|---|---|---|---|
| Committee | | | |
| Date Reviewed | | | |
| Recommendation | Yes | No | Split |

RESOLUTION NO. _____

Resolution taking additional action on proposal to enter into a Refunding Loan Agreement, combining Loan Agreements, setting the date for sale of General Obligation Corporate Purpose & Refunding Bonds, Series 2019E and authorizing the use of a preliminary official statement in connection therewith

WHEREAS, the City of West Des Moines (the "City"), in Dallas, Madison, Polk and Warren Counties, State of Iowa, heretofore proposed to enter into a loan agreement (the "Essential Purpose Loan Agreement"), pursuant to the provisions of Section 384.24A of the Code of Iowa, and to borrow money thereunder in a principal amount not to exceed $7,770,000 for the purpose of paying the costs, to that extent, of (1) constructing street, road, alley, sanitary sewer system, storm water drainage and sidewalk improvements; (2) acquiring and installing street and pedestrian traffic lighting and signalization improvements; and (3) improving and equipping existing municipal parks, and has published notice of the proposed action and has held a hearing thereon on February 19, 2019; and

WHEREAS, the City also proposed to enter into a loan agreement (the "General Purpose Loan Agreement #1"), pursuant to the provisions of Section 384.24A of the Code of Iowa, and to borrow money thereunder in a principal amount not to exceed $700,000 for the purpose of paying the costs, to that extent, of designing, acquiring and installing community entrance enhancements and welcome signs, and in lieu of calling an election upon such proposal, has published notice of the proposed action and has held a hearing thereon, and as of February 19, 2019, no petition had been filed with the City asking that the question of entering into the General Purpose Loan Agreement #1 be submitted to the registered voters of the City; and

WHEREAS, the City also proposed to enter into a loan agreement (the "General Purpose Loan Agreement #2"), pursuant to the provisions of Section 384.24A of the Code of Iowa, and to borrow money thereunder in a principal amount not to exceed $700,000 for the purpose of paying the costs, to that extent, of (1) constructing improvements and repairs to parking lots at municipal buildings and grounds; and (2) undertaking roof replacement for Fire/EMS Station #21, and in lieu of calling an election upon such proposal, has published notice of the proposed action and has held a hearing thereon, and as of February 19, 2019, no petition had been filed with the City asking that the question of entering into the General Purpose Loan Agreement #2 be submitted to the registered voters of the City; and

WHEREAS, the City also proposed to enter into a loan agreement (the "General Purpose Loan Agreement #3"), pursuant to the provisions of Section 384.24A of the Code of Iowa, and to borrow money thereunder in a principal amount not to exceed $685,000 for the purpose of paying the costs, to that extent, of (1) constructing and installing fueling system modifications at the Public Services facility; (2) installing air conditioning improvements at the Valley View Aquatic Center; and (3) undertaking roof replacement and exterior improvements at the Nature Lodge, and in lieu of calling an election upon such proposal, has published notice of the proposed action and has held a hearing thereon, and as of February 19, 2019, no petition had been filed with the City asking that the question of entering into the General Purpose Loan Agreement #3 be submitted to the registered voters of the City; and

WHEREAS, the City also proposed to enter into a loan agreement (the "General Purpose Loan Agreement #4"), pursuant to the provisions of Section 384.24A of the Code of Iowa, and to borrow money thereunder in a principal amount not to exceed $655,000 for the purpose of paying the costs, to that extent, of (1) undertaking the HVAC system replacement at the Nature Lodge; and (2) undertaking the replacement of the generator at the Municipal Library, and in lieu of calling an election upon such proposal, has published notice of the proposed action and has held a hearing thereon, and as of February 19, 2019, no petition had been filed with the City asking that the question of entering into the General Purpose Loan Agreement #4 be submitted to the registered voters of the City; and

WHEREAS, the City previously issued its $6,900,000 General Obligation Bonds, Series 2011A, dated August 10, 2011 (the "2011A Bonds"), a portion of which remain outstanding, maturing on June 1 in each of the years, and in such amounts, and bearing interest at such rates as follows:

| Year | Principal Amount | Interest Rate Per Annum | Year | Principal Amount | Interest Rate Per Annum |
|---|---|---|---|---|---|
| 2020 | $425,000 | 3.000% | 2023 | $470,000 | 3.250% |
| 2021 | $440,000 | 3.000% | 2024 | $485,000 | 3.500% |
| 2022 | $455,000 | 3.125% | 2025 | $500,000 | 3.500% |

; and

WHEREAS, pursuant to the resolution (the "2011A Bond Resolution") authorizing the issuance of the 2011A Bonds, the City reserved the right to prepay part or all of the 2011A Bonds maturing in each of the years 2020 to 2025 (the "Callable 2011A Bonds"), inclusive, prior to and in any order of maturity on June 1, 2019 or on any date thereafter, subject to the provisions of the 2011A Bond Resolution; and

WHEREAS, the City, pursuant to the provisions of Section 384.24A of the Code of Iowa, has also proposed to enter into a loan agreement (the "Refunding Loan Agreement") and to borrow money thereunder in a principal amount not to exceed $2,935,000 for the purpose of paying the costs, to that extent, of current refunding the outstanding balance of the Callable 2011A Bonds, and pursuant to law and duly published notice of the proposed action, has held a hearing thereon on June 17, 2019; and

WHEREAS, pursuant to Section 384.28 of the Code of Iowa, the City Council intends to combine the Essential Purpose Loan Agreement, the General Purpose Loan Agreement #1, the General Purpose Loan Agreement #2, the General Purpose Loan Agreement #3, the General Purpose Loan Agreement #4, and the Refunding Loan Agreement into a single loan agreement (the "Loan Agreement") and to issue General Obligation Corporate Purpose & Refunding Bonds, Series 2019E (the "Bonds") in evidence of its obligations thereunder; and

WHEREAS, a Preliminary Official Statement (the "P.O.S.") has been prepared to facilitate the sale of the Bonds to be issued in evidence of the obligation of the City under the Loan Agreement, and it is now necessary to make provision for the approval of the P.O.S. and to authorize its use by PFM Financial Advisors LLC (the "Financial Advisor"); and

WHEREAS, it is now necessary to set the date for the sale of the Bonds and to make provision for the advertisement thereof;

NOW, THEREFORE, Be It Resolved by the City Council of the City of West Des Moines, Iowa, as follows:

Section 1. The Essential Purpose Loan Agreement, the General Purpose Loan Agreement #1, the General Purpose Loan Agreement #2, the General Purpose Loan Agreement #3, the General Purpose Loan Agreement #4, and the Refunding Loan Agreement are hereby combined into the Loan Agreement. The City Council hereby determines to enter into the Loan Agreement in the future and orders that the Bonds be issued at such time, in evidence thereof. The City Council further declares that this resolution constitutes the "additional action" required by Section 384.24A of the Code of Iowa.

Section 2. The City Clerk and Finance Director are hereby authorized to take such action as shall be deemed necessary and appropriate, with the assistance of the Financial Advisor and Dorsey & Whitney LLP (the "Disclosure Counsel"), as the City's disclosure counsel, to prepare the P.O.S. describing the Bonds and providing for the terms and conditions of their sale, and all action heretofore taken in this regard is hereby ratified and approved.

Section 3. The use by the Financial Advisor of the P.O.S. in substantially the form as has been presented to and considered by the City Council is hereby approved, and the Financial Advisor, together with Disclosure Counsel, is hereby authorized to prepare and use a final Official Statement for the Bonds substantially in the form of the P.O.S. but with such changes therein as are required to conform the same to the terms of the Bonds and the resolution, when adopted, providing for the sale and issuance of the Bonds, and the Finance Director is hereby authorized and directed to execute a final Official Statement for the Bonds, if requested by the Financial Advisor or Disclosure Counsel. The P.O.S. as of its date is deemed final by the City within the meaning of Rule 15(c)(2)-12 of the Securities and Exchange Commission.

Section 4. Sealed bids for the purchase of the Bonds shall be submitted, as set forth in the P.O.S., received and canvassed on behalf of the City until 11:00 a.m. on July 15, 2019, at the office of the City Clerk, at the City Hall, in the City, and the City Council shall meet on the same date at 5:30 p.m., at the City Hall, 4200 Mills Civic Parkway, P.O. Box 65320, West Des Moines, Iowa 50265, West Des Moines, Iowa, for the purpose of considering such bids received and considering and passing a resolution providing for the award of the Bonds, and the Financial Advisor is hereby authorized and directed to disseminate the notice of said sale, in compliance with the Internal Revenue Service regulations governing "Issue Price" determinations, such notice to minimally contain information regarding Establishment of Issue Price set forth in the "Terms of Offering" attached to the P.O.S. and to be in such form as the Financial Advisor may deem to be appropriate.

Section 5. Pursuant to Section 75.14 of the Code of Iowa, the City Council hereby authorizes the use of electronic bidding procedures for the sale of the Bonds through PARITY®, and hereby finds and determines that the PARITY® competitive bidding system will provide reasonable security and maintain the integrity of the competitive bidding process and will facilitate the delivery of bids by interested parties under the circumstances of this bond sale.

Section 6. All resolutions or parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 7. This resolution shall be in full force and effect immediately upon its adoption and approval, as provided by law.

Passed and approved July 1, 2019.

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Mayor

Attest:

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City Clerk