Moody's Investors Service

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New Issue: Des Moines (City of) IA

MOODY'S ASSIGNS Aa2 RATING TO THE CITY OF DES MOINES' (IA) GO BONDS SERIES 2009E, SERIES 2009F AND SERIES 2009G

Aa2 RATING APPLIES TO $361.6 MILLION OF POST-SALE GOULT DEBT

Municipality
IA

Moody's Rating

ISSUE		RATING
General Obligation Bonds, Series 2009E		Aa2
Sale Amount	$19,600,000	
Expected Sale Date	06/03/09	
Rating Description	General Obligation	
General Obligation Bonds, Series 2009F (Urban Renewal)		Aa2
Sale Amount	$3,055,000	
Expected Sale Date	06/03/09	
Rating Description	General Obligation	
General Obligation Bonds, Taxable Series 2009G		Aa2
Sale Amount	$3,115,000	
Expected Sale Date	06/03/09	
Rating Description	General Obligation	

Opinion

NEW YORK, May 27, 2009 -- Moody's Investors Service has assigned a Aa2 rating to the City of Des Moines' (IA) $19.6 million General Obligation Bonds, Series 2009E, $3.1 million General Obligation Bonds, Series 2009F and $3.1 million General Obligation Bonds, Taxable Series 2009G. Concurrently, Moody's has affirmed the Aa2 rating on the city's outstanding general obligation debt, affecting $335.8 million. All three series are secured by the city's general obligation unlimited tax pledge and will address projects outlined in the city's capital improvement plan. The high-quality Aa2 rating reflects the city's diverse economy with steady economic performance and important role in the state economy; satisfactory financial operations with stable reserve levels; and above-average yet manageable debt profile.

DIVERSE ECONOMY DRIVEN BY GROWING INSURANCE AND FINANCIAL SERVICES SECTORS

Moody's expects the city's tax base to continue to grow at an above average rate due to the stable nature of the economy and a progressive economic development plan. The Des Moines economy is anchored by the city's role as state capital and is complemented by a diverse business environment that includes financial, insurance, health care and manufacturing concerns. Full valuation remains substantial at $10.7 billion in 2008, with the tax base experiencing steady overall growth of 4.4% over the last five years. Future growth is expected to be sound, based on the city's far-reaching economic development plan, remaining land open for development, and potential for continued annexation. Despite nation-wide recessionary pressure, officials report that local construction projects are moving forward such as the $194 million Wellmark Blue Cross Blue Shield downtown headquarters building, the Riverpoint West mixed use housing and office project valued at $180 million, and a downtown tram project to promote dense downtown urban development.

The variety of employment opportunities within the city has contributed to a relatively level population since 1990 and unemployment remains comparatively low at 6.4% (as of February 2009). Principal Financial Group, the city's third largest employer with over 9,000 employees, has announced layoffs, of over 350 positions in 2009. Workforce reductions among other major employers total approximately 200 since December 2008. City wealth indices approximate state levels, with per capita and median family income at 98.9% and 97.1% of state figures, respectively.

SATISFACTORY FINANCIAL OPERATIONS WITH ADEQUATE RESERVES EXPECTED TO BE MAINTAINED

Moody's believes that the city's somewhat narrow, though satisfactory financial operations will be maintained due to prudent financial management and ample revenue raising flexibility. The city completed fiscal 2008 with near balanced operations, posting a General Fund balance of $15.1 million, or an adequate 11.3% of General Fund revenues. Of this amount, $10.9 million (or 8.2% of General Fund revenues) remains undesignated. The city reports a balanced budget for fiscal 2009 that includes a $250,000 contingency line item that thus far has not been tapped. The city intends to add to its current reserves, with the goal of attaining 10% undesignated reserves within the General Fund. In addition, although the city is taxing at its General Fund levy limit of $8.10, it retains approximately $17.5 million of revenue-raising flexibility through utility franchise fees, gaming revenues, and its ability to transfer expenditures from the General Fund levy to various other levies, including Trust & Agency Levy, which levies property taxes without limitation as to rate or amount, and by utilizing a $.27 Emergency Levy to support General Fund operations. Moody's believes that management has demonstrated strong budgeting and prudent planning practices, adding an additional level of security to the credit's profile, and would expect such practices to continue into the future.

ABOVE AVERAGE DEBT LEVELS WITH FUTURE DEBT EXPECTED

Both Des Moines' direct and overall debt levels are above average at 3.4% and 4.4%, respectively. Favorably, approximately 35% of debt service requirements are supported by non-levy sources, such as solid waste, tax increment, and airport revenues. In addition, the city currently utilizes its $5 million annual gaming revenues to support capital projects which should mitigate the city's debt burden going forward. Principal amortization is above average with 73.5% of outstanding obligations retired within ten years.

The city expects to issue approximately $29 million annually in general obligation bonds over the next six years for various capital improvements and in the fall of 2009 will issue $24 million in stormwater revenue bonds and $10 million in sewer revenue bonds. Given current above-average debt levels, an increasing debt burden could result in a highly leveraged tax base. However, Moody's believes the city debt profile will remain manageable due to rapid amortization, additional non-levy revenue support, and expected valuation growth.

KEY STATISTICS

2000 Census population: 198,682

2008 Full valuation: $10.7 billion

Full value per capita: $54,358

2000 Median family income as % of state: 97%

2000 Per capita income as % of state: 98%

Des Moines unemployment rate (2/09): 6.4%

Overall debt burden: 4.4% (3.4% direct)

Principal amortization (10 years): 73.5%

Fiscal 2008 General Fund Balance: $15.1 million (11.3% of General Fund revenues)

Fiscal 2008 Unreserved General Fund Balance: $10.9 million (8.2% of General Fund revenues)

Post-sale general obligation debt outstanding: $361.6 million

The principal methodology used in rating the current issue was "Local Government General Obligation and Related Ratings," which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Index of Special Reports - U.S. Public Finance. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action with respect to the City of Des Moines was on February 4, 2009 when the underlying rating of Aa2 was affirmed.

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