

COUNCIL ACTION FORM

SUBJECT: RESOLUTION APPROVING OFFICIAL STATEMENT FOR GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2014, SETTING DATE OF SALE FOR AUGUST 26, 2014, AND AUTHORIZING ELECTRONIC BIDDING FOR THE SALE

BACKGROUND:

The 2014/15 budget includes General Obligation (G.O.) Bond funded capital improvement projects in the amount of \$9,840,000. The City Council held a public hearing on issuance of these bonds on March 4, 2014 as part of the budget process. Council action is now required to approve the official statement, set the date of sale for August 26, 2014, and authorize electronic bidding.

The Official Statement, or "Preliminary Official Statement", is the offering document for municipal securities, in preliminary form, which does not contain pricing information. The Statement provides several financial disclosures and information about the City. This "Preliminary Official Statement" is on file in the City Clerk's Office and can be viewed on the City's Website. Additionally Council is asked to approve electronic bidding as the method to provide a secure and highly competitive process for the sale of the bonds.

Projects to be funded by this bond issue include the following:

Street Improvements	\$ 6,884,750
Bridge Rehabilitation	180,000
Storm Sewer	300,000
Grant Avenue Paving (abated by special assessments)	2,175,250
Resource Recovery Improvements (abated by RR revenue)	300,000
	<hr/>
Subtotal	\$ 9,840,000
Issuance Cost / Allowance for Sale at Premium	145,000
	<hr/>
Total Debt Issue	\$ 9,985,000

ALTERNATIVES:

1. Adopt a resolution approving the Official Statement for General Obligation Corporate Purpose Bonds, Series 2014, setting the date of sale for August 26, 2014, and authorize electronic bidding for the sale.
2. Refer the Official Statement back to City staff for modifications.

MANAGER'S RECOMMENDED ACTION:

Issuance of these bonds is necessary in order to accomplish the City's approved capital improvements for the current fiscal year.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.

New Issue

Rating: Moody's Investors Service Application Made

In the opinion of Dorsey & Whitney LLP, Bond Counsel, according to present laws, rulings and decisions and assuming compliance with certain covenants, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) will be excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, provided, however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The City will designate the Bonds as "qualified tax-exempt obligations". See "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein for more information.

CITY OF AMES, IOWA

\$9,985,000* General Obligation Corporate Purpose Bonds, Series 2014

BIDS RECEIVED: Tuesday, August 26, 2014, 10:00 o'clock A.M., Central Time

AWARD: Tuesday, August 26, 2014, 7:00 o'clock P.M., Central Time

Dated: Date of Delivery (September 30, 2014)

Principal Due: June 1, as shown inside front cover

The \$9,985,000* General Obligation Corporate Purpose Bonds, Series 2014 (the "Bonds") are being issued pursuant to Division III of Chapter 384 of the Code of Iowa and a resolution to be adopted by the City Council of the City of Ames, Iowa (the "City"). The Bonds are being issued for the purpose of paying the cost of constructing improvements to streets, bridge and solid waste disposal facilities, the cost of flood mitigation and remediation. The purchaser of the Bonds agrees to enter into a loan agreement (the "Loan Agreement") with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Bonds are issued in evidence of the City's obligations under the Loan Agreement. The Bonds are general obligations of the City, for which the City will pledge to levy ad valorem taxes against all property within the City without limitation as to rate or amount.

The Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases may be made in book-entry-only form, in the principal amount of \$5,000 and integral multiples thereof. The purchaser will not receive certificates representing their interest in the Bonds purchased. The City's Treasurer as Registrar/Paying Agent (the "Registrar") will pay principal on the Bonds, payable annually on June 1, beginning June 1, 2015, and interest on the Bonds payable initially on June 1, 2015 and thereafter on each December 1 and June 1 to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursements to the beneficial owners of the Bonds as described herein. Interest and principal shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the Registrar as of the 15th day of the month next preceding the interest payment date (the "Record Date").

THE BONDS WILL MATURE AS LISTED ON THE INSIDE FRONT COVER

MINIMUM BID:	\$9,895,135
GOOD FAITH DEPOSIT:	Required of Purchaser Only
TAX MATTERS:	Federal: Tax-Exempt State: Taxable See "TAX EXEMPTION AND RELATED CONSIDERATIONS" for more information.

The Bonds are offered, subject to prior sale, withdrawal or modification, when, as and if issued and subject to the unqualified approving legal opinion of Dorsey & Whitney LLP, Bond Counsel, Des Moines, Iowa, to be furnished upon delivery of the Bonds. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about September 30, 2014. The Preliminary Official Statement will be further supplemented by offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law or deemed appropriate by the City, shall constitute a Final Official Statement of the City with respect to the Bonds, as that term is defined in Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. The Bonds may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

CITY OF AMES, IOWA

\$9,985,000* General Obligation Corporate Purpose Bonds, Series 2014

Maturity of the Bonds due June 1:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2015	\$800,000	2021	\$870,000
2016	810,000	2022	895,000
2017	815,000	2023	925,000
2018	830,000	2024	950,000
2019	845,000	2025	685,000
2020	855,000	2026	705,000

***PRINCIPAL**

ADJUSTMENT:

Preliminary; subject to change. The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of \$5,000 but the total amount to be issued will not exceed \$10,000,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Bonds is adjusted as described above. Any change in the principal amount of any maturity of the Bonds will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of bond principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

REDEMPTION:

Bonds due after June 1, 2022 will be subject to call on said date or on any date thereafter upon terms of par plus accrued interest to date of call. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

INTEREST:

Interest on the Bonds will be payable on June 1, 2015 and semiannually thereafter.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure.

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to prospective bidders. Its primary purpose is to disclose information regarding the Bonds to prospective bidders in the interest of receiving competitive bids in accordance with the TERMS OF OFFERING contained herein. Unless an addendum is received prior to the sale, this document shall be deemed the “Near Final Official Statement”.

Review Period: This Preliminary Official Statement has been distributed to City staff as well as to prospective bidders for an objective review of its disclosure. Comments, omissions or inaccuracies must be submitted to Public Financial Management, Inc. (the “Municipal Advisor”) at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a bid received. If there are any changes, corrections or additions to the Preliminary Official Statement, prospective bidders will be informed by an addendum at least one business day prior to the sale.

Final Official Statement: Upon award of sale of the Bonds, the legislative body will authorize the preparation of a Final Official Statement that includes the offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, anticipated delivery date and other information required by law and the identity of the underwriter (the “Syndicate Manager”) and syndicate members. Copies of the Final Official Statement will be delivered to the Syndicate Manager within seven business days following the bid acceptance.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations, other than those contained in the Preliminary Official Statement. This Preliminary Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Preliminary Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Preliminary Official Statement and any addenda thereto were prepared relying on information from the City and other sources, which are believed to be reliable.

Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein.

Compensation of the Municipal Advisor, payable entirely by the City, is contingent upon the sale of the issue.

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City of Ames, Iowa

Mayor/City Council

<u>Member</u>	<u>Office</u>	<u>Initial Term Commenced</u>	<u>Term Expires</u>
Ann Campbell	Mayor	January 03, 2006	December 31, 2017
Gloria Betcher	Council Member – 1 st Ward	January 02, 2014	December 31, 2017
Tim Gartin	Council Member – 2 nd Ward	January 02, 2014	December 31, 2015
Peter Orazem	Council Member – 3 rd Ward	January 02, 2014	December 31, 2017
Chris Nelson	Council Member – 4 th Ward	January 02, 2014	December 31, 2017
Matthew Goodman	Council Member – At Large	January 01, 2004	December 31, 2015
Amber Corrieri	Council Member – At Large	January 02, 2014	December 31, 2017
Lissandra Villa	Ex-Officio		

Administration

Steven Schainker, City Manager
Duane Pitcher, Director of Finance
Diane Voss, City Clerk
Roger Wisecup II, City Treasurer
John Dunn, Director of Water and Pollution Control
John Joiner, Director of Public Works
Don Kom, Director of Electric Utility

City Attorney

Judy Parks
Ames, Iowa

Bond Counsel

Dorsey & Whitney LLP
Des Moines, Iowa

Municipal Advisor

Public Financial Management, Inc.
Des Moines, Iowa

TERMS OF OFFERING

CITY OF AMES, IOWA

Bids for the purchase of the City of Ames, Iowa's (the "City") \$9,985,000* General Obligation Corporate Purpose Bonds, Series 2014 (the "Bonds") will be received on Tuesday, August 26, 2014, before 10:00 o'clock A.M. Central Time after which time they will be tabulated. The City Council will consider award of the Bonds at 7:00 o'clock P.M. Central Time, on the same day. Questions regarding the sale of the Bonds should be directed to the City's Municipal Advisor, Public Financial Management, Inc., 801 Grand Avenue, Suite 3300, Des Moines, Iowa, 50309, or by telephoning 515-243-2600. Information can also be obtained from Mr. Duane Pitcher, Director of Finance, City of Ames, 515 Clark Avenue, Ames, Iowa, 50010, or by telephoning 515-239-5114. The following section sets forth the description of certain terms of the Bonds as well as the TERMS OF OFFERING with which all bidders and bid proposals are required to comply, as follows:

DETAILS OF THE BONDS

GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2014, in the principal amount of \$9,985,000* to be dated the date of delivery (September 30, 2014), in the denomination of \$5,000 or multiples thereof, will mature on June 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2015	\$800,000	2021	\$870,000
2016	810,000	2022	895,000
2017	815,000	2023	925,000
2018	830,000	2024	950,000
2019	845,000	2025	685,000
2020	855,000	2026	705,000

- * Preliminary; subject to change. The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of \$5,000 but the total amount to be issued will not exceed \$10,000,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Bonds is adjusted as described above. Any change in the principal amount of any maturity of the Bonds will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of bond principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

TERM-BOND OPTION

Bidders shall have the option of designating the Bonds as serial bonds or term bonds, or both. The bid must designate whether each of the principal amounts shown above represent a serial maturity or a mandatory redemption requirement for a term bond maturity. (See the OFFICIAL BID FORM for more information.) In any event, the above principal amount scheduled shall be represented by either serial bond maturities or mandatory redemption requirements, or a combination of both.

OPTIONAL REDEMPTION

Bonds due after June 1, 2022 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

INTEREST

Interest on the Bonds will be payable on June 1, 2015 and semiannually on the 1st day of December and June thereafter. Principal and interest shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding the interest payment date (the "Record Date"). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

GOOD FAITH DEPOSIT

A good faith deposit (the "Deposit") in the amount of \$99,850 for the Bonds is required of the lowest bidder only for the Bonds. The lowest bidder is required to submit such Deposit payable to the order of the City in the form of either (i) a cashier's check provided to the City or its Municipal Advisor prior to the opening of bids or (ii) a wire transfer as instructed by the City's Municipal Advisor not later than 12:00 o'clock P.M. Central Time on the day of sale of the Bonds. If not so received, the bid of the lowest bidder may be rejected and the City may direct the second lowest bidder to submit a Deposit and thereafter may award the sale of the Bonds to the same. No interest on a Deposit will accrue to the successful bidder (the "Purchaser"). The Deposit will be applied to the purchase price of the Bonds. In the event the Purchaser fails to honor its accepted bid, the Deposit will be retained by the City.

FORM OF BIDS AND AWARD

All bids shall be unconditional for the entire issue of Bonds for a price not less than \$9,895,135, plus accrued interest, and shall specify the rate or rates of interest in conformity to the limitations as set forth in the "BIDDING PARAMETERS" section. Bids must be submitted on or in substantial compliance with the OFFICIAL BID FORM provided by the City. The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (the "TIC") basis assuming compliance with the "GOOD FAITH DEPOSIT" section. The TIC shall be determined by the present value method, i.e., by ascertaining the semiannual rate, compounded semiannually, necessary to discount to present value as of the dated date of the Bonds, the amount payable on each interest payment date and on each stated maturity date or earlier mandatory redemption, so that the aggregate of such amounts will equal the aggregate purchase price offered therefore. The TIC shall be stated in terms of an annual percentage rate and shall be that rate of interest which is twice the semiannual rate so ascertained (also known as the Canadian Method). The TIC shall be as determined by the Municipal Advisor based on the TERMS OF OFFERING and all amendments, and on the bids as submitted. The Municipal Advisor's computation of the TIC of each bid shall be controlling. In the event of tie bids for the lowest TIC, the Bonds will be awarded by lot.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Bonds, (ii) reject all bids without cause and (iii) reject any bid which the City determines to have failed to comply with the terms herein.

BIDDING PARAMETERS

Each bidder's proposal must conform to the following limitations:

1. Each annual maturity must bear a single rate of interest from the dated date of the Bonds to the date of maturity.
2. Rates of interest bid must be in multiples of one-eighth or one-twentieth of one percent.
3. The initial price to the public for each maturity must be 98% or greater.

RECEIPT OF BIDS

Forms of Bids: Bids must be submitted on or in substantial compliance with the TERMS OF OFFERING and OFFICIAL BID FORM provided by the City or through PARITY[®] competitive bidding system (the "Internet Bid System"). The City shall not be responsible for malfunction or mistake made by any person, or as a result of the use of an electronic bid or the means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received.

No bid will be accepted after the time specified in the OFFICIAL BID FORM. The time as maintained by the Internet Bid System shall constitute the official time with respect to all bids submitted. A bid may be withdrawn before the bid deadline using the same method used to submit the bid. If more than one bid is received from a bidder, the last bid received shall be considered.

Sealed Bidding: Sealed bids may be submitted and will be received at the office of the Director of Finance, City Hall, 515 Clark Avenue, Ames, Iowa 50010.

Electronic Internet Bidding: Electronic internet bids must be submitted through the Internet Bid System. Information about the Internet Bid System may be obtained by calling 212-404-8102.

Each bidder shall be solely responsible for making necessary arrangements to access the Internet Bid System for purposes of submitting its internet bid in a timely manner and in compliance with the requirements of the TERMS OF OFFERING and OFFICIAL BID FORM. The City is permitting bidders to use the services of the Internet Bid System solely as a communication mechanism to conduct the Internet bidding and the Internet Bid System is not an agent of the City. Provisions of the TERMS OF OFFERING and OFFICIAL BID FORM shall control in the event of conflict with information provided by the Internet Bid System.

Electronic Facsimile Bidding: Electronic facsimile bids will be received at the office of the City's Municipal Advisor, Public Financial Management, Inc. (facsimile number: 515-243-6994). Electronic facsimile bids will be sealed and treated as sealed bids.

Electronic facsimile bids received after the deadline will be rejected. Bidders electing to submit bids via facsimile transmission bear full responsibility for the transmission of such bid. Neither the City nor its agents shall be responsible for malfunction or mistake made by any person, or as a result of the use of the facsimile facilities or any other means used to deliver or complete a bid. The use of such facilities or means is at the sole risk of the prospective bidder who shall be bound by the terms of the bid as received. Neither the City nor its agents will assume liability for the inability of the bidder to reach the above named facsimile numbers prior to the time of sale specified above. Time of receipt shall be the time recorded by the facsimile operator receiving the bids.

BOOK-ENTRY-ONLY ISSUANCE

The Bonds will be issued by means of a book-entry-only system with no physical distribution of bond certificates made to the public. The Bonds will be issued in fully registered form and one bond certificate, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the Registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The Purchaser, as a condition of delivery of the Bonds, will be required to deposit the bond certificates with DTC.

MUNICIPAL BOND INSURANCE AT PURCHASER’S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefore at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the Purchaser. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the Purchaser, except that, if the City has requested and received a rating on the Bonds from a rating agency, the City will pay that initial rating fee. Any other rating agency fees shall be the responsibility of the Purchaser. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to the Purchaser shall not constitute cause for failure or refusal by the Purchaser to accept delivery on the Bonds. The City reserves the right in its sole discretion to accept or deny changes to the financing documents requested by the insurer selected by the Purchaser.

DELIVERY

The Bonds will be delivered to the Purchaser through DTC in New York, New York, against full payment in immediately available cash or federal funds. The Bonds are expected to be delivered within forty-five days after the sale. Should delivery be delayed beyond sixty days from the date of sale for any reason except failure of performance by the Purchaser, the Purchaser may withdraw their bid and thereafter their interest in and liability for the Bonds will cease. When the Bonds are ready for delivery, the City will give the Purchaser five working days notice of the delivery date and the City will expect payment in full on that date; otherwise reserving the right at its option to determine that the Purchaser failed to comply with the offer of purchase.

INFORMATION FROM PURCHASER

The Purchaser will be required to certify to the City immediately after the opening of bids: (i) the initial public offering price of each maturity of the Bonds (not including sales to bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds (not less than 10% of each maturity) were sold to the public; or (ii) if less than 10% of any maturity has been sold, the price for that maturity determined as of the time of the sale based upon the reasonably expected initial offering price to the public; and (iii) that the initial public offering price does not exceed the fair market value of the Bonds on the sale date. The Purchaser will also be required to provide a certificate at closing confirming the information required by this paragraph.

OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Bonds. The Preliminary Official Statement will be further supplemented by offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, anticipated delivery date and underwriter, together with any other information required by law or deemed appropriate by the City, shall constitute a Final Official Statement of the City with respect to the Bonds, as that term is defined in Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). By awarding the Bonds to any underwriter or underwriting syndicate submitting an OFFICIAL BID FORM therefore, the City agrees that, no more than seven (7) business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 20 copies of the Final Official Statement to permit each "Participating Underwriter" (as that term is defined in the Rule) to comply with the provisions of the Rule. The City shall treat the senior managing underwriter of the syndicate to which the Bonds are awarded as its designated agent for purposes of distributing copies of the Final Official Statement to the Participating Underwriter. Any underwriter executing and delivering an OFFICIAL BID FORM with respect to the Bonds agrees thereby that if its bid is accepted by the City, (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

CONTINUING DISCLOSURE

In order to assist bidders in complying with paragraph (b)(5) of the Rule, the City will undertake, pursuant to the resolutions for the Bonds and the Continuing Disclosure Certificate for the Bonds, to provide certain annual financial information and notices of the occurrence of certain material events. A description of these undertakings is set forth in APPENDIX C of this Preliminary Official Statement. The City will deliver the Continuing Disclosure Certificate at closing, and any failure on the part of the City to deliver the same shall relieve the Purchaser(s) of its obligation to purchase the Bonds.

In regard to the City's general obligation debt, the City has complied in all material respects with its annual continuing disclosure undertakings entered into under the Rule during the last five years. In regard to the City's and the Mary Greeley Medical Center's (the "Medical Center") hospital revenue debt, the Medical Center is currently compliant in all material respects with its continuing disclosure undertakings entered into under the Rule. However, the Medical Center inadvertently failed to timely file required reports for the quarters ended June 30, 2010, September 30, 2010, and June 30, 2011, each of which were posted to the MSRB's EMMA site within three days of the date required. The Medical Center has since filed quarterly reports in a timely manner.

Breach of the disclosure undertakings will not constitute a default or an "Event of Default" under the Bonds or the resolution for the Bonds. A broker or dealer is to consider a known breach of the disclosure undertakings, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the City to observe the disclosure undertakings may adversely affect the transferability and liquidity of the Bonds and their market price.

CUSIP NUMBERS

It is anticipated that Committee on Uniform Security Identification Procedures ("CUSIP") numbers will be printed on the Bonds and the Purchaser must agree in the bid proposal to pay the cost thereof. In no event will the City, Bond Counsel or Municipal Advisor be responsible for the review or express any opinion that the CUSIP numbers are correct. Incorrect CUSIP numbers on said Bonds shall not be cause for the Purchaser to refuse to accept delivery of said Bonds.

BY ORDER OF THE CITY COUNCIL
Diane Voss, City Clerk
City of Ames, Iowa
515 Clark Avenue
Ames, Iowa 50010

SCHEDULE OF BOND YEARS

\$9,985,000*

City of Ames, Iowa

General Obligation Corporate Purpose Bonds, Series 2014

Bonds Dated: September 30, 2014
Interest Due: June 1, 2015 and each December 1 and June 1 to maturity
Principal Due: June 1, 2015-2026

<u>Year</u>	<u>Principal</u> *	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
2015	\$800,000	535.56	535.56
2016	810,000	1,352.25	1,887.81
2017	815,000	2,175.60	4,063.40
2018	830,000	3,045.64	7,109.04
2019	845,000	3,945.68	11,054.72
2020	855,000	4,847.38	15,902.10
2021	870,000	5,802.42	21,704.51
2022	895,000	6,864.15	28,568.67
2023	925,000	8,019.24	36,587.90
2024	950,000	9,185.97	45,773.88
2025	685,000	7,308.57	53,082.44
2026	705,000	8,226.96	61,309.40

Average Maturity (dated date): 6.140 Years

* Preliminary; subject to change.

PRELIMINARY OFFICIAL STATEMENT

CITY OF AMES, IOWA

\$9,985,000* General Obligation Corporate Purpose Bonds, Series 2014

INTRODUCTION

This Preliminary Official Statement contains information relating to the City of Ames, Iowa (the “City”) and its issuance of \$9,985,000* General Obligation Corporate Purpose Bonds, Series 2014 (the “Bonds”). This Preliminary Official Statement has been authorized by the City and may be distributed in connection with the sale of the Bonds authorized therein. Inquiries may be made to the City’s Municipal Advisor, Public Financial Management, Inc., 801 Grand Avenue, Suite 3300, Des Moines, Iowa, 50309, or by telephoning 515-243-2600. Information can also be obtained from Mr. Duane Pitcher, Director of Finance, City of Ames, 515 Clark Avenue, Ames, Iowa, 50010, or by telephoning 515-239-5114.

AUTHORITY AND PURPOSE

The Bonds are being issued for the purpose of paying the cost of constructing improvements to streets, bridge and solid waste disposal facilities, the cost of flood mitigation and remediation. The purchaser of the Bonds agrees to enter into a loan agreement (the “Loan Agreement”) with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The Bonds are issued in evidence of the City’s obligations under the Loan Agreement.

The estimated Sources and Uses of the Bonds are as follows:

Sources of Funds

Par Amount of Bonds	\$9,985,000.00*
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Uses of Funds

Deposit to Project Fund	\$9,840,000.00
Underwriter’s Discount	89,865.00
Cost of Issuance and Contingency	<u>55,135.00</u>
Total Uses	\$9,985,000.00*

* Preliminary; subject to change.

OPTIONAL REDEMPTION

Bonds due after June 1, 2022 will be subject to call prior to maturity in whole, or from time to time in part, in any order of maturity and within a maturity by lot on said date or on any date thereafter at the option of the City, upon terms of par plus accrued interest to date of call. Written notice of such call shall be given at least thirty (30) days prior to the date fixed for redemption to the registered owners of the Bonds to be redeemed at the address shown on the registration books.

INTEREST ON THE BONDS

Interest on the Bonds will be payable on June 1, 2015 and semiannually on the 1st day of December and June thereafter. Principal and interest shall be paid to the registered holder of a bond as shown on the records of ownership maintained by the Registrar as of the 15th day of the month preceding the interest payment date (the “Record Date”). Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board.

PAYMENT OF AND SECURITY FOR THE BONDS

The Bonds constitute valid and binding general obligations of the City, and all taxable property within the corporate boundaries of the City is subject to the levy of taxes to pay the principal of and interest on the Bonds. If the amount credited to the debt service fund for payment of the Bonds is insufficient to pay principal and interest, whether from transfers or from original levies, the City must use funds in its treasury and is required to levy ad valorem taxes upon all taxable property in the City sufficient to pay the debt service deficiency without limit as to rate or amount.

BOOK-ENTRY-ONLY ISSUANCE

The information contained in the following paragraphs of this subsection “Book-Entry-Only System” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE.” The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has Standard & Poor’s rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC

nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co., nor any other DTC nominee, will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date identified in a listing attached to the Omnibus Proxy.

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FUTURE FINANCING

The City does not anticipate any additional general obligation bonding needs within 90 days of the date of this Preliminary Official Statement.

LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Bonds or the City's ability to meet its financial obligations.

DEBT PAYMENT HISTORY

The City knows of no instance in which they have defaulted in the payment of principal and interest on its debt.

LEGALITY

The Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP of Des Moines, Iowa as Bond Counsel. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify, any of the financial or statistical statements, or data contained in this Preliminary Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out as Appendix A to this Preliminary Official Statement, will be delivered at closing.

TAX EXEMPTION AND RELATED CONSIDERATIONS

Federal Income Tax Exemption: The opinion of Bond Counsel will state that under present laws and rulings, interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

The opinion set forth in the preceding sentence will be subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. In the resolution for the Bonds, the City will covenant to comply with all such requirements.

There may be certain other federal tax consequences to the ownership of the Bonds by certain taxpayers, including without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Bond Counsel will express no opinion with respect to other federal tax consequences to owners of the Bonds. Prospective purchasers of such bonds should consult with their tax advisors as to such matters.

Qualified Tax-Exempt Obligations: The City intends to designate the Bonds as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under Section 265(b)(2) of the Code.

Tax Accounting Treatment of Discount and Premium on Certain Bonds: The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of Discount Bonds (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount allocable to the holding period of such Discount Bonds by the initial purchaser will, upon the disposition of such Discount Bonds (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other

interest on the Bonds described above under “TAX EXEMPTION AND RELATED CONSIDERATIONS” section. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of Discount Bonds, taking into account the semi-annual compounding of accrued interest, at the yield to maturity on such Discount Bonds and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of Discount Bonds by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bonds in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bonds were held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount of such Bonds at maturity. An amount equal to the difference between the initial public offering price of Premium Bonds (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of Premium Bonds in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of Premium Bonds. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Information Reporting and Back-up Withholding: In general, information reporting requirements will apply with respect to payments to an owner of principal and interest (and with respect to annual accruals of OID) on the Bonds and with respect to payments to an owner of any proceeds from a disposition of the Bonds. This information reporting obligation, however, does not apply with respect to certain owners including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that an owner subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the Internal Revenue Service (the “Service”) that it has failed to properly report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the owner on or with respect to the Bonds.

Any amounts withheld under the backup withholding provisions may be credited against the United States federal income tax liability of the beneficial owner, and may entitle the beneficial owner to a refund, provided that the required information is furnished to the Service.

Disclaimer Regarding Federal Tax Discussion: The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of the Bonds, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

State Tax Considerations: In addition to the federal income tax consequences described above, potential investors should consider the state income tax consequences of the acquisition, ownership, and disposition of the Bonds. State income tax law may differ substantially from the corresponding federal law, and the foregoing is not intended to describe any aspect of the income tax laws of any state. Therefore, potential investors should consult their own tax advisors with respect to the various state tax consequences of an investment in Bonds.

RATING

The City has requested a rating on the Bonds from Moody's Investors Service ("Moody's"). Currently, Moody's rates the City's outstanding General Obligation long-term debt 'Aa1'. The existing rating on long-term debt reflects only the view of the rating agency and with any explanation of the significance of such rating may only be obtained from Moody's. There is no assurance that such rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an effect on the market price of the Bonds.

MUNICIPAL ADVISOR

The City has retained Public Financial Management, Inc., Des Moines, Iowa as Municipal advisor (the "Municipal Advisor") in connection with the preparation of the issuance of the Bonds. In preparing the Preliminary Official Statement, the Municipal Advisor has relied on government officials, and other sources to provide accurate information for disclosure purposes. The Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in this Preliminary Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other Participating Underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the resolution of the Bonds and the Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth as APPENDIX C to this Preliminary Official Statement. The City has complied in all material respects with its previous Disclosure Covenants under the Rule.

In regard to the City's general obligation debt, the City has complied in all material respects with its annual continuing disclosure undertakings entered into under the Rule during the last five years. In regard to the City's and the Mary Greeley Medical Center's (the "Medical Center") hospital revenue debt, the Medical Center is currently compliant in all material respects with its continuing disclosure undertakings entered into under the Rule. However, the Medical Center inadvertently failed to timely file required reports for the quarters ended June 30, 2010, September 30, 2010, and June 30, 2011, each of which were posted to the MSRB's EMMA site within three days of the date required. The Medical Center has since filed quarterly reports in a timely manner.

Breach of the Disclosure Covenants will not constitute a default or an “Event of Default” under the Bonds or the resolution for the Bonds. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

CERTIFICATION

The City has authorized the distribution of this Preliminary Official Statement for use in connection with the initial sale of the Bonds. I have reviewed the information contained within the Preliminary Official Statement prepared on behalf of the City of Ames, Iowa, by Public Financial Management, Inc., Des Moines, Iowa, and said Preliminary Official Statement does not contain any material misstatements of fact nor omission of any material fact regarding the issuance of \$9,985,000* General Obligation Corporate Purpose Bonds, Series 2014.

CITY OF AMES, IOWA
/s/ Duane Pitcher, Director of Finance

* Preliminary; subject to change.

CITY PROPERTY VALUATIONS

IOWA PROPERTY VALUATIONS

In compliance with Section 441.21 of the Code of Iowa, the State Director of Revenue annually directs the county auditors to apply prescribed statutory percentages to the assessments of certain categories of real property. The 2013 final Actual Values were adjusted by the Story County Auditor. The reduced values, determined after the application of rollback percentages, are the Taxable Values subject to tax levy. For assessment year 2013, the Taxable Value rollback rate was 54.4002% of Actual Value for residential property; 43.3997% of Actual Value for agricultural property; 95% of Actual Value for commercial, industrial and railroad properties and 100% of Actual Value for utility property.

The Legislature's intent has been to limit the growth of statewide taxable valuations for the specific classes of property to 3% annually. Utility property is limited to an 8% annual growth. Political subdivisions whose taxable valuations are thus reduced or are unusually low in growth are allowed to appeal the valuations to the State Appeal Board, in order to continue to fund present services.

1/1/2013 VALUATIONS (Taxes Payable July 1, 2014 through June 30, 2015)

	<u>100% Actual Value</u>	<u>Taxable Value (With Rollback)</u>
Residential	\$2,611,517,000	\$1,420,669,916
Commercial	832,703,400	791,068,230
Industrial	132,599,400	125,969,430
Railroads	5,399,900	5,129,905
Utilities w/o Gas & Electric	<u>6,688,846</u>	<u>6,688,846</u>
Gross valuation	\$3,588,908,546	\$2,349,526,327
Less military exemption	<u>(2,606,690)</u>	<u>(2,606,690)</u>
Net valuation	\$3,586,301,856	\$2,346,919,637
TIF Increment	\$1,733,000	\$1,646,350
Taxed separately		
Ag. Land & Building	\$3,575,200	\$1,551,626
Gas & Electric Utilities	\$16,335,110	\$6,436,581

2013 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY ¹⁾

	<u>Taxable Valuation</u>	<u>Percent of Total</u>
Residential	\$1,420,669,916	60.30%
Gas & Electric Utilities	6,436,581	0.27%
Commercial, Industrial, Railroads and Utility	<u>928,856,411</u>	<u>39.43%</u>
Total Gross Taxable Valuation	\$2,355,962,908	100.00%

1) Excludes Taxable TIF Increment and Ag. Land & Buildings.

TREND OF VALUATIONS

<u>Assessment Year</u>	<u>Payable Fiscal Year</u>	<u>100% Actual Valuation</u>	<u>Taxable Valuation (With Rollback)</u>	<u>Taxable TIF Increment</u>
2009	2010-11	\$3,433,705,284	\$2,126,174,883	\$0
2010	2011-12	3,455,460,220	2,168,260,590	7,370
2011	2012-13	3,488,267,332	2,239,846,934	7,370
2012	2013-14	3,539,464,142	2,325,969,651	447,669
2013	2014-15	3,607,945,166	2,353,356,218	1,646,350

The 100% Actual Valuation, before rollback and after the reduction of military exemption, includes Ag. Land & Buildings, Taxable TIF Increment and Gas & Electric Utilities. The Taxable Valuation, with the rollback and after the reduction of military exemption, includes Gas & Electric Utilities and excludes Ag. Land & Buildings and Taxable TIF Increment. Iowa cities certify operating levies against Taxable Valuation excluding Taxable TIF Increment and debt service levies are certified against Taxable Valuation including the Taxable TIF Increment.

LARGER TAXPAYERS

Set forth in the following table are the persons or entities which represent larger taxpayers within the boundaries of the City, as provided by the City Assessor's Office. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the City. With the exception of the electric and natural gas provider noted below (which is subject to an excise tax in accordance with Iowa Code chapter 437A), the City's mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the City from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

<u>Taxpayer</u>	<u>Type of Property/Business</u>	<u>1/1/2013 Taxable Valuation</u>
Barilla America Inc.	Industrial	34,389,050
Iowa State University Research	Commercial	32,370,170
Campus Investors IS LLC	Commercial	30,767,449
North Grand Mall Partners LLC	Commercial	23,308,630
Clinic Building Company, Inc.	Commercial	20,475,255
Walmart Stores, Inc.	Commercial	18,050,000
Dayton Park LLC	Commercial	17,060,819
Cycloneball LLC	Commercial	16,413,150
West Towne Condos LLC	Commercial	14,179,458
University West Property Owner LLC	Commercial	13,522,162

RECENT PROPERTY TAX LEGISLATION

During the 2013 legislative session, the Iowa General Assembly enacted Senate File 295 (the “Act”), which the Governor signed into law on June 12, 2013. Among other things, the Act (i) reduces the maximum annual taxable value growth percent, due to revaluation of existing residential and agricultural property, from the current 4% to 3%, (ii) assigns a “rollback” (the percentage of a property’s value that is subject to tax) to commercial, industrial and railroad property of 95% for the 2013 assessment year and 90% for the 2014 assessment year and all years thereafter, (iii) creates a new property tax classification for multi-residential properties (mobile home parks, manufactured home communities, land-lease communities, assisted living facilities and property primarily used or intended for human habitation containing three or more separate dwelling units) (“Multi-residential Property”) that begins in the 2015 assessment year, and assigns a declining rollback percentage of 3.75 percent to such properties for each subsequent year until 2021 assessment year (the rollback percentage for Multi-residential Properties will be equal to the residential rollback percentage in 2022 assessment year and thereafter) and (iv) exempts a specified portion of the assessed value of telecommunication properties.

The Act includes a standing appropriation to replace some of the tax revenues lost by local governments, including tax increment districts, resulting from the new rollback for commercial and industrial property. Prior to Fiscal Year 2017-18, the appropriation is a standing unlimited appropriation, but beginning in fiscal year 2017-18 the standing appropriation cannot exceed the actual fiscal year 2016-17 appropriation amount. The appropriation does not replace losses to local governments resulting from the Act’s provisions that reduce the annual revaluation growth limit for residential and agricultural properties to 3% from 4%, the gradual transition for Multi-residential Property from the commercial rollback percentage (100% of Actual Value) to the residential rollback percentage (currently 54.4002% of Actual Valuation), or the reduction in the percentage of telecommunications property that is subject to taxation.

Given the wide scope of the statutory changes, and the State of Iowa’s discretion in establishing the annual replacement amount that is appropriated each year commencing in fiscal year 2017-18, the impact of the Act on the City’s future property tax collections is uncertain and the City is unable to accurately assess the financial impact of the Act’s provisions on the City’s future operations.

In Moody’s Investor Service US Public Finance Weekly Credit Outlook, dated May 30, 2013, Moody’s Investor Service (“Moody’s”) projected that local governments in the State of Iowa are likely to experience modest reductions in property tax revenues starting in fiscal year 2014-15 as a result of the Act, with sizeable reductions possible starting in fiscal year 2017-18. According to Moody’s, local governments that may experience disproportionately higher revenue losses include regions that have a substantial commercial base, a large share of Multi-residential Property (such as college towns), or significant amounts of telecommunications property.

Notwithstanding any decrease in property tax revenues that may result from the Act, Iowa Code section 76.2 provides that when an Iowa political subdivision issues general obligation bonds, “the governing authority of these political subdivisions before issuing bonds shall, by resolution, provide for the assessment of an annual levy upon all the taxable property in the political subdivision sufficient to pay the interest and principal of the bonds within a period named not exceeding twenty years. A certified copy of this resolution shall be filed with the county auditor or the auditors of the counties in which the political subdivision is located; and the filing shall make it a duty of the auditors to enter annually this levy for collection from the taxable property within the boundaries of the political subdivision until funds are realized to pay the bonds in full.”

From time to time, other legislative proposals may be considered by the Iowa General Assembly that would, if enacted, alter or amend one or more of the property tax matters described in this Preliminary Official Statement. It cannot be predicted whether or in what forms any of such proposals may be enacted, and there can be no assurance that such proposals will not apply to valuation, assessment or levy procedures for the levy of taxes by the City.

CITY INDEBTEDNESS

DEBT LIMIT

Article XI, Section 3 of the State of Iowa Constitution limits the amount of debt outstanding at any time of any county, municipality or other political subdivision to no more than 5% of the Actual Value of all taxable property within the corporate limits, as taken from the last state and county tax list. The debt limit for the City, based on its 2013 Actual Valuation currently applicable to the fiscal year 2014-15, is as follows:

2013 Gross Actual Valuation of Property	\$3,610,551,856
Less: Military Exemption	<u>(2,606,690)</u>
Subtotal	\$3,607,945,166
Legal Debt Limit of 5%	<u>0.05</u>
Legal Debt Limit	\$180,397,258
Less: G.O. Debt Subject to Debt Limit	<u>(72,245,000) *</u>
Net Debt Limit	\$108,152,258 *

DIRECT DEBT

The City has general obligation debt payable from taxes, tax increment, water, sewer and other revenues as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 9/30/14</u>
10/06	\$5,285,000	Street and Storm Sewer Improvements	6/18	\$2,100,000
11/07A	9,630,000	Street Improvements & Aquatic Center	6/19	4,820,000
10/08A	8,355,000	Street Improvements & Aquatic Center	6/20	4,745,000
10/09B	11,165,000	Capital Improvement Projects	6/21	7,145,000
9/10A	6,690,000	Capital Improvement Projects	6/22	4,745,000
5/11A	5,980,000	Refunding Series 2002A, 2002B & 2003	6/21	2,150,000
11/11B	6,675,000	Corporate Purpose Improvements	6/23	5,090,000
10/12	12,660,000	Corporate Purpose Improvements	6/32	11,045,000
5/13	22,540,000	Corporate Purpose Improvements & Refunding	6/32	20,420,000
9/14	9,985,000*	Corporate Purpose Improvements	6/26	<u>9,985,000 *</u>
Total				\$72,245,000 *

* Preliminary; subject to change.

Annual Fiscal Year Debt Service Payments (Includes the Bonds)

Fiscal Year	<u>Existing Debt</u>		<u>Bonds</u>		<u>Total Outstanding</u>	
	<u>Principal</u>	<u>Principal and Interest</u>	<u>Principal*</u>	<u>Principal and Interest*</u>	<u>Principal*</u>	<u>Principal and Interest*</u>
2014-15	\$7,050,000	\$8,812,428	\$800,000	\$945,286	\$7,850,000	\$9,757,714
2015-16	6,725,000	8,308,668	810,000	1,020,945	7,535,000	9,329,613
2016-17	6,925,000	8,333,410	815,000	1,018,169	7,740,000	9,351,579
2017-18	6,765,000	7,981,138	830,000	1,022,900	7,595,000	9,004,038
2018-19	6,410,000	7,428,738	845,000	1,024,703	7,255,000	8,453,441
2019-20	5,520,000	6,352,568	855,000	1,018,479	6,375,000	7,371,047
2020-21	4,785,000	5,458,505	870,000	1,014,669	5,655,000	6,473,174
2021-22	3,565,000	4,097,150	895,000	1,018,267	4,460,000	5,115,417
2022-23	2,965,000	3,397,770	925,000	1,024,191	3,890,000	4,421,961
2023-24	2,370,000	2,717,600	950,000	1,022,644	3,320,000	3,740,244
2024-25	1,655,000	1,931,500	685,000	729,144	2,340,000	2,660,644
2025-26	980,000	1,206,850	<u>705,000</u>	727,772	1,685,000	1,934,622
2026-27	1,010,000	1,207,450			1,010,000	1,207,450
2027-28	1,040,000	1,207,150			1,040,000	1,207,150
2028-29	1,075,000	1,210,950			1,075,000	1,210,950
2029-30	1,105,000	1,208,700			1,105,000	1,208,700
2030-31	1,140,000	1,210,550			1,140,000	1,210,550
2031-32	<u>1,175,000</u>	1,211,350			<u>1,175,000</u>	1,211,350
Total	\$62,260,000		\$9,985,000*		\$72,245,000*	

* Preliminary; subject to change.

OTHER DEBT

The City has outstanding revenue debt payable from various revenue sources as follows:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 9/30/14</u>
4/08	\$825,000	Iowa DNR Solid Waste Alternatives Program	7/15	\$147,975
2/09	3,476,840	Mary Greeley Medical Center	2/16	293,966
3/11	87,500	Iowa Department of Transportation Loan	12/15	35,000
10/11	65,000,000	Mary Greeley Medical Center	6/36	64,060,000
11/12	26,000,000	Mary Greeley Medical Center & Refunding	6/27	<u>22,270,000</u>
Total				\$86,806,941

Water Revenue Debt

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 9/30/14</u>
2/12	\$11,425,000	Planning and Design SRF Loan	3/15	\$6,678,302 ¹⁾
11/12	3,121,000	Clean Water SRF Loan	6/33	1,987,020 ²⁾
4/14	375,000	Planning and Design SRF Loan	4/17	<u>0</u> ³⁾
Total				\$2,097,439

- 1) As of the date of this Official statement, the City has drawn \$6,678,302 on the Planning and Design SRF loan.
 2) As of the date of this Official statement, the City has drawn \$1,987,020 on the Clean Water SRF Loan.
 3) As of the date of this Official statement, the City has not drawn any funds on the Planning and Design SRF Loan.

OVERLAPPING DEBT

<u>Taxing District</u>	<u>1/1/2013 Taxable Valuation</u> ¹⁾	<u>Valuation Within the City</u>	<u>Percent Applicable</u>	<u>G.O. Debt</u> ²⁾	<u>City's Proportionate Share</u>
Story County	\$3,947,492,811	\$2,356,554,194	59.70%	\$3,840,000	\$2,292,480
Ames CSD	2,203,855,718	2,158,305,634	97.93%	44,330,000	43,412,369
Gilbert CSD	396,189,001	195,379,985	49.31%	26,835,000	13,232,339
Nevada CSD	404,776,901	456,825	0.11%	8,330,000	9,163
United CSD	242,827,319	2,411,750	0.99%	0	0
DMACC	39,086,798,088	2,356,554,194	6.03%	65,880,000	<u>3,972,564</u>
City's share of total overlapping debt:					\$62,918,915

- 1) Taxable Valuation excludes military exemption and includes Ag Land, Ag Buildings, all Utilities and TIF Increment.
 2) Includes general obligation bonds, PPEL notes, certificates of participation and new jobs training certificates.

DEBT RATIOS

	<u>G.O. Debt</u>	<u>Debt/Actual Market Value (\$3,607,945,166)</u> ¹⁾	<u>Debt/58,965 Population</u> ²⁾
Total General Obligation Debt	\$72,245,000*	2.00%*	\$1,225.22*
City's Share of Overlapping Debt	\$62,918,915	1.74%	\$1,067.06

- 1) Based on the City's 1/1/2013 100% Actual Valuation; includes Ag Land, Ag Buildings, all Utilities and TIF Increment.
 2) Population based on the City's 2010 U.S. Census.

* Preliminary; subject to change.

LEVIES AND TAX COLLECTIONS

<u>Fiscal Year</u>	<u>Levy</u>	<u>Collected During Collection Year</u>	<u>Percent Collected</u>
2009-10	\$22,054,085	\$21,908,298	99.34%
2010-11	23,064,211	22,546,083	97.75%
2011-12	23,516,201	23,211,397	98.70%
2012-13	24,018,714	23,574,257	98.15
2013-14	25,199,952	-----In Process of Collection-----	

Collections include delinquent taxes from all prior years. Taxes in Iowa are delinquent each October 1 and April 1 and a late payment penalty of 1% per month of delinquency is enforced as of those dates. If delinquent taxes are not paid, the property may be offered at the regular tax sale on the third Monday of June following the delinquency date. Purchasers at the tax sale must pay an amount equal to the taxes, special assessments, interest and penalties due on the property and funds so received are applied to taxes. A property owner may redeem from the regular tax sale but, failing redemption within three years, the tax sale purchaser is entitled to a deed, which in general conveys the title free and clear of all liens except future tax installments.

Source: Story County and the City's June 30, 2013 Comprehensive Annual Financial Report.

TAX RATES

	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
	<u>\$/1,000</u>	<u>\$/1,000</u>	<u>\$/1,000</u>	<u>\$/1,000</u>	<u>\$/1,000</u>
Story County	5.64515	5.49074	5.52837	5.50349	5.38990
Story County Hospital	0.42050	0.42050	0.57240	0.58000	0.58000
County Ag. Extension	0.08609	0.08340	0.08100	0.07196	0.08157
City of Ames	10.84579	10.84365	10.72125	10.85779	10.85538
City Assessor	0.41785	0.35075	0.39685	0.34391	0.33992
Ames Comm. School District	14.65339	14.51772	14.47262	14.34904	14.34759
Gilbert Comm. School District	19.99688	19.98282	17.98747	17.47825	17.71795
Nevada Comm. School District	17.03265	15.61389	15.61527	15.71000	16.75171
United Comm. School District	10.93599	11.72302	13.77425	12.01788	10.16705
Des Moines Area Comm. College	0.56008	0.59018	0.58466	0.58466	0.65724
State of Iowa	<u>0.00340</u>	<u>0.00320</u>	<u>0.00330</u>	<u>0.00330</u>	<u>0.00330</u>
<u>Total Tax Rate:</u>					
Ames CSD Resident	32.63225	32.30014	32.36045	32.29415	32.25490
Gilbert CSD Resident	37.97574	37.76524	35.87530	35.42336	35.62526
Nevada CSD Resident	35.01151	33.39631	33.50310	33.65511	34.65902
United CSD Resident	28.91485	29.50544	31.66208	29.96299	28.07436

LEVY LIMITS

A city's general fund tax levy is limited to \$8.10 per \$1,000 of taxable value, with provision for an additional \$0.27 per \$1,000 levy for an emergency fund which can be used for general fund purposes (Code of Iowa, Chapter 384, Division I). Cities may exceed the \$8.10 limitation upon authorization by a special levy election. Further, there are limited special purpose levies, which may be certified outside of the above-described levy limits (Code of Iowa, Section 384.12). The amount of the City's general fund levy subject to the \$8.10 limitation is \$5.83299 for FY 2014-15, and the City has levied no emergency levy. The City has certified special purpose levies outside of the above described levy limits as follows: \$0.78331 for police and fire retirement and \$0.65719 for the operation and maintenance of a public transit system. Debt service levies are not limited.

FUNDS ON HAND (CASH AND INVESTMENTS AS OF JUNE 30, 2014)

Governmental	
General Fund	\$8,275,820
Debt Service Fund	575,626
Capital Projects Fund	15,051,014
Other Governmental Funds	17,564,745
Business-type	
Mary Greeley Medical Center	226,856,482
Electric Utility	41,308,512
Sewer Utility	5,729,361
Water Utility	15,468,188
Other Enterprise Funds	9,923,782
Internal Service Funds	<u>15,206,842</u>
Total all funds	\$355,960,372

GENERAL FUND BUDGETS (ACCRUAL BASIS)

The table below represents a comparison between the final 2012-13 actual financial performance, the amended 2013-14 budget and the adopted 2014-15 budget on an accrual basis.

	<u>2012-13 Actual</u>	<u>2013-14 Amended</u>	<u>2014-15 Adopted</u>
Revenues:			
Property taxes	\$14,421,364	\$15,098,244	\$15,236,592
Other City taxes	1,810,476	1,707,812	1,709,787
Licenses and permits	1,699,377	1,363,200	1,357,200
Use of money and property	254,104	432,632	440,934
Intergovernmental	333,906	330,277	645,592
Charges for fees and services	3,272,751	3,673,433	3,750,188
Miscellaneous	392,447	141,616	138,591
Transfers in	7,801,245	8,212,574	8,703,970
Proceeds of Capital Asset Sales	<u>0</u>	<u>500</u>	<u>500</u>
Total revenues	\$29,985,670	\$30,960,288	\$31,983,354
Expenditures:			
Public safety	\$15,108,235	\$16,324,026	\$16,775,751
Public works	1,130,419	940,101	1,029,938
Health and social services	0	0	0
Culture and recreation	6,679,731	6,822,864	7,179,121
Community & economic development	604,997	1,111,769	921,258
General government	2,320,041	2,407,906	2,284,542
Capital projects	38,371	1,390,937	0
Transfers out	<u>3,925,140</u>	<u>3,720,881</u>	<u>3,792,744</u>
Total expenditures	\$29,806,934	\$32,718,484	\$31,983,354
Excess (deficiency) of revenues over (under) expenditures	178,736	(1,758,196)	0
Fund balance at beginning of year	\$8,782,252	\$8,960,988	\$7,202,792
Fund balance at end of year	\$8,960,988	\$7,202,792	\$7,202,792

THE CITY

CITY GOVERNMENT

The City of Ames, Iowa (the “City”) is governed under and operates under a Mayor-Council form of government with a City Manager. The principle of this type of government is that the Council sets policy and the City Manager carries it out. The six members of the Council are elected for staggered four-year terms. One member is elected from each of the four wards and two are elected at large. The Council appoints the City Manager as well as the City Attorney. The City Manager is the chief administrative officer of the City. The Mayor is elected for a four-year term, presides at council meetings and appoints members of various City boards, commissions and committees with the approval of the Council.

EMPLOYEES AND PENSIONS

The City has 1,313 full-time employees of which 491 are governmental employees and 822 are employees of the Mary Greeley Medical Center and 1,257 part-time employees (including seasonal employees) of which 790 are governmental employees and 467 are employees of the Mary Greeley Medical Center. Included in the City’s full-time employees are 53 sworn police officers and 54 firefighters.

The City contributes to the Iowa Public Employees Retirement System (“IPERS”), a cost sharing multiple-employer public employees’ retirement system designed as a supplement to Social Security. The pension plan provides retirement and death benefits, which are established by State statute. The City is current in its obligation to IPERS, which has been as follows: \$5,240,892 in FY 2010-11, \$6,211,558 in FY 2011-12 and \$6,862,042 in FY 2012-13.

The City also contributes to the Municipal Fire and Police Retirement System of Iowa (“MFPRSI”), a benefit plan administered by a Board of Trustees. MFPRSI provides retirement, disability and death benefits that are established by State statute to plan members and beneficiaries. Plan members are required to contribute 9.4% of their earnable compensation and the City’s contribution rate is 30.12% of earnable compensation. The City is current in its obligation to MFPRSI, which has been as follows: \$1,253,345 in FY 2010-11, \$1,630,807 in FY 2011-12 and \$1,758,163 in FY 2012-13.

UNION CONTRACTS

City employees are represented by the following five bargaining units:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
International Association of Firefighters	June 30, 2016
Public, Professional and Maintenance Employees	June 30, 2016
International Brotherhood of Electrical Workers	June 30, 2016
International Union of Operating Engineers (Local 234C)	June 30, 2016
International Union of Operating Engineers (Local 234D)	June 30, 2016

OTHER POST EMPLOYMENT BENEFITS

Plan description: The City and hospital provide health and dental care benefits for retired employees and their beneficiaries through a single-employer, defined benefit plan. The hospital also provides a life insurance benefit. The City has the authority to establish and amend benefit provisions of the plan. The post employment benefit is limited to the implied subsidy since retirees pay one hundred percent of the premium for the insurance benefits, since the premium rates are based on the entire pool of covered members, the retirees receive an implied subsidy since their rates are not risk adjusted.

Funding policy: Participants must be at least 55 years old, have been employed by the City for the preceding four years, and be enrolled in a sponsored insurance plan at the time of retirement. Benefits terminate upon attaining Medicare eligibility. The contribution requirements of the City are established and may be amended by the City. Plan members are currently not required to contribute. The City funds on a pay-as-you go basis.

Annual OPEB cost and net OPEB obligation: The net OPEB obligation as of June 30, 2013, is determined as follows:

	<u>City</u>	<u>Medical Center</u>	<u>Total</u>
Annual required contribution	\$254,000	\$375,334	\$629,334
Interest on net OPEB obligation	23,000	120,956	143,956
Adjustment to annual required contribution	<u>(20,000)</u>	<u>(92,061)</u>	<u>(112,061)</u>
Annual OPEB cost/expense	\$257,000	\$404,229	\$661,229
Contributions and payments made	<u>49,004</u>	<u>(178,721)</u>	<u>(129,717)</u>
Increase (decrease) in net OPEB obligation	\$306,004	\$225,508	\$531,512
Net OPEB obligation, July 1, 2012	<u>\$516,972</u>	<u>\$2,419,117</u>	<u>\$2,936,089</u>
Net OPEB obligation, June 30, 2013	<u>\$822,976</u>	<u>\$2,644,625</u>	<u>\$3,467,601</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011, 2012, & 2013:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$614,595	5.6%	\$2,855,343
June 30, 2012	\$572,142	85.89%	\$2,936,089
June 30, 2013	\$661,229	19.62%	\$3,467,601

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is required to be presented as supplementary information following the notes to the financial statements.

(The remainder of this page has been left blank intentionally.)

INSURANCE

The City's insurance coverage is as follows:

<u>Type of Insurance</u>	<u>All Limits</u>
General Liability	\$15,000,000
Auto Liability	\$15,000,000
Wrongful Acts	\$15,000,000
Excess (over all other coverage except Iowa liquor liability)	\$15,000,000
Law Enforcement	\$15,000,000
Public Official	\$15,000,000
Employee Benefit	\$1,000,000
Medical Malpractice	\$15,000,000
Underinsured Motorist	\$1,000,000
Uninsured Motorist	\$1,000,000
Commercial Property	
Commercial Property & Boiler and Machinery, Power Generation related	\$200,000,000
Municipal Properties & Boiler and Machinery, Non-Power Generation	\$152,164,669
Terrorism – TRIA (Federally defined terrorist acts)	Included in both of above
Commercial Property Flood Insurance	
Non-flood Plain Facilities (power generation)	\$100,000,000
Non-flood Plain Facilities (non-power)	\$25,000,000
Flood Plain Facilities:	
Transit	\$6,000,000
Water Pollution Control	\$6,000,000
Airport	\$7,500,000
All Other	\$1,000,000
Airport Liability	\$3,000,000

GENERAL INFORMATION

LOCATION AND TRANSPORTATION

The City is located in Story County in central Iowa. It is approximately thirty miles north of Des Moines, Iowa, the State capital and largest city in the state. The City is located on Interstate Highways 35 and 30. The City was incorporated in 1869 under the laws of the State of Iowa, later amended in July, 1975 under the Home Rule City Act.

The City, with a United States Census Bureau 2010 population of 58,965, is known for its excellent quality of life which includes a relatively crime-free environment, an extensive park system, superior cultural/recreations facilities and a nationally recognized school system. The City is the home of Iowa State University (“ISU”). ISU was established in 1859 and is an integral part of the community.

The City operates a mass transit system to provide efficient and economical transportation to all members of the community. A fixed routing service is available on a daily basis to most residents and a Dial-A-Ride service is available for elderly or handicapped residents. The City operates a municipal airport, which handles primarily charter services. National air service is available at the Des Moines International Airport, approximately thirty miles south of the City. The City is also provided freight services through the Union Pacific Railroad line.

LARGER EMPLOYERS

A representative list of larger employers in the City is as follows:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u> ¹⁾
Iowa State University	Higher Education	15,654
Mary Greeley Medical Center	Health Care	1,289
City of Ames	Municipal Government	1,281
Iowa Department of Transportation	Public Transportation	925
McFarland Clinic, P.C.	Health Care	920
Hy-Vee Food Stores	Grocery	809
Ames Community School District	Education	675
Sauer-Danfoss Company	Hydro-Transmissions	650
Wal-Mart	Retail	440
Ames Laboratories	Research	432
AG. Research	Research	400
3M Company	Manufacturing	390
National Veterinary Service Lab	USDA Veterinary Research	380
Workiva ²⁾	Software	350
Hach Company	Water Analysis Equipment	308
National Animal Disease Center	USDA Research	230

1) Includes full-time, part-time and seasonal employees.

2) Formerly WebFilings.

Source: The City and phone interviews conducted in July 2014.

BUILDING PERMITS

Permits for the City are reported on a calendar year basis. City officials reported most recently available construction activity for a portion of the current calendar year, as of June 30, 2014. The figures below include both new construction and remodeling.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Residential Construction:</u>					
Number of units:	487	451	444	481	203
Valuation:	\$22,855,260	\$19,710,497	\$25,601,674	\$39,099,306	\$15,353,137
<u>Commercial Construction:</u>					
Number of units:	175	224	233	191	130
Valuation:	<u>\$32,918,202</u>	<u>\$59,896,534</u>	<u>\$140,814,521</u>	<u>\$90,990,275</u>	<u>\$102,419,231</u>
Total Permits	662	675	677	672	333
Total Valuations	\$55,773,462	\$79,607,031	\$166,416,195	\$130,089,581	\$117,772,368

U.S. CENSUS DATA

Population Trend

1980 U.S. Census	43,775
1990 U.S. Census	47,198
2000 U.S. Census	50,731
2010 U.S. Census	58,965

Source: U.S. Census Bureau website.

UNEMPLOYMENT RATES

		<u>City of Ames</u>	<u>Story County</u>	<u>State of Iowa</u>
Annual Averages:	2010	4.2%	4.8%	6.3%
	2011	4.0%	4.4%	5.8%
	2012	3.6%	3.9%	5.2%
	2013	3.2%	3.5%	4.6%
	2014 (Jan. – May)	2.8%	3.2%	4.4%

Source: Iowa Workforce Development Center website.

EDUCATION

Public education is provided by the Ames Community School District, with a certified enrollment for the 2013-14 school year of 4,247. The district, with approximately 675 employees, owns and operates one early childhood center, five elementary schools, one middle school and one high school. Nevada Community School District, Gilbert Community School District and United Community School District all lie partially within the City and provide public education to portions of the City.

The Iowa State University (“ISU”) 2013 fall enrollment was 33,241. ISU is the City’s largest employer with faculty and staff totaling approximately 15,654, including teaching assistants and hourly part-time employees. ISU, in addition to its educational function, is a leading agricultural research and experimental institution.

The Iowa State Center, which is the cultural and athletic center of ISU and City, is a complex of five structures, all completed since 1969. It consists of two theaters, a football stadium, a coliseum and a continuing education building which attract major athletic, dramatic and musical events, as well as seminars and conferences to the City.

In addition to ISU located in the City, the following institutions provide higher education within 30 miles of the City: Des Moines Area Community College, Upper Iowa University, Simpson College, Hamilton College, Grand View College and Drake University.

FINANCIAL SERVICES

Financial services for the residents of the City are provided by First National Bank Ames, Iowa and VisionBank of Iowa, formerly known as Ames Community Bank, Ames, Iowa. In addition, the City is served by branch offices of Bank of the West, Bankers Trust Company, CoBank ACB, Exchange State Bank, Great Western, First American Bank, First Federal Savings Bank of Iowa, Midwest Heritage Bank, F.S.B., US Bank, N.A., Great Southern Bank and Wells Fargo Bank as well as by several credit unions.

First National Bank and VisionBank of Iowa report the following deposits as of June 30th for each year:

<u>Year</u>	<u>First National Bank</u>	<u>VisionBank of Iowa¹⁾</u>
2009	\$365,058,000	\$279,468,000
2010	393,145,000	350,648,000
2011	427,328,000	356,457,000
2012	471,076,000	342,594,000
2013	518,068,000	318,316,000

1) Formerly Ames Community Bank.

Source: Federal Deposit Insurance Corporation (FDIC) website.

FINANCIAL STATEMENTS

The City’s June 30, 2013 Comprehensive Annual Financial Report, as prepared by City management and audited by a certified public accountant, is reproduced as APPENDIX B. The City’s certified public accountant has not consented to distribution of the audited financial statements and has not undertaken added review of their presentation. Further information regarding financial performance and copies of the City’s prior Comprehensive Annual Financial Report may be obtained from Public Financial Management, Inc.

APPENDIX A

FORM OF LEGAL OPINION

APPENDIX B

JUNE 30, 2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

OFFICIAL BID FORM

To: City Council of
City of Ames, Iowa

Sale Date: August 26, 2014
10:00 o'clock A.M., CT

RE: \$9,985,000* General Obligation Corporate Purpose Bonds, Series 2014 (the "Bonds")

For all or none of the above Bonds, in accordance with the TERMS OF OFFERING, we will pay you \$_____ (not less than \$9,895,135) plus accrued interest to date of delivery for fully registered bonds bearing interest rates and maturing in the stated years as follows:

<u>Coupon</u>	<u>Maturity</u>	<u>Coupon</u>	<u>Maturity</u>
_____	2015	_____	2021
_____	2016	_____	2022
_____	2017	_____	2023
_____	2018	_____	2024
_____	2019	_____	2025
_____	2020	_____	2026

* Preliminary; subject to change. The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of \$5,000 but the total amount to be issued will not exceed \$10,000,000. Interest rates specified by the successful bidder for each maturity will not change. Final adjustments shall be in the sole discretion of the City.

The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Bonds is adjusted as described above. Any change in the principal amount of any maturity of the Bonds will be made while maintaining, as closely as possible, the successful bidder's net compensation, calculated as a percentage of bond principal. The successful bidder may not withdraw or modify its bid as a result of any post-bid adjustment. Any adjustment shall be conclusive, and shall be binding upon the successful bidder.

We hereby designate that the following Bonds to be aggregated into term bonds maturing on June 1 of the following years and in the following amounts (leave blank if no term bonds are specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>	<u>Aggregate Amount</u>
_____ through _____	_____	_____
_____ through _____	_____	_____
_____ through _____	_____	_____
_____ through _____	_____	_____

In making this offer we accept all of the terms and conditions of the TERMS OF OFFERING published in the Preliminary Official Statement dated August 12, 2014. In the event of failure to deliver the Bonds in accordance with the TERMS OF OFFERING as printed in the Preliminary Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission. Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ _____

TRUE INTEREST COST: _____% (Based on dated date of September 30, 2014)

Account Manager: _____ By: _____

Account Members:

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of Ames, Iowa this 26th day of August, 2014.

Attest: _____ By: _____

Title: _____ Title: _____