ITEM # 13
DATE: 8-11-15

# COUNCIL ACTION FORM

**SUBJECT:** **RESOLUTION APPROVING OFFICIAL STATEMENT FOR GENERAL OBLIGATION CORPORATE PURPOSE BONDS, SERIES 2015A, SETTING DATE OF SALE FOR AUGUST 25, 2015, AND AUTHORIZING ELECTRONIC BIDDING FOR THE SALE**

## BACKGROUND:

The 2015/16 budget and Council-approved changes include General Obligation (G.O.) Bond-funded capital improvement projects in the amount of $14,253,975. The City Council held public hearings on the issuance of these bonds and refunding bonds on March 3, 2015, as part of the budget process, and on July 14, 2015, to include an additional amount for the Grant Avenue extension project. Council action is now required to approve the official statement, set the date of sale for August 25, 2015, 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:

| | | |
|---|---|---|
| East Industrial Area Sewer Extension | $ 2,000,000 | |
| ISU Research Park Improvements | 2,938,990 | |
| Grant Avenue Extension (Assessment) | 360,985 | |
| Airport Terminal | 943,000 | |
| **Debt to be Abated by Other Revenues** | | **$ 6,242,975** |
| Flood Mitigation | $ 144,000 | |
| West Lincoln Way Improvements | 450,000 | |
| Asphalt Street Improvements | 1,300,000 | |
| Grand Avenue Extension | 280,000 | |
| Concrete Pavement Improvements | 1,100,000 | |
| Arterial Street Pavement Improvements | 400,000 | |
| Downtown Street Pavement Improvements | 800,000 | |
| Seal Coat Pavement Improvements | 350,000 | |
| Bridge Rehabilitation Program | 2,320,000 | |
| Airport Terminal Building | 867,000 | |
| **Subtotal Tax Supported Bonds** | | **$8,011,000** |
| **Refunding Bonds** | | **5,950,000** |
| **Issuance Cost and Allowance for Premium** | | **1,141,025** |
| **Grand Total Not to Exceed – 2015/16 G.O. Issue** | | **$21,345,000** |

## ALTERNATIVES:

1. Adopt a resolution approving the Official Statement for General Obligation Corporate Purpose Bonds, Series 2015A, setting the date of sale for August 25, 2015, 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.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 11, 2015

**New and Refunding Issue** **Rating: Application made to Moody's Investors Service**

*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 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 NOT designate the Bonds as "qualified tax-exempt obligations." See "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein.*

# CITY OF AMES, IOWA

## $20,085,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2015A

BIDS RECEIVED: Tuesday, August 25, 2015, 11:00 o'clock A.M., Central Time
AWARD: Tuesday, August 25, 2015, 7:00 o'clock P.M., Central Time

**Dated:** Date of Delivery (September 22, 2015) **Principal Due:** June 1, as shown inside front cover

The $20,085,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (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, to that extent, of constructing street, water main, sanitary and storm sewer, bridge, and related improvements; of constructing a new municipal airport terminal building; and of carrying out flood mitigation and remediation. In addition, a portion of the funds will be used to current refund on September 25, 2015, $1,610,000 of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2006A originally dated October 1, 2006 (the "Series 2006A Bonds") and $3,940,000 of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2007A, originally dated November 1, 2007 (the "Series 2007A Bonds"). 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, 2016, and interest on the Bonds payable initially on June 1, 2016 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").

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**THE BONDS WILL MATURE AS LISTED ON THE INSIDE FRONT COVER**

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| | |
|---|---|
| **MINIMUM BID:** | $19,895,595 |
| **GOOD FAITH DEPOSIT:** | Required of Purchaser Only |
| **TAX MATTERS:** | Federal: Tax-Exempt<br>State: Taxable<br>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 22, 2015. 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.

# CITY OF AMES, IOWA

## $20,085,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2015

Maturity of the Bonds due June 1:

| Year | Amount* | Year | Amount* |
|---|---|---|---|
| 2016 | $2,260,000 | 2026 | $1,340,000 |
| 2017 | 2,575,000 | 2027 | 1,380,000 |
| 2018 | 2,670,000 | 2028 | 50,000 |
| 2019 | 2,155,000 | 2029 | 55,000 |
| 2020 | 1,130,000 | 2030 | 55,000 |
| 2021 | 1,155,000 | 2031 | 55,000 |
| 2022 | 1,195,000 | 2032 | 60,000 |
| 2023 | 1,215,000 | 2033 | 60,000 |
| 2024 | 1,250,000 | 2034 | 65,000 |
| 2025 | 1,295,000 | 2035 | 65,000 |

***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 $21,345,000. 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, 2023 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, 2016 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 <u>not</u> 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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## TABLE OF CONTENTS

# City of Ames, Iowa

## Mayor/City Council

| Member | Office | Initial Term Commenced | Term Expires |
|---|---|---|---|
| Ann Campbell | Mayor | January 03, 2006 | December 31, 2017 |
| Gloria Betcher | Council Member – 1st Ward | January 02, 2014 | December 31, 2017 |
| Tim Gartin | Council Member – 2nd Ward | January 02, 2014 | December 31, 2015 |
| Peter Orazem | Council Member – 3rd Ward | January 02, 2014 | December 31, 2017 |
| Chris Nelson | Council Member – 4th Ward | January 02, 2014 | December 31, 2015 |
| Matthew Goodman | Council Member – At Large | January 01, 2004 | December 31, 2015 |
| Amber Corrieri | Council Member – At Large | January 02, 2014 | December 31, 2017 |
| Sam Schulte | 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") $20,085,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (the "Bonds") will be received on Tuesday, August 25, 2015, before 11:00 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 AND REFUNDING BONDS, SERIES 2015A, in the principal amount of $20,085,000* to be dated the date of delivery (September 22, 2015), in the denomination of $5,000 or multiples thereof, will mature on June 1 as follows:

| Year | Amount* | Year | Amount* |
|---|---|---|---|
| 2016 | $2,260,000 | 2026 | $1,340,000 |
| 2017 | 2,575,000 | 2027 | 1,380,000 |
| 2018 | 2,670,000 | 2028 | 50,000 |
| 2019 | 2,155,000 | 2029 | 55,000 |
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| 2023 | 1,215,000 | 2033 | 60,000 |
| 2024 | 1,250,000 | 2034 | 65,000 |
| 2025 | 1,295,000 | 2035 | 65,000 |

ADJUSTMENT TO BOND MATURITY AMOUNTS

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 $21,345,000. 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, 2023 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, 2016 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 $200,850 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 1:00 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 $19,895,595, 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 40 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 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 (the "SEC") under the Securities Exchange Act of 1934, as amended, 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 authorizing the issuance of the Bonds and the Continuing Disclosure Certificate, to provide Annual Report of specified information and notice of the occurrence of certain material events as hereinafter described (the "Undertakings"). 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 Undertakings, including termination, amendment and remedies, are set forth as APPENDIX C to this Official Statement.

Within the past five years, Notice of the June 1, 2011 call of the City's General Obligation Series 2002A, Series 2002B, and Series 2003 Bonds were filed June 28, 2011, thirteen days after the date required.

In regard to the now matured Hospital Revenue Series 2003 debt, the Mary Greeley Medical Center filed required reports for the fiscal year ended June 30, 2010 two (2) days after the date specified in the Undertaking, and filed required reports for the quarters ended June 30, 2010, September 30, 2010, and June 30, 2011, each within three days after the dates required. Additionally, the Mary Greeley Medical Center's required report for the quarter ended December 31, 2012 was timely filed February 6, 2013, but not linked to the Hospital Revenue Series 2011 CUSIPs. This was corrected upon discovery.

In an effort to augment the City's procedures and policies to maintain future compliance, the City has taken additional steps intended to assure future compliance with its Undertakings. These steps include implementing the MSRB's EMMA notification system whereby the City will receive timely email reminders a month in advance for all the City's annual disclosure filings to ensure all disclosure obligations have been made on a timely basis and in all material respects.

Breach of the 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 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 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

**$20,085,000***
**City of Ames, Iowa**
**General Obligation Corporate Purpose and Refunding Bonds, Series 2015A**

| | |
|---|---|
| Bonds Dated: | September 22, 2015 |
| Interest Due: | June 1, 2016 and each December 1 and June 1 to maturity |
| Principal Due: | June 1, 2016-2035 |

| Year | Principal * | Bond Years | Cumulative Bond Years |
|---|---|---|---|
| 2016 | $2,260,000 | 1,563.17 | 1,563.17 |
| 2017 | 2,575,000 | 4,356.04 | 5,919.21 |
| 2018 | 2,670,000 | 7,186.75 | 13,105.96 |
| 2019 | 2,155,000 | 7,955.54 | 21,061.50 |
| 2020 | 1,130,000 | 5,301.58 | 26,363.08 |
| 2021 | 1,155,000 | 6,573.88 | 32,936.96 |
| 2022 | 1,195,000 | 7,996.54 | 40,933.50 |
| 2023 | 1,215,000 | 9,345.38 | 50,278.88 |
| 2024 | 1,250,000 | 10,864.58 | 61,143.46 |
| 2025 | 1,295,000 | 12,550.71 | 73,694.17 |
| 2026 | 1,340,000 | 14,326.83 | 88,021.00 |
| 2027 | 1,380,000 | 16,134.50 | 104,155.50 |
| 2028 | 50,000 | 634.58 | 104,790.08 |
| 2029 | 55,000 | 753.04 | 105,543.13 |
| 2030 | 55,000 | 808.04 | 106,351.17 |
| 2031 | 55,000 | 863.04 | 107,214.21 |
| 2032 | 60,000 | 1,001.50 | 108,215.71 |
| 2033 | 60,000 | 1,061.50 | 109,277.21 |
| 2034 | 65,000 | 1,214.96 | 110,492.17 |
| 2035 | 65,000 | 1,279.96 | 111,772.13 |

Average Maturity (dated date): 5.565 Years

* Preliminary; subject to change.

## PRELIMINARY OFFICIAL STATEMENT

## CITY OF AMES, IOWA

## $20,085,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2015A

## INTRODUCTION

This Preliminary Official Statement contains information relating to the City of Ames, Iowa (the "City") and its issuance of $20,085,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (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 pursuant to Division III of Chapter 384 of the Code of Iowa and a resolution to be adopted by the City. The Bonds are being issued for the purpose of paying the cost, to that extent, of constructing street, water main, sanitary and storm sewer, bridge, and related improvements; of constructing a new municipal airport terminal building; and of carrying out flood mitigation and remediation. In addition, a portion of the funds will be used to current refund on September 25, 2015, $1,610,000 of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2006A originally dated October 1, 2006 (the "Series 2006A Bonds") and $3,940,000 of the City's outstanding General Obligation Corporate Purpose Bonds, Series 2007A, originally dated November 1, 2007 (the "Series 2007A Bonds").

| Name of Issue to be Refunded | Call Date | Call Price | Maturities to be Refunded | Principal Amount | Coupon |
|---|---|---|---|---|---|
| Series 2006A Bonds | 9/25/2015 | 100% | 6/1/2016 | $515,000 | 4.00% |
| | | | 6/1/2017 | 535,000 | 4.00% |
| | | | 6/1/2018 | 560,000 | 4.00% |
| | | | Total: | $1,610,000 | |

| Name of Issue to be Refunded | Call Date | Call Price | Maturities to be Refunded | Principal Amount | Coupon |
|---|---|---|---|---|---|
| Series 2007A Bonds | 9/25/2015 | 100% | 6/1/2016 | $920,000 | 3.75% |
| | | | 6/1/2017 | 960,000 | 3.75% |
| | | | 6/1/2018 | 1,005,000 | 3.75% |
| | | | 6/1/2019 | 1,055,000 | 3.75% |
| | | | Total: | $3,940,000 | |

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

| | |
|---|---|
| Sources of Funds | |
| Par Amount of Bonds | $20,085,000.00* |
| Uses of Funds | |
| Deposit to Project Fund | $14,253,975.00 |
| Funds for Redemption of Series 2006A and 2007A Bonds | 5,550,000.00 |
| Underwriter's Discount | 189,405.00 |
| Cost of Issuance and Contingency | 91,620.00 |
| Total Uses | $20,085,000.00* |

* Preliminary; subject to change.

## OPTIONAL REDEMPTION

Bonds due after June 1, 2023 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, 2016 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 anticipates issuing approximately $19,175,000 Electric Revenue Bonds sometime in the Fall of 2015.

**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.

At closing, the City will certify that no controversy or litigation is pending, prayed or threatened involving the incorporation, organization, existence or boundaries of the Bonds, or the titles of the City officers to their respective positions, or the validity of the Bonds, or the power and duty of the Bonds to provide and apply adequate taxes for the full and prompt payment of the principal and interest of the Bonds, and that no measure or provision for the authorization or issuance of the Bonds has been repealed or rescinded."

**DEBT PAYMENT HISTORY**

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

**LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt or taxable status of the interest thereon (see "TAX EXEMPTION AND RELATED CONSIDERATIONS" herein) are subject to the approving legal opinion of Dorsey & Whitney LLP, Des Moines, Iowa, Bond Counsel, a form of which is attached hereto as APPENDIX A. Signed copies of the opinion, dated and premised on law in effect as of the date of original delivery of the Bonds, will be delivered to the Purchaser at the time of such original delivery. The Bonds are offered subject to prior sale and to the approval of legality of the Bonds by Bond Counsel.

The legal opinion will express the professional judgment of Bond Counsel and by rendering a legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment or of the transaction or the future performance of the parties to the transaction.

Bond Counsel has not been engaged, nor has it undertaken, to prepare or to independently verify the accuracy of the Preliminary Official Statement, including but not limited to financial or statistical information of the City and risks associated with the purchase of the Bonds, except Bond Counsel has reviewed and/or prepared the information and statements contained in the Preliminary Official Statement under "AUTHORITY AND PURPOSE", "PAYMENT OF AND SECURITY FOR THE BONDS", "TAX EXEMPTION AND RELATED CONSIDERATIONS" and "CONTINUING DISCLOSURE" insofar as such statements contained under such captions purport to summarize certain provisions of the Internal Revenue Code of 1986, the Bonds and any opinions rendered by Bond Counsel. Bond Counsel has prepared the documents contained in APPENDIX A and APPENDIX C.

## 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, and 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"), provided, however, that such interest must 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.

NOT-Qualified Tax-Exempt Obligations: The City will NOT designate the Bonds as "qualified tax-exempt obligations" under the exception provided in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Proposed Changes in Federal and State Tax Law: From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. No prediction is made whether such provisions will be enacted as proposed or concerning other future legislation affecting the tax treatment of interest on the Bonds. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchaser of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Original Issue Discount: The Bonds maturing in the years ____ through _____ (collectively, the "Discount Bonds") are being sold at a discount from the principal amount payable on such Bonds at maturity. The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity).

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Discount Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

An owner of a Discount Bond who disposes of such Discount Bond prior to maturity should consult owner's tax advisor as to the amount of original issue discount accrued over the period held and the amount of taxable gain or loss upon the sale or other disposition of such Discount Bond prior to maturity.

Owners who purchase Discount Bonds in the initial public offering but at a price different than the Issue Price should consult their own tax advisors with respect to the tax consequences of the ownership Discount Bonds.

The Code contains provisions relating to the accrual of original issue discount in the case of subsequent purchasers of bonds such as the Discount Bonds. Owners who do not purchase Discount Bonds in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds.

Original issue discount that accrues in each year to an owner of a Discount Bond may result in collateral federal income tax consequences to certain taxpayers. No opinion is expressed as to state and local income tax treatment of original issue discount. All owners of Discount Bonds should consult their own tax advisors with respect to the federal, state, local and foreign tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.

Original Issue Premium: The Bonds maturing in the years ____ through ____ are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium must, from time to time, reduce their federal tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire any Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their any original cost. Amortized premium is not deductible for federal income tax purposes. Bondholders who acquire any Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling the Bonds acquired at a premium.

**RELATED TAX MATTERS**

Information Reporting and Back-up Withholding; Audits: 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.

The Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Opinion: Bond Counsel's opinion is not a guarantee of a result, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described in this section. No ruling has been sought from the Service with respect to the matters addressed in the opinion of Bond Counsel and Bond Counsel's opinion is not binding on the Service. Bond Counsel assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise.

## 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 (the "SEC") under the Securities Exchange Act of 1934, as amended, 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 authorizing the issuance of the Bonds and the Continuing Disclosure Certificate, to provide Annual Report of specified information and notice of the occurrence of certain material events as hereinafter described (the "Undertakings"). 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 Undertakings, including termination, amendment and remedies, are set forth as APPENDIX C to this Official Statement.

Within the past five years, Notice of the June 1, 2011 call of the City's General Obligation Series 2002A, Series 2002B, and Series 2003 Bonds were filed June 28, 2011, thirteen days after the date required.

In regard to the now matured Hospital Revenue Series 2003 debt, the Mary Greeley Medical Center filed required reports for the fiscal year ended June 30, 2010 two (2) days after the date specified in the Undertaking, and filed required reports for the quarters ended June 30, 2010, September 30, 2010, and June 30, 2011, each within three days after the dates required. Additionally, the Mary Greeley Medical Center's required report for the quarter ended December 31, 2012 was timely filed February 6, 2013, but not linked to the Hospital Revenue Series 2011 CUSIPs. This was corrected upon discovery.

In an effort to augment the City's procedures and policies to maintain future compliance, the City has taken additional steps intended to assure future compliance with its Undertakings. These steps include implementing the MSRB's EMMA notification system whereby the City will receive timely email reminders a month in advance for all the City's annual disclosure filings to ensure all disclosure obligations have been made on a timely basis and in all material respects.

Breach of the 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 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 Undertakings 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 $20,085,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2015A.

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 2014 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 2014, the taxable value rollback rate was 55.7335% of actual value for residential property; 44.7021% of actual value for agricultural property; and 90% of actual value for commercial, industrial, and railroad 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 values 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.

### PROPERTY VALUATIONS (1/1/2014 Valuations for Taxes Payable July 1, 2015 through June 30, 2016)

| | 100% Actual Value | Taxable Value (With Rollback) |
|---|---|---|
| Residential | $2,785,314,800 | $1,552,353,357 |
| Commercial | 842,003,200 | 757,802,880 |
| Industrial | 134,033,100 | 120,629,790 |
| Railroads | 5,873,500 | 5,286,150 |
| Utilities w/o Gas & Electric | 5,834,533 | 5,834,533 |
| Gross valuation | $3,773,059,133 | $2,441,906,710 |
| Less military exemption | (2,514,090) | (2,514,090) |
| Net valuation | $3,770,545,043 | $2,439,392,620 |
| TIF Increment | $2,030,500 | $1,827,450 |
| Taxed separately | | |
| Ag. Land & Building | $4,204,100 | $1,879,319 |
| Gas & Electric Utilities | $17,022,683 | $5,566,022 |

### 2014 GROSS TAXABLE VALUATION BY CLASS OF PROPERTY [1)]

| | Taxable Valuation | Percent of Total |
|---|---|---|
| Residential | $1,552,353,357 | 63.43% |
| Gas & Electric Utilities | 5,566,022 | 0.23% |
| Commercial, Industrial, Railroads and Utility | 889,553,353 | 36.34% |
| Total Gross Taxable Valuation | $2,447,472,732 | 100.00% |

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

## TREND OF VALUATIONS

| Assessment Year | Payable Fiscal Year | 100% Actual Valuation | Taxable Valuation (With Rollback) | Taxable TIF Increment |
|---|---|---|---|---|
| 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 |
| 2014 | 2015-16 | 3,793,802,326 | 2,444,958,642 | 1,827,450 |

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 Story County Auditor'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.

| Taxpayer | Type of Property/Business | 1/1/2014 Taxable Valuation |
|---|---|---|
| Iowa State University Research | Commercial | $35,173,530 |
| Barilla America Inc. | Industrial | 32,579,100 |
| Campus Investors IS LLC | Commercial | 31,609,753 |
| Clinic Building Company, Inc. | Commercial | 19,397,610 |
| US Bank, NA Trustee [1)] | Commercial | 19,019,520 |
| Walmart Stores, Inc. | Commercial | 17,100,000 |
| Dayton Park LLC | Commercial | 16,479,445 |
| GPT Ames Owner LLC [2)] | Commercial | 15,549,300 |
| West Towne Condos LLC | Commercial | 14,398,364 |
| University West Property Owner LLC | Commercial | 14,194,195 |

1) Formerly NG Mall.
2) Formerly Cycloneball.

Source: Story County.

**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% 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 55.7335% 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 2014 Actual Valuation currently applicable to the fiscal year 2015-16, is as follows:

| | | |
|---|---|---|
| 2014 Gross Actual Valuation of Property | $3,793,802,326 | 1) |
| Legal Debt Limit of 5% | 0.05 | |
| Legal Debt Limit | $189,690,116 | |
| Less: G.O. Debt Subject to Debt Limit | (78,645,000) | * |
| Less: Other Debt Subject to Debt Limit | (17,500) | 2) |
| Net Debt Limit | $111,027,616 | * |

1) Source: Iowa Department of Management. After military exemption.
2) Other Debt Subject to Debt Limit includes an Iowa Department of Transportation Loan and TIF rebate agreement payments appropriated for FY 2015-16.

### DIRECT DEBT

**General Obligation Debt Paid by Taxes and Other Sources[1] (Includes the Bonds)**

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 9/22/15 | |
|---|---|---|---|---|---|
| 10/06 | $5,285,000 | Street and Storm Sewer Improvements | 6/15 | $0 | 2) |
| 11/07A | 9,630,000 | Street Improvements & Aquatic Center | 6/15 | 0 | 3) |
| 10/08A | 8,355,000 | Street Improvements & Aquatic Center | 6/20 | 4,035,000 | |
| 10/09B | 11,165,000 | Capital Improvement Projects | 6/21 | 6,220,000 | |
| 9/10A | 6,690,000 | Capital Improvement Projects | 6/22 | 4,205,000 | |
| 5/11A | 5,980,000 | Refunding Series 2002A, 2002B & 2003 | 6/21 | 1,415,000 | |
| 11/11B | 6,675,000 | Corporate Purpose Improvements | 6/23 | 4,570,000 | |
| 10/12 | 12,660,000 | Corporate Purpose Improvements | 6/32 | 10,260,000 | |
| 5/13 | 22,540,000 | Corporate Purpose Improvements & Refunding | 6/32 | 18,955,000 | |
| 9/14 | 9,695,000 | Corporate Purpose Improvements | 6/26 | 8,900,000 | |
| 9/15A | 20,085,000* | Corporate Purpose Improvements & Refunding | 6/35 | 20,085,000 | * |
| Total | | | | $78,645,000 | * |

1) The City's general obligation debt is abated by tax increment reimbursements, water revenues, sewer revenues, airport revenues, resource recovery revenues and special assessments.
2) The 2016 through 2018 maturities are being current refunded by the Bonds on September 25, 2015.
3) The 2016 through 2019 maturities are being current refunded by the Bonds on September 25, 2015.

* Preliminary; subject to change.

**Annual Fiscal Year Debt Service Payments (Includes the Bonds)**

| Fiscal Year | Existing Debt Principal | Existing Debt Principal and Interest | Bonds Principal* | Bonds Principal and Interest* | Total Outstanding Principal* | Total Outstanding Principal and Interest* |
|---|---|---|---|---|---|---|
| 2015-16 | $6,070,000 | $7,695,548 | $2,260,000 | $2,591,606 | $8,330,000 | $10,287,154 |
| 2016-17 | 6,225,000 | 7,647,610 | 2,575,000 | 3,026,180 | 8,800,000 | 10,673,790 |
| 2017-18 | 6,010,000 | 7,281,838 | 2,670,000 | 3,080,238 | 8,680,000 | 10,362,076 |
| 2018-19 | 6,180,000 | 7,298,325 | 2,155,000 | 2,514,775 | 8,335,000 | 9,813,100 |
| 2019-20 | 6,365,000 | 7,320,218 | 1,130,000 | 1,445,166 | 7,495,000 | 8,765,384 |
| 2020-21 | 5,640,000 | 6,419,255 | 1,155,000 | 1,444,063 | 6,795,000 | 7,863,318 |
| 2021-22 | 4,435,000 | 5,055,800 | 1,195,000 | 1,454,495 | 5,630,000 | 6,510,295 |
| 2022-23 | 3,860,000 | 4,364,020 | 1,215,000 | 1,441,035 | 5,075,000 | 5,805,055 |
| 2023-24 | 3,280,000 | 3,680,950 | 1,250,000 | 1,440,193 | 4,530,000 | 5,121,143 |
| 2024-25 | 2,305,000 | 2,614,375 | 1,295,000 | 1,446,693 | 3,600,000 | 4,061,068 |
| 2025-26 | 1,645,000 | 1,888,475 | 1,340,000 | 1,450,123 | 2,985,000 | 3,338,598 |
| 2026-27 | 1,010,000 | 1,207,450 | 1,380,000 | 1,445,367 | 2,390,000 | 2,652,817 |
| 2027-28 | 1,040,000 | 1,207,150 | 50,000 | 67,619 | 1,090,000 | 1,274,769 |
| 2028-29 | 1,075,000 | 1,210,950 | 55,000 | 70,839 | 1,130,000 | 1,281,789 |
| 2029-30 | 1,105,000 | 1,208,700 | 55,000 | 68,837 | 1,160,000 | 1,277,537 |
| 2030-31 | 1,140,000 | 1,210,550 | 55,000 | 66,797 | 1,195,000 | 1,277,347 |
| 2031-32 | 1,175,000 | 1,211,350 | 60,000 | 69,723 | 1,235,000 | 1,281,073 |
| 2032-33 | | | 60,000 | 67,431 | 60,000 | 67,431 |
| 2033-34 | | | 65,000 | 70,109 | 65,000 | 70,109 |
| 2034-35 | | | 65,000 | 67,568 | 65,000 | 67,568 |
| Total | $58,560,000 | | $20,085,000* | | $78,645,000* | |

* Preliminary; subject to change.

## OTHER DEBT

### Water Revenue Debt

The City has water revenue debt paid solely from the net revenues of the Water Utility as follows:

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 9/22/15 |
|---|---|---|---|---|
| 2/15 | $76,325,000 | Water Revenue Bonds (SRF) | 6/37 | $15,485,863 [1)] |

1) Preliminary; subject to change based on final project costs. The City has drawn $15,485,863 as of the date of this Preliminary Official Statement.

### Sewer Revenue Debt

The City has sewer revenue debt paid solely from the net revenues of the Sewer Utility as follows:

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 9/22/15 |
|---|---|---|---|---|
| 11/12 | $3,121,000 | Sewer Revenue Bonds (SRF) | 6/33 | $2,210,250 [1)] |
| 4/14 | 375,000 | Planning and Design Loan (SRF) | 4/17 | 0 [2)] |
| Total | | | | $2,210,250 |

1) Preliminary; subject to change based on final project costs. The City has drawn $2,469,250 as of the date of this Preliminary Official Statement.
2) The City has drawn $0 as of the date of this Preliminary Official Statement.

### Hospital Revenue Debt [1)]

The City has hospital revenue debt paid solely from the net revenues of Mary Greeley Medical Center as follows:

| Date of Issue | Original Amount | Purpose | Final Maturity | Principal Outstanding As of 9/22/15 |
|---|---|---|---|---|
| 10/11 | $65,000,000 | Mary Greeley Medical Center | 6/36 | $63,560,000 |
| 11/12 | 26,000,000 | Mary Greeley Medical Center & Refunding | 6/27 | 19,945,000 |
| Total | | | | $83,505,000 |

1) Excludes an electronic health records software note payable in the amount of $122,260.

## OVERLAPPING DEBT

| Taxing District | 1/1/2014 Taxable Valuation [1] | Valuation Within the City | Percent Applicable | G.O. Debt [2] | City's Proportionate Share |
|---|---|---|---|---|---|
| Story County | $4,133,480,199 | $2,448,665,411 | 59.24% | $3,130,000 | $1,854,212 |
| Ames CSD | 2,268,984,601 | 2,221,460,327 | 97.91% | 37,140,000 | 36,363,774 |
| Gilbert CSD | 430,567,087 | 215,508,171 | 50.05% | 19,875,000 | 9,947,438 |
| Nevada CSD | 441,990,797 | 445,914 | 0.10% | 7,755,000 | 7,755 |
| United CSD | 251,886,280 | 11,250,999 | 4.47% | 0 | 0 |
| DMACC | 40,089,928,553 | 2,448,665,411 | 6.11% | 89,990,000 | 5,498,389 |
| City's share of total overlapping debt: | | | | | $53,671,568 |

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

| | G.O. Debt | Debt/Actual Market Value ($3,793,802,326) [1] | Debt/58,965 Population [2] |
|---|---|---|---|
| Total General Obligation Debt | $78,645,000* | 2.07%* | $1,333.76* |
| City's Share of Overlapping Debt | $53,671,568 | 1.41% | $910.23 |

1) Based on the City's 1/1/2014 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

| Fiscal Year | Levy | Collected During Collection Year | Percent Collected |
|---|---|---|---|
| 2011-12 | $23,516,201 | $23,178,276 | 98.56% |
| 2012-13 | 24,018,714 | 23,540,944 | 98.01% |
| 2013-14 | 25,261,403 | 24,795,918 | 98.16% |
| 2014-15 | 25,557,159 | --------In Process of Collection[1]-------- | |
| 2015-16 | 26,000,394 | --------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.

1) FY 2014-15 collections were not available as of the date of this Preliminary Official Statement.

Source: Story County and the City's June 30, 2014 Comprehensive Annual Financial Report.

**TAX RATES**

| | FY 2011-12 $/$1,000 | FY 2012-13 $/$1,000 | FY 2013-14 $/$1,000 | FY 2014-15 $/$1,000 | FY 2015-16 $/$1,000 |
|---|---|---|---|---|---|
| Story County | 5.49074 | 5.52837 | 5.50349 | 5.38990 | 5.68249 |
| Story County Hospital | 0.42050 | 0.57240 | 0.58000 | 0.58000 | 0.58000 |
| County Ag. Extension | 0.08340 | 0.08100 | 0.07196 | 0.08157 | 0.08447 |
| City of Ames | 10.84365 | 10.72125 | 10.85779 | 10.85538 | 10.62937 |
| City Assessor | 0.35075 | 0.39685 | 0.34391 | 0.33992 | 0.37804 |
| Ames Comm. School District | 14.51772 | 14.47262 | 14.34904 | 14.34759 | 14.20276 |
| Gilbert Comm. School District | 19.98282 | 17.98747 | 17.47825 | 17.71795 | 17.83972 |
| Nevada Comm. School District | 15.61389 | 15.61527 | 15.71000 | 16.75171 | 16.80944 |
| United Comm. School District | 11.72302 | 13.77425 | 12.01788 | 10.16705 | 8.51849 |
| Des Moines Area Comm. College | 0.59018 | 0.58466 | 0.58466 | 0.65724 | 0.67574 |
| State of Iowa | 0.00320 | 0.00330 | 0.00330 | 0.00330 | 0.00330 |
| Total Tax Rate: | | | | | |
| Ames CSD Resident | 32.30014 | 32.36045 | 32.29415 | 32.25490 | 32.23617 |
| Gilbert CSD Resident | 37.76524 | 35.87530 | 35.42336 | 35.62526 | 35.87313 |
| Nevada CSD Resident | 33.39631 | 33.50310 | 33.65511 | 34.65902 | 34.84285 |
| United CSD Resident | 29.50544 | 31.66208 | 29.96299 | 28.07436 | 26.55190 |

**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 $5.77474 for FY 2015-16, and the City has levied no emergency levy. The City has certified special purpose levies outside of the above described levy limits as follows: $0.71216 for police and fire retirement and $0.65200 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, 2015)**

| | |
|---|---|
| Governmental | |
| General Fund | $9,840,488 |
| Debt Service Fund | 597,528 |
| Capital Projects Fund | 13,186,850 |
| Other Governmental Funds | 16,995,178 |
| Business-type | |
| Mary Greeley Medical Center | 227,355,558 |
| Electric Utility | 38,216,008 |
| Sewer Utility | 7,143,579 |
| Water Utility | 15,399,181 |
| Other Enterprise Funds | 9,474,972 |
| Internal Service Funds | 16,376,934 |
| Total all funds | $354,586,276 |

## GENERAL FUND BUDGETS (ACCRUAL BASIS)

The table below represents a comparison between the final FY 2013-14 actual financial performance, the amended FY 2014-15 budget and the adopted FY 2015-16 budget on an accrual basis.

| | Actual FY 2013-14 | Amended FY 2014-15 | Adopted FY 2015-16 |
|---|---|---|---|
| Revenues: | | | |
| Property taxes | $15,073,130 | $15,236,592 | $15,682,987 |
| Other City taxes | 1,895,619 | 1,809,787 | 1,828,772 |
| Licenses and permits | 1,899,285 | 1,417,449 | 1,449,125 |
| Use of money and property | 478,323 | 426,407 | 417,729 |
| Intergovernmental | 325,824 | 693,782 | 1,092,735 |
| Charges for fees and services | 3,332,845 | 3,682,680 | 3,831,205 |
| Miscellaneous | 382,609 | 141,892 | 149,426 |
| Transfers in | 8,171,120 | 9,237,294 | 8,822,639 |
| Proceeds of Capital Asset Sales | 0 | 500 | 500 |
| Total revenues | $31,558,755 | $32,646,383 | $33,275,118 |
| Expenditures: | | | |
| Public safety | $15,721,086 | $16,717,447 | $17,258,057 |
| Public works | 983,617 | 964,199 | 1,120,252 |
| Health and social services | 0 | 0 | 0 |
| Culture and recreation | 6,675,071 | 7,258,647 | 7,431,641 |
| Community & economic development | 706,529 | 1,312,879 | 1,030,949 |
| General government | 2,218,031 | 2,584,662 | 2,367,903 |
| Capital projects | 343,571 | 2,316,998 | 0 |
| Transfers out | 3,881,731 | 3,881,522 | 4,066,316 |
| Total expenditures | $30,529,636 | $35,036,354 | $33,275,118 |
| Excess (deficiency) of revenues over (under) expenditures | $1,029,119 | ($2,389,971) | $ 0 |
| Fund balance at beginning of year | $8,960,988 | $9,990,107 | $7,600,136 |
| Fund balance at end of year | $9,990,107 | $7,600,136 | $7,600,136 |

# 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 1,306 full-time employees of which 490 are governmental employees and 816 are employees of the Mary Greeley Medical Center and 1,207 part-time employees (including seasonal employees) of which 736 are governmental employees and 471 are employees of the Mary Greeley Medical Center. Included in the City's full-time employees are 51 sworn police officers and 55 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: $6,211,558 in FY 2011-12, $6,862,042 in FY 2012-13 and $7,203,057 in FY 2013-14.

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 30.41% of earnable compensation. The City is current in its obligation to MFPRSI, which has been as follows: $1,630,807 in FY 2011-12, $1,758,163 in FY 2012-13 and $2,064,780 in FY 2013-14.

## UNION CONTRACTS

City employees are represented by the following five bargaining units:

| Bargaining Unit | Contract Expiration Date |
|---|---|
| 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.

<u>Funding policy</u>: 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.

<u>Annual OPEB cost and net OPEB obligation</u>: The net OPEB obligation as of June 30, 2014, is determined as follows:

| | City | Medical Center | Total |
|---|---|---|---|
| Annual required contribution | $254,000 | $465,640 | $719,640 |
| Interest on net OPEB obligation | 23,000 | 132,231 | 155,231 |
| Adjustment to annual required contribution | (20,000) | (105,975) | (125,975) |
| Annual OPEB cost/expense | $257,000 | $491,896 | $748,896 |
| Contributions and payments made | 73,597 | (174,998) | (101,401) |
| Increase (decrease) in net OPEB obligation | $330,597 | $316,898 | $647,495 |
| Net OPEB obligation, July 1, 2012 | $822,976 | $2,644,625 | $3,467,601 |
| Net OPEB obligation, June 30, 2013 | $1,153,573 | $2,961,523 | $4,115,096 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012, 2013 and 2014:

| Fiscal Year Ended | Annual OPEB Cost | % of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| June 30, 2012 | $572,142 | 85.89% | $2,936,089 |
| June 30, 2013 | $661,229 | 19.62% | $3,467,601 |
| June 30, 2014 | $748,896 | 13.54% | $4,115,096 |

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:

| Type of Insurance | All Limits |
|---|---|
| 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 | $156,866,000 |
| 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 1864 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:

| Employer | Type of Business | Number of Employees [1] |
|---|---|---|
| Iowa State University | Higher Education | 15,695 |
| Mary Greeley Medical Center | Health Care | 1,287 |
| City of Ames | Municipal Government | 1,226 |
| Iowa Department of Transportation | Public Transportation | 920 |
| McFarland Clinic, P.C. | Health Care | 910 |
| Hy-Vee Food Stores | Grocery | 790 |
| Ames Community School District | Education | 679 |
| Sauer-Danfoss Company | Hydro-Transmissions | 650 |
| Wal-Mart | Retail | 435 |
| Ames Laboratories | Research | 432 |
| Workiva [2] | Software | 430 |
| AG. Research | Research | 400 |
| 3M Company | Manufacturing | 390 |
| National Veterinary Service Lab | USDA Veterinary Research | 380 |
| 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 2015.

**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, 2015. The figures below include both new construction and remodeling.

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Residential Construction: | | | | | |
| Number of units: | 451 | 444 | 481 | 431 | 237 |
| Valuation: | $19,710,497 | $25,601,674 | $39,099,306 | $31,397,178 | $19,115,691 |
| | | | | | |
| Commercial Construction: | | | | | |
| Number of units: | 224 | 233 | 191 | 231 | 92 |
| Valuation: | $59,896,534 | $140,814,521 | $90,990,275 | $194,854,793 | $103,595,588 |
| | | | | | |
| Total Permits | 675 | 677 | 672 | 662 | 329 |
| Total Valuations | $79,607,031 | $166,416,195 | $130,089,581 | $226,251,971 | $122,711,279 |

**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**

| | | City of Ames | Story County | State of Iowa |
|---|---|---|---|---|
| Annual Averages: | 2011 | 4.0% | 3.9% | 5.6% |
| | 2012 | 3.6% | 3.6% | 5.0% |
| | 2013 | 3.2% | 3.3% | 4.8% |
| | 2014 | 2.7% | 2.9% | 4.4% |
| | 2015 (Jan. – Jun) | 2.1% | 2.5% | 4.0% |

Source: Iowa Workforce Development Center website.

**EDUCATION**

Public education is provided by the Ames Community School District, with a certified enrollment for the 2015-16 school year of 4,171. The district, with approximately 679 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") 2014 fall enrollment was 34,732. ISU is the City's largest employer with faculty and staff totaling approximately 15,695, 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:

| Year | First National Bank | VisionBank of Iowa[1)] |
|---|---|---|
| 2011 | $427,328,000 | $356,457,000 |
| 2012 | 471,076,000 | 342,594,000 |
| 2013 | 518,068,000 | 318,316,000 |
| 2014 | 493,613,000 | 331,845,000 |
| 2015[2)] | 573,844,000 | 313,938,000 |

1) Formerly Ames Community Bank.
2) Information as of March 31, 2015. June 30, 2015 statistics were not available as of the time of this Preliminary Official Statement.

Source: Federal Deposit Insurance Corporation (FDIC) website.

## FINANCIAL STATEMENTS

The City's June 30, 2014 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

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[Form of Bond Counsel Opinion]

We hereby certify that we have examined certified copies of the proceedings (the "Proceedings") of the City Council of the City of Ames (the "Issuer"), in Story County, Iowa, passed preliminary to the issue by the Issuer of its General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (the "Bonds") in the amount of $20,085,000*, dated September 22, 2015, in the denomination of $5,000 each, or any integral multiple thereof, in accordance with a loan agreement dated as of September 22, 2015 (the "Loan Agreement"), and pursuant to a resolution adopted by the Issuer on September 8, 2015 (the "Resolution"). The Bonds mature on June 1 in each of the respective years and in the principal amounts and bear interest payable semiannually, commencing June 1, 2016, at the respective rates as follows:

| Year | Principal Amount | Interest Rate Per Annum | Year | Principal Amount | Interest Rate Per Annum |
|---|---|---|---|---|---|
| 2016 | $2,260,000 | _____% | 2026 | $1,340,000 | _____% |
| 2017 | $2,575,000 | _____% | 2027 | $1,380,000 | _____% |
| 2018 | $2,670,000 | _____% | 2028 | $50,000 | _____% |
| 2019 | $2,155,000 | _____% | 2029 | $55,000 | _____% |
| 2020 | $1,130,000 | _____% | 2030 | $55,000 | _____% |
| 2021 | $1,155,000 | _____% | 2031 | $55,000 | _____% |
| 2022 | $1,195,000 | _____% | 2032 | $60,000 | _____% |
| 2023 | $1,215,000 | _____% | 2033 | $60,000 | _____% |
| 2024 | $1,250,000 | _____% | 2034 | $65,000 | _____% |
| 2025 | $1,295,000 | _____% | 2025 | $65,000 | _____% |

but the Bonds maturing in each of the years 2024 to 2035, inclusive, are subject to redemption prior to maturity on June 1, 2023 or any date thereafter, upon terms of par and accrued interest.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The Proceedings show lawful authority for such issue under the laws of the State of Iowa.

2. The Bonds and the Loan Agreement are valid and binding general obligations of the Issuer.

3. All taxable property within the corporate boundaries of the Issuer is subject to the levy of taxes to pay the principal of and interest on the Bonds without constitutional or statutory limitation as to rate or amount.

4. The 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

and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 (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. The Issuer has covenanted to comply with each such requirement. 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.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

DORSEY & WHITNEY LLP

*Preliminary, subject to change

# APPENDIX B

JUNE 30, 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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[Form of]

**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Ames, Iowa (the "Issuer"), in connection with the issuance of $20,085,000 General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (the "Bonds"), dated September 22, 2015. The Bonds are being issued pursuant to a resolution of the Issuer approved on September 8, 2015 (the "Resolution"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12.

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Dissemination Agent, if any, designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the MSRB's Electronic Municipal Market Access system available at http://emma.msrb.org.

"Holders" shall mean the registered holders of the Bonds, as recorded in the registration books of the Registrar.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Municipal Securities Rulemaking Board" or "MSRB" shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Iowa.

Section 3. Provision of Annual Reports.

(a) Not later than June 30 (the "Submission Deadline") of each year following the end of the 2014-2015 fiscal year, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file on EMMA an electronic copy of its Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate in a format and accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the Submission Deadline if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the changed fiscal year.

(b) If the Issuer has designated a Dissemination Agent, then not later than fifteen (15) business days prior to the Submission Deadline, the Issuer shall provide the Annual Report to the Dissemination Agent.

(c) If the Issuer is unable to provide an Annual Report by the Submission Deadline, in a timely manner thereafter, the Issuer shall, or shall cause the Dissemination Agent (if any) to, file a notice on EMMA stating that there has been a failure to provide an Annual Report on or before the Submission Deadline.

Section 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under State law, as in effect from time to time, or, if and to the extent such audited financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the Issuer's audited financial statements are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by State law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA when they become available.

(b) Tables, schedules or other information contained in the official statement for the Bonds, under the following captions:

Direct Debt
Property Valuations
Levies and Tax Collections
Larger Taxpayers
Trend of Valuations
Tax Rates

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available on EMMA or are filed with the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note to paragraph (12): For the purposes of the event identified in subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) If a Listed Event described in Section 5(a) paragraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13) or (14) has occurred and the Issuer has determined that such Listed Event is material under applicable federal securities laws, the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(c) If a Listed Event described in Section 5(a) paragraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11) or (12) above has occurred the Issuer shall, in a timely manner but not later than ten business days after the occurrence of such Listed Event, promptly file, or cause to be filed, a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in Section (5)(a) paragraphs (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the Issuer's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the Issuer to comply with the terms hereof will not cause

Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or Annual Report prepared by the Issuer pursuant to this Disclosure Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) (i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (ii) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver either (1) is approved by a majority of the Holders, or (2) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or

(b) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing audited financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the audited financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: September 22, 2015

CITY OF AMES, IOWA

By____________________________________
Mayor

Attest:

By____________________________________
City Clerk

**OFFICIAL BID FORM**

To: City Council of
City of Ames, Iowa

Sale Date: August 25, 2015
11:00 o'clock A.M., CT

RE: $20,085,000* General Obligation Corporate Purpose and Refunding Bonds, Series 2015A (the "Bonds")

For all or none of the above Bonds, in accordance with the TERMS OF OFFERING, we will pay you $____________________________ (not less than $19,895,595) plus accrued interest to date of delivery for fully registered bonds bearing interest rates and maturing in the stated years as follows:

| Coupon | Maturity | Re-Offering | Coupon | Maturity | Re-Offering | Coupon | Maturity | Re-Offering |
|---|---|---|---|---|---|---|---|---|
| ________ | 2016 | ________ | ________ | 2023 | ________ | ________ | 2030 | ________ |
| ________ | 2017 | ________ | ________ | 2024 | ________ | ________ | 2031 | ________ |
| ________ | 2018 | ________ | ________ | 2025 | ________ | ________ | 2032 | ________ |
| ________ | 2019 | ________ | ________ | 2026 | ________ | ________ | 2033 | ________ |
| ________ | 2020 | ________ | ________ | 2027 | ________ | ________ | 2034 | ________ |
| ________ | 2021 | ________ | ________ | 2028 | ________ | ________ | 2035 | ________ |
| ________ | 2022 | ________ | ________ | 2029 | ________ | | | |

* 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 $21,345,000. 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):

| Years Aggregated | Maturity Year | Aggregate Amount |
|---|---|---|
| _______ 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 11, 2015. 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 22, 2015)

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 25th day of August, 2015.

Attest: ________________________________________ By: ________________________________________

Title: ________________________________________ Title: ________________________________________