

ITEM # 8
DATE: 10-27-15

COUNCIL ACTION FORM

SUBJECT: SETTING DATE OF PUBLIC HEARING AND FEDERAL REIMBURSEMENT REGULATION RESOLUTION FOR ISSUANCE OF ELECTRIC REVENUE BONDS SERIES 2015B IN AN AMOUNT NOT TO EXCEED \$10,360,000

BACKGROUND:

The FY 2015/16 budget includes electric revenue bonds in the amount of \$18,875,000 to fund the Unit 7 and 8 Fuel Conversion (\$15,000,000) and Cooling Tower Repair (\$3,875,000) projects. **Due to better than expected bid results for these projects, we are recommending that the bond issuance amount be reduced to \$10,360,000.** A public hearing and reimbursement resolution are required to proceed with the revenue bond sale.

Internal Revenue regulations place restrictions on the use of non-taxable bond proceeds including the timing of spending. Limited spending is allowed to be reimbursed from bond proceeds for certain preliminary work related to planning capital projects. In the case of the electric revenue bond projects, the City plans to begin project work prior to the bond issuance and to reimburse the expenses from the bond proceeds. Delaying the bond issuance until bids were received has allowed the significant reduction in the bond issuance amount. Passing the reimbursement resolution will allow for the project to move forward promptly with the use of revenue bond funds. The City Council may pass a reimbursement resolution not more than 60 days after beginning project construction work. Bonds must be issued not later than 18 months after the date of first expenditures.

To complete the bond sale, the following actions will be required by City Council:

- November 10, 2015 Meeting – Hold the public hearing on the bond sale and approve the Preliminary Official Statement (offering statement) and electronic bidding for the sale.
- December 8, 2015 Meeting – Accept bids received, award bonds, and authorize issuance.

City staff has been working on preparations for the bond sale for some time and will be conducting a credit rating call with Moody's Investor Services and all other activities related to preparation for the bid, acceptance, and closing of the bonds.

REVENUE BOND BACKGROUND AND IMPACT ON RATES:

Though the City routinely issues general obligation bonds, no revenue bonds have been sold since an electric revenue bond refunding issue in 2002. The Electric Utility has no bonds outstanding and has been funding both operations and capital improvements with pay-as-you-go financing. **The electric revenue bonds will be secured with revenue from the Electric Utility. The City will make no pledge of other revenues, and because of this we expect the credit rating to be of investment grade but lower than our excellent general obligation bond rating, which includes a pledge of the City's taxing authority for repayment.**

The issuance of revenue bonds will require certain ongoing commitments in the form of protective covenants for the holders of the bonds. These will include an obligation to raise rates as required to pay bonds and maintain adequate debt service coverage, maintain a reserve fund, and maintain “parity” for repayment of any future bonds issued. The Electric utility currently has more than adequate rate revenue and fund balances to meet all the protective covenants and we expect to continue to meet the covenants without the need for significant rate increases.

When revenue bonds are issued, utilities are often required to immediately implement a series of rate increases to fund both the repayment of bonds and commitments made in the bond covenants. This will not be the case for the proposed electric revenue bond issue. Since we have included the bond issue as part of our planning for several years, a series of rate increases will not be required. Our projections last year were for rate increases of around 4% in FY 2017/18 and FY 2019/20 to fund operations, the capital improvement plan, and debt service. **With the lower bond issue amount, we are now anticipating only one rate increase of around 4% in FY 2018/19. Keep in mind that with the conversion to natural gas, customers will likely incur increases in their electric bills due to higher fuel costs included in the energy cost adjustment.**

ALTERNATIVES:

1. The City Council can adopt a reimbursement resolution providing official notice of intent to reimburse prior expenditures for the Electric Generation Unit 7 and 8 and Cooling Tower Repair projects from the proceeds of an upcoming revenue bond issue and set November 10, 2015 as the date of public hearing for the sale of Electric Revenue Bonds Series 2015B in an amount not to exceed \$10,360,000.
2. The Council can reject the reimbursement resolution. However, if this option is pursued, expenditures on the Electric Generation Unit 7 and 8 and Cooling Tower Repair projects will be limited to certain preliminary work and may delay completion of the projects and conversion from coal to natural gas as the fuel source for electric generation.

MANAGER’S RECOMMENDED ACTION:

Adoption of a reimbursement resolution and setting November 10, 2015, as the date of public hearing for the sale of electric revenue bonds will assure that City staff can proceed as quickly as possible with the Electric Generation Unit 7 and 8 and Cooling Tower Repair projects to accomplish the Council-adopted plan to convert fuel source for base load electric power generation from coal to natural gas.

Therefore, it is the recommendation of the City Manager that the City Council approve Alternative No. 1, thereby adopting a reimbursement resolution providing official notice of intent to reimburse prior expenditures for the Electric Generation Unit 7 and 8 and Cooling Tower Repair projects from the proceeds of an upcoming bond issue and setting November 10, 2015 as the date of public hearing for the sale of Electric Revenue Bonds Series 2015B in an amount not to exceed \$10,360,000.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 10, 2015

New 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 (assuming compliance with certain covenants), 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

\$10,350,000* Electric Revenue Bonds, Series 2015B

BIDS RECEIVED: Tuesday, December 8, 2015, 11:00 o'clock A.M., Central Time

AWARD: Tuesday, December 8, 2015, 5:30 o'clock P.M., Central Time

Dated: Date of Delivery (December 29, 2015)

Principal Due: June 1, 2016-2027

The \$10,350,000* Electric Revenue Bonds, Series 2015B (the "Bonds") are being issued pursuant to Division V 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 improvements to the municipal electric light and power plant and system. 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 NOT GENERAL OBLIGATIONS OF THE CITY, but are payable solely and only from the net revenues of the Municipal Electric Utility (the "Utility").

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").

THE BONDS WILL MATURE AS LISTED ON THE INSIDE FRONT COVER

MINIMUM BID:	\$10,251,675
GOOD FAITH DEPOSIT:	Required of Purchaser Only
TAX MATTERS:	Federal: Tax-Exempt State: Taxable See " <i>TAX EXEMPTION AND RELATED CONSIDERATIONS</i> " 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 December 29, 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.

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

CITY OF AMES, IOWA

\$10,350,000* Electric Revenue Bonds, Series 2015B

MATURITY:

The bonds will mature June 1 in the years and amounts as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2016	\$910,000	2022	\$845,000
2017	750,000	2023	875,000
2018	765,000	2024	900,000
2019	780,000	2025	935,000
2020	800,000	2026	965,000
2021	825,000	2027	1,000,000

***PRINCIPAL ADJUSTMENT:**

Preliminary; subject to change. The aggregate principal amount of the Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the City or its designee after the determination of the successful bidder. The City may increase or decrease each maturity in increments of \$5,000 but the total amount to be issued will not exceed \$10,950,000. 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.

INTEREST:

Interest on the Bonds will be payable on June 1, 2016 and semiannually thereafter.

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.

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

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

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

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

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

REPRESENTATIONS

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

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

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

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

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CITY OF AMES, IOWA

Mayor/City Council

<u>Member</u>	<u>Office</u>	<u>Initial Term Commenced</u>	<u>Term Expires</u>
Ann Campbell	Mayor	January 03, 2006	December 31, 2017
Gloria Betcher	Council Member – 1 st Ward	January 02, 2014	December 31, 2017
Tim Gartin	Council Member – 2 nd Ward	January 02, 2014	December 31, 2015
Peter Orazem	Council Member – 3 rd Ward	January 02, 2014	December 31, 2017
Chris Nelson	Council Member – 4 th Ward	January 02, 2014	December 31, 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") \$10,350,000* Electric Revenue Bonds, Series 2015B (the "Bonds") will be received on Tuesday, December 8, 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 5:30 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

ELECTRIC REVENUE BONDS, SERIES 2015B, in the principal amount of \$10,350,000* to be dated the date of delivery (December 29, 2015), in the denomination of \$5,000 or multiples thereof, will mature on June 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2016	\$910,000	2022	\$845,000
2017	750,000	2023	875,000
2018	765,000	2024	900,000
2019	780,000	2025	935,000
2020	800,000	2026	965,000
2021	825,000	2027	1,000,000

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 \$10,950,000. 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.

* 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

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.

LIEN

The Bonds will constitute a lien on the net revenues of the Municipal Electric Utility (the "Utility") of the City.

PARITY OBLIGATIONS

The City reserves the right and privilege to issue additional obligations on a parity and equality of rank with the Bonds with respect to the lien and claim of such additional obligations to the net revenues of the Utility and the money on deposit in the funds adopted by the resolution for the Bonds, for the purpose of refunding any of the Bonds, parity obligations, or making extensions, additions, improvements or replacements to the Utility. Before any such additional obligations ranking on a parity are issued, there will have been procured and filed with the City, a statement of an independent auditor or an independent financial consultant, not a regular employee of the City, reciting the opinion, based upon necessary investigations, that the net revenues of the Utility for the preceding fiscal year (with adjustments as provided in the resolution for the Bonds) were equal to at least 1.25 times the maximum amount that will be required in any fiscal year prior to the longest maturity of any of the Bonds or parity obligations for both the principal of and interest on all Bonds or parity obligations then outstanding which are payable from the net earnings of the Utility and the additional obligations then proposed to be issued.

GOOD FAITH DEPOSIT

A good faith deposit in the amount of \$103,500 (the "Deposit") is required from the lowest bidder only. The lowest bidder is required to submit such Deposit payable to the order of the City, not later than 1:00 P.M. Central Time on the day of the sale of the Bonds in the form of either (i) a cashier's check provided to the City or its Municipal Advisor or (ii) a wire transfer as instructed by the City's Municipal Advisor. 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 a Purchaser fails to honor its accepted bid proposal, 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 \$10,251,675, 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

No bid will be accepted after the time specified in the OFFICIAL BID FORM. 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 212-849-5021.

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 Financial Information filings 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 D to this Preliminary 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 (13) 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 (3) 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

\$10,350,000*

CITY OF AMES, IOWA

Electric Revenue Bonds, Series 2015B

Bonds Dated: December 29, 2015

Interest Due: June 1, 2016 and each December 1 and June 1 to maturity

Principal Due: June 1, 2016-2027

<u>Year</u>	<u>Principal*</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
2016	\$910,000	384.22	384.22
2017	750,000	1,066.67	1,450.89
2018	765,000	1,853.00	3,303.89
2019	780,000	2,669.33	5,973.22
2020	800,000	3,537.78	9,511.00
2021	825,000	4,473.33	13,984.33
2022	845,000	5,426.78	19,411.11
2023	875,000	6,494.44	25,905.56
2024	900,000	7,580.00	33,485.56
2025	935,000	8,809.78	42,295.33
2026	965,000	10,057.44	52,352.78
2027	1,000,000	11,422.22	63,775.00

Average Maturity (dated date):

6.16 Years

* Preliminary; subject to change.

PRELIMINARY OFFICIAL STATEMENT

CITY OF AMES, IOWA

\$10,350,000* Electric Revenue Bonds, Series 2015B

INTRODUCTION

This Preliminary Official Statement contains information relating to the City of Ames, Iowa (the "City") and its issuance of \$10,350,000* Electric Revenue Bonds, Series 2015B (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 V 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 improvements to the municipal electric light and power plant and system. The purchaser of the Bonds agrees to enter into a loan agreement (the "Loan Agreement") with the City pursuant to authority contained in Section 384.24A of the Code of Iowa. The bonds are issued in evidence of the City's obligations under the Loan Agreement.

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

Sources of Funds

Par Amount of Bonds	\$10,350,000.00 *
Cash on Hand	<u>1,035,000.00</u>
Total Sources	\$11,385,000.00 *

Uses of Funds

Deposit to Project Fund	\$10,175,000.00
Deposit to Reserve Account	1,035,000.00 *
Underwriter's Discount	98,325.00 *
Cost of Issuance and Contingency	<u>76,675.00</u> *
Total Uses	\$11,385,000.00 *

* 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

This section contains a summary of security provisions. A detailed statement of security provisions is contained in the resolution for the Bonds, which is available upon request from the City's Municipal Advisor, Public Financial Management, Inc.

Source of Payment: THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, but are payable solely and only from the net revenues of the City's Municipal Electric Utility (the "Utility"). The City pledges a first lien on the net revenues of the Utility for payment of principal of and interest on the Bonds and on all outstanding Parity Bonds after paying costs of operating, maintaining, repairing, and insuring the Utility.

Rate Covenant: The City covenants to impose just and equitable rates or charges for the use of the service rendered by the Utility at levels sufficient to pay all expenses of operation and maintenance, to maintain the Utility in good condition and operate it in an efficient manner and at reasonable cost. On or before the beginning of each fiscal year, the City will adopt rates or charges determined to be sufficient to produce net revenues for the next succeeding fiscal year adequate to pay principal and interest requirements and create reserves as provided in the resolution for the Bonds but not less than 125 percent of the principal and interest requirements of the fiscal year.

Reserve Fund: The City covenants to maintain a separate Principal and Interest Reserve Fund (the "Reserve Fund") into which there shall be set apart and paid from legally available funds of the City at the time of the delivery of the Bonds, a sum equal to the lesser of i) the maximum amount of principal and interest becoming due on the Bonds and Parity Bonds in any succeeding fiscal year ii) 125% of the average amount of principal of and interest becoming due on the Bonds and Parity Bonds in any succeeding fiscal year, or iii) 10% of the original principal amount of the Bonds and Parity Bonds outstanding at any time. Whenever the sum on deposit in the Reserve Fund has been reduced to less than the required Reserve Fund balance by the expenditure of all or a portion of the funds on deposit in said fund for any of the purposes specified herein, there shall be deposited into such Reserve Fund the remaining net revenues after first making the required deposits into the sinking fund, until the sum on deposit in the Reserve Fund has been restored to the required Reserve Fund balance. Upon issuance of the Bonds, it is estimated the Reserve Fund requirement will be approximately \$1,035,000, equal to 10% of the original principal amount of the Bonds and Parity Bonds outstanding at any time.

Additional Bonds Test: The City reserves the right and privilege to issue additional revenue bonds, from time to time, payable from the net revenues of the Utility and ranking on a parity with the Bonds and outstanding obligations, in order to pay the cost of extensions, additions, or improvements or replacements to the Utility or for refunding any Bonds, outstanding parity obligations, which were issued or the proceeds thereof were expended for the Utility, but before any such additional bonds ranking on a parity are issued, there will have been procured and filed with the City's Clerk, a statement of an independent auditor, an independent financial consultant or a consulting engineer not a regular employee of the City, reciting the opinion based upon necessary investigations that the net revenues of the Utility for the preceding fiscal year (with adjustments as provided in the resolution for the Bonds) were equal to at least 1.25 times the maximum amount that will be required in any fiscal year prior to the longest maturity of any of the Bonds or parity obligations for both principal of and interest on all Bonds and parity obligations then outstanding which are payable from the net revenues of the Utility and the additional parity obligations then proposed to be issued.

For the purpose of determining the net revenues of the Utility for the preceding fiscal year as aforesaid, the amount of the gross revenues for such year may be adjusted by an independent auditor or independent financial consultant, not a regular employee of the City, so as to reflect any changes in the amount of such revenues which would have resulted had any revision of the schedule of rates or charges imposed at or prior to the time of the issuance of any such additional obligations been in effect during all of such preceding fiscal year.

The "preceding fiscal year" shall be the most recently completed fiscal year for which audited financial statements prepared by a certified public accountant are issued and available, but in no event a fiscal year which ended more than eighteen months prior to the date of issuance of additional obligations.

BOOK-ENTRY-ONLY ISSUANCE

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

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

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

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

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of

significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

FUTURE FINANCING

The City does not anticipate issuing additional electric revenue debt within 90 days of the date of this Preliminary Official Statement.

LITIGATION

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

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 B. 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 the information and statements contained in the Preliminary Official Statement under the first paragraph of the section “AUTHORITY AND PURPOSE”, “PAYMENT OF AND SECURITY FOR THE BONDS”, and “TAX EXEMPTION AND RELATED CONSIDERATIONS” 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 B and APPENDIX D.

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.

BONDHOLDERS' RISKS

An investment in the Bonds is subject to certain risks. No person should purchase the Bonds unless such person understands the risks described below and is willing to bear those risks. There may be other risks not listed below which may adversely affect the value of the Bonds.

Nature of Obligation: The Bonds are not general obligations of the City but are payable solely from the Net Revenues of the Utility. The Bonds are not payable by, and have no recourse to, the power of taxation. The bondholders have no lien on or security interest in any of the physical assets of the City, including the Utility.

Future revenues and expenses of the City, with respect to the Utility, are subject to conditions which may change in the future to an extent that cannot be determined at this time. Future events may occur that upset the assumptions upon which projections of revenues and expenses are based or those assumptions may fail to materialize. Because no assurance can be made that actual events will correspond to such assumptions, no assurances can be made that the Net Revenues will be realized in amounts sufficient to pay the debt service on the Bonds.

Revenues and Expenses: Several factors not within the control of the City could affect the City's ability to generate sufficient Net Revenues to pay the debt service on the Bonds. These factors include, but are not limited to, inflation and adverse economic conditions, increases in operation and maintenance costs, unexpected repairs, replacements or improvements to the Utility and the ability of the City to supply the services demanded and to maintain necessary rates for those services. Any one of the above factors, among others, individually or combined may cause the City to be unable to generate sufficient Net Revenues to pay debt service on the Bonds.

Secondary Market Not Established: There is no established secondary market for the Bonds, and there is no assurance that a secondary market will develop for the purchase and sale of the Bonds. Prices of municipal Bonds traded in the secondary market, if any, are subject to adjustment upward and downward in response to changes in the credit markets and changes in the operating performance of the entities operating the facilities subject to bonded indebtedness. From time to time it may be necessary to suspend indefinitely secondary market trading in selected issues of municipal Bonds as a result of the financial condition or market position, prevailing market conditions, lack of adequate current financial information about the entity operating the subject facilities, or a material adverse change in the operations of that entity, whether or not the subject Bonds are in default as to principal and interest payments, and other factors which, may give rise to uncertainty concerning prudent secondary market practices.

Municipal Bonds are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

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 Financial Information filings 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 D to this Preliminary 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 (13) 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 (3) 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.

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 C. 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.

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 \$10,350,000* Electric Revenue Bonds, Series 2015B.

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

* Preliminary; subject to change.

CITY OF AMES, IOWA MUNICIPAL ELECTRIC UTILITY

ORGANIZATION AND MANAGEMENT

The City of Ames, Iowa's (the "City") Municipal Electric Utility (the "Utility") was established pursuant to an election in 1896 and has successfully operated since that time.

The Utility is governed by the Electric Utility Operations Review and Advisory Board ("EUORAB"), which was established on November 10, 1981. The EUORAB is composed of five members, each qualified by demonstrated expertise or experience in generation, distribution or marketing of electric energy. The board members are appointed by the Mayor with Council approval for three-year terms. Appointees who have served 2 consecutive full terms are not eligible for reappointment to the board. The board is charged with investigating and reviewing, on a continuing basis, all aspects of the operations of the Utility, including any and all practices, plans or proposals pertaining to generation, distribution and marketing.

The board provides to the City Council a critique of management practices, planning and proposals, including rate structures and power sale contracts. The EUORAB also provides advice and proposals to the City Council on matters as aforesaid at such times and in such frequency as the board deems appropriate, or in response to requests from the City Council.

The City Council is directly responsible for the operations of the Utility and has sole authority to establish rates and charges. The Utility's Director, Mr. Donald Kom, is responsible for overseeing the day-to-day operations and reports to the City Manager.

Electric Utility Operations Review and Advisory Board Members

<u>Member</u>	<u>Original Appointment</u>	<u>Term Expires</u>
Cathy Brown	Sept 2009	April 2018
Justin Dodge	April 2014	April 2017
John Russell	April 2011	April 2017
Jim Converse	April 2013	April 2016
Steve Goodhue	March 2013	April 2018

DESCRIPTION OF THE MUNICIPAL ELECTRIC UTILITY

Service Area

The Utility serves the majority of the City, as well as certain installations of Iowa State University (the "ISU"). Service is provided to ISU either by direct service or by wheeling power generated by the Iowa State University generating facilities, which system is interconnected with that of the City.

The present service boundary of the Utility covers an area of approximately 25 square miles and includes approximately 22,824 residential customers, 3,135 commercial customers, and 4 industrial and large power customers.

Owned Generation

The City owns and operates two coal/gas/refuse-fired steam generation units, as well as two gas turbine units used to meet peak demand. The installed capacity of the Utility's generating units is 146,000 KW and is operated from adjoining plants located three blocks east of the principal business district. In addition, in 2010 the Utility entered into a 20 year purchase power agreement for 36 MW of wind from the Story County II Windfarm.

The Utility's total nameplate capacity is expected to be adequate to serve the projected load growth through approximately 2022 assuming no unusual growth and no generating units are retired or taken out of service.

Sources of Power

The City has the capability of burning coal, fuel oil, and refuse derived fuel in their electric system. The two main coal-fired units are presently being converted from burning coal to natural gas. This conversion is scheduled to be complete by April 2016.

The Utility has purchased refuse derived fuel ("RDF") for Units No. 7 & 8 since January 1976 to burn in combination with coal. RDF has since provided 8 - 10 percent of the annual fuel requirement at the plant. The RDF is supplied by the Ames Resource Recovery plant, a separate municipal utility. The RDF is produced by a two-stage shredding and separation process which yields a fuel with about half of the heating value of coal and sulfur content of only 0.1 percent. The City has an electric interchange agreement with MISO for the interchange of power and economy energy.

Refuse fuel is supplied by the City's Resource Recovery Plant. Approximately 34,000 tons are supplied annually.

Coal fuel is supplied under a contract by Peabody COALSALLES LLC since January 1, 2010 and expires December 31, 2015. The contract quantity is 100,000 tons annually.

Natural gas is supplied by a number of actions taken by the City Council to secure a stable, firm source of fuel to the power plant for years to come. For natural gas transportation, the City has entered into a 10 year contract with Northern Natural Gas for firm transport service at a rate well under filed tariff. For the natural gas commodity, the City solicited competitive bids and signed a 5 year contract to provide 12,000 MMBTU per day at \$3.02 per MMBTU. This volume represents the typical amount that the power plant consumes on a daily basis to meet customer electrical power demand. For additional natural gas required to meet demand, the City has signed an asset management contract with BP Canada Energy Marketing Corp. to schedule the natural gas and manage any day-to-day changes in the City's usage. These arrangements will provide for relatively stable fuel costs over the next several years.

In addition, the City is interconnected with the State of Iowa, acting through the State Board of Regents for Iowa State University. The interconnection is a 69 KV line completed in March, 1993.

It is the policy of the City to maintain an 8 percent capability reserve above predicted system peak demand, which is determined each year by the regional transmission operator.

The Utility's transmission system now consists of a 69 KV and 161 KV tie line to MidAmerican Energy Company, a 161 KV line to ITC, and a 69 KV loop feed around the City serving eight substations.

The Utility's distribution system consists of 13.8 KV circuits serving all but a small part of the City which is served by 4.16 KV circuits.

Ratings of Existing Generating Equipment

		<u>Plant No.2</u>		
<u>Unit No.</u>	<u>Date of Installation</u>	<u>Fuel Fired</u>	<u>Nameplate Rating (KW)</u>	<u>Net Capability(KW)</u> ¹⁾
7	1968	Coal/Gas/Refuse	33,000	30,000
8	1982	Coal/Refuse	65,000	<u>65,000</u>
Total				95,000
		<u>Combustion Turbine</u>		
<u>Unit No.</u>	<u>Date of Installation</u>	<u>Fuel Fired</u>	<u>Nameplate Rating (KW)</u>	<u>Net Capability(KW)</u>
1	1971	Fuel Oil	22,000	19,000
2	2005	Fuel Oil	29,000	<u>29,000</u>
Total				48,000
Total Net Capability of the System				<u>143,000</u>
Story County II Windfarm (contract)				36,000

Transmission

Firm network transmission service for the Utility's entire load is provided by the Midcontinent Independent System Operator ("MISO"), a regional transmission organization. The Utility is a Transmission Owner ("TO") in MISO. The Utility owns several local transmission lines that provide service to the City and also supports the regional electric system. The Utility actively participates in the planning of the regional transmission system and invests in expansion projects as approved by the MISO planning process. As a TO in MISO, the Utility receives revenues from MISO collected from transmission rate payers. These rates are based on the net book value of the assets and the Federal Energy Regulatory Commission approved rate-of-return on these assets. Beginning in 2012 and continuing through 2014, the Utility made large investments in transmission assets. These assets allowed the Utility to experience fewer congestion issues that impact wholesale market prices as well as providing a rate of return on invested transmission equity that offsets transmission network service charges. The Utility currently has over \$34 million in transmission assets.

REGULATORY MATTERS

As the City currently operates a coal-fired power plant, it is subject to the Environmental Protection Agency's Mercury and Air Toxic Standards rule ("MATS"). With approval of the 4th year by EPA Region 7, the City is to meet MATS requirements by April 16, 2016. To meet the emission standards outlined in the MATS rule, the City has chosen to convert its two coal-fired units to operate with natural gas and eliminate coal. Once accomplished by April 2016, all of the City's generation will be in full compliance of EPA's MATS rule.

RATES AND CHARGES

The City Council adopted the following electric rates and charges in November, 2012. Rates of the Utility, as a municipal system, are not subject to Iowa Utilities Board Regulation. The current electric rate tariff provides for a monthly energy cost adjustment factor, which reflects changes in the price of fuel used to generate electricity and purchased power. Following are the basic monthly rates for electric service effective January 1, 2013.

Residential

Basic Service Charge	\$8.00 per month
All kWh (June – Sept.)	\$0.1166 per kWh
All kWh (Oct. – May)	\$0.0966 per kWh
Minimum Billing	\$8.00 per month

Small Commercial

Basic Service Charge	\$15.00 per month
All kWh (June – Sept.)	\$0.1148 per kWh
All kWh (Oct. – May)	\$0.0948 per kWh
Minimum Billing	\$15.00 per month

Large Commercial

Basic Service Charge	\$150.00 per month
All kWh (June – Sept.)	\$0.0619 per kWh
All kWh (Oct. – May)	\$0.0619 per kWh
All KVA (June – Sept.)	\$10.30 per KVA
All KVA (Oct. – May)	\$7.70 per KVA
Minimum Billing	\$150.00 per month

Industrial

Basic Service Charge	\$150.00 per month
All kWh (June – Sept.)	\$0.0619 per kWh
All kWh (Oct. – May)	\$0.0619 per kWh
All KVA (June – Sept.)	\$10.00 per KVA
All KVA (Oct. – May)	\$7.50 per KVA
Minimum Billing	\$150.00 per month

ELECTRICITY PRODUCED, PURCHASED AND COST

<u>Year</u>	<u>kWh Produced (000's)</u>	<u>kWh Purchased (000's)</u>	<u>Cost</u>
2011	341,229	254,651	\$28,970,180
2012	307,448	287,847	27,663,336
2013	318,395	267,910	28,056,819
2014	282,349	320,114	30,029,217
2015	278,472	306,896	25,977,209

HISTORY OF ELECTRIC SALES

<u>Year</u>	<u>Number of Customers</u>	<u>Total kWh Sold (000's)</u>	<u>Total Billings</u>
2011	24,521	570,072	\$51,984,567
2012	24,723	567,391	51,143,042
2013	24,868	561,860	52,834,497
2014	25,292	574,659	54,555,355
2015	25,559	554,167	52,435,240

BILLABLE CONSUMPTION BY CLASS OF SERVICE (Kilowatt Hours)

<u>Fiscal Year</u>	<u>Residential</u>	<u>Small Commercial</u>	<u>Large Commercial and Industrial</u>	<u>Industrial</u>	<u>Total</u>
2011	163,288,498	51,169,606	225,588,368	130,025,466	570,071,938
2012	157,208,406	50,804,253	226,910,422	132,468,362	567,391,443
2013	161,851,581	54,020,115	223,465,399	122,523,014	561,860,109
2014	166,620,541	57,447,338	226,883,810	123,707,577	574,659,266
2015	156,807,514	53,596,265	220,057,475	123,705,299	554,166,553

HISTORY OF ELECTRIC ACCOUNTS SERVED (Kilowatt Hours)

<u>Fiscal Year</u>	<u>Residential</u>	<u>Small Commercial</u>	<u>Large Commercial and Industrial</u>	<u>Industrial</u>	<u>Total</u>
2011	21,756	2,344	418	3	24,521
2012	21,892	2,404	423	4	24,723
2013	21,999	2,457	408	4	24,868
2014	22,386	2,502	400	4	25,292
2015	22,648	2,502	404	5	25,559

PEAK DEMAND

<u>Year</u>	<u>Peak Demand (MW)</u>
2011	123.6
2012	128.6
2013	130.7
2014	130.2
2015	122.6

LARGER ELECTRIC USERS (FY 2014-15)

<u>Customer</u>	<u>Kilowatt Hours</u>
AMCOR Rigid Plastics USA	53,158,173
Danfoss Power Solutions	25,020,576
ISU FP&M Utilities	21,173,166
3 M Co.	20,973,211
COA-Mary Greeley Hospital	14,941,465
ISU Athletic Department	8,063,013
Hach Company	6,596,100
ISU Ames Lab	6,261,600
Hy-Vee Inc.	4,384,200
Wal-Mart Stores	4,178,400

MUNICIPAL ELECTRIC UTILITY REVENUE DEBT

Electric Revenue Debt (Includes the Bonds)

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

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding As of 12/29/15</u>
12/15B	\$10,350,000*	Electric System Improvements	6/27	\$10,350,000 *

* Preliminary; subject to change.

Annual Fiscal Year Electric Revenue Debt Service Payments (Includes the Bonds)

<u>Fiscal Year</u>	<u>Bonds</u>	
	<u>Principal*</u>	<u>Principal & Interest*</u>
2015-16	\$910,000	\$1,039,655
2016-17	750,000	1,041,335
2017-18	765,000	1,040,810
2018-19	780,000	1,038,139
2019-20	800,000	1,038,405
2020-21	825,000	1,041,245
2021-22	845,000	1,036,907
2022-23	875,000	1,040,374
2023-24	900,000	1,036,412
2024-25	935,000	1,040,632
2025-26	965,000	1,037,626
2026-27	<u>1,000,000</u>	1,037,500
Total	\$10,350,000	

* Preliminary; subject to change.

UTILITY'S HISTORICAL CASHFLOW AND PROJECTED DEBT SERVICE COVERAGE

The following table sets forth the Utility's historical financial performance for FY 2010-11 through FY 2013-14 based on information from the Utility's Comprehensive Annual Financial Report, as well as the Utility's unaudited financial performance for FY 2014-15.

Based on the FY 2013-14 Comprehensive Annual Financial Report, the \$10,916,148 net revenue for debt service would provide 10.48 times debt service coverage for the \$1,041,335 projected maximum annual debt service on the Bonds. Based on the unaudited FY 2014-15 projected financial performance, the \$9,329,913 net revenue for debt service would provide 8.96 times debt service coverage of the projected maximum annual debt service.

	Audited Financial Reports				Unaudited
	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
OPERATING REVENUES					
Retail Sales	\$52,154,428	\$53,484,774	\$52,461,248	\$51,160,052	\$49,197,757
Customer Service Charges	0	0	0	3,326,616	3,360,768
ISU Sales	4,007,508	2,149,934	3,586,865	3,895,298	2,478,425
Street Lights	791,613	830,443	768,973	870,623	873,669
Penalties	99,831	99,212	97,174	99,067	88,720
Miscellaneous	<u>460,432</u>	<u>631,195</u>	<u>438,939</u>	<u>664,549</u>	<u>636,623</u>
Total Operating Revenues	\$57,513,813	\$57,195,559	\$57,353,200	\$60,016,205	\$56,635,962
OPERATING EXPENSES					
Administration	\$1,025,438	\$1,057,343	\$1,062,207	\$1,055,898	\$1,075,784
Electric Administration	1,572,767	1,728,734	1,392,937	1,093,777	997,050
Production	9,802,897	10,365,722	10,576,108	10,710,498	10,340,200
Fuel & Purchased Power	24,996,842	25,409,624	27,210,684	27,024,274	25,835,736
ISU Purchased Power	2,439,004	2,024,536	2,187,684	2,760,118	2,207,136
Distribution/Operations	2,441,588	2,529,716	2,438,895	2,870,838	2,780,827
Distribution/Improvements	1,033,264	1,448,144	1,796,819	1,797,661	2,090,849
Technical Services	918,116	978,819	993,935	975,909	1,036,658
Engineering	571,382	660,533	578,751	616,631	633,409
Customer Service	661,615	655,681	626,832	670,971	651,035
Depreciation	<u>3,002,356</u>	<u>3,217,121</u>	<u>3,463,395</u>	<u>3,921,411</u>	<u>4,184,701</u>
Total Operating Expenses	\$48,465,269	\$50,075,973	\$52,328,247	\$53,497,986	\$51,833,385
OPERATING INCOME	\$9,048,544	\$7,119,586	\$5,024,954	\$6,518,219	\$4,802,577
NONOPERATING REVENUES & EXPENSES					
Interest Earnings	\$275,016	\$302,711	(\$49,896)	\$412,025	\$326,744
Reimbursements	0	0	87,175	2,073	6,315
Other Income	31,331	0	36,801	62,420	53,867
Add back Depreciation	<u>3,002,356</u>	<u>3,217,121</u>	<u>3,463,395</u>	<u>3,921,411</u>	<u>4,184,701</u>
Subtotal	\$3,308,703	\$3,519,832	\$3,537,475	\$4,397,929	\$4,571,628
NET REVENUE FOR DEBT	\$12,357,247	\$10,639,418	\$8,562,428	\$10,916,148	\$9,374,204
ELECTRICE REVENUE DEBT					
Proposed Series 2015B Bonds	\$0	\$0	\$0	\$0	\$0
Debt Coverage Ratio (Parity Debt)	N/A	N/A	N/A	N/A	N/A
CASHFLOW AFTER DEBT	\$12,357,247	\$10,639,418	\$8,562,428	\$10,916,148	\$9,374,204