

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

ITEM 81

CITY COUNCIL COMMUNICATION 97-129
MARCH 17, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
AUTHORIZATION OF LOAN AGREEMENT AND ISSUANCE OF AIRPORT REVENUE CAPITAL LOAN NOTES	◆ RESOLUTION ORDINANCE RECEIVE/FILE	WILLIAM F. FLANNERY AVIATION DIRECTOR

SYNOPSIS —

On February 4, 1997, by Resolution No. A97-50, the Airport Board approved a recommendation to City Council for approval of Airport Revenue Capital Loan Notes in an aggregate amount not to exceed \$3,600,000. By structuring the loan as Airport Revenue Capital Loan Notes, they do not constitute a charge against the City's General Obligation (GO) Debt Capacity and have no impact on future borrowings of the City.

It is anticipated that the Notes will be dated the first of the month following Council approval. Interest on the Loan will be payable semiannually with principal maturities payable annually. It is further anticipated that the Loan Agreement will contain a provision for early redemption at the sole discretion of the City. The principal and interest due on the Notes is payable solely and only out of the net earnings of the Airport System (i.e., Enterprise Fund) and is not an obligation against the GO debt capacity of the City. The issuance of the Notes at this time is not anticipated to impede the Airport's ability to issue additional Notes or Bonds in the future, if necessary. The Airport Board has utilized the services of an airport financial feasibility consultant to analyze the impacts of the issuance of debt to finance portions of the Airport's Capital Improvement Program.

A small portion of the loan proceeds will be utilized to reimburse the Airport Enterprise Fund for design work on the Airport Parking Garage project already completed by Ramp Associates and paid from Airport Operating Funds. The balance of funds will be utilized to fund the completion of the garage design and projects anticipated to start with the next construction season.

The short-term Capital Loan Notes are anticipated to be structured to meet the current financing demands of the Airport without significantly increasing airline rates and charges. With debt service paid by the Airport on the Airport's portion of City General Obligation debt declining annually, a portion of the additional debt service attributable to the proposed new loan will be used to level out total Airport debt service helping to maintain stable airline rates. Stabilizing airline rates today will assist in airline rate negotiations for revenue bonds to be issued in the future. The proposed loan will be paid through revenues generated by increased concession revenues and a reduction in the amount available for airline net income credits at the end of each year.

The item is placed before the City Council because the Council, in the ordinance creating the Airport Board, reserved unto itself the undertaking of debt, including the issuance of bonds or the execution of any form of loan or promissory note.

FISCAL IMPACT —

There is no fiscal impact on the City of Des Moines General Fund. Principal and interest payments on the loan are obligations of the Airport System (i.e., Enterprise Fund) and are payable solely from Airport revenues. Debt service attributable to the 1997 Capital Loan Notes is contained within the

Airport's FY1996-97 Revised and FY1997-98 Recommended Operating Budgets which were approved by Council on March 3, 1997. On November 12, 1996, by Resolution A96-305, the Airport Board approved the Airport's FY1996-97 Revised and FY1997-98 Recommended Operating Budgets and recommended approval of same to the City Council.

RECOMMENDATION —

That City Council authorize the Loan Agreement and the issuance of \$3,600,000 Airport Revenue Capital Loan Notes, Series 1997.

BACKGROUND —

The Loan is being structured and is anticipated to be marketed as a non-taxable issue based on the fact that the loan proceeds will be utilized for project costs which are considered public activity projects. The breakdown of loan proceeds includes the Parking Garage Design (\$1,100,000), Parking Lot Revenue Control Equipment (\$600,000), Utility Relocations related to the Parking Garage Project (\$450,000), Interim Parking Modifications (\$350,000), and the CAT II Centerline Lighting Project (\$900,000). Also included in the loan amount is \$200,000 for financing and miscellaneous cost. The interest rate on the loan is anticipated to range from 4.0 percent to 4.8 percent depending on maturity.

Based on data currently available, it is anticipated that the loan amount may be less than the \$3.6 million being requested. However, it is appropriate to authorize slightly more than the minimum requirement to allow for miscellaneous costs and unknowns.