

City Council Communication 97-580

December 8, 1997 Agenda

Subject:

**Authorization of Reallocation of
Loan Proceeds from Issuance of
\$3.515 Million of Airport Revenue
Capital Loan Notes, Series 1997A**

Submitted by:

William 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. On April 7, 1997, by Roll Call No. 97-1234, City Council authorized and directed the sale of \$3,515,000 of Airport Revenue Capital Loan Notes, Series 1997A.

The Airport Revenue Capital Loan Notes do not constitute a charge against the City's General Obligation (G.O.) Debt Capacity and have no impact on future borrowings of the City. This 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. This item will not change the payment structure or create any additional impact to the Airport Enterprise Fund. Bond Counsel has confirmed that the requested reallocation of 1997A Loan Note proceeds is allowable and acceptable under both the approved Resolution and Loan Agreement and current tax law. The 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 approved fiscal year (FY) 1997/98 Airport Operating Budget and the Airport's FY 1997/98 Revised and FY 1998/99 Recommended Operating Budgets, which were approved by the Airport Board on November 4, 1997, and are pending presentation and approval by City Council.

Recommendation —

Staff recommends that City Council authorize reallocation of \$300,000 in proceeds of the \$3,515,000 Series 1997A, Airport Revenue Capital Loan Notes from the Parking Revenue Control Equipment project to the CAT II Centerline Lighting Project.

Background —

Because of higher than anticipated bids on the CAT II Lighting project component of the Airport Revenue Capital Loan Note Issuance, the Airport Board recommended, and City Council approved, a reallocation of Loan proceeds as part of the award of the construction contract. The construction contract for this project included estimated quantities with fixed prices for each incremental quantity. Actual contract quantities, as verified by the Engineering Department, will exceed the estimated quantities contained within the contract. In order to complete the project, additional funding must be provided. Because the 1997A Loan Note issuance included five separate project components, including the CAT II project, it has been determined by the Airport Board that the optimum funding source for this increase is through a reallocation of Loan proceeds. It is recommended that funds in the amount of \$300,000 be reallocated from the Parking Revenue Control Equipment project to the CAT II Lighting project. The Parking Revenue Control Equipment project is proposed to be funded by the balance of Loan Note proceeds or through future Airport Enterprise Funds or debt issuance. The CAT II Lighting project is an integral part of the development of the Airport that will add operational capacity and consists of a considerable amount of equipment that is being provided directly by the Federal Aviation Administration without cost to the City.

The loan proceeds were originally allocated to the Parking Garage Design project (\$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), and included \$115,000 for financing and miscellaneous cost.

Due to higher than anticipated bids for the CAT II Lighting project, City Council authorized the reallocation of Loan proceeds on June 16, 1997. That reallocation shifted funds provided for the Utility Relocation project to the CAT II Lighting project in the amount of \$450,000.