

**CITY COUNCIL COMMUNICATION 98-014
JANUARY 19, 1998 AGENDA**

SUBJECT:

**OFFICIAL INTENT TO ISSUE DEBT TO
REIMBURSE THE AIRPORT FOR PROJECTS
FUNDED WITH AIRPORT REVENUE BONDS**

SUBMITTED BY:

**WILLIAM FLANNERY, AVIATION DIRECTOR
KEVIN RIPER, FINANCE DIRECTOR**

SYNOPSIS –

On December 8, 1997, by Roll Call No. 97-3936, the City Council approved the selection of Merrill Lynch as senior managing underwriter for the proposed General Airport Revenue Bond Issue anticipated to be issued in March 1998. The financing team (which consists of Airport staff, the City Finance Director, bond counsel, financial advisor, feasibility consultant, and underwriter) for the proposed bond issue has been preparing the documents necessary to complete the bond issuance and develop the financing plan. To ensure that the projects proposed to be financed under the bond issue receive full funding as contained within the approved Capital Improvement Program (CIP), the adoption of a resolution declaring an official intent to issue debt to reimburse the Airport (City) for certain original expenditures paid in connection with the proposed projects (Reimbursement Resolution) is required.

FISCAL IMPACT –

The Airport Revenue Bonds will be issued with the sole pledge of Airport revenues and will not obligate or impact the City. The Airport Board has retained a specialized Airport feasibility consultant to evaluate the impacts of the bond issue on Airport finances and airline rates and charges. Under the Internal Revenue Code, a Reimbursement Resolution must be adopted to allow for any expenditures made after the date of the Reimbursement Resolution but prior to the issuance of the tax-exempt Airport Revenue Bonds to be reimbursed from the proceeds of the bonds. While it is anticipated expenditures of this type will be minimal, the resolution is required if any such costs are to be recovered. The portion of the proposed revenue bond issue anticipated to be classified as taxable under the Internal Revenue Code does not require a Reimbursement Resolution for expenditures incurred prior to the issuance of the bonds to be reimbursed to the Airport.

RECOMMENDATION –

Approval of the resolution declaring an official intent under Treasury Regulation 1.150-2 to issue debt to reimburse the City for certain original expenditures paid in connection with specified projects.

BACKGROUND –

The approved 1997-98/2002-03 CIP for the Airport included the issuance of General Airport Revenue Bonds as an integral funding source for a number of projects, including a parking structure, stormwater treatment facility, and the Runway 5/23 Extension. On November 4, 1997, by Resolution A97-373, the Airport Board approved the FY1997-98 CIP and the FY1998-99/2003-04 CIP budget for the Airport, and recommended its inclusion in the overall City CIP. Included within the updated CIP budget for FY1997-98/2003-04 is the anticipation that Airport Revenue Bonds would be issued to fund construction costs for the Airport parking structure (\$16,500,000), stormwater treatment facility (\$4,000,000), land acquisition and development for future expansion (\$8,000,000), land acquisition - fuel farm (\$1,000,000), airfield taxiway enhancements (\$700,000), a parking toll plaza office complex (\$200,000), utility relocation and enhancement (\$500,000), roadway lighting (\$400,000), and parking revenue control equipment (\$400,000). Based on current cost estimates, net construction costs of the projects listed above are projected between \$31 - 34 million, which translates into a bond sizing of approximately \$40 - 44 million. That amount includes, in addition to construction costs, capitalized interest, debt service reserve funding, underwriters discounts, and other closing costs. It is currently anticipated that the proposed revenue bonds will include a non-taxable (non-alternative minimum tax) component, a non-taxable (alternative minimum tax) component, and a taxable component based on the type of improvement and treatment under current tax law. Bond counsel determines which series a project is classified within based on the project, its proposed usage, and Internal Revenue Code. Projects currently anticipated to be classified as tax-exempt, non-alternative minimum tax are the roadway lighting, stormwater detention/treatment facility, and the utility enhancements. Projects currently anticipated to be classified as tax-exempt, alternative minimum tax are the parking structure, parking revenue control equipment, parking toll plaza office complex, and the taxiway enhancements. Projects currently anticipated to be classified as taxable are the land acquisition - expansion and development and the land acquisition - fuel farm.