

**CITY COUNCIL COMMUNICATION 98-045
FEBRUARY 16, 1998 AGENDA**

SUBJECT:

**APPROVAL OF THE ISSUANCE OF
GENERAL AIRPORT REVENUE BONDS**

SUBMITTED BY:

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

SYNOPSIS –

On March 3, 1997, by Roll Call No. 97-735, City Council approved the 1998 Capital Improvements Program (CIP) budget, which includes improvements for the Airport. Within the approved CIP for the Airport, Airport Revenue Bond funding is provided as an integral funding source for many projects. Previously, Council has approved the selection of an underwriter (Merrill Lynch) and approved a Reimbursement Resolution in support of this first ever General Airport Revenue Bond issuance.

It is currently anticipated that the proposed Airport Revenue Bond issuance will include a tax exempt non-AMT (non-alternative minimum tax) component, a tax exempt AMT (alternative minimum tax) component, and a taxable component based on the type of improvement and treatment under current tax law. Based on current estimates, it is anticipated that approximately \$25 million will be classified as tax exempt AMT, approximately \$7 million classified as tax exempt non-AMT, and approximately \$13 million classified as taxable. The ultimate tax law treatment of the various projects and the amount issued under each series will be determined in the near future.

The above estimates and the \$45 million total estimated bond sizing are anticipated to be slightly higher than the amount of bonds that will be recommended to City Council for final approval. Downward adjustments are anticipated in some of the final construction cost estimates and the estimates for capitalized interest and closing costs.

FISCAL IMPACT –

There is no fiscal impact on the General Fund. Principal and interest payments on the revenue bonds are obligations of the Airport System (i.e., Airport Enterprise Fund) and are payable solely from Airport revenues. Debt service on certain components within the financing, specifically the Taxiway Enhancement Project and the Stormwater Detention/Treatment Facility Project, will be

funded from airline rates and charges. Debt service related to parking system improvements will be funded out of net revenues generated by the Airport parking system.

RECOMMENDATION –

Approval of the issuance of General Airport Revenue Bonds, in an aggregate amount not to exceed \$45 million, to be repaid solely from Airport revenues over a term not to exceed 30 years; set the date of public hearing for March 16, 1998, for additional action for the authorization and issuance of Airport Revenue Bonds; and provide for publication of said notice.

BACKGROUND –

On August 1, 1995, by Resolution No. A95-184, the Airport Board approved entering a Professional Services Agreement with John F. Brown Co. to provide Financial Feasibility Study Services. The Financial Feasibility report to be issued by John F. Brown will represent the basis for which the underwriter, rating agencies, and the ultimate purchasers of the bonds determine the credit worthiness of the Airport for this bond issue. Based on the results of the feasibility analysis and the analysis of the impact of the bond issue on the corresponding airline rates and charges and Airport System net revenues, the ultimate bond size will be set. Based on the preliminary results of the analysis, it is anticipated that the final feasibility report will indicate that the Airport is financially capable of absorbing the proposed debt service without materially impacting its financial position.

On November 4, 1997, by Resolution No. A97-373, the Airport Board approved the FY99 CIP and the FY98 through FY04 CIP for the Airport and recommended inclusion in the overall City CIP. That budget, currently under review by City Council, reflects the projects included within this revenue bond issue.

The projects included within the revenue bond issuance and the current estimated construction costs without contingency (reflected parenthetically) are presented as follows: multi-level airport parking structure (\$16,500,000), storm water 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 (\$250,000), parking revenue control equipment (\$400,000), roadway lighting (\$400,000), and utility relocation and enhancement (\$500,000). Reserve Fund, capitalized interest, and other closing costs represent the balance of the funding.

Because the construction of the multi-level parking structure represents the single largest element within the proposed bond issue and approximately 1/2 of the total issue, it has been determined that the receipt of actual bids prior to final bond sizing is necessary. Therefore, the schedule for issuance and closing has been formulated to take into consideration the progression of the parking structure project and the receipt of bids by the Airport Board on March 10, 1998.