



Agenda Item:

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## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 03/22/04

Communication

No.: 04-145

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Robert L. Hagener, Director, Aviation Department

### SUBJECT—

Amendment relating to the Aviation System Revenue Capital Loan Agreement and Capital Loan Note payable to the Meredith Corporation originally approved May 1, 2000 by Roll Call No. 00-1326.

### SYNOPSIS—

This amendment to the Loan Agreement allows the Airport greater flexibility in its repayment schedule by permitting payments quarterly, instead of annually, at par plus any accrued interest throughout the remaining term of the Loan Agreement.

### FISCAL IMPACT—

The current outstanding principal balance on the Note is \$600,000. The original terms of the Note allowed for annual principal payments of \$100,000 on January 1 of each year. Remaining interest expense on the Note (due quarterly at 7%), is scheduled to amount to \$147,000 over the remaining term of the loan. Under the original terms, the note would be paid in full by January 1, 2009.

The Aviation Department plans to accelerate its payment schedule (see attachment) by making principal payments of \$100,000 each quarter along with interest payments. The Airport's current cash forecast appears to allow for repayments over an accelerated time frame. Upon approval of

this amendment, this revised payment schedule will likely be established by the Airport and approved by Meredith.

The resulting interest savings would total \$110,250 over the remaining life of the loan. The possibility also remains that the loan can be repaid on an even more accelerated schedule if the Airport's fiscal position allows, likewise the amendment will give the Airport the option to fall back to the original protracted payment schedule should operating revenues drop significantly from budgeted levels.

#### **RECOMMENDATION—**

Approval

#### **BACKGROUND—**

The Council, through its approval of Roll Call 000-1326, approved the issuance of Aviation System Revenue Capital Loan Note, Taxable Subordinate Series 2000A, which consisted of a \$1,000,000 loan to the City from Meredith Corporation. This loan was made for the purpose of paying costs of construction of the Meredith's Executive Hanger Facility at 2602 McKinley Avenue at the Des Moines International Airport. Meredith's facility would be constructed in the location of the existing Airport field maintenance facility, and the maintenance facility would be relocated to the south side of the Airport. The Capital Loan Note was issued to provide immediate funding for the Airport to construct the relocated facility. Meredith's Executive Hanger Facility, as well as the Aviation Department's Maintenance Facility each have been completed and are fully operational.

Meredith and the Airport have agreed to this First Amendment to the Loan Note, which would allow the Airport greater flexibility in its repayment schedule by permitting optional redemption, in whole or in part, on any quarterly payment date (at par plus any accrued interest) throughout the remaining term of the Loan Agreement. On January 6, 2004, with its Resolution No. A04-08, the Airport Board recommended Council approval of the First Amendment and Replacement Note with Meredith Corporation. If Council were to approve the Amendment, Aviation Department Staff anticipates, based on current budget projections, adding a principal payment of \$100,000 to each quarterly interest payment, beginning with the April 1, 2004 payment. This revised schedule would allow the note to be paid in full by July 1, 2005.



Des Moines International Airport  
 Series 2000A Capital Loan Note (Meredith Corp)  
 Current balance = \$600,000 Interest Rate = 7%

Date	Total Payment	Principal	Interest	Resulting Principal Balance
<b>Existing Repayment Schedule</b>				
4/1/2004	\$ 10,500.00	\$ -	\$ 10,500.00	\$ 600,000.00
7/1/2004	10,500.00	-	10,500.00	600,000.00
10/1/2004	10,500.00	-	10,500.00	600,000.00
1/1/2005	110,500.00	100,000.00	10,500.00	500,000.00
4/1/2005	8,750.00	-	8,750.00	500,000.00
7/1/2005	8,750.00	-	8,750.00	500,000.00
10/1/2005	8,750.00	-	8,750.00	500,000.00
1/1/2006	108,750.00	100,000.00	8,750.00	400,000.00
4/1/2006	7,000.00	-	7,000.00	400,000.00
7/1/2006	7,000.00	-	7,000.00	400,000.00
10/1/2006	7,000.00	-	7,000.00	400,000.00
1/1/2007	107,000.00	100,000.00	7,000.00	300,000.00
4/1/2007	5,250.00	-	5,250.00	300,000.00
7/1/2007	5,250.00	-	5,250.00	300,000.00
10/1/2007	5,250.00	-	5,250.00	300,000.00
1/1/2008	105,250.00	100,000.00	5,250.00	200,000.00
4/1/2008	3,500.00	-	3,500.00	200,000.00
7/1/2008	3,500.00	-	3,500.00	200,000.00
10/1/2008	3,500.00	-	3,500.00	200,000.00
1/1/2009	103,500.00	100,000.00	3,500.00	100,000.00
4/1/2009	1,750.00	-	1,750.00	100,000.00
7/1/2009	1,750.00	-	1,750.00	100,000.00
10/1/2009	1,750.00	-	1,750.00	100,000.00
1/1/2010	101,750.00	100,000.00	1,750.00	-

Date	Total Payment	Principal	Interest
<b>Proposed "Accelerated" Repayment Schedule</b>			
4/1/2004	\$ 110,500.00	\$ 100,000.00	\$ 10,500.00
7/1/2004	108,750.00	100,000.00	8,750.00
10/1/2004	107,000.00	100,000.00	7,000.00
1/1/2005	105,250.00	100,000.00	5,250.00
4/1/2005	103,500.00	100,000.00	3,500.00
7/1/2005	101,750.00	100,000.00	1,750.00

<b>Total</b>	\$ 747,000.00	\$ 600,000.00	\$ 147,000.00	\$ -
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<b>Total</b>	\$ 636,750.00	\$ 600,000.00	\$ 36,750.00
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Interest Savings **\$ 110,250.00**