



Council Communication

Office of the City Manager

Date

November 5, 2007

Agenda Item No. 38
Roll Call No. 07-
Communication No. 07-649
Submitted by: Allen McKinley, Finance
Director

AGENDA HEADING:

Approving Preliminary Official Statement for Airport Refunding Notes

SYNOPSIS:

Recommend approval of the Preliminary Official Statement for Airport Refunding Notes. As part of the process to issue 2007 Airport Capital Loan Notes to refund the 1998 Airport Capital Loan Notes, an Offering Statement is prepared and distributed to potential buyers. The distribution of the Preliminary Official Statement to potential buyers of the airport bonds will be a clear and unambiguous signal to the capital markets that the City intends to sell the bonds and to sign a bond purchase agreement with the underwriter, Merrill Lynch. The bond sale is currently scheduled to occur on Wednesday, December 5, 2007, and the bond purchase agreement will be signed at the end of that day. *A special council meeting will need to be held on December 5th* to complete the transaction.

FISCAL IMPACT:

Amount: \$1,126,000 (Net Present Value) or \$150,000 per year is the current estimate, which is conservative.

Funding Source: Fiscal Year 2007-08 Operating Budget, Aviation Department, Airport Operations Fund – Administration, EN002 AIR010100, page 66.

ADDITIONAL INFORMATION:

On March 12, 2007, the City Council held a public hearing on the issuance of not to exceed \$40,000,000 of Aviation System Refunding Capital Loan Notes and authorized the Finance Director to proceed on behalf of the City with the sale and issuance of the notes, to select a date for the offering thereof, and otherwise take all action necessary to permit the completion of the financing on a basis favorable to the City and acceptable to the Council.

Since March 12th the following actions have occurred to accomplish the refunding:

- City Council amended the City's existing Financial Advisory Services contract with PFM to include airport debt financings.
- City Council approved the issuance of an RFP for the selection of an underwriter for the issuance of airport debt using a negotiated sale process.
- City Council designated Merrill Lynch and Co. Inc. as Senior Managing Underwriter for the issuance of Airport debt using a negotiated sale process.

Over the next month, city staff, PFM (Financial Advisor), Merrill Lynch (Senior Underwriter), and Ahlers & Cooney (Bond Counsel) will meet with two credit rating agencies (Moody's and Standard and Poors), complete and distribute the 2007 Airport Annual Financial Report, monitor market conditions, and ultimately sell the bonds.

PREVIOUS COUNCIL ACTION(S):

Date: June 18, 2007

Roll Call Number: 07-1239

Action: Accepting proposal of Merrill Lynch & Co. for Senior Managing Underwriter Services for issuance of Airport Revenue Bonds and designating Merrill Lynch & Co. as same. SPONSOR: Hensley. (Council Communication No. 07-375) Moved by Hensley to adopt. Motion Carried 6-1.

Date: April 23, 2007

Roll Call Number: 07-758

Action: Request For Proposals (RFP) for Underwriting Services on issuance of General Airport Revenue Bonds. (Council Communication No. 07-215) Moved by Hensley to adopt. Motion Carried 7-0.

Date: March 26, 2007

Roll Call Number: 07-557

Action: Amending existing contract with Public Financial Management, Inc./PFM Asset Management, LLC (PFM) for Financial Advisory Services. (Council Communication No. 07-151) Moved by Hensley to adopt. Motion Carried 7-0.

Date: March 12, 2007

Roll Call Number: 07-243

Action: Hearing On issuance of not to exceed \$40,000,000 Aviation System Revenue Refunding Capital Loan Notes. (Council Communication No. 07-142) Moved by Hensley to adopt. Motion Carried 6-1.

Date: February 12, 2007

Roll Call Number: 07-243

Action: Setting Date of Hearing On issuance of not to exceed \$40,000,000 Aviation System Revenue Refunding Capital Loan Notes, (3-12-07). (Council Communication No. 07-085) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: October 29, 2007

Airport Board Resolution Number: A07-181

Action: Recommend that Council authorize the distribution of the Preliminary Official Statement and supporting documents in connection with the offering of the Notes for sale.

Date: June 18, 2007

Airport Board Resolution Number: A07-78

Action: Recommend Approval to Council Designating Merrill Lynch & Co., Inc. as the Provider of Airport Bond Senior Managing Underwriting Services for a Three-Year Period beginning July 1, 2007.

Date: April 3, 2007

Airport Board Resolution Number: A07-35

Action: Approval to Utilize Financial Advisory & Consulting Services of Public Financial Management, Inc./PFM Asset Management, LLC, Using Terms of the Existing City of Des Moines Service Agreement.

Date: February 6, 2007

Airport Board Resolution Number: A07-23

Action: Approval of the sale, advance refunding, and/or forward refunding of existing 1998 Airport Revenue Bonds; issuance of Request For Proposal (RFP) documents for underwriting services for such refunding; and recommendation that City Council set a date for public hearing on the issue of Not to Exceed \$40 Million Aviation System Revenue Refunding Capital Loan Notes.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

A special council meeting will need to be held on December 5, 2007, to complete the transaction.