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|  <p style="text-align: center;">Council Communication Office of the City Manager</p> | Date: June 28, 2010 |
| | Agenda Item No. 27 Roll Call No. <u>10-1038</u> Communication No. <u>10-369</u> Submitted by: Merrill Stanley, Deputy City Manager, Allen McKinley, Finance Director |

AGENDA HEADING:

Approving the City’s principal prepayment on the 2008 loan from the Metro Waste Authority (MWA) for a salt storage building, and accepting the early repayment of a 2002 mortgage loan from MWA.

SYNOPSIS:

Approving the City’s principal prepayment on the 2008 loan from the MWA, used to construct a 10,000 ton salt storage building, in the amount of \$357,500, leaving an unpaid balance of \$213.78. Also approving acceptance from the MWA of principal prepayment in full of the outstanding loan amount of \$367,739 remaining from a 2002 mortgage loan for the building located at 300 East Locust.

FISCAL IMPACT:

Amount: \$36,352.92 in interest savings. The loan from the City to MWA carries no interest cost, while the loan from MWA to the City carries a 5% annual interest rate.

Funding Source: The prepayment will be initially funded from the Economic Development Enterprise Fund (SP743 CMO981700). This fund will be reimbursed by the Road Use Tax fund as originally contemplated in the Salt Storage Agreement with the MWA over the next three years (SP360 PWK070100).

ADDITIONAL INFORMATION:

The City entered into an Urban Renewal Development Agreement with MWA in April 2001, to develop property at 300 East Locust. This was followed in July 2002 with a mortgage loan in the amount of \$742,739 at zero percent interest for the construction of their current office building. MWA has made annual payments since 2001 that have reduced the balance to \$442,739. The balance will be further reduced to \$367,739 by their annual payment of \$75,000 due July 1, 2010.

In May, 2006, the City entered into a 28E agreement with the cities of West Des Moines, Urbandale, Johnston, Clive, Windsor Heights, Waukee, Grimes, and Pleasant Hill to construct and operate salt facilities. Under this agreement, one 12,000 ton building was built for the other communities and one 10,000 ton building was built for Des Moines. Des Moines’ share of the loan was \$585,158.12, loaned on August 31, 2009. Annual payments have been made bringing the current balance to \$469,506.57, to be further reduced by a July 1, 2010 payment to \$357,713.78. The terms of the 28E do not provide for

the early repayment of the loan, or release of title, so the proposal is to repay all but a small amount, which can be done under the agreement, thereby avoiding interest charges. The 5% interest rate being paid on the loan far exceeds rates the City is earning on its idle funds.

The MWA Board approved the loan repayments at their June 16, 2010 Board meeting.

PREVIOUS COUNCIL ACTIONS:

Date: July 14, 2008

Roll Call Number: 08-1237

Action: [Approving](#) the 28E Agreement with City of West Des Moines, Urbandale, Johnston, Clive, Windsor Heights, Waukee, Grimes and Pleasant Hill for operation and maintenance of the facility. ([Council Communication No. 08-414](#)) Moved by Coleman to adopt. Motion Carried 7-0.

Date: May 8, 2006

Roll Call Number: 06-900

Action: [Agreement](#) with Metro Waste Authority assuming obligations of 300 East Locust, L.P. for property at 300 E. Locust Street as set forth in the Urban Renewal Development Agreement dated April 2, 2001. ([Council Communication No. 06-276](#)) Moved by Vlassis to adopt. Motion Carried 6-1.

Date: April 2, 2001

Roll Call Number: 01-994(B)

Action: Approving Development Agreement with 300 East Locust L.P., for redevelopment of 300 E. Locust Street. ([Council Communication No. 01-152](#)) Moved by Coleman to approve and adopt. Motion Carried 6-1. Nays: Brooks.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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