

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: September 27, 2010
	Agenda Item No. 16 Roll Call No. <u>10-1546</u> Communication No. <u>10-581</u> Submitted by: Click here to enter text.

AGENDA HEADING:

Set date of public hearing on the authorization of one or more loan agreements and issuance of not to exceed \$1,600,000 Aviation System Revenue Capital Loan Notes (October 25, 2010).

SYNOPSIS:

Office of Energy Independence recently selected the Aviation Department to receive a grant in the amount of \$783,333. Elements of the proposed project to be completed under this grant include:

- 1) Converting the terminal building steam heating system to hot water heat
- 2) Replacing two concourse boilers with high efficiency condensing boilers
- 3) Adding a variable frequency drive system to the newest of three terminal chillers and converting the central plant to a variable primary flow configuration for chilled water
- 4) Retrofitting 19 air-handling units in the terminal and concourses to variable air volume with fan powered reheat boxes using CO2 demand control ventilation

Acceptance of the grant requires a “two-to-one” match by the Aviation Department; the required local contribution is \$1,566,667 of the total estimated project cost of \$2,350,000. The Council accepted this grant at its meeting of September 13, 2010. As was mentioned to Council at that time, the grant was not anticipated in the current fiscal year budget, so the sponsor match will require the issuance of additional Aviation Revenue Bond debt. This item is to approve the additional principal borrowings as part of an anticipated refinancing of existing Airport Revenue Bonds.

FISCAL IMPACT:

Amount: The Airport has been awarded a grant for \$783,333 through the Iowa State Office of Energy Independence. Accepting the grant requires the Airport to fund \$1,566,667 of the recommended capital improvements listed above. Due to the recent timing and changing nature of the 2009 Federal Stimulus Act, this project was not contemplated in the current CIP budget (which was prepared in the fall of 2009). The Airport Board has approved consideration of the sale, advance refunding and forward refunding of existing 1998 Airport Revenue Bonds. To fund the Airport’s \$1,566,667 contribution, staff recommends additional principal borrowings of this amount be included in the upcoming bond refunding. Interest rates are at historic lows and, because most refunding costs are fixed, any financing costs associated with the additional principal needed here are minimal.

With approval of this item, staff would pursue including the funding for this project as part of the 1998 Airport Revenue Bond refunding.

Funding Source: Airport Revenue Bonds

ADDITIONAL INFORMATION:

The Iowa State Office of Energy Independence has awarded this grant based on energy savings achieved, which is calculated to be \$124,356 per year. Additionally, capital avoidance in a planned manner is preferable to emergency upgrades to equipment. Components of the Airport Terminal HVAC system are thirty years old. Over the past four years an average of \$83,809 has been spent by the Aviation Department on repairs and updates to the HVAC system.

If not replaced, a conservative estimate of capital upgrades necessary to the current system over the next ten years has been provided by energy engineers. The engineers estimate potentially spending \$1,100,000 on the existing system over a ten year period. When the capital avoidance is added to the energy savings, the payback period on the project is 6.7 years.

The Aviation Department is progressing towards a refunding of its 1998 Airport Revenue Bonds later in the fall, so it is advantageous to include funding needed for this project with that issuance.

Aviation Revenue Bond Debt is payable only from revenue generated by the Aviation Department and is secured only by Aviation Department assets.

PREVIOUS COUNCIL ACTION:

Date: September 13, 2010

Roll Call Number: 10-1512

Action: [State](#) Energy Program Grant Agreement with Iowa Office of Energy Independence (OEI), for Capital Improvement to the Airport HVAC system, \$783,333.

BOARD/COMMISSION ACTION:

Date: September 7, 2010

Resolution Number: Airport Board A10-167

Action: The Airport Board recommends approval of a State Energy Program Grant in the amount of \$783,333 to the Des Moines City Council.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Conduct the public hearing on October 25, 2010, and approve the sale of the Aviation Revenue Bonds at a future meeting, most likely in early-to-mid December 2010. The remaining grant items, which include a professional services contract for design and approval of the equipment purchase, will be future Airport Board action items.

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