

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: November 22, 2010
	Agenda Item No. 42 Roll Call No. <u>10-1965</u> Communication No. <u>10-711</u> Submitted by: Donald L. Smithey

AGENDA HEADING:

Approving offering documents for the issuance of an amount not to exceed \$53,600,000 in Aviation System Revenue Capital Loan Notes, Series 2010 A-D.

SYNOPSIS:

Recommend approval of the documents for the issuance of an amount not to exceed \$53,600,000 in Aviation System Revenue Capital Loan Notes, Series A-D. This item allows the offering documents to be published to facilitate the pricing and sale of the notes, planned to occur during the month of December, if rates allow for positive savings.

FISCAL IMPACT:

Amount: Using estimated bond rates in effect on November 3, 2010, projected savings from the refunding element of the new notes would generate net present value savings of \$2.7 million, or 7%. This would produce level annual savings of approximately \$130,000 over the remaining term of the bond issuance.

Funding Source: Aviation System Revenue Capital Loan Notes, Series 2010 Series A-D.

ADDITIONAL INFORMATION:

The Council has previously approved the issuance of Aviation System Revenue Capital Loan Notes (the “Notes”) to accomplish the following:

- 1) Refund all outstanding Series 1998 Aviation System Revenue Bonds (current principal balance \$35,889,394) to take advantage of attractive interest rates.
- 2) Redeem all outstanding 2000 Series C Airport Commercial Paper (current principal balance \$12,000,000) to terminate the variable-rate debt program and close the accompanying short-term line of credit arrangement.
- 3) Obtain cash proceeds to fund the local match (\$1,600,000) related to an Iowa Office of Energy Independence grant which was recently awarded with the purpose of updating the Airport’s HVAC system to gain energy efficiency.

Approval of this item allows the offering documents to be published to facilitate the pricing and sale of the notes, planned to occur during the month of December if rates allow for positive savings. Obviously, rates can fluctuate and final savings cannot be determined until the new notes are priced and sold. The

redemption of the commercial paper element of the new notes would eliminate concerns over the possibility of future increases in variable interest rates, as well as avoiding various bank fees associated with the commercial paper program and line of credit. The final piece of the new notes, the new cash proceeds, will fund an energy efficiency project with an estimated payback period of 6.7 years.

PREVIOUS COUNCIL ACTIONS:

Date: October 23, 2010

Resolution Number: 10-1757

Action: Authorizing one or more loan agreements and issuance of not to exceed \$1,600,000 Aviation System Revenue Capital Loan Notes. Moved by Hensley, approved 7-0-0-0

Date: November 10, 2008

Resolution Number: [08-1993](#)

Action: [On](#) authorization of a Loan Agreement and issuance of not to exceed \$12,000,000 Aviation System Revenue Capital Loan Notes. ([Council Communication No. 08-690](#)) **Moved by Coleman to adopt. Motion Carried 5-2.**

Date: March 12, 2007

Resolution Number: [07-478](#)

Action: [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.**

BOARD/COMMISSION ACTION: NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approve the pricing and sale of the Aviation System Revenue Capital Loan Notes at a “special” future meeting, most likely early-to-mid December 2010.

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