



City of Pensacola

222 West Main Street
Pensacola, FL 32502

Memorandum

File #: 18-34

City Council

9/13/2018

LEGISLATIVE ACTION ITEM

SPONSOR: Ashton J. Hayward, III, Mayor

SUBJECT:

SUPPLEMENTAL BUDGET RESOLUTION NO. 18-34 - APPROPRIATING FUNDING IN CONNECTION WITH THE MODIFICATION OF THE TERMS OF THE EXISTING AIRPORT TAXABLE CUSTOMER FACILITY CHARGES REVENUE NOTE.

RECOMMENDATION:

That City Council adopt Supplemental Budget Resolution No. 18-34.

A RESOLUTION AUTHORIZING AND MAKING REVISIONS AND APPROPRIATIONS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2018; PROVIDING FOR AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

In January 2008 City Council approved a \$21 million taxable loan (the "Original Loan") from Bank of America, N.A., to finance the Rental Car Service Facility at the Pensacola Regional Airport and the City issued its Airport Taxable Customer Facility Charges Revenue Note (the "Original Note"). Construction costs were lower than originally anticipated and only \$17,847,177 was actually borrowed. The terms of the Original Loan required interest only payments for three years with interest calculated on the basis of the 30 day LIBOR Rate plus 75 basis points (or .75%). The loan is currently being paid from Customer Facility Charge (CFC) revenues.

On September 23, 2010, with authorization by City Council and Bank of America, the maturity of the Original Note was extended to December 31, 2012 (the "2010 Modified Note") under the same terms provided in the Original Loan (the "2010 Loan Modification"). Prior to the closing of the 2010 Loan Modification, accumulated CFC revenues in the amount of \$3,047,177 were applied by the City to pay a portion of the outstanding principal amount of the Original Note, leaving an outstanding balance of \$14,800,000.

On June 27, 2012, with authorization by City Council and Bank of America, the maturity of the 2010 Modified Note was extended to December 31, 2015 (the "2012 Modified Note") under the same terms provided in the Original Loan (the "2012 Loan Modification"). Prior to the closing of the 2012 Loan Modification, accumulated CFC revenues in the amount of \$3,000,000 were applied by the City to pay a portion of the outstanding principal amount of the 2010 Modified Note, leaving an outstanding balance of \$11,800,000.

On September 25, 2015, with authorization by City Council and Bank of America, the maturity of the 2012 Modified Note was extended to December 31, 2018 (the "2015 Modified Note") under the same terms provided in the Original Loan (the "2015 Loan Modification"). Prior to the closing of the 2015 Loan Modification, accumulated CFC revenues in the amount of \$3,000,000 were applied by the City to pay a portion of the outstanding principal amount of the 2015 Modified Note, leaving an outstanding balance of \$8,800,000.

In anticipation of the maturity of the 2015 Modified Note on December 31, 2018, City staff along with the City's Financial Advisor, Julie Santamaria of RBC Capital Markets, LLC, began reviewing market conditions, CFC revenue capacity for debt service and refinancing options. It was determined that extending the maturity of the 2015 Modified Note to December 31, 2021, with a pay down of principal of \$3,000,000 was the best option. The Bank of America was represented by Joe Miller, Senior Vice President of Bank of America Merrill Lynch. The financing team also included Randy Clement, Esq. with Bryant Miller Olive P.A., the City's Bond Council.

Renewal terms negotiated with Bank of America allow for an extension of interest only through December 31, 2021. Interest will be calculated on the same basis as the Original Loan, including an interest rate based on the 30 day LIBOR Rate plus 75 basis points. Due to the pay down of principal, the renewal loan amount will be reduced to \$5,800,000. Repayments of the loan are secured from a first priority pledge of the portion of the Customer Facility Charge (CFC) revenues constituting the Service Site Area Customer Facility Charge, the Service Site Area Ground Rent and Facilities Rent.

PRIOR ACTION:

December 15, 2005 - City Council Information Memo - Approval Official Intent Resolution.

February 6, 2006 - City Council Information Memo - Airport Financing Team.

January 17, 2008 - City Council approval of Bank of America Loan.

September 9, 2010 - City Council approval of Bank of America Loan Extension.

June 14, 2012 - City Council approval of Bank of America Loan Extension.

September 17, 2015 - City Council approval of Bank of America Loan Extension.

FUNDING:

Budget: \$ 3,000,000

Actual: \$ 3,000,000

FINANCIAL IMPACT:

The Airport is responsible for a \$25,000 structuring fee and all professional fees in the amount of \$30,500 incurred to modify the loan for a total estimated cost of \$55,500. Current Libor is 2.0921, a month ago 1.9825 and a year ago 1.2272; based on current Libor the interest rate would be 2.8421% with monthly interest payments of approximately \$13,700. Approval of the Supplemental Budget Resolution will appropriate the \$3,000,000 for the principal payment.

CITY ATTORNEY REVIEW: Yes

8/20/2018

STAFF CONTACT:

Keith Wilkins, City Administrator
Richard Barker, Jr., Chief Financial Officer
Daniel E. Flynn, Airport Director

ATTACHMENTS:

- 1) Supplemental Budget Resolution No. 18-34
- 2) Supplemental Budget Explanation No. 18-34

PRESENTATION: No