



Memorandum

File #: 18-44

City Council

10/11/2018

LEGISLATIVE ACTION ITEM

SPONSOR: Ashton J. Hayward, III, Mayor

SUBJECT:

SUPPLEMENTAL BUDGET RESOLUTION NO. 18-44 - APPROPRIATING FUNDING IN CONNECTION WITH THE PAYOFF OF THE AIRPORT FACILITIES GRANT ANTICIPATION NOTE, SERIES 2016.

RECOMMENDATION:

That City Council adopt Supplemental Budget Resolution No. 18-44.

A RESOLUTION AUTHORIZING AND MAKING REVISIONS AND APPROPRIATIONS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2019; PROVIDING FOR AN EFFECTIVE DATE.

HEARING REQUIRED: No Hearing Required

SUMMARY:

On April 14, 2016, City Council authorized the Mayor to execute acceptance of the Florida Department of Transportation ("FDOT") Joint Participation Agreement # 43571769401 in the amount of \$8,599,600 for construction of a hangar at the Airport which will be required to accommodate ST Aerospace. Funds will not be available for drawdown from FDOT until the State's 2018 and 2019 budget year. In order to start project construction, a bridge loan was needed to cover the funding gap until grant funds would be available for drawdown.

City Staff, upon consultation with the City's Financial Advisor and Bond Counsel, explored financing options which would allow the City to pledge the grant proceeds as the sole source of repayment for a financing in an amount not to exceed \$6,299,600. A Request for Proposal for a Bank Loan was issued. The structure requested was to provide a taxable not to exceed \$6,299,600 draw-down bank loan with repayments on October 1, 2018 and October 1, 2019 secured solely by grant # 43571769401 proceeds. BBVA/Compass Bank had the structure that best matches the needs of the Airport.

On September 22, 2016, City Council authorized the Mayor to execute the financing with BBVA/Compass Bank in an amount not to exceed \$6,299,600 to finance a portion of the cost of the construction of a hangar and related facilities at the Pensacola International Airport. In connection with the loan the City entered into a SWAP Agreement in order to hedge the financial risk of increased interest rate cost. With the current market rates, a payoff of the loan will result in overall interest savings to the City. Based on September 21, 2018 market rates, BBVA/Compass Bank estimated that the City would save \$96,300 due to the early termination of

the SWAP Agreement. Note that actual SWAP savings will be calculated based on interest rates on the day of repayment. In addition, the City would save interest that is scheduled to be paid after the date of repayment through October 1, 2019. Assuming a November 1, 2018 repayment, estimated interest savings would be \$143,475.

PRIOR ACTION:

April 14, 2016 - City Council authorized the Mayor to execute acceptance of the Florida Department of Transportation Joint Participation Agreement # 43571769401 in the amount of \$8,599,600 for construction of a hangar at the Pensacola International Airport.

September 22, 2016 - City Council authorized the Mayor to execute a financing with BBVA/Compass Bank in an amount not to exceed \$6,299,600 to finance a portion of the cost of the construction of a hanger and related facilities at the Pensacola International Airport.

FUNDING:

Budget: \$ 0

Actual: \$ 6,549,600

FINANCIAL IMPACT:

Approval of the Supplemental Budget Resolution will appropriate the \$6,299,600 for the principal payment and \$250,000 in estimated interest accrued on the loan since drawdown on October 2, 2017.

CITY ATTORNEY REVIEW: Yes

9/28/2018

STAFF CONTACT:

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

ATTACHMENTS:

- 1) Supplemental Budget Resolution No. 18-44
- 2) Supplemental Budget Explanation No. 18-44

PRESENTATION: No