



Legislation Text

File #: 18-0548, **Version:** 2

Ordinance No. 18-119 adopting a plan for the defeasance and payment of the City of Colorado Springs Airport System Revenue Refunding Bonds, Series 2014, issued by the City of Colorado Springs, Colorado, acting by and through its Airport Enterprise; and authorizing and approving related documents and actions in connection therewith

Presenter:

Charae McDaniel, Chief Financial Officer
Tom Florczak, Deputy City Attorney
Greg Phillips, Director of Aviation

Summary:

The City of Colorado Springs would like to defease its outstanding Series 2014 Airport System Revenue Refunding Bonds (the 2014 Bonds). The 2014 Bonds are presently non-callable but the City intends to purchase escrow securities to lawfully defease the bonds without contractual breach. Payments would thereafter be made from the escrow until the final payment redemption on December 15, 2023.

In addition to adopting the plan to defease the Series 2014 Bonds, the Ordinance provides Supplemental Appropriations to the Airport Gross Revenue Fund and the Airport Bond Fund in the total amount of \$6,818,559 for the funding of the escrow account. The sources of funds are reserve accounts that were required by the 2014 Bond Ordinance, which can now be released, and the available fund balance in the Airport Bond Fund. These are outlined in the Financial Implications sections of this memo. The remaining \$491,441 needed will be generated within the escrow account as result of interest on the account.

The 2018 payment on the Series 2014 Bonds will be paid, as scheduled. This appropriation authority is already included in the 2018 Budget. The defeasance will occur in conjunction with the last payment made on the Series 2014 Bonds, which will occur in December.

Previous Council Action:

City Council approved Ordinance 13-79 on December 10, 2013, authorizing the issuance of the City of Colorado Springs, Colorado, Airport System Revenue Refunding Bonds, Series 2014, for the purpose of refunding the City of Colorado Springs, Colorado, Airport System Revenue Bonds, Series 2002A.

Background:

In January 2014, the City of Colorado Springs issued \$11,185,000 in Airport System Revenue Refunding Bonds, which were used to refund the 2002A bonds. The refunding was undertaken to reduce future annual debt service payments, which made it possible to lower fees charged to airlines

to make the Airport more competitive.

Since issuing the Series 2014 bonds, the Airport has continued to focus on further reducing debt. In 2016, the Airport redeemed remaining outstanding 2007A and 2007B bonds and defrayed a bank loan related to infrastructure for the Airport's Business Park.

After the regularly scheduled payment is made, the outstanding principal and interest for the Series 2014 bond will be \$7,310,000. Defeating these bonds will allow the Airport to offset an anticipated increase to the Operations & Maintenance (O&M) budget which will enable Airline rates to remain consistent with previous years, thus allowing the Airport to remain competitive in attracting and retaining air service.

The Airport's dedication to debt reduction, in addition to other cost saving activities, has reduced Cost Per Enplanement (CPE) from \$8.98 in 2013 to a projected CPE of \$4.39 in 2019. The Airport is committed to implementing sustainable measures to allow the airport to be cost effective for air carriers and other users. Defeating the Series 2014 bond allows the Airport to do so.

Financial Implications:

Outstanding P&I \$ 7,310,000

Available sources of funds:

Bond fund cash	\$ 974,084	(Bond Fund)
Bond Reserves	1,276,937	(Bond Fund)
Renewal/Replacement fund	750,000	(Gross Revenue Fund)
O&M reserve fund	3,817,538	(Gross Revenue Fund)
Interest earned in escrow (est.)	491,441	
Total of Available sources	\$7,310,000	

The Supplemental Appropriation will increase the Airport Bond Fund expenditure appropriation by \$2,251,021. The sources of funds are the Bond Reserve and the Bond Fund available fund balance.

The Supplemental Appropriation will also increase the Airport Gross Revenue Fund expenditure appropriation by \$4,567,538. The sources of funds are the Renewal/Replacement fund and the Operating and Maintenance fund.

Board/Commission Recommendation:

The Airport Advisory Committee has been advised of the plan to defease the 2014 Bonds and supports the reduction of Airport debt.

Stakeholder Process:

N/A

Alternatives:

The City Council could choose to not approve the defeasance of the Airport 2014 Bonds, which would result in an increase to the Operations & Maintenance (O&M) budget, an increase in Airline rates over previous years, and an increase in the CPE.

Proposed Motion:

Move approval of the Ordinance adopting a plan for the defeasance and payment of the City of Colorado Springs Airport System Revenue Refunding Bonds, Series 2014

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