

CITY COUNCIL
COMMUNICATION:

03-178

AGENDA:

APRIL 21, 2003

SUBJECT:

PREPAYMENT OF
SUPPLEMENT NO. 1
TO THE MASTER
LEASE AGREEMENT

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

MERRILL R. STANLEY
FINANCE DIRECTOR

ITEM 47

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

SYNOPSIS —

Authorizing prepayment of Supplement No. 1 to the Master Lease Agreement on June 1, 2003. Supplement No. 1 was used to finance the purchase of two street sweepers in the amount of \$161,000 for the Stormwater Utility in November 1999.

FISCAL IMPACT —

The early repayment of Supplement No. 1 would require payment of the outstanding principal balance of \$74,617.44 and an early payment premium of \$373.09. Costs avoided would be approximately \$1,500 required for a Parity Certificate for the 2003 Stormwater Revenue Bonds and ongoing interest charges of 5.18 percent annually. Net cost savings through June 1, 2006 are estimated at over \$6,000.

RECOMMENDATION —

Approval.

BACKGROUND —

The City entered into a Master Lease Agreement with Banc of America in 1999 that provided for the leasing of equipment of up to \$5,000,000 (since increased to \$6,000,000) as the need arose. As each equipment item or group of items is leased, it is referred to as a Supplement to the Master Lease. We currently have 10 Supplements outstanding. The Master Lease Agreement requires that Supplements that pledge revenues for repayment provide for 110 percent debt service coverage. To prove that coverage requirements are met, a Parity Certificate, prepared by our independent auditors, is required.

The issuance of the 2003 Stormwater Revenue Bonds will require that a Parity Certificate be prepared prior to the closing on May 1. The cost of the Parity Certificate is approximately \$1,500. The Stormwater Utility is paying 5.18 percent interest totaling \$7,862 over the next three years on Supplement No. 1. Interest earned on Stormwater Utility cash varies, but is much less than 5 percent. Early repayment will eliminate the requirement of the Parity Certificate, but will require the payment of a premium of \$373.09.

	<p>Funds for the prepayment are available in the Stormwater Utility, which has a projected cash balance of approximately \$2,000,000.</p>
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