

Bobbie Walthall

To: David L. Corliss
Subject: RE: Regular Agenda Item #1

-----Original Message-----

From: Roger Zalneraitis
Sent: Monday, January 10, 2011 4:15 PM
To: David L. Corliss; Charles Soules
Subject: RE: Regular Agenda Item #1

Hi Dave,

Commissioner Chestnut is correct. During the first 12 years, the rental revenue from the T-Hangars does not cover the bond principal and interest payment. The difference between the T-Hangar revenue and the principal and interest payment is covered by the bond fund during that time.

The revenue stream from the new T-Hangars effectively "pays back" money to the bond fund after the 12th year. What the analysis shows is that over a 30 year period, the new T-Hangars cover the principal and interest payments under the assumptions used in this model. In fact, the principal and interest is paid back in about 28 years. The amount covered by the bond fund is basically a no-interest loan from the City that is paid back by the T-Hangars over a 28 year period.

The new T-Hangars also cover some- but not all- of the maintenance and utilities expenses as well. The portion of maintenance and utilities not covered by the new T-Hangars is financed by a portion the existing T-Hangar revenue stream.

Originally, we had run this with a 30 year bond to try to get the T-Hangar revenue roughly equal to the principal and interest payments each year. However, as you can imagine there's a lot more interest on a 30 year bond than a 12 year bond- in the analysis run, there is \$1.45 million of interest on a 30 year bond against about \$425,000 of interest on a 12 year bond. So even though there is a greater subsidy on a 12 year note from the bond fund in the first 12 years, using a 12 year note makes it easier for the T-Hangars to pay back the bond fund over time.

One key question that this analysis cannot answer is the Commissioners' comfort with this short-run "subsidy" from the bond fund to the new T-Hangars.

- Roger

From: David L. Corliss
Sent: Monday, January 10, 2011 3:54 PM
To: Charles Soules; Roger Zalneraitis
Subject: FW: Regular Agenda Item #1

David L. Corliss, City Manager

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-----Original Message-----

From: robchestnut@sunflower.com [mailto:robchestnut@sunflower.com]
Sent: Sunday, January 09, 2011 4:22 PM
To: David L. Corliss
Subject: Regular Agenda Item #1

Dave - I do not understand the economics of the hanger project. By my calculations, a 12 year bond @ 5% required about \$150,000 of debt service to retire with equal installments of 12 payments. I realize my may pay interest only until retirement, but the rental income of \$61,000 roughly does not come close to paying for the construction costs.

Can Roger offer any analysis?

Rob