

MINUTES
PORT AUTHORITY MEETING
WEDNESDAY, DECEMBER 18, 2002
4:30 P.M.
CITY HALL COUNCIL CHAMBERS

Members Present: Commissioners Chaffee, Lang, Bednar, Koch, McCarthy, Mohrfeld, and Maus (5:00 P.M.).

Members Absent: None.

Staff Present: Patrick McGarvey, David Hoversten, and Tom Dankert.

Others Present: Mike Lee, Kyle Keenan, Tom Sherman, Austin Daily Herald, and Austin Post Bulletin.

Commissioner Chaffee called the meeting to order at 4:30 P.M.

Motion by Commissioner Bednar, seconded by Commissioner Mohrfeld, to approve the minutes of the November 26, 2002 meeting. Carried 6-0.

Executive Director Patrick McGarvey discussed the lease with the Coffee House on Main (Coffee House). The Coffee House is still delinquent approximately \$4,000 from the summer months. Mr. Lee, the owner of the Coffee House, has an agreement in principal with Kyle Keenan to sell the Coffee House. As part of the purchase agreement, the Port Authority will receive the payment on the delinquent rent. Mr. McGarvey noted attorney Steve Rizzi is working on the transaction for Mr. Keenan, and everybody anticipates that Mr. Keenan will be running the business as of January 1, 2003. City Attorney David Hoversten noted the Port Authority should still go through with the court hearing on Friday, December 20 at 4:00 unless we receive a certified check for the total amount of delinquent rent. If the check is received before the court date, we will then cancel the hearing.

Motion by Commissioner Bednar, seconded by Commissioner Mohrfeld, to approve of the lease with Kyle Keenan under the same terms as the lease that is currently in effect with Mike Lee. Carried 6-0. Mr. Hoversten requested that we call him if a certified check is received before the court date.

Mr. McGarvey noted he has received a request from Usem's owner Tom Sherman to extend the option to purchase Lot 1, Block 2 of Burbank Addition until June 1, 2003. Mr. Sherman noted he is still waiting for the County to get the federal grant in order to purchase the Usem's downtown property, and expects this to happen early in 2003. Mr. Sherman noted Craig Oscarson, the County Coordinator, has told Mr. Sherman to wait until after the new year starts.

Motion by Commissioner Mohrfeld, seconded by Commissioner Lang to approve the extension of the purchase agreement with Usem's for Lot 1, Block 2 of the Burbank Addition until June 1, 2003. Carried 6-0.

Commissioner Koch asked Mr. Sherman if the other property has been secured. Mr. Sherman noted he has a verbal agreement with Mr. Hiese, but nothing in writing. Mr. Sherman noted he believed he

could close relatively quickly on the property if needed. Mr. Sherman also noted the goal is to consolidate their downtown lot by Sterling and the paint shop by the HRA into this one facility.

Motion by Commissioner McCarthy, seconded by Commissioner Koch to approve the claims for payment as presented. Carried 6-0.

Mr. Dankert discussed the unaudited financial statements as of November 30, 2002. Mr. Dankert noted the following:

- Overall the Port Authority has \$1,409,853.86 of cash (not including the deficit in the APC Debt Service Fund). Approximately \$915,000 is for the payment of the debt associated with the Holiday Inn note that was prepaid by Torgerson Properties.
- The overall net loss for the eleven months ended November 30, 2002 is \$20,228.27. Almost \$10,700 of the loss is from the loss on sale of land to the Auto Parts dealer. If the land is sold to User's as the purchase agreement states, we should recover the loss. Additionally, the Town Center had the \$14,000 of additional expense to move the air conditioning unit above American Express. At December 31, 2002, Mr. Dankert noted he expected the loss to be around \$10,000 to \$20,000.
- Holiday Inn Debt Service is for the note that was paid off early by Holiday Inn. The cash of \$915,570 will be used to pay off the bonds as they become due. An interest rate of around 6% is needed to break even on the bond issue. Excess cash from the Port Authority General Fund in the amount of \$70,000 has been reserved to cover the bond costs. The bonds are callable in 2006 for the 2007 through maturity payments. However, the bonds are combined with the APC Debt Service (which doesn't have any cash) so a full call of the bonds is unlikely.
- Austin Packaging Company Debt Service Fund has negative cash of \$458,643 due to the lease that was signed with the owners of the facility. The negative cash has been reclassified to a debt to the City of Austin since we are not allowed to carry negative cash, it is essentially a loan from the city. Lease payments will come in higher at the end of the lease for the Port Authority to recoup this cash. These bonds are callable, with the Holiday Inn bonds, in 2006 for the 2007+ maturities. In 2011 the debt will be paid off, and in 2016, the Port Authority will realize positive cash in this fund.
- Port Authority General Fund has approximately \$143,571 of cash available for their development needs. Approximately \$70,000 of this will be needed for the payment of the Holiday Inn debt service. The Balance Sheet also includes a lease receivable and bonds payable for the Library facility for which the City's Building Fund is funneling the money to make the bond payments. There also exists a loan receivable and payable to the City for the freezer loan at Austin Packaging Company.
- The Speculative Building has land with \$71,503 of cost available to sell. Mr. Dankert noted these bonds, along with the portion that went for the Walker Building, could be called in 2004 for the 2005 to 2010 maturities. Mr. Dankert noted there is a minor tax levy to pay off the assessments from the Burbank Addition in the Speculative Building's budget. Additionally, the Port Authority may want to pay these bonds off as the interest rate at the back end of the debt service is 8.50%. These bonds are combined with the Walker Building bonds. There should be adequate cash to pay these bonds completely off in 2005. The income statement shows \$38,433 of property taxes as a revenue source. These taxes are paying off the assessments in the Burbank Addition.

- The Town Center has approximately \$32,000 in cash. Mr. Dankert highlighted the loan the Port Authority received to pay for tenant improvements for about \$400,000 has an outstanding balance of \$448,915 as of November 30, 2002. The cash is maintained in the \$30,000 to \$50,000 range to cover operations and capital outlay items. Otherwise, Mr. Dankert noted he is using all of the extra cash to pay off the City for the improvement loans that were made. Mr. Dankert highlighted the \$14,000 expense for moving the air conditioning unit in the Town Center. Mr. Dankert further noted the Port Authority's financial statements will be prepared using GASB 34, which will in essence combine the contributed capital and retained earnings into one figure, thereby eliminating the negative retained earnings. Mr. Dankert noted the Town Center cash flows very well as depreciation is not a cash outflow.
- Mr. Dankert noted the Walker Building is one of our best properties, with over \$30,000 of net income for the eleven months ended November 30, 2002. As was noted above, there should be adequate cash to pay these bonds off in 2005.
- Mr. Dankert noted the Coffee House on Main is the only Port Authority customer that is delinquent in paying the rent as of December 18, 2002.

Commissioner Koch questioned if we could footnote on the financial statements the balance of the tenant improvement rents. Mr. Dankert noted the total cost of the improvements is included on the balance sheet as part of the building cost. The annual financial statements have a footnote as to the individual balance of each tenant improvement loan.

Motion by Commissioner McCarthy, seconded by Commissioner Mohrfeld, to accept unaudited financial statements as of November 30, 2002. Carried 6-0.

Mr. McGarvey noted Cynthia Low has requested the Port Authority's permission to sublease her Suite 202 to Jack Jensen and Associates. Under the terms of the lease, Ms. Low is still responsible for the lease payments to the Port Authority.

Motion by Commissioner McCarthy, seconded by Commissioner Koch to approve of the sublease between Cynthia Low and Jack Jensen and Associates. Carried 6-0.

In other business, the members of the Port Authority Board thanked Commissioners Lang and Chaffee for their dedicated service to the Port Authority as this will be their last meeting as they are leaving the Austin City Council. Commissioner Mohrfeld noted both Commissioner Chaffee and Lang were strong proponents of the Austin Port Authority. Mr. McGarvey noted at the next meeting an election will need to be held to elect the new officials of the Austin Port Authority. President Chaffee thanked the members and staff of the Port Authority noting it was great to work with all involved.

Motion by Commissioner Lang, seconded by Commissioner Maus, to adjourn at 5:05 pm. Passed 7-0.

Approved: _____

President: _____

Secretary: _____