

Council Agenda Item: 25-0928R



MEETING DATE: DECEMBER 8, 2025

SUBJECT/TITLE: RESOLUTION AUTHORIZING A REVOLVING LINE OF CREDIT IN THE AMOUNT OF \$10,000,000 FOR THE DULUTH AIRPORT AUTHORITY

SUBMITTED BY: Joshua Bailey, City Auditor

RECOMMENDATION: Approve.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION: Not applicable.

PREVIOUS COUNCIL ACTION: The DAA has had line of credit (LOC) arrangements with the City going back to 2009. Previous LOC arrangements were approved by resolutions 09-0417R, 11-0347R, 12-007R, 14-092R, 16,0439R. A current LOC, in the amount of \$2,000,000 is in effect until December 31, 2025 and was approved by resolution 20-0838R.

BACKGROUND: The DAA has had LOC arrangements with the City ranging from \$2,000,000 to \$4,000,000 to provide short-term liquidity for capital projects. Capital projects are typically funded by reimbursement basis grants. Due to the reimbursement basis nature of the grants, there is a cash flow issue until the grant funds are received. The DAA does not have the current cash flow capacity to cash flow the air traffic control tower project. The City provided LOC will provide the DAA the liquidity to cash flow the project. The DAA will repay the City upon the receipt of grant proceeds from the state and federal government. The DAA does not owe the City any funds under its existing LOC arrangement.

BUDGET/FISCAL IMPACT: This line of credit provides short-term cash flows related to capital projects, specifically a new air traffic control tower, at the DAA. The City is charging a .50% interest "surcharge" beyond the current federal funds rate on any funds drawn. The current federal funds rate is the approximate rate that the City is able to obtain on short-term investments. The additional .50% provides additional compensation to the City for providing the line of credit and is likely a better financing option than the DAA would be able to obtain from a 3rd party.

OPTIONS: Approve resolution or DAA will need to try and obtain 3rd party financing for the project. 3rd party financing would likely require City Council approval as well.

NECESSARY ACTION: Approve resolution

ATTACHMENTS: DAA Line of Credit Promissory Note