

Memorandum



DATE May 2, 2019

CITY OF DALLAS

TO The Honorable Members of the Government Performance and Financial Management Committee: Jennifer S. Gates, Scott Griggs, Sandy Greyson, Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT **DFW International Airport Supplemental Bond Ordinances 2019**

On Monday, May 6, 2019, the Government Performance and Financial Management Committee will be briefed on two DFW International Airport Supplemental Bond Ordinances (SBO). The 53rd SBO requests authorization of two amendments to the Master Bond Ordinance, which will allow the Airport's authorized officers to certify the additional obligation test that currently can only be done by a third-party consultant. The amendments will also clarify that an additional obligation test is not required for each remarketing of commercial paper.

The 54th SBO will authorize the issuance of DFW Taxable Refunding Bonds, Series 2019, in an amount not to exceed \$1.3 Billion. These bonds will refund an already approved \$1.1 Billion of bonds that are callable on Nov. 1, 2020. There is an additional \$0.2 Billion of callable bonds that this ordinance will refund, if DFW determines that it can capture additional savings. These bonds will be sold as a public offering. The authority to issue bonds will be for a one- year period, with the final maturity no later than 2045.

A handwritten signature in blue ink, appearing to read 'Kimberly Bizer Tolbert', written over a printed name and title.

Kimberly Bizer Tolbert
Chief of Staff to the City Manager

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
Michael Mendoza, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

DFW International Airport Supplemental Bond Ordinances 2019

Government Performance and Financial Management Committee

May 6, 2019



Overview

Requesting approval of two Supplemental Bond Ordinances (SBO)

- Refunding bonds (54th SBO)
- Minor administrative change to current bond ordinance (53rd SBO)
- On May 22, 2019 City Council Agenda

Future approval request - August

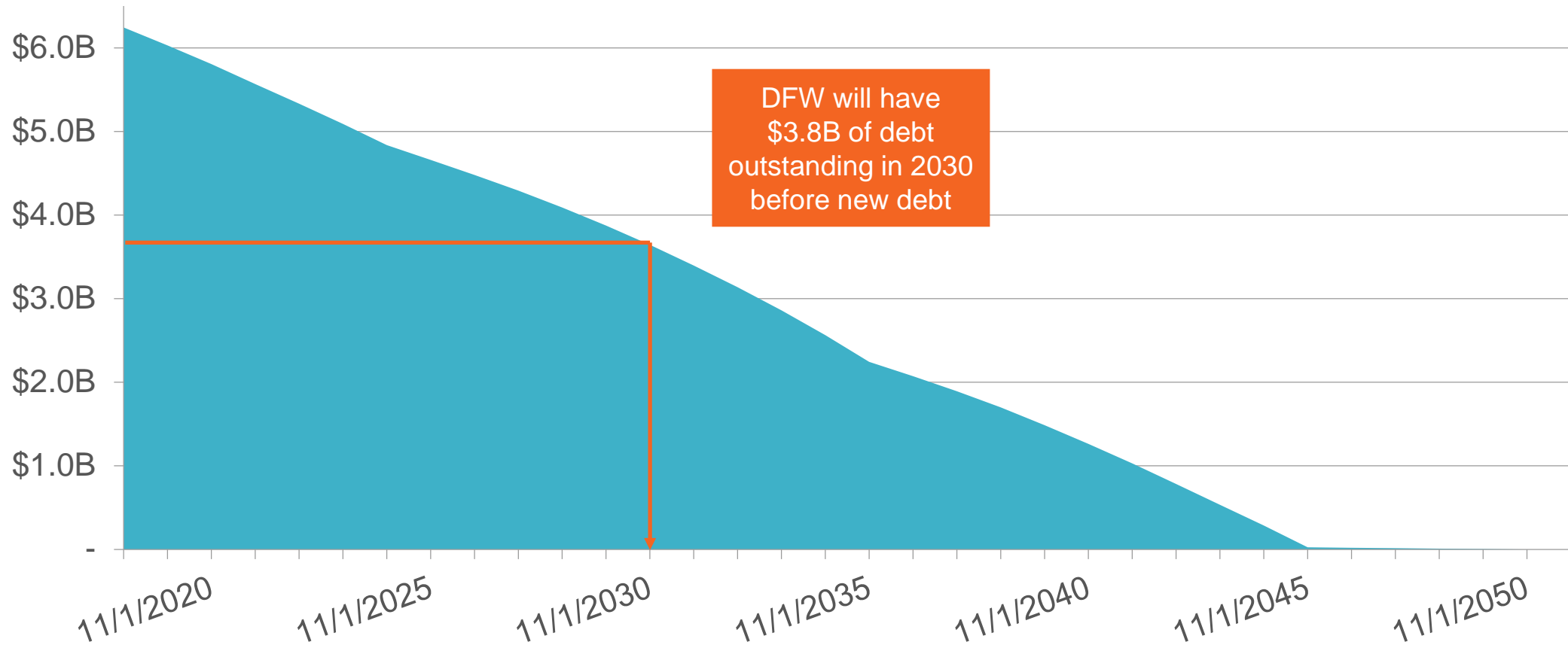
- Establish an interim financing bond ordinance and commercial paper program

Background



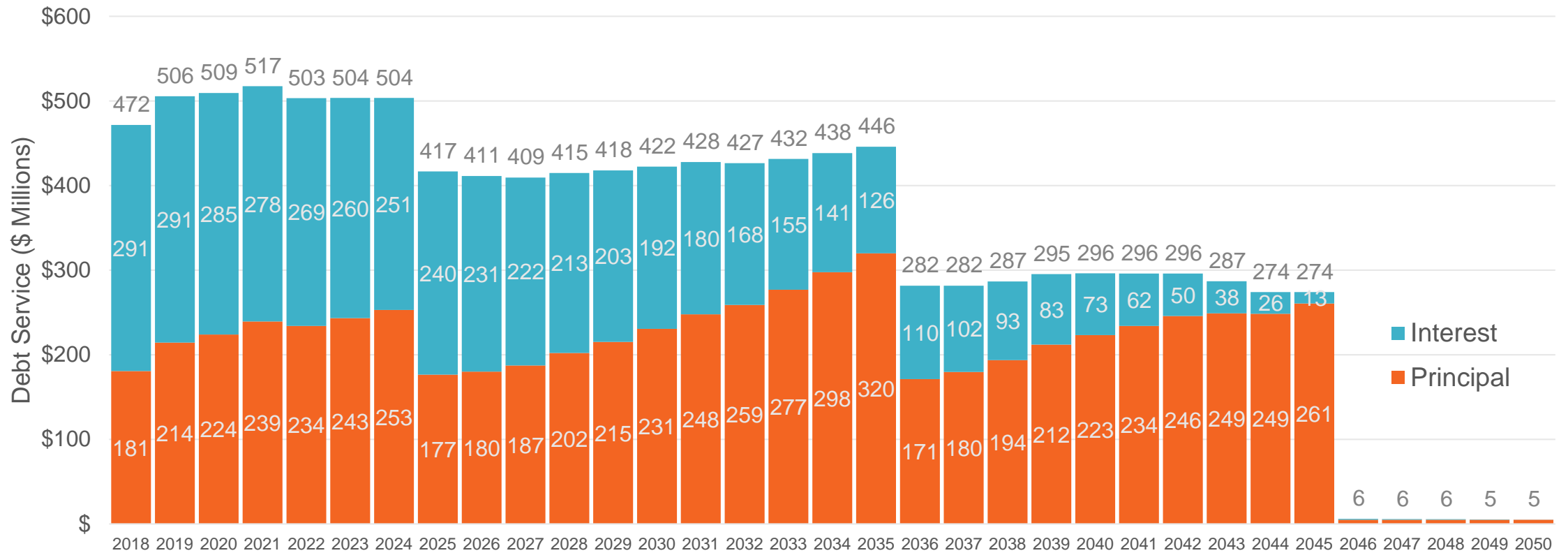
Principal amortization (Bs)

DFW will retire \$2.4 billion of debt by FY 2030



Debt service (Ms)

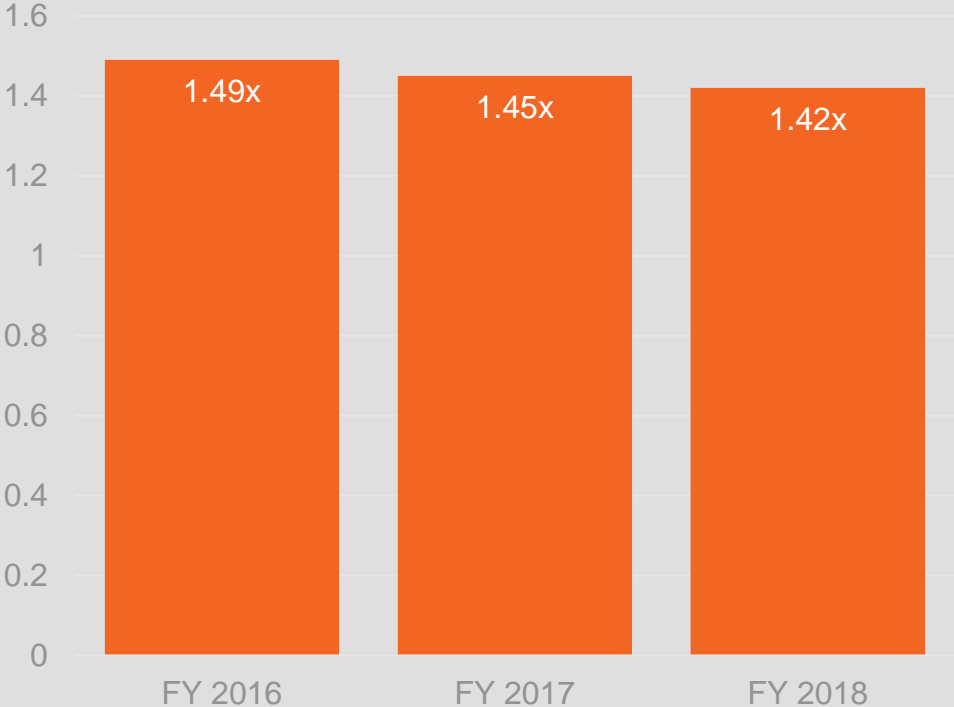
DFW has significant capacity to issue new bonds in the future



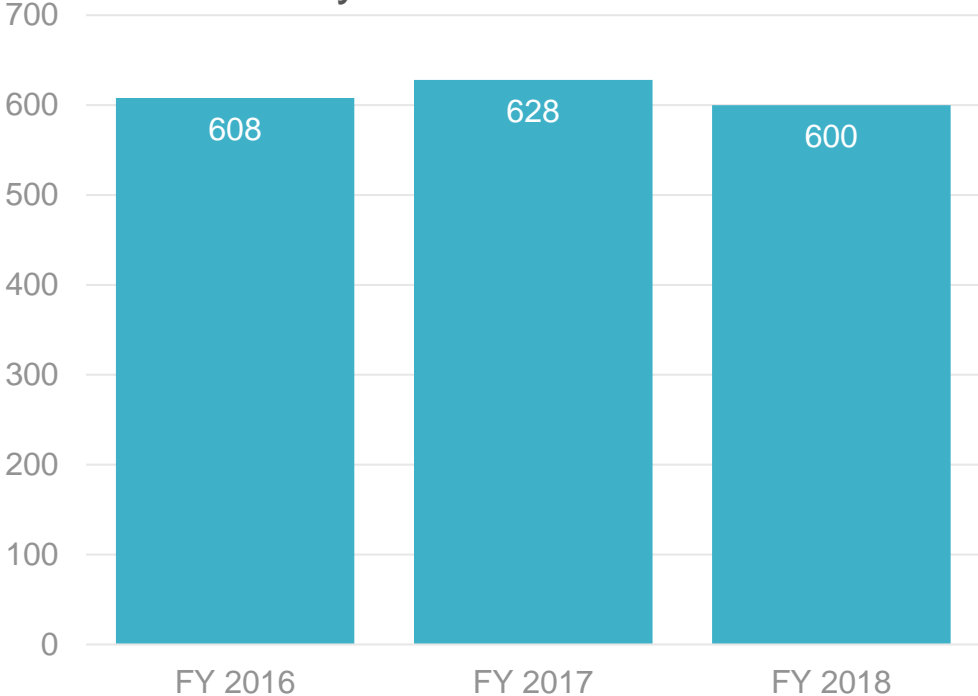
Bond ratings/key debt affordability metrics

Current Ratings: Kroll(AA-), S&P(A+), Fitch(A+) and Moody's(A1)

Debt Service Coverage Ratio



Days Cash On Hand



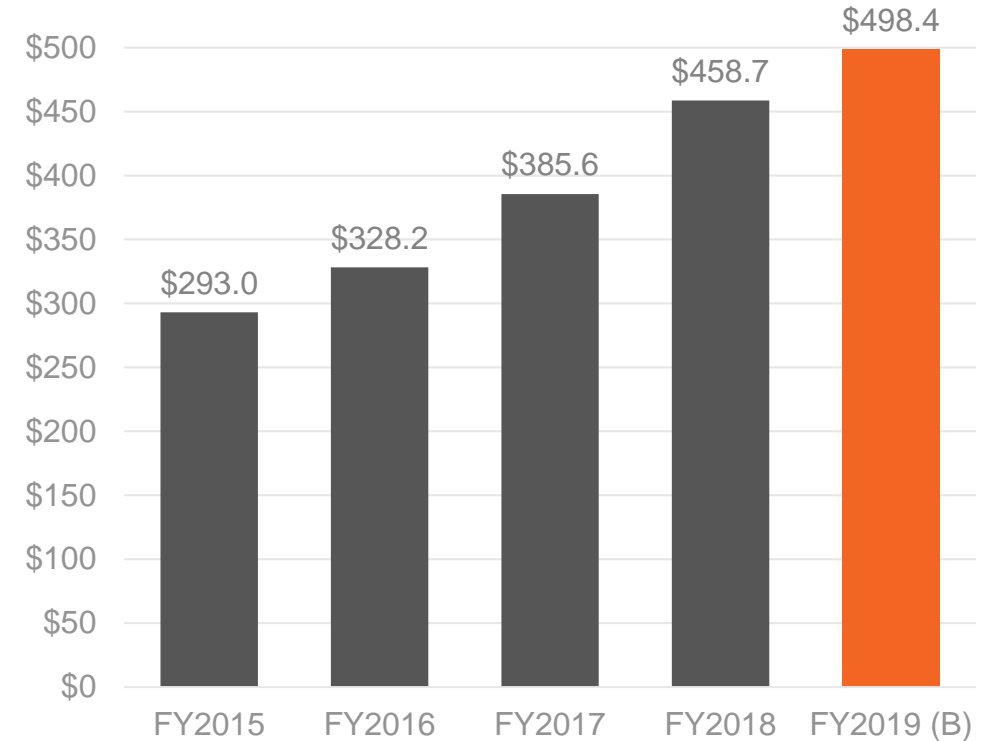
TRIP's Impact on Debt and Airline Revenues

Revenues from the airlines have increased to pay for debt service on the \$2+ billion terminal renewal and improvement program (TRIP).

Net Debt Service (in millions)



Airline Revenues (in millions)



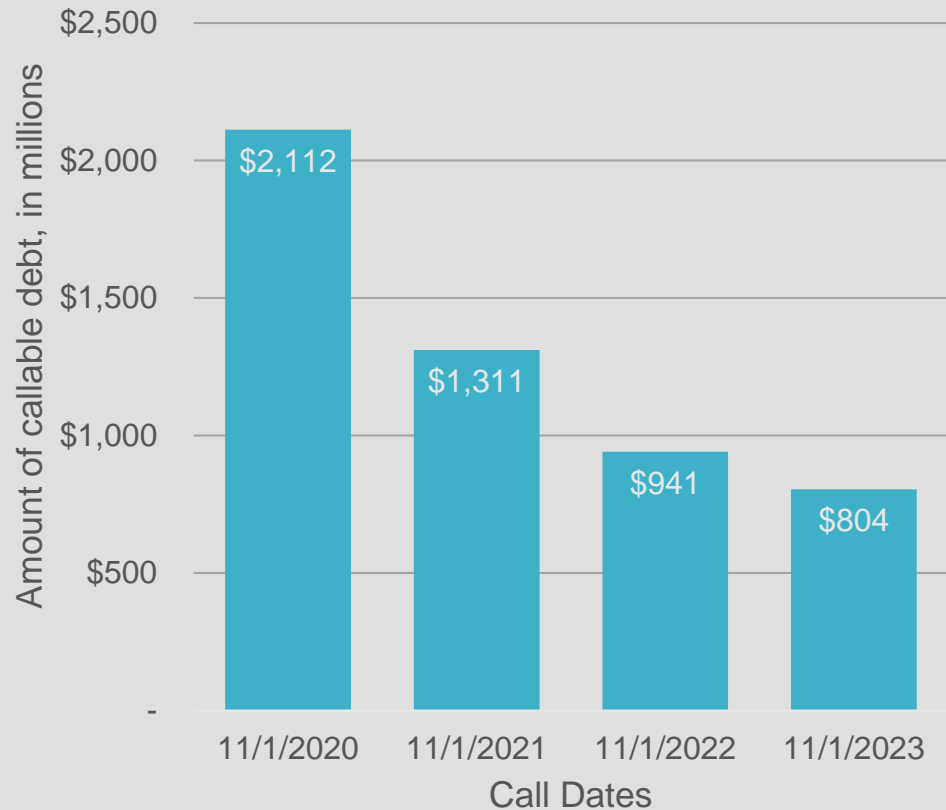
Supplemental Bond Ordinances

Callable bonds through FY 2023

\$5.2 billion of callable debt through FY 2023

Up to \$1.3 billion may be advance refunded this summer using taxable bonds

Anticipated present value savings of about 6.5%



54th SBO Refunding Parameters

- Issue up to \$1.3 billion of taxable refunding bonds
- Interest rates not to exceed the maximum allowed under state law
- Final maturity not to exceed 11/1/2045 (current maturity)



Administrative change

Additional Obligations Test (AOT)

(53rd SBO) - AOT

A calculation intended to give investors comfort that DFW's can increase future revenues sufficient to pay future debt service

- "Airport Consultant" certifies today
- Revision allows "Authorized Officer" (CFO) to certify
- Reduces cost, speeds process
- Redundant - bond ordinance requires DFW to establish rates sufficient to pay debt service/coverage

Requires amendment to the Master Bond Ordinance

Financing Team



Financial Advisors and Counsel

Co-Financial Advisors

- Hilltop Securities
- Estrada Hinojosa (MWBE)
- Selected May 2015

Co-Bond counsel

- McCall Parkhurst
- Mahomes Bolden (MWBE)
- Selected January 2018

Co-Disclosure counsel

- Bracewell
- Royce West (MWBE)
- Selected January 2018

Underwriters counsel

- Kelly Hart & Hallman
- TBD (MWBE)
- Chosen by Underwriters

Underwriters

Selected tax-exempt and taxable teams were selected in FY 2017

Team A – Tax Exempt

MWBE

- Cabrera Capital
- Loop Capital
- Ramirez and Co.
- Rice Financial
- Siebert Cisneros Shank
- Stern Brothers'

Disabled Veteran

- Academy Securities

Other Firms

- Piper Jaffray
- Raymond James
- RBC Capital Markets
- UBS
- Wells Fargo Securities
- Jefferies

Team B - Taxable

- Bank of America Merrill Lynch
- Barclays Capital
- Citigroup
- Goldman Sachs
- JP Morgan
- Morgan Stanley

Summary

Requested approvals

Supplemental Bond Ordinance	Purpose of New Ordinance
53 rd	Amends the 2010 Master Bond Ordinance for Additional Obligations Test
54 th	Authorizes the issuance of up to \$1.3 billion of taxable refunding bonds