



## Legislation Details (With Text)

<b>File #:</b>	20-1629	<b>Version:</b>	1	<b>Name:</b>	
<b>Type:</b>	CONSENT AGENDA			<b>Status:</b>	Approved as Amended
<b>File created:</b>	8/17/2020			<b>In control:</b>	City Controller's Office
<b>On agenda:</b>	9/9/2020			<b>Final action:</b>	9/9/2020
<b>Title:</b>	A resolution authorizing (1) Love Field Airport Modernization Corporation ("LFAMC" or "Issuer") to proceed with preparing a resolution authorizing the issuance, sale, and delivery of its Airport System Revenue Refunding Bonds, Series 2020, guaranteed by Southwest Airlines Co. ("Southwest"), subject to certain parameters, in an aggregate principal amount not to exceed \$310,000,000; (2) the LFAMC to negotiate and enter into all agreements and instruments to which the Issuer is a party in connection with the issuance of its bonds, including, but not limited to, a bond purchase agreement; (3) the LFAMC and its consultants to take all other actions deemed necessary in connection with the issuance of the LFAMC special facilities revenue bonds including the engagement of the bond underwriters, trustee, co-bond counsel, and co-financial advisors; and (4) other actions by the LFAMC and the City Manager deemed necessary in connection with the foregoing - Financing: This action has no cost consideration to the City (see Fiscal Information for potential future cost)				
<b>Sponsors:</b>					
<b>Indexes:</b>	300				
<b>Code sections:</b>					
<b>Attachments:</b>	1. Resolution, 2. Attachment I				

Date	Ver.	Action By	Action	Result
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**STRATEGIC PRIORITY:** Government Performance and Financial Management

**AGENDA DATE:** September 9, 2020

**COUNCIL DISTRICT(S):** N/A

**DEPARTMENT:** City Controller's Office

**EXECUTIVE:** Elizabeth Reich

### SUBJECT

A resolution authorizing **(1)** Love Field Airport Modernization Corporation ("LFAMC" or "Issuer") to proceed with preparing a resolution authorizing the issuance, sale, and delivery of its Airport System Revenue Refunding Bonds, Series 2020, guaranteed by Southwest Airlines Co. ("Southwest"), subject to certain parameters, in an aggregate principal amount not to exceed \$310,000,000; **(2)** the LFAMC to negotiate and enter into all agreements and instruments to which the Issuer is a party in connection with the issuance of its bonds, including, but not limited to, a bond purchase agreement; **(3)** the LFAMC and its consultants to take all other actions deemed necessary in connection with the issuance of the LFAMC special facilities revenue bonds including the engagement of the bond underwriters, trustee, co-bond counsel, and co-financial advisors; and **(4)** other actions by the LFAMC and the City Manager deemed necessary in connection with the foregoing - Financing: This

action has no cost consideration to the City (see Fiscal Information for potential future cost)

## **BACKGROUND**

In June 2008, the City Council authorized the creation of a local government corporation, the LFAMC, pursuant to the requirements of Chapter 431, Sub-chapter D of the Texas Transportation Code to aid, assist, and act on behalf of the City in the performance of its governmental functions to facilitate the Love Field Modernization Program and provide a mechanism for financing its costs.

On January 27, 2010, City Council authorized the LFAMC to issue bonds, in one or more series, in the principal amount not to exceed \$500,000,000.00, subject to certain parameters set forth in the resolution; authorized the LFAMC to enter into a special facilities agreement, a trust indenture, and a bond purchase agreement; and authorized the City Manager to enter into the special facilities agreement and a revenue credit agreement by Resolution No. 10-0360.

In November 2010, the LFAMC issued its Love Field Airport Modernization Corporation Special Facilities Revenue Bonds, Series 2010 (Southwest Airlines Company - Love Field Modernization Program Project) in the aggregate principal amount of \$310,000,000.00 ("Series 2010 Bonds"). Additionally, in May 2012, the LFAMC issued its Love Field Airport Modernization Corporation Special Facilities Revenue Bonds, Series 2012 (Southwest Airlines Co. - Love Field Modernization Program Project) in the aggregate principal amount of \$146,260,000.00 ("Series 2012 Bonds").

The City, the LFAMC, and Southwest are parties to a special facilities agreement and the LFAMC and Wells Fargo Bank, National Association, as trustee, are parties to a trust indenture supporting the Love Field Modernization Program project bond financing. Under the special facilities agreement, in consideration of Southwest's desire to manage the LFAMC, Southwest obligated itself to make 100 percent of the debt service payments on the Series 2010 and Series 2012 Bonds. Southwest provided a guaranty to the trustee that it would make the debt services payments on the Series 2010 and Series 2012 Bonds.

In 2015, the LFAMC approved a resolution authorizing the LFAMC to issue \$130,000,000.00 in general airport revenue bonds in order to initiate the design and construction of the Love Field parking garage and related improvements ("2015 Aviation Revenue Bonds").

On June 10, 2015, City Council authorized the sale of the 2015 Aviation Revenue Bonds. Additionally, in order to complete the construction and equipping of the Love Field parking garage and related improvements by Resolution No. 15-1051.

On November 9, 2016, City Council authorized the issuance and sale of \$116,850,000.00 Love Field Airport Modernization Corporation General Airport Revenue Bonds, Series 2016, wherein the bonds were later issued in 2017 ("2017 Aviation Revenue Bonds"), by Resolution No. 16-1794, wherein the bonds were later issued in 2017.

Currently, the City's financial advisors recommend issuing up to \$310,000,000.00 in bonds for the purpose of refunding eligible outstanding LFAMC Special Facilities Revenue Bonds, Series 2010, to leverage market savings. Additionally, the LFAMC [will meet](#) ~~met~~ prior to September 9, 2020 in order

to consider the approval to issue Airport System Revenue Refunding Bonds, Series 2020, in the amount not to exceed \$310,000,000.00.

On April 14, 2020, the City issued a Request for Proposals for Aviation Financing Debt Underwriting from the pool of qualified firms and received 28 proposals in response. To accommodate this transaction, the City's co-financial advisors, Hilltop Securities, recommend a syndicate of four underwriting firms; comprised of two non-Minority Women-owned Business Enterprises (M/WBE) firms and two M/WBE firms, achieving at minimum 36.3 percent M/WBE participation. Following committee review, the City plans to use an underwriting syndicate team comprised of BofA Securities, Inc.; Siebert Williams & Co., LLC; J.P. Morgan; Citigroup Global; and Ramirez & Co. BofA Securities, Inc. will be the Bookrunning Senior Manager and Siebert Williams & Co., LLC will serve as the Co-Senior Manager.

The issuance and sale of the bonds is contingent upon City Council's approval to begin preparations of the issuance and [subsequent bond resolution parameters Ordinance](#) currently scheduled for consideration and approval by the City Council in ~~September~~ [October](#) 2020.

### **ESTIMATED SCHEDULE OF PROJECT**

Authorize Preparation for Issuance of Bonds	September 2020
Approval of Bond Resolution	October 2020
Pricing	October 2020
Delivery of Proceeds	December 2020

### **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

City Council will be briefed by memorandum regarding this matter on September 4, 2020.

### **FISCAL INFORMATION**

This action has no cost consideration to the City. The anticipated cost of issuance is \$1,080,000 from 2020 Aviation Bond Funds, see Attachment I.

Attachment I provides an estimate of bond issuance costs for the proposed bonds and the M/WBE participation. Payment of fees and expenses is contingent upon the issuance and sale of the LFAMC Airport System Revenue Refunding Bonds, Series 2020.