



Legislation Text

File #: 20-1630, **Version:** 1

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 the Love Field Airport Modernization Corporation ("LFAMC" or "Issuer") to negotiate agreements and instruments to which the Issuer is a party in connection with the issuance of its Airport System Series A short term obligations in an aggregate principal amount not to exceed \$150,000,000, including, but not limited to: **(1)** authorizing such short term obligations to be issued, sold, and delivered in various forms, including commercial paper notes and a bank note; **(2)** making certain covenants and agreements in connection therewith; **(3)** establishing a maximum term of the program ending no later than September 30, 2030; **(4)** resolving other matters related to the issuance, sale, security, and delivery of such short term obligations; **(5)** approving the payment of issuance costs in connection with the issuance of the short term obligations; **(6)** approving the preparation of an Offering Memorandum in connection with the sale of the short-term obligations; and **(7)** providing an effective date - Financing: This action has no cost consideration to the City

BACKGROUND

Commercial paper provides interim financing for capital projects. The use of commercial paper permits more cost-efficient use of capital as short-term debt is issued to closely match the amount and timing of the award of capital project contracts. Commercial paper notes are normally sold at rates of interest that are lower than rates available at the same time on long-term debt. Outstanding commercial paper is periodically reduced by refinancing it with long-term debt. The City currently has two existing commercial paper programs; a general obligation commercial paper program supported by voter-approved debt and a waterworks and sewer system commercial paper program supported by utility system revenue; and is seeking to establish a commercial paper program via the LFAMC to be supported by Airport System revenues.

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.

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

In June 2015, pursuant to Council Resolution No. 15-1051, the City Council authorized the sale of the \$109,235,000 Love Field Airport Modernization Corporation General Airport Revenue Bonds, Series 2015. Additionally, in order to complete the construction and equipping of the Love Field parking garage and related improvements, on November 9, 2016, a resolution (16-1794) authorizing the issuance and sale of \$116,850,000 Love Field Airport Modernization Corporation General Airport Revenue Bonds, Series 2016 was approved by City Council, wherein the bonds were later issued in 2017.

The City's Co-Financial Advisors, Hilltop Securities and Estrada Hinojosa & Company, recommend the establishment of an Aviation System Commercial Paper Program, Series A to be able to award contracts and pay vendors on a short-term basis with flexible rates.

A Request for Proposals seeking responses from banks to provide liquidity support and for investment banks to serve as a dealer for LFAMC commercial paper notes, comparable to what is provided to support the City's existing commercial paper programs, has been sent to various commercial banks and investment banks and responses have been received and evaluated by City staff and the City's Co-Financial Advisors.

This item does not establish a commercial paper program but authorizes the LFAMC to proceed with the preparation and negotiations of an Aviation System Commercial Paper Program. All agreements to be executed by the LFAMC in connection with establishing the commercial paper program will be subject to future action by both the Board of Directors of the LFAMC and the City Council approving the agreements and the issuance of commercial paper notes.

ESTIMATED SCHEDULE OF PROJECT

Authorize Preparation for Issuance	September 2020
Approval of Establishment of Program	October 2020
Begin commercial paper issuance	November 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.