



## Legislation Text

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**File #:** 20-2283, **Version:** 1

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**STRATEGIC PRIORITY:** Government Performance and Financial Management

**AGENDA DATE:** December 9, 2020

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

**DEPARTMENT:** City Controller's Office

**EXECUTIVE:** Elizabeth Reich

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### **SUBJECT**

A resolution authorizing **(1)** the approval of Love Field Airport Modernization Corporation with respect to establishing a Commercial Paper Program to finance improvements at Love Field Airport; **(2)** the issuance of Love Field Airport Modernization Corporation Airport System Commercial Paper Notes, AMT Series, in an aggregate principal amount at any one time outstanding not to exceed \$150,000,000, to provide interim financing to pay Project Costs for Eligible Projects and to refund obligations issued in connection with Eligible Projects; **(3)** approving and authorizing certain authorized officers and employees to act on behalf of the Corporation in the selling and delivery of such Commercial Paper Notes, within the limitations and procedures specified herein; **(4)** making certain covenants and agreements in connection therewith; **(5)** resolving other matters incident and related to the issuance, sale, security, and delivery of such Commercial Paper Notes, including the approval and authorizing the execution of a Letter of Credit Reimbursement Agreement and a Fee Agreement with JPMorgan Chase Bank, National Association; **(6)** approving a Dealer Agreement with J.P. Morgan Securities LLC and a related Issuing and Paying Agent Agreement with U.S. Bank National Association, and an Amended and Restated Project Financing Agreement with the City, in the manner herein provided; **(7)** approving the use of an Offering Memorandum in connection with the sale from time to time of such Commercial Paper Notes; and **(8)** providing an effective date - Not to exceed \$3,284,625 - Financing: Aviation Fund

### **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 ("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 ("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, was sent to various commercial and investment banks and responses have been received and evaluated by City staff and the City's Co-Financial Advisors. As a result, J.P. Morgan Securities LLC was deemed the most favorable bid for Dealer services and JPMorgan Chase Bank, National Association was deemed most favorable to provide liquidity facility services. Further, an informal bid resulted in an award of paying agent services to US Bank, N.A.

This item authorizes the LFAMC to establish an Airport System Commercial Paper Program. All agreements to be executed by the LFAMC in connection with establishing the commercial paper program are subjected to review and approval by the Board of Directors of the LFAMC.

### **ESTIMATED SCHEDULE OF PROJECT**

Authorize Preparation for Issuance	September 2020
Approval of Establishment of Program	December 2020
Begin commercial paper issuance	December 2020

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

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

On September 9, 2020, City Council authorized 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; authorizing such short term obligations to be issued, sold, and delivered in various forms, including commercial paper notes and a bank note; making certain covenants and agreements in connection therewith; establishing a maximum term of the program ending no later than September 30, 2030; resolving other matters related to the issuance, sale, security, and delivery of such short term obligations; approving the payment of issuance costs in connection with the issuance of the short term obligations; approving the preparation of an Offering Memorandum in connection with the sale of the short-term obligations; and providing an effective date by Resolution No. 20-1306.

The Transportation and Infrastructure Committee will be briefed regarding this matter on November 16, 2020.

**FISCAL INFORMATION**

Fund	FY 2021	FY 2022	Future Years
Aviation Fund	\$1,410,031.00	\$937,297.00	\$937,297.00