

Memorandum



CITY OF DALLAS

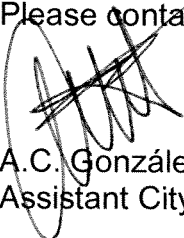
DATE January 8, 2010

TO Members of the Budget, Finance & Audit Committee: Jerry R. Allen, Chair; Ann Margolin, Vice-Chair; Vonciel Jones Hill; Angela Hunt; Delia D. Jasso; Ron Natinsky

SUBJECT Love Field Modernization Program – Special Facilities Revenue Bond Issue

Attached is the briefing entitled, "Love Field Modernization Program—Special Facilities Bond Issue" that will be presented to you on January 11, 2010.

Please contact me if you need additional information.



A.C. González
Assistant City Manager

Attachment

c: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
David K. Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Office of Financial Services
Edward Scott, Director, Controller's Office
Helena Stevens-Thompson, Assistant to the City Manager - Council Office
Daniel T. Weber, Director, Department of Aviation



Love Field Modernization Program Special Facilities Revenue Bond Issue

Briefing to the
Budget, Finance & Audit Committee

Department of Aviation
January 11, 2010

Purpose

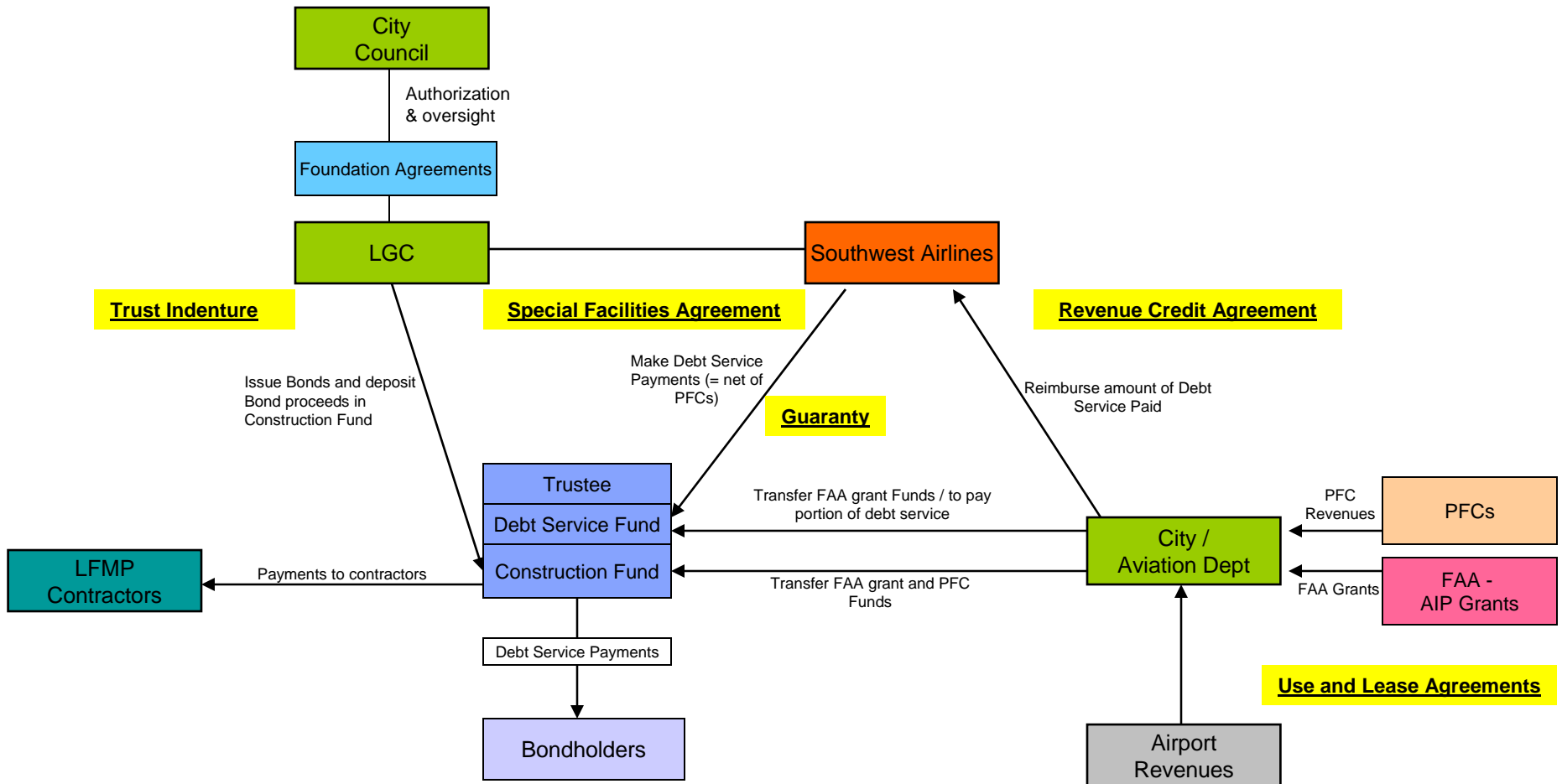
- Review LFMP Bond Financing Program
 - Financing agreement structure
- Discuss the Love Field Airport Modernization Corporation Special Facilities Revenue Bonds
- 1/27/10 City Council agenda for consideration to approve financing agreements and bond parameters resolution

Financing Agreement Structure



- Bond Financing Agreements
 - Special Facility Agreement (City, Local Government Corporation, Southwest)
 - City agrees to operate facilities & authorize Local Gov't Corp to issue bonds
 - Love Field Airport Modernization Corp (LFAMC) issues bonds
 - Southwest credit backs bonds – agrees to construct facilities and pay debt service
 - Revenue Credit Agreement (City, Southwest)
 - Defines Aviation Fund reimbursement to Southwest for debt service payments received from other sources
 - Provides for transfer to Trustee of certain FAA grant & PFC funds
 - Trust Indenture (Local Government Corporation, Trustee)
 - Trustee management of bond & other funding, pays contractors
 - Trustee receives debt service funds & pays bondholders
 - Guaranty (Trustee, Southwest)
 - Southwest guarantees to the Trustee the repayment of the Bonds

Funding/Financing Structure



LFAMC

Special Facilities Revenue Bonds

- Series 2010
- Par amount not to exceed \$500,000,000
- Total Interest Cost not to exceed 8%
- Special obligations of the LFAMC, payable solely and exclusively from Facilities Payments made by Southwest

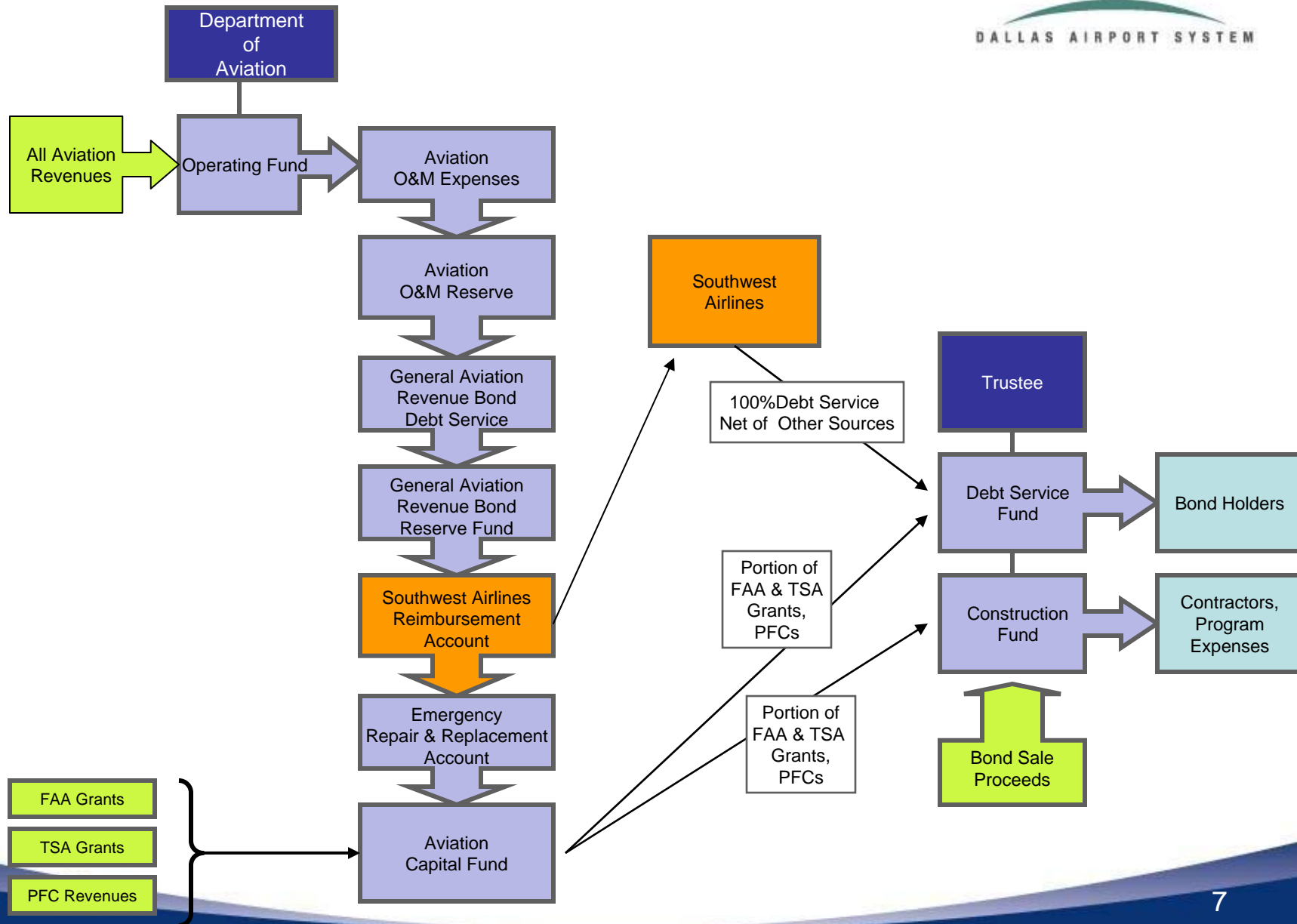
LFAMC

Special Facilities Revenue Bonds



- Airport Consultant's Report – Bond Feasibility Study
 - Primary Purpose
 - Assess capability of the Airport Use & Lease Agreement to generate revenues needed to
 - Fund City operation and development of Dallas Airport System, **AND**
 - Reimburse Southwest Airlines for its Debt Service payments in accordance with the Special Facility Agreement and Revenue Credit Agreement provisions
 - Assumptions
 - LFMP budget - \$519M
 - People Mover & CIP will be developed as preliminarily scheduled
 - Southwest will maintain Love Field as a principal station in its system
 - Federal grant funding will be approved at \$60M
 - Airline rates & charges remain set per Airport Use & Lease Agreement
 - Public parking rates increase every 18-24 months to market rates
 - No air service disruptions from terrorist or force majeure events

Flow of Funds



Projection of Revenues, Expenses and Debt Service



Airport revenues are sufficient to cover Airport Operation & Maintenance and Capital Development, as well as Reimbursement of Southwest debt service payments.

<i>In \$1,000's</i>	2009	2010	2011	2012	2013	2014	2015	2016	2017
Southwest Facilities Payments for Net Debt Service	-	-	-	-	\$18,802	\$18,802	\$24,590	\$24,070	\$29,845
Total Airport System Revenues	\$43,285	\$43,807	\$49,179	\$50,895	\$71,581	\$76,071	\$85,921	\$93,456	\$94,844
Total Airport System Expenses and Reserves	\$29,363	\$35,777	\$36,631	\$40,560	\$41,492	\$45,790	\$46,924	\$55,456	\$57,836
Remaining Net Revenues	\$13,922	\$8,030	\$12,548	\$10,335	\$30,089	\$30,281	\$38,997	\$38,000	\$37,008
Debt Service on Outstanding Bonds	\$7,483	\$7,432	\$3,704	-	-	-	-	-	-
Deposit to Southwest Reimbursement Holding Account	-	-	-	-	\$18,802	\$18,802	\$24,590	\$24,070	\$29,845
Balance to Aviation Capital Fund	\$6,439	\$598	\$8,844	\$10,335	\$11,287	\$11,479	\$14,407	\$13,930	\$7,163
Resulting Airline Cost per Enplaned Passenger	\$2.52	\$2.69	\$3.01	\$2.95	\$6.55	\$7.35	\$7.33	\$7.56	\$7.52

Airline cost of operation at Love Field remains in a competitive range between \$6.00 and \$8.00 per Enplaned Passenger

Financing Time Table

- 1/27/10 – City Council consideration to approve agreements, Financing Plan, Parameters Resolution
- Feb 2010 – Bond pricing
- Feb 2010 – Love Field Airport Modernization Corp
 - Approval of Bond Resolution, all other related documents
 - Execute Bond Purchase Agreement
- Feb 2010 – Closing

Recommendation & Next Step



- Approve a Resolution authorizing:
 - The issuance, sale and delivery of LFAMC special facilities revenue bonds, guaranteed by Southwest Airlines Co., subject to certain parameters;
 - The LFAMC to enter into all agreements and instruments including a special facility agreement, a trust indenture, and a bond purchase agreement;
 - The LFAMC and its consultants to take all actions necessary in connection with the issuance of the bonds
 - The City Manager to enter into a special facility agreement and a revenue credit agreement
 - All other actions by the LFAMC and the City Manager deemed necessary in connection with the issuance of bonds
- 1/27/10 City Council consideration to approve the above Resolution

APPENDIX

Finance Team

City of Dallas

Department of Aviation

City Attorney's Office

Airport Consultant – Unison Consulting, Inc.

Co-Financial Advisors – First Southwest Company

Co-Financial Advisors – Estrada Hinojosa

Co-Bond Counsel – McCall, Parkhurst & Horton L.L.P.

Co-Bond Counsel – Escamilla Poneck

Trustee – Wells Fargo Bank, N.A.

Trustee Counsel – Haynes and Boone

Southwest Airlines

Airline Consultants – AvAir Pros

Airline Counsel – Winstead PC

Printer - TBD

Underwriters

Senior Managers – Goldman Sachs (Lead)

Co-Senior Mgrs – Bank of America Merrill Lynch

Co-Senior Mgrs – Ramirez & Co.

Co-Managers – Citi

Comerica

Co-Underwriters Counsel – Katten Muchin Roseman LLP

Mahomes Bolden Warren Sigmon PC

Financing Agreement Structure



- Foundation Agreements
 - Term Sheet (approved June 2008)
 - Established LFMP concept & budget
 - Established Local Government Corp structure
 - Established cost recovery method of airline rates & charges
 - Defined roles of the City & Southwest
 - Enabled Inducement Resolution authorizing \$75M Southwest expense
 - Program Development Agreement (approved Nov 2008)
 - Established management structure for LFMP
 - Defined financial structure
 - Airport Use & Lease Agreement (approved Dec 2008)
 - Terminal space lease, use of airport
 - Sets priority on application of airport revenues
 - Assures revenues to fund airport annual budget