

Memorandum



CITY OF DALLAS

DATE August 7, 2009

TO Members of the City Council Budget, Finance, and Audit Committee: Jerry Allen, Ann Margolin, Delia Jasso, Vonciel Jones Hill, Angela Hunt, David A. Neumann, and Ron Natinsky

SUBJECT Dallas-Fort Worth International Airport 2009 Refundings and Tender Opportunities

On August 11, 2009, Chris Poinatte and Mike Phemister from Dallas-Fort Worth International Airport will present the attached briefing to the Budget, Finance, and Audit Committee of the Dallas City Council.

Please contact me if you need additional information.

A handwritten signature in black ink, appearing to read 'D. Cook'.

David K. Cook
Chief Financial Officer

**Dallas/Fort Worth International Airport
Board
2009 Refundings and Tender Opportunities**

For the Cities of Dallas and Fort Worth

August, 2009



2009 Refunding Opportunities

The America Recovery and Reinvestment Act of 2009 (ARRA) provides DFW with several debt refunding opportunities in 2009 and 2010

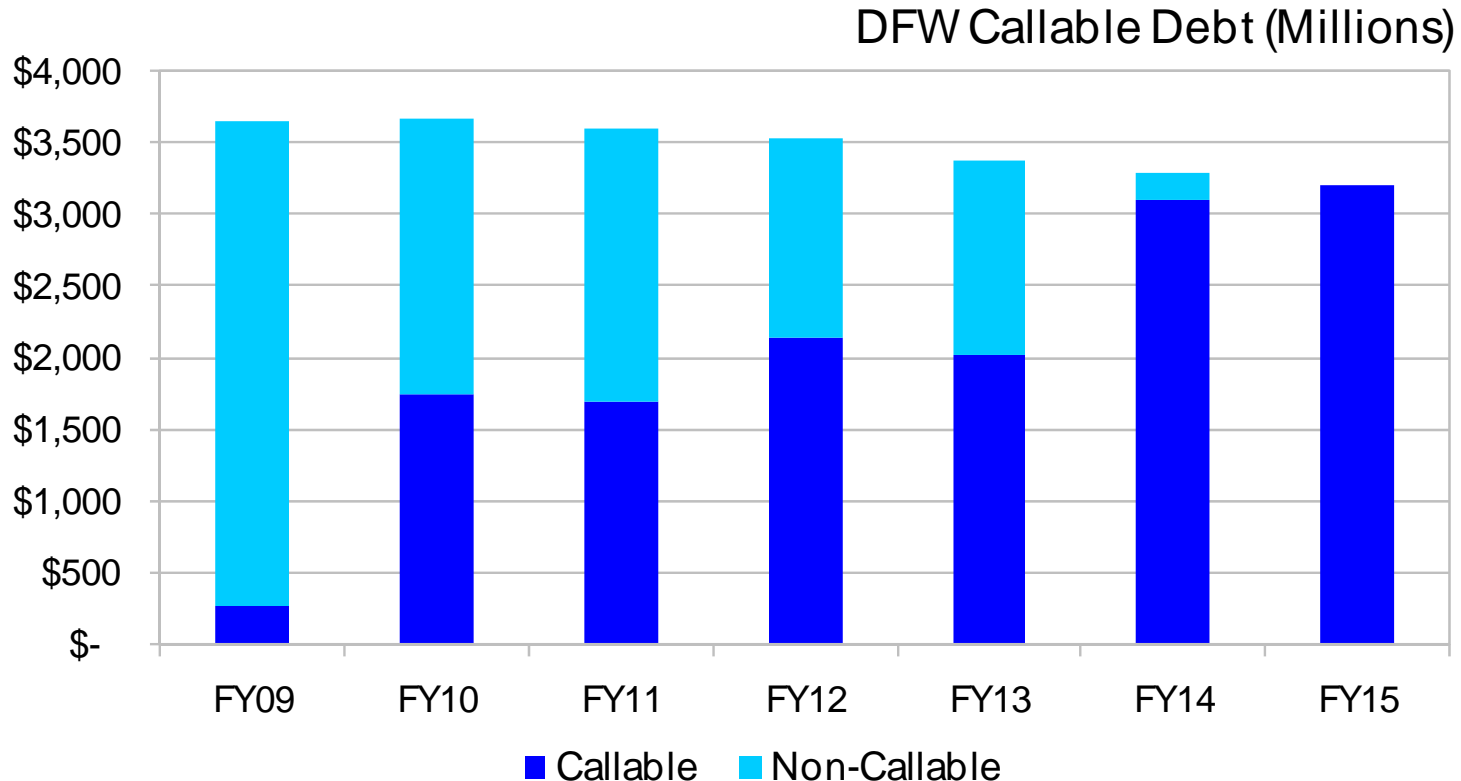
- ARRA provides for an Alternative Minimum Tax (AMT) “holiday” for issuers of private activity bonds
- What is the AMT?
 - Tax has been in place since 1986
 - AMT increases tax burden on wealthier taxpayers
 - Lose deduction
 - Most airport bonds are considered “private activity bonds” which are subject to the AMT
 - Ruling – bonds benefit airline versus general public
 - 100% of DFW’s bonds are subject to AMT
 - Due to fully residual model

Alternative Minimum Tax and Stimulus Bill

- AMT was not a major issue in past
 - Interest rate spreads were only 10-30 bps
- Collapse of financial markets
 - Spreads have increased significantly since last fall
 - Only one issuance of AMT bonds since November 2008
 - 130-150 bps difference
 - Some airports are forced to issue taxable bonds instead
- Stimulus bill
 - Airport AMT “holiday” for calendar 2009-2010
 - New money bonds for 2009-2010
 - Refunding bonds – five year roll back (1/1/2004 to 12/31/2008)
 - DFW needs to take advantage of this opportunity

DFW's Current Debt Profile – Callable Bonds

DFW has used creative call structures in the past to provide significant flexibility for debt refunding and restructuring over the next five years.



Refunding Opportunities

DFW desires to take advantage of AMT Holiday to greatest extent possible

- DFW Airport has four series of bonds outstanding that were issued in the 2004 to 2008 time frame (\$646.2 million)

Refunding Opportunity (2009A Bonds - September)

- 2004 A-1 Callable 11/01/2009
- 2004 A-2 Callable 11/01/2009
- 2006 A Callable 11/01/2009

Tender and Refunding Opportunity (2009B Bonds - October)

- 2004 B Callable 11/01/2009 and 11/01/2014
- 2007 Callable 11/01/2014

2009A Joint Revenue Refunding Bonds

Bonds to be Refunded in September 2009

- 2004A-1 and A2 Fixed Rate Joint Revenue Bonds
 - \$99.3 million
 - Coupons 3.5% to 6.1%
 - Subject to AMT

- 2006A Fixed Rate Joint Revenue Bond
 - \$240.6 million
 - Coupons 5.0%
 - Subject to AMT

2009 A Joint Revenue Refunding Bonds

Parameters

- 2009A Refunding Bonds parameters
 - 43rd Concurrent Bond Ordinance
 - Fixed Rate Non-AMT Bonds
 - Amount not to exceed \$310 million
 - Interest Rate not to exceed 6.0%
 - Underwriter's Discount not to exceed \$6
 - Final Maturity not to exceed 2024

2009 A Joint Revenue Refunding Bonds

Estimated Savings

- Contribution to Escrow
 - \$37.3 million from I & S
 - \$10.0 million from Capital Funds
- Some debt restructuring has been done to lower airline rate base
 - See next slide
- Current estimated Present Value Savings \$7.8 million
- Current estimated Net PV Benefit 2.3%

2009A Joint Revenue Refunding Bonds

Transaction Team

Financial Advisors

First Southwest Company
Estrada Hinojosa & Company (MWBE)

Co-Bond Counsel

Vinson & Elkins
McCall, Parkhurst & Horton

Senior Manager

Siebert Brandford Shank (MWBE)

Co-Senior

Morgan Keegan

Co-Managers

Cabrera Capital (MWBE)
M.R. Beal (MWBE)
Merrill Lynch
RBC Dain Rauscher
Ramirez & Co (MWBE)
Raymond James & Associates

2009B Joint Refunding Bonds

Bonds to be refunded in October 2009, subject to outcome of tender

- 2004B Fixed Rate Joint Revenue Bonds
 - \$205.9 million
 - Coupons 3.6% to 5.75%
 - Subject to AMT

- 2007A Fixed Rate Joint Revenue Bonds:
 - \$100.4 million
 - Coupons 4.5% to 5.0%
 - Subject to AMT

2009 B Joint Refunding Bonds

Parameters

- 2009B Refunding Bonds parameters
 - Will be issued only for bonds tendered
 - 44th Concurrent Bond Ordinance
 - Fixed Rate Non-AMT Bonds
 - Amount not to exceed \$300 million
 - Interest Rate not to exceed 6.0%
 - Underwriter's Discount not to exceed \$6.00
 - Final Maturity not to exceed 2035

2009 B Joint Revenue Refunding Bonds

Savings

- Actual size of issue will be based on number of bonds tendered.
- Estimated Present Value Savings - To Be Determined.
- Net PV Benefit – To Be Determined.
- DFW will only proceed if adequate number of bonds are tendered, resulting in a Net Present Value Saving to Airport.
- Minimum deal size will be \$50 million

2009 B Joint Revenue Refunding Bonds

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Co-Bond Counsel

Vinson & Elkins

McCall, Parkhurst & Horton

Senior Manager/Dealer Manager

Morgan Stanley

Co-Managers

Jefferies

Loop Capital (MWBE)

Proposed Refunding and Tender Time Table

August 6	DFW Board Approval
August 11	City of Dallas Finance and Audit Briefing
August 18	City of Fort Worth City Council Briefing.
August 19	City of Dallas City Council Briefing
August 25	City of Fort Worth City Council Approval
August 26	City of Dallas City Council Approval
September 4	Publish Notice of Tender
September 17	Pricing 2006A Bonds
September 29	Closing 200A Bonds
October 2	Close Tender Period
October 7	Pricing 200B Bonds
October 14	Closing 200B Bonds