

Memorandum



CITY OF DALLAS

DATE February 1, 2013

TO The Honorable Mayor and Members of the City Council

SUBJECT Dallas/Fort Worth International Airport Approval of the 49th Supplemental Bond Ordinance

On February 6, 2013, the City Council will be briefed on the 49th Supplemental Bond Ordinance which will provide authority to issue up to \$3.1B in bonds at Dallas/Fort Worth International Airport. Chris Poinsette, CFO/Executive Vice President of Airline Business & Technology will present the attached briefing.

Please let me know if you have questions or need additional information.

A handwritten signature in black ink, appearing to read 'Mary K. Suhm'.

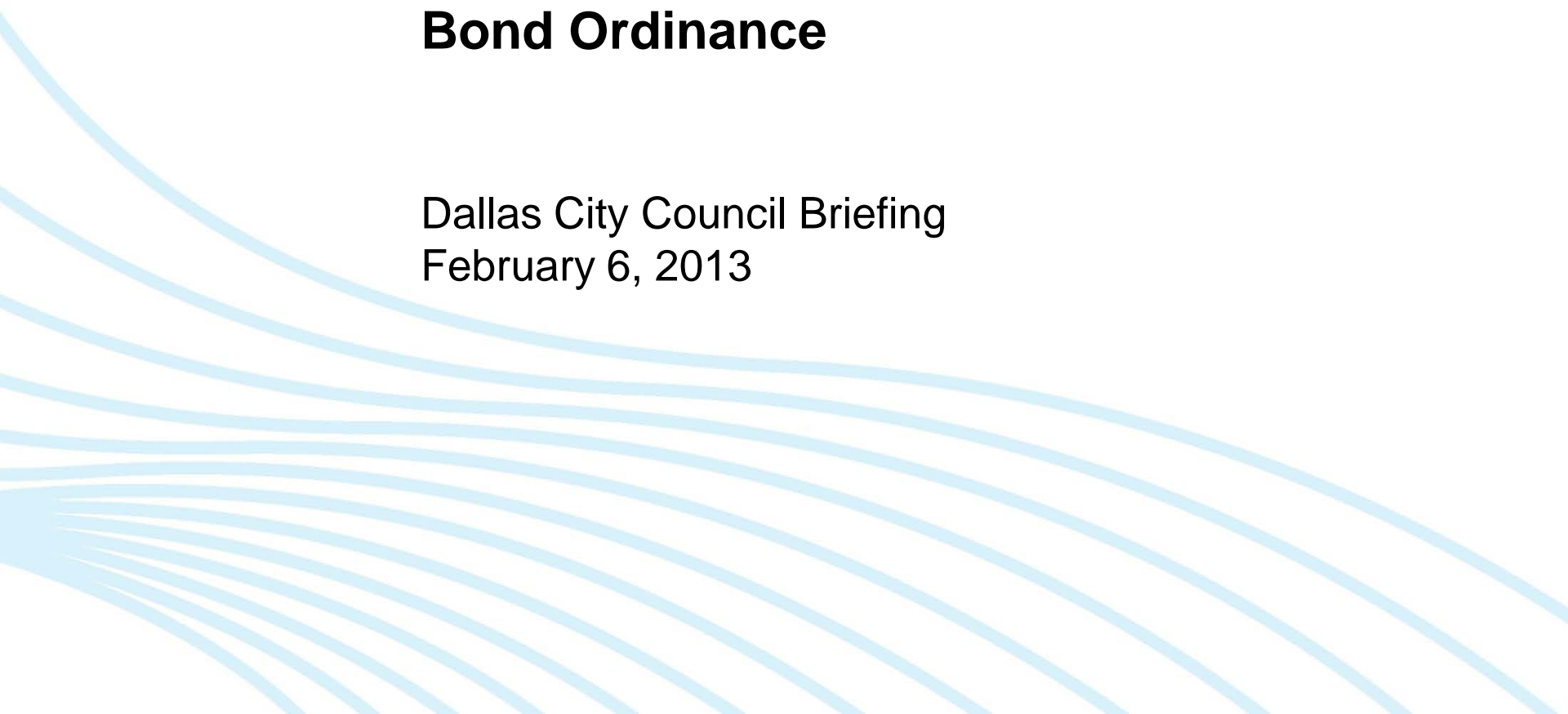
Mary K. Suhm
City Manager

Attachment

c: Thomas P. Perkins, Jr., City Attorney
Rosa Rios, City Secretary
Craig Kinton, City Auditor
Daniel Solis, Administrative Judge
A.C. Gonzalez, First Assistant City Manager
Ryan S. Evans, Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Stephanie Cooper, Assistant to the City Manager

Dallas/Fort Worth International Airport Approval of the 49th Supplemental Bond Ordinance

Dallas City Council Briefing
February 6, 2013



Requested Action

- Approval of 49th Supplemental Concurrent Bond Ordinance

Background

- Owner Cities approved the 48th Supplemental Bond Ordinance in March 2012 which provided for:
 - The sale of bonds not to exceed \$2.1 billion
 - Ability to issue a series of bonds for up to one year

- Airport issued six series of bonds totaling approximately \$2.1 billion
 - New money - \$1.17 billion
 - For Terminal Renewal & Improvement Program (TRIP) and other projects
 - Average yield on bonds - approximately 5%
 - Refundings - \$920 million
 - Present value savings - \$131 million (14.2%)
 - Future value savings - \$166 million (18.0%)

- REMINDER – the Owner Cities have no obligation for the repayment of the bonds' principal and interest issued for DFW Airport.

Terminal Renewal and Improvement Program (TRIP) Update



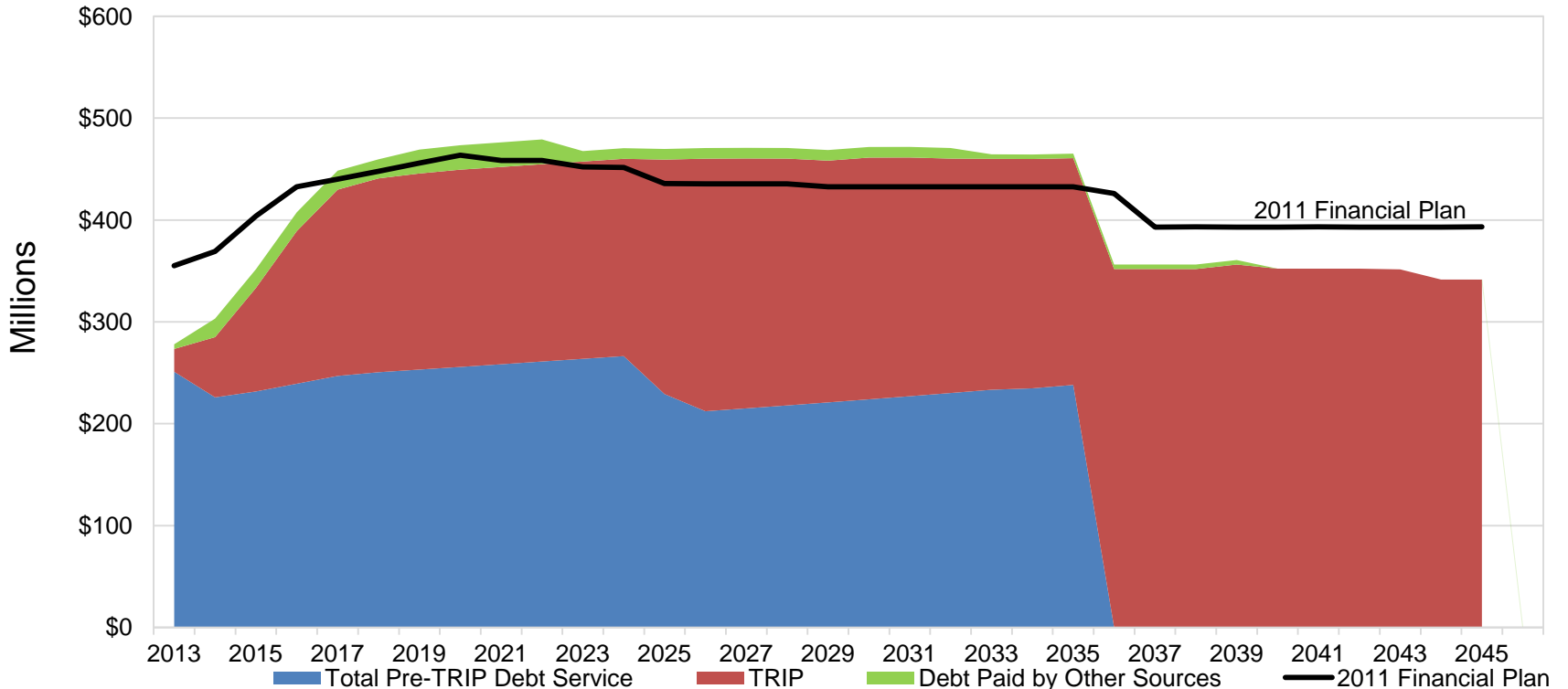
49th Supplemental Bond Ordinance

- Provides authority to issue up to \$3.1 billion in bonds
 - \$2.0 billion - TRIP and other capital projects through 2015
 - \$1.1 billion - Refunding all or portion of the Series 2003A Bonds
 - Expected NPV savings \$90 million
 - Expected FV savings \$160 million

- Provides authority to issue bonds
 - For a period of one year
 - In multiple series
 - As AMT, non-AMT and/or Taxable Bonds
 - With final maturities not to exceed 2035 for refunding bonds and 2050 for new money bonds.

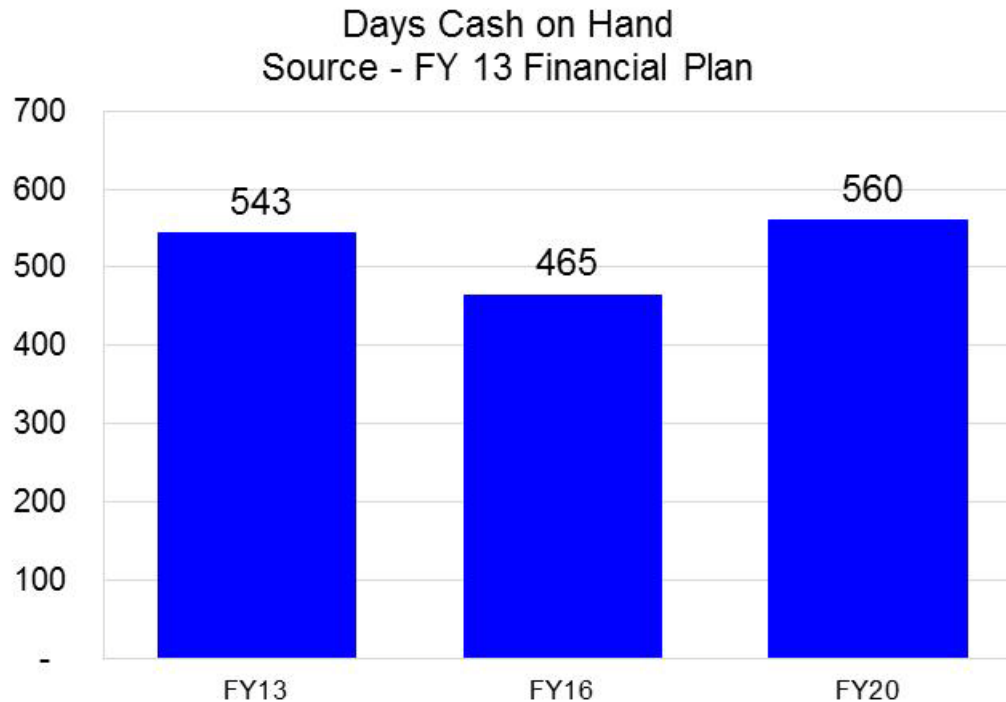
Debt Service Profile

The Airlines approved of the increase to fund the TRIP as part of Use Agreement. Latest profile reflects reduced debt service in the early and late years despite additional \$1 billion of new capital projects due to lower interest rates.



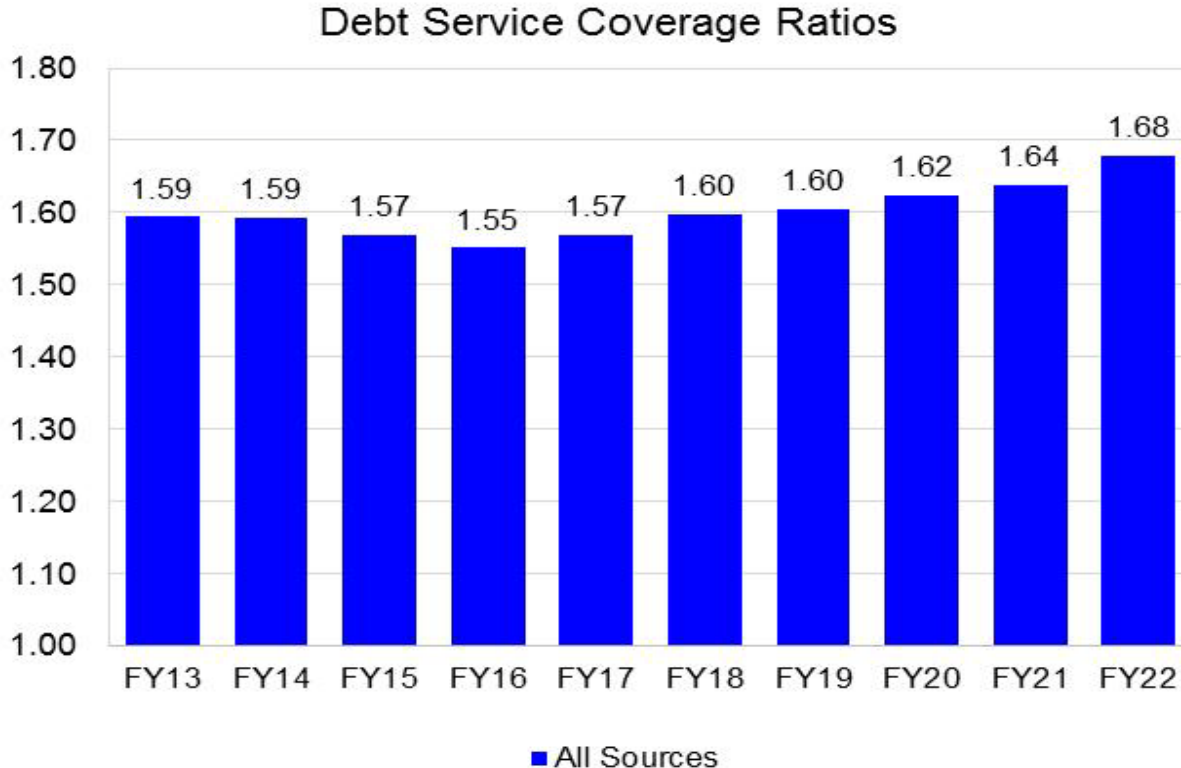
Days Cash On Hand

Days cash on hand is a measure of DFW’s liquidity. DFW plans to keep approximately 1.5 years of available cash on hand to pay operating expenses through FY 2020.



Debt Service Coverage Ratio

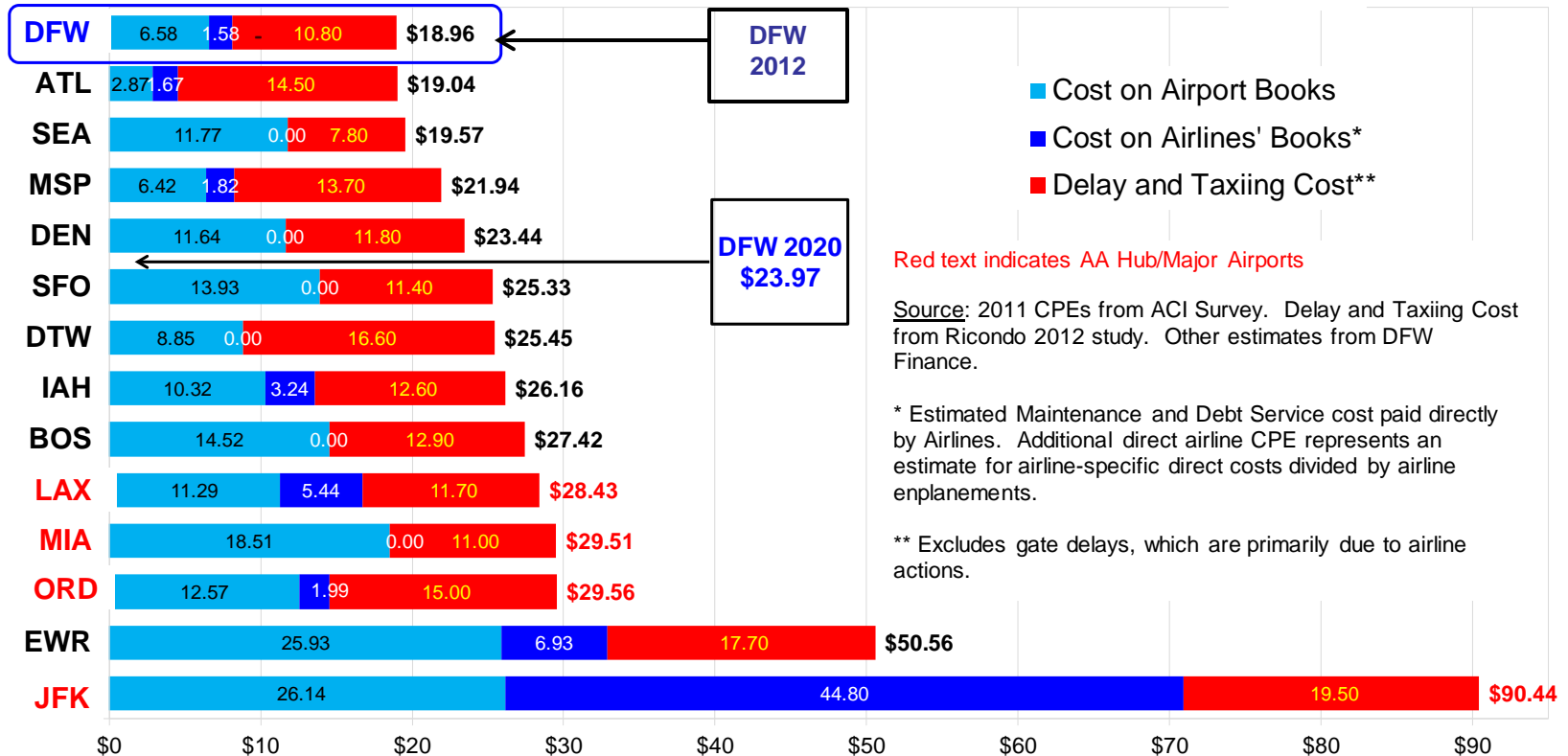
Coverage measures DFW’s ability to pay debt service from cash generated during a year. The chart shows that DFW becomes more financially secure over time.



Passenger Airline Cost Per Enplanement

DFW is the lowest cost airport in its competitive set today and will still be very competitive and affordable in FY 2020 even with debt service increase.

Fully Loaded Cost per Enplaned Passenger



Summary of Proposed Bonds Sales and Underwriting Teams

Bond Series	Proposed Sale Date	Estimated Amount	Purpose (Tax Status)	Senior Manager Co-Senior	Co-Managers
2013A	April 2013	\$395 million	New Money (AMT)	RBC M.R. Beal	Morgan Keegan Ramirez
2013B	May 2013	\$386 million	New Money (Non-AMT)	Morgan Stanley Cabrera	Stifel Loop Capital
2013C	June 2013	\$390 million	New Money (AMT)	Jefferies Siebert	Barclay Cabrera
2013D	July 2013	\$50 million	AA Training Facility (Taxable)	Stifel Barclay	

Note: Companies listed in red are M/WBE's.

Note – M/WBE percentage expected to be 34% after sale of bonds.
Aspirational goal for the program was 30%.

Summary of Proposed Bonds Sales and Underwriting Teams

Bond Series	Proposed Sale Date	Estimated Amount	Purpose (Tax Status)	Senior Manager Co-Senior	Co-Managers
2013E	August 2013	\$372 million	Refunding (Non-AMT)	Loop Capital Merrill Lynch	Siebert M.R. Beal
2013F	Sept 2013	\$415 million	Refunding (AMT)	Citi Group Barclay	Jefferies Cabrera
2013G	October 2013	\$368 million	New Money Refunding (Non-AMT)	Ramirez Morgan Stanley	RBC Stifel
2013H	November 2013	\$392 million	New Money (AMT)	JP Morgan Morgan Keegan	M. R. Beal Merrill Lynch

Note: Companies listed in red are M/WBE's.

Note – M/WBE percentage expected to be 34% after the sale of bonds. Aspirational goal for the program was 30%.

Financing Team

- Co-Financial Advisors
 - First Southwest Company
 - Estrada Hinojosa & Company, Inc. (M/WBE)
- Co-Bond Counsel
 - Vinson & Elkins
 - McCall, Parkhurst & Horton
 - Newby Davis (M/WBE)
- Co-Underwriters Counsel (selected by Underwriters)
 - Kelly, Hart & Hallman
 - Mahomes Bolden Warren (M/WBE)

Summary

- Request approval of \$3.1 billion of debt over next year
 - \$2.1 billion – new money
 - \$1.0 billion – refundings
- DFW needs to refurbish its four older terminals that are 35 years old
 - Great time to borrow money given low interest rates
 - Great time to be in construction given the low-cost environment
 - Airlines agreed to increased debt when they signed Use Agreement
- Even with increased debt, DFW has financial capacity to afford the debt
 - Rated A1/A+/A+ by rating agencies
 - Excellent liquidity and coverage ratios
 - Cost per enplanement will still be very competitive after TRIP

Dallas/Fort Worth International Airport Approval of the 49th Supplemental Bond Ordinance

Dallas City Council Briefing
February 6, 2013

