

Dallas/Fort Worth International Airport Presentation to the City of Dallas

**Approval of Series 2008A and 2008B Rental Car Facility
Refunding Bonds and Amendment to the Articles of
Incorporation for the Dallas/Fort Worth International
Airport
Facility Improvement Corporation**

December 5, 2007

Overview

- Background
- Rental Car Facility Advance Refunding Bonds
- Amendment to Articles of Incorporation of Facility Improvement Corporation

Background



Background - DFW's Corporate Structure

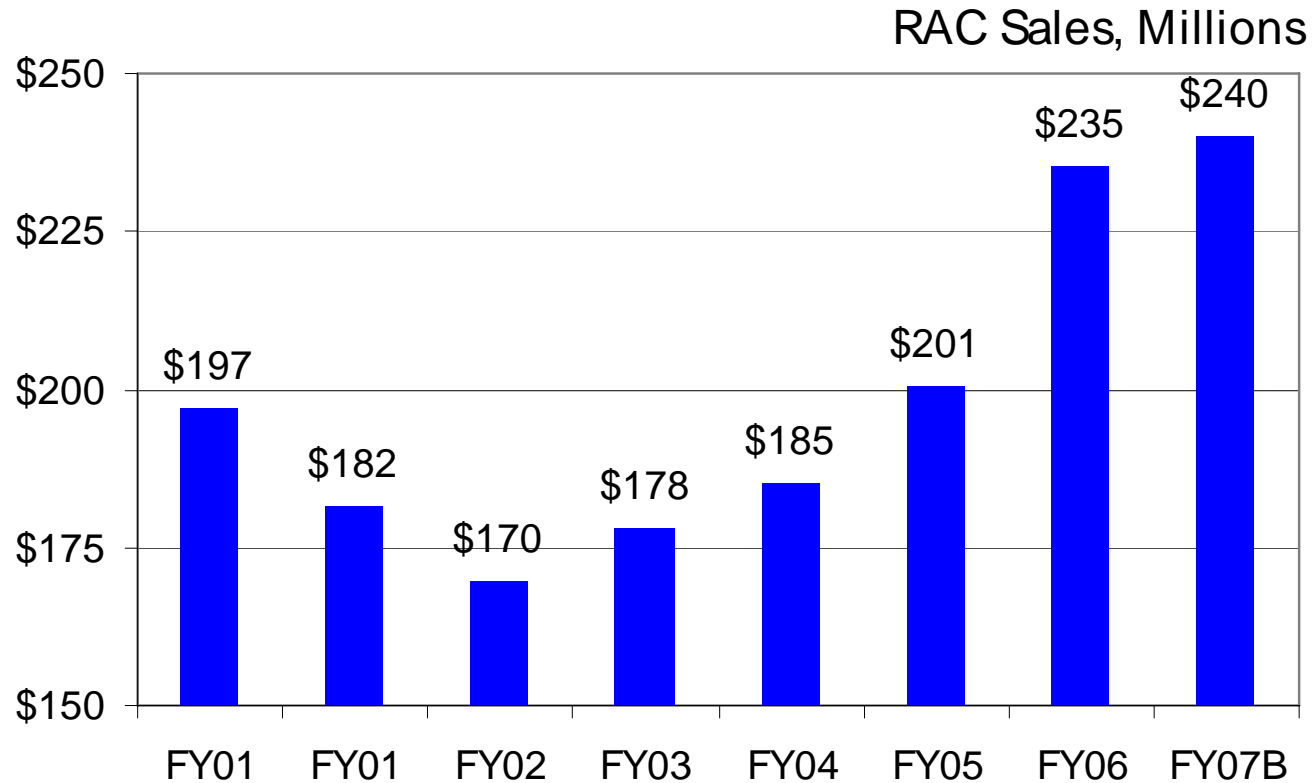
- DFW Airport has two non-profit public finance corporations
 - **Facility Improvement Corporation (FIC)**
 - Created to issue “conduit financing” for third parties (airlines and other tenants) to construct facilities on airport
 - Used to issue bonds to finance Rental Car Facility
 - Limited powers - financing
 - **Public Facility Improvement Corporation (PFIC)**
 - Formed to finance and operate the Grand Hyatt Hotel
 - Limited powers – Grand Hyatt Hotel only
- All debt issued by either corporation requires approval of DFW Board and the Cities

Background - Consolidated Rent-a-Car (RAC) Facility

- Opened March 26, 2000
- FIC issued \$159.6 million in taxable bonds to fund facility construction and initial bus purchase
 - Second consolidated RAC facility in country
 - Debt to be repaid with Customer Facility Charge (CFC) of \$3.00
 - CFC raised to \$4.00 after 9-11
- 5 million transactions in FY 2007
- 9 rental car companies
- 81% of customers – business

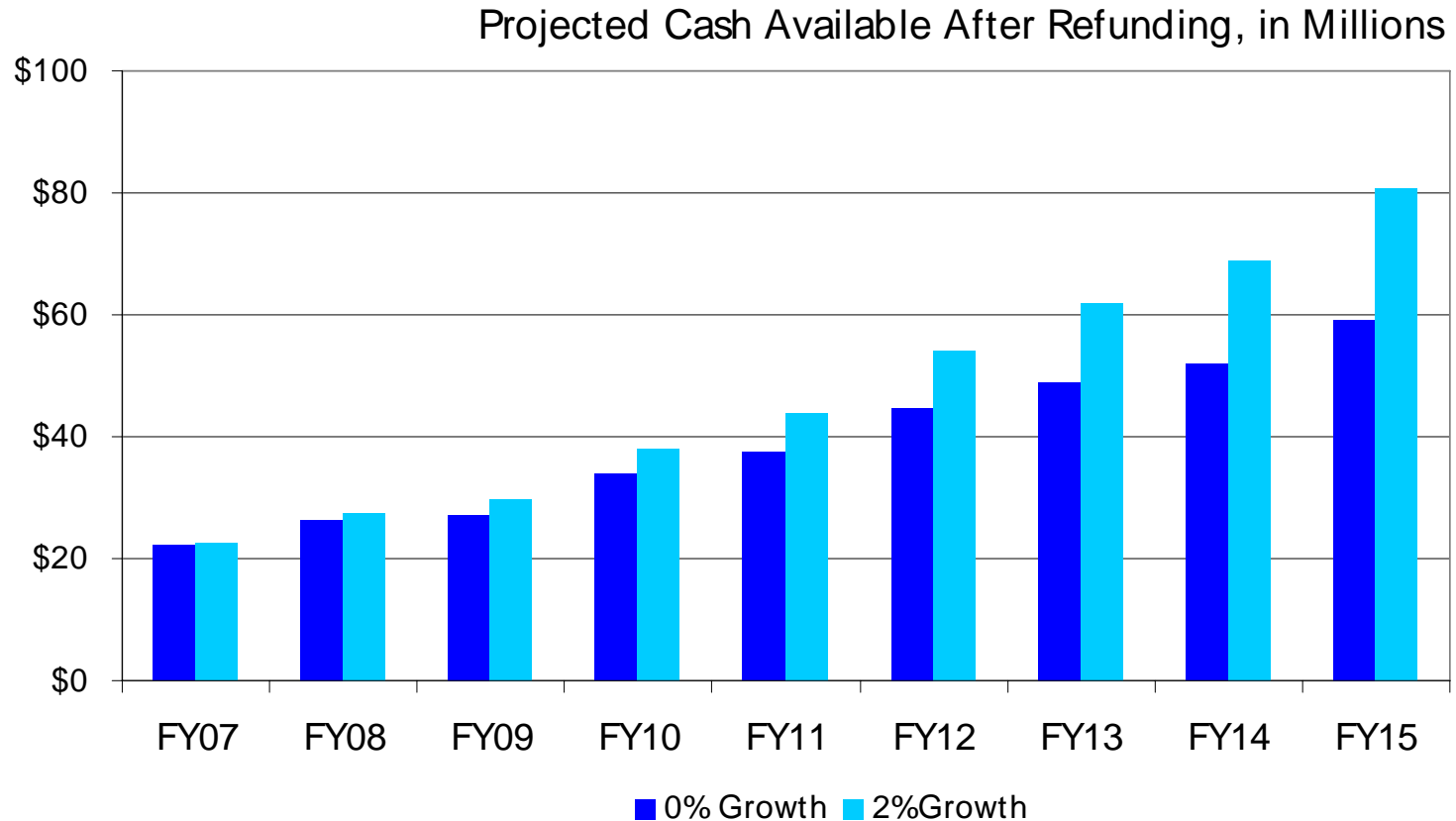
Background – Consolidated Rental Car (RAC) Facility

Sales have increased every year since 9/11.



Background – Consolidated Rental Car (RAC) Facility

RAC has significant cash balances that are expected to grow.



Rental Car Facility Advance Refunding Bonds

A decorative graphic element consisting of multiple light blue, curved lines that originate from the left side of the page and sweep across the bottom half of the slide, creating a dynamic, flowing effect.

RAC Advance Refunding Opportunity

Bonds originally issued by Facility Improvement Corporation (FIC)

- Bonds available to be refunded
 - 1998 Fixed Rate Taxable Bonds
 - \$112.4 million outstanding
 - Average coupon 6.9%
 - Callable in 2008
 - 1999 Fixed Rate Taxable Bonds
 - \$17.4 million outstanding
 - Average coupon 7.8%
 - Callable in 2009
- Debt service payments are made from Customer Facility Charges (\$4.00 per day) collected by RAC companies

RAC Advance Refunding Opportunity

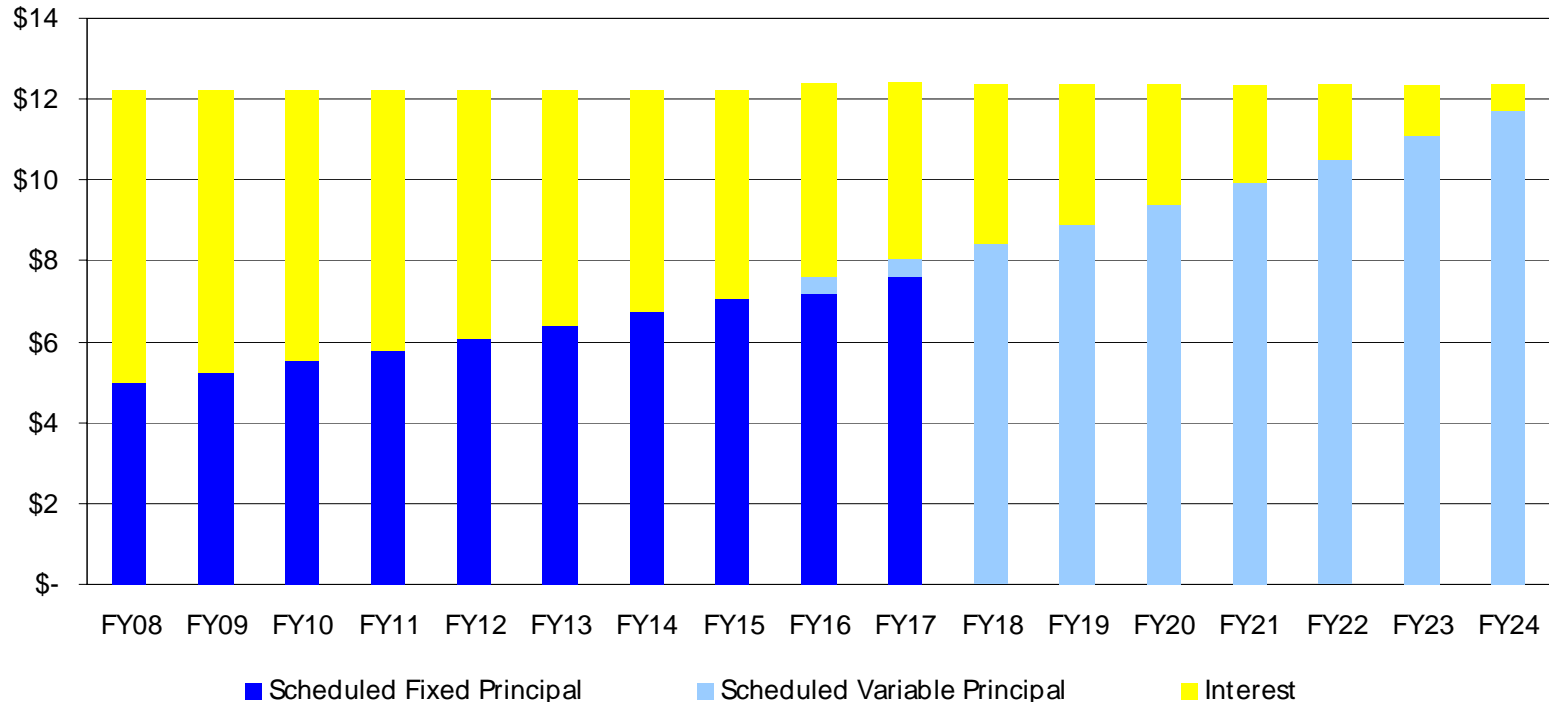
Bonds to be issued in two sub-series

- **2008A Fixed Rate Bonds**
 - Approximately \$70 million
 - Present Value Savings \$4.2 million
 - Total savings over life of bonds \$4.7 million
 - Assumes True Interest Cost of 5.4%
- **2008B Variable Rate Auction Bonds**
 - Approximately \$70 million
 - Present Value Saving between \$3.8 million
 - Total savings over life of bonds \$6.5 million
 - Assumes True Interest Cost of 5.8%

Scheduled Debt Service for Refunded Bonds

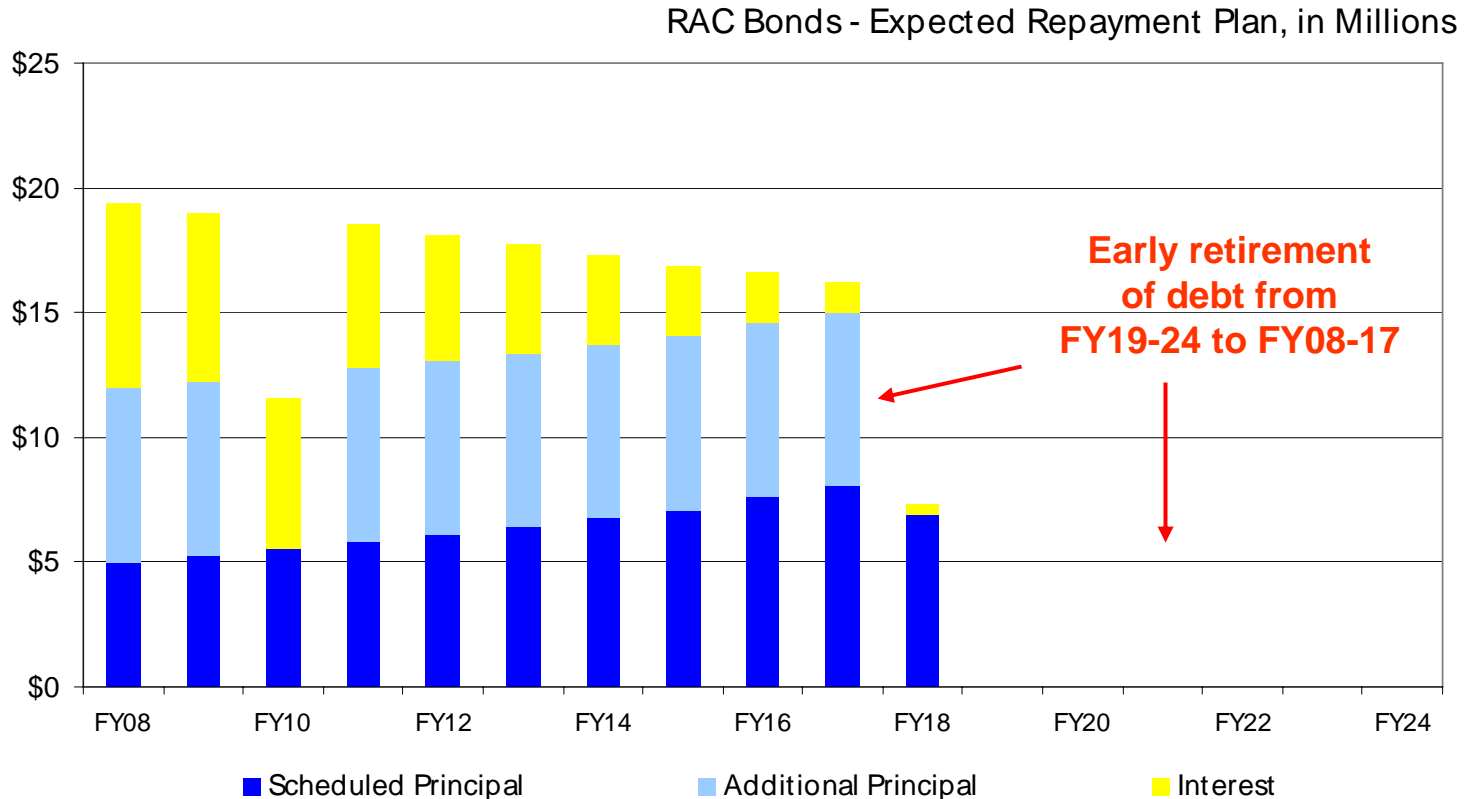
The refunding will be split into two series, fixed and variable, and scheduled to be repaid based on the current schedule.

Rental Car Facility Refunding Bonds, In Millions



Expected Repayment Schedule - Early Retirement Option

If cash is available, DFW expects to retire the bonds 7-8 years earlier and save an additional \$34 million in interest.



Summary of Savings

Based on current market conditions

| In Millions | Scheduled Debt Service | Early Retirement Option |
|-----------------------------|---------------------------|-------------------------------|
| Original Debt Service (P&I) | \$ 225.3 | \$ 225.3 |
| New Debt Service (P&I) | 215.2 | 181.3 |
| Estimated Savings | \$ 10.1 | \$ 44.0 |

Uses of Bond Proceeds

RAC Refunding Estimated Uses of Bond Proceeds

| | <u>Millions</u> | |
|------------------------------|-----------------|------|
| Uses of Bond Proceeds | | |
| Bonds Refunded | \$ 129.9 | |
| Call Premium (@102) | 1.8 | |
| Cost of Issuance | 1.4 | |
| Bond Insurance/Surety | 2.9 | |
| Total Bonds to be Issued | <u>\$ 135.9</u> | |
| Requested Issuance Parameter | 140.0 | |
| Difference | <u>\$ 4.1</u> | 2.9% |

RAC Refunding Opportunity

Bonds to be issued subject to the following parameters

- Total issues not to exceed amount \$140 million
- Maximum initial interest rate not to exceed 6.5%
- Final maturity not to exceed current outstanding bonds – 2024

RAC Refunding Opportunity

Transaction Team

Financial Advisors First Southwest Company
Estrada Hinojosa & Company (MWBE)

Co-Bond Counsel Vinson & Elkins
McCall, Parkhurst & Horton
Renee Higginbotham-Brooks (MWBE)

2008A

Senior Manager
(Book Runners) Morgan Keegan

Co-Senior Lehman Brothers

RAC Refunding Opportunity

Transaction Team

2008A

Co-Managers

Jackson Securities (MWBE)

Cabrera Capital (MWBE)

M.R. Beal (MWBE)

2008B

Remarketing Agents

UBS

Merrill Lynch

Lehman Brothers

Loop Capital (MWBE)

Amendment to Articles of Incorporation of Facility Improvement Corporation

Amendment to Articles of Incorporation of FIC

- Rental Car companies have requested DFW to implement a Customer Transportation Charge (CTC) to pay for the Rental Car Companies' cost of operating and maintaining the RAC buses
 - Its non-competitive for them to do this themselves
 - Easier administration for collection and payment of contractor

- Requires amendment to the FIC Articles of Incorporation

Why is a Customer Transportation Charge (CTC) necessary?

- Current concessions agreement allows “below the line” fees
- Rental Car Companies are charging CTCs at various rates today:
 - Hertz - \$7.36 per contract
 - Budget - \$6.87 per contract
 - Avis - \$7.07 per contract
 - Alamo - \$5.97 per contract
 - National - \$5.97 per contract
 - Advantage - \$0.77 per day
- Average days per contract = 3 days
- Challenge for rental car companies to collect and pay for services from administrative standpoint

Why is a Customer Transportation Charge (CTC) necessary?

- Benefits
 - Customers to pay same fee at all rental car companies
 - Some customers may receive cost reduction
 - New concessions agreement – No more new “below the line charges”
- Rental Car Companies will continue to be responsible for contracting for bus operations and maintenance
- CTC will be remitted to FIC which will pay bus contractor for the benefit of the Rental Car Companies
- Initial CTC = \$2
 - \$10M annual bus O&M cost
 - 5M transaction days
- CTC may be increased/decreased each year based on fleet operating and maintaining budget

Additional Questions

1. Why not use existing cash balances to reduce borrowing or reduce the \$4 Customer Facility Charge or \$2 Customer Transportation Charge
2. Why doesn't DFW contract for bus operations and maintenance rather than the Rental Car Companies

Question 1 - Why not use existing cash balances to reduce borrowing or reduce the \$4 CFC or \$2 CTC?

- Current cash balance is \$18.9M
- Capital program
 - 45 new busses over 3 years - \$21M
 - Additional facility needs for five years - \$11.8M
- Debt Service
 - \$12M per year
 - Desire to retire variable rate debt early - \$7M per year
- Ending cash balance goal - \$10M-\$12M
 - Equal to one year debt services

Question 1 - Why not use existing cash balances to pay down more debt or reduce \$4 CFC or \$2 CTC?

Projected Sources and Uses of Cash - FIC In Millions

| | FY 08 | FY09 | FY10 | FY11 | FY12 |
|------------------------------|---------------|--------------|--------------|---------------|---------------|
| Sources of Cash | | | | | |
| CFC | 20.4 | 20.8 | 21.2 | 21.6 | 22.1 |
| Interest Income | 1.1 | 0.8 | 0.6 | 0.6 | 0.7 |
| Total Sources of Cash | 21.5 | 21.6 | 21.9 | 22.3 | 22.8 |
| Uses of Cash | | | | | |
| Busses | 7.0 | 7.0 | 7.0 | 0.0 | 0.0 |
| Misc Capital | 0.8 | 0.1 | 3.8 | 1.9 | 5.2 |
| Debt Service | 12.5 | 11.5 | 11.2 | 11.1 | 10.7 |
| Additional Debt Reductions | 7.0 | 7.0 | 0.0 | 7.0 | 7.0 |
| Total Uses of Cash | 27.3 | 25.6 | 22.0 | 20.0 | 22.9 |
| Change in Cash | (5.8) | (4.0) | (0.1) | 2.2 | (0.1) |
| Beginning Cash | 18.7 | 12.9 | 8.9 | 8.8 | 11.0 |
| Ending Cash | \$12.9 | \$8.9 | \$8.8 | \$11.0 | \$10.9 |

Question #3 - Why doesn't DFW contract for bus operations and maintenance rather than the Rental Car Companies

- Rental Car Companies (RCCs) have always been responsible for this service
 - DFW has set high service standards for RCCs
 - Quality of service has been high
 - No complaints from customers
- DFW does not want to be responsible for transporting RCCs' customers to and from RAC
 - Operational and quality issues
- There is a high probability that it would cost DFW more than \$10M if it procured the services