

# Memorandum



CITY OF DALLAS

DATE September 4, 2020

TO The Honorable Mayor and Members of the City Council

SUBJECT **Agenda Item #4 September 9, 2020 - Airport System Short Term Obligations**

The September 9, 2020 City Council agenda includes a resolution for your consideration 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.

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.

The LFAMC was created as a local government corporation in June 2008, 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.

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. This item does not establish a commercial paper program but authorizes the LFAMC to proceed with the preparation and negotiations of an Aviation System Commercial Paper Program. All agreements to be executed by the LFAMC in connection with establishing the commercial paper program will be subject to future action by both the Board of Directors of the LFAMC and the City Council approving the agreements and the issuance of commercial paper notes.

Please let me know if you need additional information.

Handwritten signature of M. Elizabeth Reich in blue ink.

M. Elizabeth Reich  
Chief Financial Officer

Attachment

DATE September 4, 2020

SUBJECT **Agenda Item #4 September 9, 2020 - Airport System Short Term Obligations**

cc: T.C. Broadnax, City Manager  
Chris Caso, City Attorney  
Mark Swann, City Auditor  
Billieae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager  
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services  
Laila Alequresh, Chief Innovation Officer  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors



Agenda Information Sheet

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**File #:** 20-1630

**Item #:** 4.

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

**AGENDA DATE:** September 9, 2020

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

**DEPARTMENT:** City Controller's Office

**EXECUTIVE:** Elizabeth Reich

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**SUBJECT**

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: **(1)** authorizing such short term obligations to be issued, sold, and delivered in various forms, including commercial paper notes and a bank note; **(2)** making certain covenants and agreements in connection therewith; **(3)** establishing a maximum term of the program ending no later than September 30, 2030; **(4)** resolving other matters related to the issuance, sale, security, and delivery of such short term obligations; **(5)** approving the payment of issuance costs in connection with the issuance of the short term obligations; **(6)** approving the preparation of an Offering Memorandum in connection with the sale of the short-term obligations; and **(7)** providing an effective date - Financing: This action has no cost consideration to the City

**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 \$310,000,000.00 ("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 \$146,260,000.00 ("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, has been sent to various commercial banks and investment banks and responses have been received and evaluated by City staff and the City's Co-Financial Advisors.

This item does not establish a commercial paper program but authorizes the LFAMC to proceed with the preparation and negotiations of an Aviation System Commercial Paper Program. All agreements to be executed by the LFAMC in connection with establishing the commercial paper program will be subject to future action by both the Board of Directors of the LFAMC and the City Council approving the agreements and the issuance of commercial paper notes.

### **ESTIMATED SCHEDULE OF PROJECT**

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

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

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

### **FISCAL INFORMATION**

This action has no cost consideration to the City.

September 9, 2020

**WHEREAS**, the City is the owner of Dallas Love Field, Dallas Executive Airport, and the Dallas Heliport (hereinafter defined and referred to as the "Airport System"), which is located in the City of Dallas, Dallas County, Texas; and

**WHEREAS**, Love Field Airport Modernization Corporation (the "Corporation") was created under the auspices of the City of Dallas, Texas (the "City"); and

**WHEREAS**, to facilitate the development of the Love Field Modernization Program (the "LFMP"), the City created the Corporation to act on behalf of the City in the performance of its governmental functions to promote the development of the geographic area of the City included at or in the vicinity of the Airport, in furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, aviation activity, tourism and economic development in the City; and

**WHEREAS**, in furtherance of the development of the LFMP, the City, the Corporation and the Company entered into that certain Program Development Agreement, dated January 15, 2009 (the "Program Development Agreement"); and

**WHEREAS**, in furtherance of the provisions of the Five Party Agreement, the City and Southwest Airlines Co. (the "Company") entered into that certain Amended and Restated Lease of Terminal Building Premises, effective October 1, 2008 (the "Airport Use and Lease Agreement"); and

**WHEREAS**, each of the Program Development Agreement and the Airport Use and Lease Agreement provide that the City and the Company are undertaking the LFMP, a major capital program to improve and modernize terminal facilities at the Airport; and

**WHEREAS**, each of the Program Development Agreement and the Airport Use and Lease Agreement provide that the Corporation, at the request of the Company, shall issue bonds to finance elements of the LFMP; and

**WHEREAS**, the City Council hereby finds and determines that authority to issue short-term obligations and commercial paper notes is desirable to enable the City to finance improvements and extensions to the Airport System; and

**WHEREAS**, the City of Dallas desires to establish LFAMC Aviation System Series A short-term obligations; and

**WHEREAS**, it is deemed necessary and advisable that this Resolution be adopted.

**Now, Therefore,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

September 9, 2020

**SECTION 1.** That the Necessary Parties are hereby authorized to take action and prepare and negotiate documents, including, without limitation, the actions specified in this resolution, needed to accomplish the issuance of short-term obligations, in an aggregate principal amount not to exceed \$150,000,000.

**SECTION 2.** That the LFAMC is hereby authorized to negotiate and bring to City Council for future approval a liquidity agreement and a commercial paper dealer agreement. By this action, the City Council does not bind the LFAMC to agree to execute agreements with the counterparties to such agreements if the LFAMC is not able to negotiate terms that it determines are not to the benefit of either the LFAMC or the City.

**SECTION 3.** That the Necessary Parties are hereby authorized and directed to prepare an Offering Memorandum with respect to such obligations and to take such other action and prepare such other documents as are necessary and incidental to the issuance and delivery of the short-term obligations.

**SECTION 4.** That the selection of Hilltop Securities, Inc. and Estrada Hinojosa & Company as Co-Financial Advisor to the Corporation, and the selection of McCall, Parkhurst & Horton L.L.P. and Escamilla & Poneck, Inc. as Co-Bond Counsel to the Corporation, is hereby affirmed.

**SECTION 5.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.