

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	65526	Agenda Number	15.
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Meeting Date:	12/15/2016	Department:	Treasury
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Subject

Approve an ordinance authorizing the issuance and sale, by June 15, 2017, of City of Austin Airport System Revenue Bonds, Series 2017B (Alternative Minimum Tax or "AMT"), in an amount not to exceed \$160,000,000 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving related fees.

Amount and Source of Funding

\$2,035,177 in anticipated first year debt service requirements and an estimated annual administration fee of \$500 for the paying agent/registrar for the proposed bond sale was included in the 2016-17 Approved Operating Budget of the Airport Revenue Bond Redemption Fund. The Bonds will be used to finance infrastructure improvements at the airport.

Fiscal Note

Information pertaining to the fiscal impact of this item is found under the "Amount and Source of Funding" and "Additional Backup Information" sections.

Purchasing Language:	
Prior Council Action:	
For More Information:	Art Alfaro, Treasurer, 512-974-7882
Council Committee, Boards and Commission Action:	
MBE / WBE:	
Related Items:	Non-AMT

Additional Backup Information

The Bonds are being issued to provide funding related to infrastructure improvements at the airport, specifically, the construction work for the Airport Terminal /Apron Expansion and Improvement project.

The Airport Terminal /Apron Expansion and Improvement project will include nine new passenger boarding gates, four of which will be flexible in design to accommodate both domestic and international flights. The project scope includes utility and infrastructure upgrades to support the new expansion and renovation work in the ticket lobby to match new technology in order to improve customer service and balance the space needs for passengers and airlines.

The project scope of work has been expanded from the 2014 plan to include terminal mechanical system improvements, baggage claim level infrastructure improvements and terminal roof replacement.

The aircraft apron expansion element of the project will include expanding the apron by approximately 48 acres. The expanded apron will provide aircraft parking for the new terminal gates and provide dual parallel taxi lanes to better

accommodate existing aircraft movements as well as future larger design group aircraft operations and safely accommodate irregular airline operations.

The apron expansion element of the project scope of work has been expanded from the 2014 plan to include relocation of water quality detention ponds to support aircraft de-icing

The debt service cost for the currently-proposed \$160,000,000 City of Austin Airport System Revenue Bonds, Series 2017B AMT is estimated as follows:

	2016-2017	Average Per Year
Principal	\$ 0	\$4,651,833
Interest	<u>2,035,177</u>	<u>5,012,202</u>
Total Debt Service	\$2,035,177	\$9,664,035

The Airport financing plan on today's agenda includes "AMT" (Alternative Minimum Tax) bonds and "Non-AMT" bond issuances for ABIA. The entire issuance is supported by Airport System revenue.

This item for the 2017 B series are AMT bonds planned to finance the construction of the terminal and apron expansion and improvements at the Airport. The related item for the 2017 A series bonds are Non-AMT bonds planned to finance the parking garage.

The bonds funding the airport terminal and apron expansion are considered private activity bonds. The interest earned on private activity bonds is subject to the AMT provisions of the Internal Revenue Code. The bonds financing the parking garage are considered governmental bonds for federal income tax purposes and the interest earned on governmental bonds, is not subject to the AMT provisions.

The effect of AMT versus Non-AMT to the City of Austin is that Non-AMT bonds generally bear interest at a lower rate than AMT bonds.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to complete the sale of the Bonds in accordance with the parameters in the ordinance. Additionally, the authority of the Pricing Officer to exercise the authority delegated by Council under this ordinance expires on June 15, 2017.

This transaction will be sold through RBC Capital Markets, as Senior Manager, and Goldman Sachs, Piper Jaffray & Co., Jeffries, and Siebert Brandford Shank & Co., as Co-Managers. McCall, Parkhurst & Horton L.L.P. will serve as bond counsel, Norton Rose Fulbright will serve as disclosure counsel, and serving as underwriter's counsel will be Orrick, Herrington & Sutcliffe LLP. Public Financial Management is the City's financial advisor.