



TO: Mayor and Council
FROM: Jim Smith, Aviation Executive Director
DATE: December 12, 2016
SUBJECT: Airport Bond Sale Items on 12/15 City Council Agenda

The December 15th City Council agenda contains two council action items for the Austin Airport System revenue bond sale:

- **Item 15 Airport System Revenue Bonds, Series 2017B AMT.** \$160,000,000 in airport system revenue bonds Series 2017B subject to the alternative minimum tax (AMT) for expansion and improvements to the airport terminal and apron.
- **Item 18 Airport System Revenue Bonds, Series 2017A Non-AMT.** \$230,000,000 in airport system revenue bonds Series 2017A not subject to AMT for construction of a new, six-level parking garage with approximately 6,000 spaces.

The approval of this 2017 airport bond sale is one of the last of a series of steps the City Council has taken to support previous approvals, contract awards, reimbursement resolutions and prior 2014 bond sale to meet the rapidly growing demands for additional air service by the citizens of Austin. The Austin airport has had 9% compound growth rate in passengers over the past 3 years, one of the highest airport growth rates in the nation. Previous City Council actions to support the airport growth are summarized below:

February 13, 2014: Approval to use construction manager-at-risk (CMR) alternate delivery method for the design and construction of the terminal and apron expansion.

August 7, 2014: Approval to negotiate and execute architectural service agreement for preliminary architectural definition of the terminal and apron expansion.

October 23, 2014: Approval to negotiate and execute CMR contract for pre-construction services for the terminal and apron expansion.

October 15, 2015: 1) Approval to negotiate and execute an amendment to the architectural service agreement to complete the architectural design of the terminal and apron expansion.

2) Approval to negotiate and execute an amendment to the CMR contract to establish the guaranteed maximum price (GMP).

City Council also previously approved the initial bond issue providing funding for the terminal and apron expansion design and construction and the design of the parking garage on November 20, 2014.

Reimbursement resolutions related to the terminal and apron expansion and the new garage were also previously approved by the City Council supporting capital appropriations already approved by the City Council.

The bonds are backed by a pledge of Airport Revenue. As a reminder, the Airport is entirely self-sustaining, generating its own revenue to cover its operating costs, and does not receive any funds from City tax revenue.

The Airport has scheduled bond credit rating review meetings with Moody's Investors Service on December 12, 2016 and with Standard & Poor's on December 13, 2016. The most recent airport bond rating from Moody's is "A1" and from S&P is "A".

The Airport financing plan includes "AMT" (Alternative Minimum Tax) bonds and "Non-AMT" bond issuances for ABIA. Item (15) for the 2017B series bonds are AMT bonds planned to finance the terminal and apron expansion and improvements. Item (18) for the 2017A series are Non-AMT bonds planned to finance the construction of the parking garage at the Airport.

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. Interest earned on governmental bonds is non-taxable and 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.

Both of these bond sale items are "parameter" bond sales, that is, the bond sales will take place subsequent to the date Council authorizes the transaction in accordance with parameters specified in the bond ordinance. This method provides the City the flexibility to quickly respond to changing market conditions, by delegating authority to the City Manager or Chief Financial Officer ("the Pricing Officer") to complete the sales at a time when market conditions are most favorable to the City. The City's Financial Advisor, Public Financial Management, and the underwriting teams expect to go to market in January 2017 for these transactions. Approval of these items on the December 15th agenda is necessary to achieve this bond sale timeline.

Please feel free to contact me at (512) 530-7518 if you have any questions.



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