Posting Language
Approve an ordinance authorizing the issuance and sale of City of Austin Airport System Revenue Bonds, Series 2019B (AMT), in an amount not to exceed $300,000,000 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving related fees be accomplished by February 28, 2020.

Lead Department
Treasury Office.

Fiscal Note
This item has no fiscal impact.

For More Information:
Belinda Weaver, Interim Treasurer (512) 974-7885.

Council Committee, Boards and Commission Action:
June 11, 2019 - to be reviewed by the Austin Airport Advisory Commission.

Additional Backup Information:
The Bonds are being issued to provide funding related to infrastructure improvements at the airport, including, additional funding for the Airport Terminal/Apron Expansion project, for the construction of a consolidated maintenance facility, for the design and remodel of the Information Technology building and other improvements throughout the Airport.

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 Aviation Department and Airlines identified additional needs that include gate modifications, modifications to the mezzanine level, a centralized operations center, build-out of apron level airline tenant space and the replacement of aging baggage claim devices.

The Consolidated Maintenance Facility (CMF) will support the functions of multiple Department of Aviation divisions. Building Maintenance, Airline Maintenance, Motor Pool, Field Maintenance, Asset Management and Warehouse functions will all be consolidated in the new CMF. APD support services will also be included in the facility. The new CMF will connect airport maintenance functions into a single, efficient location and contain all the conditions necessary for a working environment.

The design and remodel of the Information Technology building will support and meet the expanding business demands of the Department of Aviation customers. The new IT building will include an updated Airport Data Center for IT services and provide a modern, secure and expanded facility to allow for 20 years of growth.

The debt service cost for the currently proposed $300,000,000 City of Austin Airport System Revenue Bonds, Series 2019B (AMT) is estimated as follows:
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.

The bonds funding the airport terminal expansion, consolidated maintenance facility and IT building 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, runway improvements, and existing infrastructure improvements are considered governmental bonds for federal income tax purposes and the interest earned on government 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 February 28, 2020.

This transaction will be sold through Citibank NA, as Senior Manager, Morgan Stanley, as Co-Senior Manager, and Jeffries, and Raymond James, as Co-Managers, Bracewell L.L.P will serve as bond counsel, McCall, Parkhurst & Horton L.L.P. will service as disclosure counsel, and serving as underwriter’s counsel will be Haynes and Boone, LLP. PFM Financial Advisors LLC is the City’s financial advisor.