

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	65710	Agenda Number	18.
---------------------	---------	-------	---------------	-----

Meeting Date:	12/15/2016	Department:	Treasury
---------------	------------	-------------	----------

Subject

Approve an ordinance authorizing the issuance and sale by June 15, 2017, of City of Austin Airport System Revenue Bonds, Series 2017A (Non-AMT), in an amount not to exceed \$230,000,000 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving related fees.

Amount and Source of Funding

\$2,906,021 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.

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:	12/13/16 Austin Airport Advisory Commission
MBE / WBE:	
Related Items:	

Additional Backup Information

The Bonds are being issued to provide funding related to infrastructure improvements at the airport, specifically, the construction work for a new, approximately 6,000-space, six-level parking garage at the Lot A site north of the existing parking garage and west of the new rental car facility. The Parking Garage Construction scope of work has been expanded from the 2014 financing plan to include an additional 1,000 spaces and improvements at the roadways and entry plazas for the newly-constructed garage.

The debt service cost for the currently-proposed \$230,000,000 City of Austin Airport System Revenue Bonds, Series 2017A (Non-AMT) is estimated as follows:

	2016-2017	Average Per Year
Principal	\$ 0	\$ 6,642,333
Interest	<u>2,906,021</u>	<u>7,157,000</u>
Total Debt Service	\$2,906,021	\$13,799,333

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

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.