



2017 ACI-NA Business of Airports

Accounting & Financing Work Group

Private Placement Financing

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April 24, 2017

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An Overview

WHAT IS A PRIVATE PLACEMENT ?

- Bonds sold directly to a major institutional investor, rather than through a “public offering” of bonds to investors
- Issuers negotiate directly with the investor; an underwriter is not required
- Legal terms of bonds generally the same as other parity bonds; difference is in method of sale, not terms of bonds
- Buyer of bonds is a “sophisticated investor” that does its own due diligence
 - Greatly reduces issuer’s disclosure obligations (POS is generally not prepared)

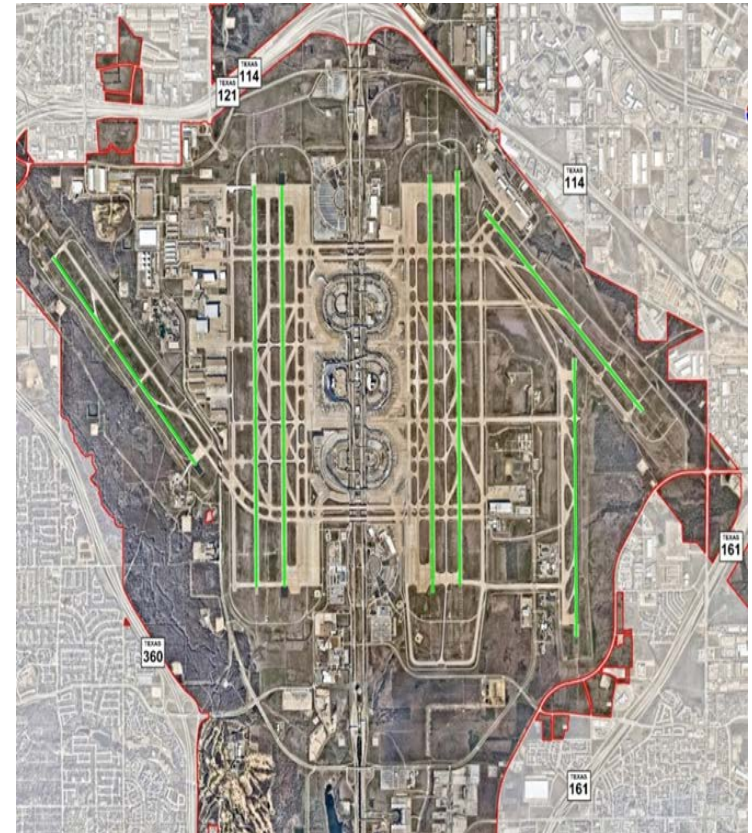
ADVANTAGES OF FIXED-RATE PRIVATE PLACEMENTS

- Parity fixed rate debt; no special terms or provisions
- Strong interest from regional and lower-rated banks that are not active in underwriting or LOC Market
- Very aggressive pricing in “sweet spot” of maturities up to 10-12 years, sometimes longer
- Most do not require a debt service reserve fund
- Banks generally do not require ratings although there could be legal reasons to obtain ratings

Recent Airport Placement

DFW has Grown into a Global Super-hub

- 24-hour operations; no slot constraints or curfews
- 7 runways; 5 terminals; 165 gates
- Capable of landing four aircraft at one time
- 3rd largest in world based on operations
- 10th largest in world based on passengers



FINANCIAL OVERVIEW

- DFW Airport currently has \$6.3 billion of outstanding debt
- From 2010 to 2014, DFW Airport sold 25 bond issues totaling approximately \$6.5 billion
 - \$2.2 billion – TRIP (Terminal Renewal Improvement Program)
 - \$3.3 billion – Refundings
 - \$1.0 billion – Other Projects
- DFW current ratings
 - Kroll AA-
 - S&P A+
 - Fitch A
 - Moody's A1 (surveillance rating)
- Current Matrix
 - Gross Revenue Coverage 1.5X (with rolling coverage)
 - Cash on hand 600 + days
 - Cash funded reserve

BACKGROUND

- Funding needs – Summer 2016
 - TRIP: Final phase Terminal B - \$200 million
 - Airfield Projects - \$22 million
 - Refunding of 2009A - \$60 million
- Discussions were ongoing with AA regarding future terminals need at DFW
 - The Terminal C component of TRIP had been placed on hold

2016 DIRECT BOND SALE

- Why a direct bond sale
 - Uncertainty regarding capital plan – disclosure concerns
 - Optimal sized transaction (< \$300 million)
 - Short maturity (5 year)
- Negotiations
 - Solicited through RFP
 - Received three proposals – two put all the interest rate risk on Airport
 - Citibank proposed spread to MMD
 - MMD Risk on Airport
 - Spread Risk on Citibank

(Cont.)

2016 DIRECT BOND SALE (CONT.)

- Negotiations (cont.)
 - Negotiations were with bank, not underwriters
 - Citibank wanted to structure as a note (bank loan)
 - Did not want to issue “good faith” check
- Final Terms
 - \$282 million
 - 5 year serial bonds
 - 1% All in TIC
 - Citibank agreed that the legal venue, between DBPA date and closing date, would be in Texas
 - Closed through DTC – not a loan agreement
 - Bond Issue was rated by Kroll

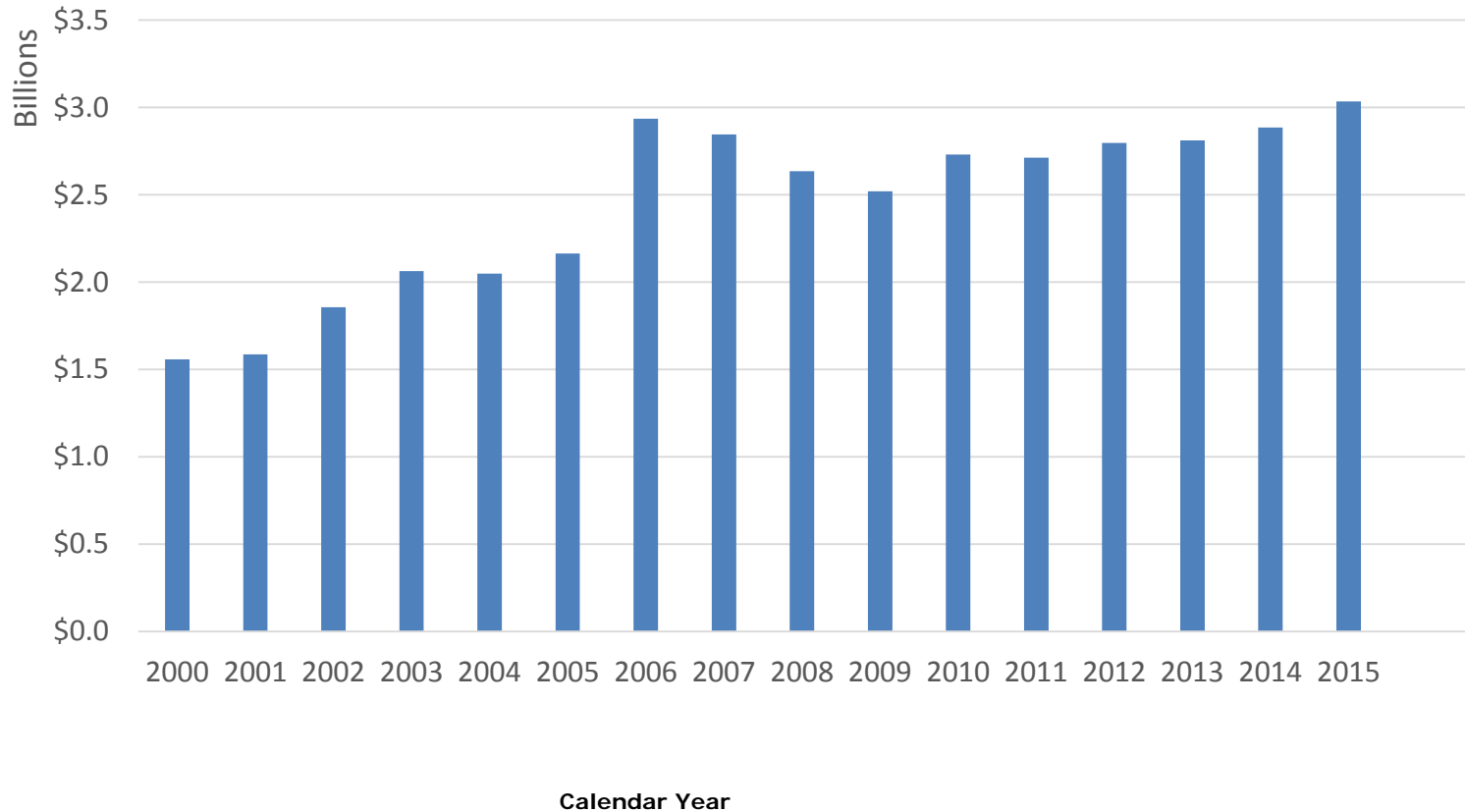


A Rating Agency Perspective Of Private Placement And Other Credit Quality Issues

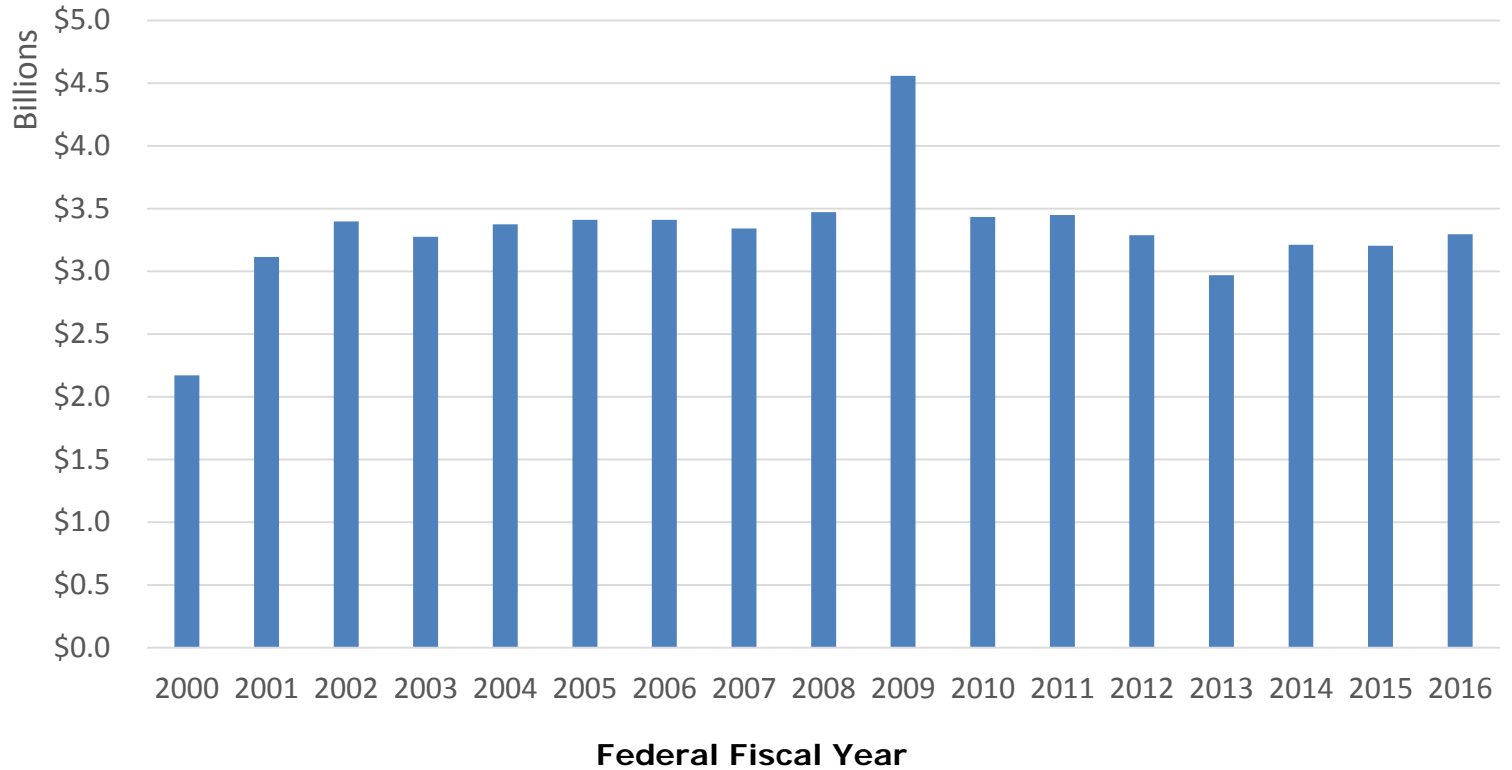
KEY KBRA RATING DETERMINANTS FOR AIRPORT DEBT

- Management
- Economics/Demographics of the Service Area
- Airport Utilization
- Airport Debt/Capital Needs
- Airport Finances
- Legal Mechanics and Security Provisions

PFC Collections



AIP Grants





Rating Determinant 4: Debt / Capacity Planning

	AAA	AA	A	BBB
Debt Structure	Debt issuance adheres to written debt management policy. Conservative debt profile with current amortization of debt, fixed rate debt represents approximately 100 percent of outstanding debt. Generally declining debt service requirements.	Debt issuance adheres to debt management policy. Less conservative debt profile with current amortization of debt, fixed rate debt represents greater than 90 percent of outstanding debt, swap exposure is managed. Generally level debt service.	Structure includes current and delayed debt amortization, fixed rate debt represents 75 percent to 90 percent of outstanding debt, limited swap exposure. Generally level to increasing debt service structure.	Debt profile with delayed amortization, fixed rate debt represents less than 75 percent of outstanding debt, outstanding swaps with significant potential financial exposure. Increasing debt service structure.
Debt per Enplanement	Debt per enplanement for large hubs is less than \$60; medium hubs less than \$40; small hubs less than \$20.	Debt per enplanement for large hubs is between \$60 and \$80; medium hubs between \$40 and \$60; small hubs between \$20 and \$35.	Debt per enplanement for large hubs is between \$80 and \$150; medium hubs between \$60 and \$110; small hubs between \$35 and \$100.	Debt per enplanement for large hubs is greater than \$150; medium hubs greater than \$110; small hubs greater than \$100.
Annual Debt Service Per Enplanement	Maximum annual debt service for all outstanding bonds is less than \$4 per enplanement for large and medium hubs; small hubs less than \$2.	Maximum annual debt service for all outstanding bonds is between \$4 and \$8 per enplanement for large and medium hubs; small hubs between \$2 and \$4.	Maximum annual debt service for all outstanding bonds is between \$8 and \$12 per enplanement for large and medium hubs; small hubs between \$4 and \$6.	Maximum annual debt service for all outstanding bonds is greater than \$12 per enplanement for large and medium hubs; small hubs greater than \$6.
Debt per O&D Enplanement	Debt per O&D enplanement for large hubs is less than \$100; medium hubs less than \$40; small hubs less than \$20.	Debt per O&D enplanement for large hubs is between \$100 and \$175; medium hubs between \$40 and \$60; small hubs between \$20 and \$35.	Debt per O&D enplanement for large hubs is between \$175 and \$225; medium hubs between \$60 and \$110; small hubs between \$35 and \$100.	Debt per O&D enplanement for large hubs is greater than \$225; medium hubs greater than \$110; small hubs greater than \$100.
Annual Debt Service per O&D Enplanement	Maximum annual debt service for all outstanding bonds is less than \$6 per O&D enplanement for large and medium hubs; small hubs less than \$2.	Maximum annual debt service for all outstanding bonds is between \$6 and \$10 per O&D enplanement for large and medium hubs; small hubs between \$2 and \$4.	Maximum annual debt service for all outstanding bonds is between \$10 and \$16 per O&D enplanement for large and medium hubs; small hubs between \$4 and \$6.	Maximum annual debt service for all outstanding bonds is greater than \$16 per O&D enplanement for large and medium hubs; small hubs greater than \$6.