

# Intermediate Lien Revenue Bonds

April 27, 2021

# Request Introduction of Resolution No. 3786

- Sale and Issuance of Intermediate Lien Revenue Bonds
- Multiple Series Based on Federal tax status
  - Governmental Bonds – no income tax for investors
  - Private Activity Bonds – no regular tax, but subject to Alternative Minimum Tax (AMT)
  - Private Activity, non-AMT – no income tax for investors, special exception during financial crisis and limited to refunding bonds issued in 2010
  - Taxable – investors subject to regular federal income tax

# Fund Airport Capital Investments

- Funding for approximately \$600 million of spending
- Project spending must be authorized prior to use of bond proceeds
- Most projects will be funded with Private Activity bonds and subject to AMT



## Projects Include:

- Completion of International Arrivals Facility and North Satellite
- Continuation of Baggage Optimization and Airfield Pavement Replacement

# Refund Existing Bonds

<u>Refunding Candidates</u>	<u>Total Principal (\$)</u>	<u>Tax Status</u>
<b>PFC Revenue Bonds, Series 2010A</b>	51,110,000	Governmental (Non-AMT)
<b>Intermediate Lien Revenue Bonds, Series 2010B</b>	184,995,000	Private Activity (Non-AMT)
<b>Intermediate Lien Revenue Bonds, Series 2010C</b>	48,400,000	Private Activity (AMT)
<b>Commercial Paper (CP)</b>	<u>20,805,000</u>	multiple
<b>TOTAL</b>	305,310,000	

- Bonds will be refunded for debt service savings due to lower interest rates – estimated present value saving of \$25 million
- Due to postponement of the 2020 bond issue, Commercial Paper was used to temporarily refunded bonds

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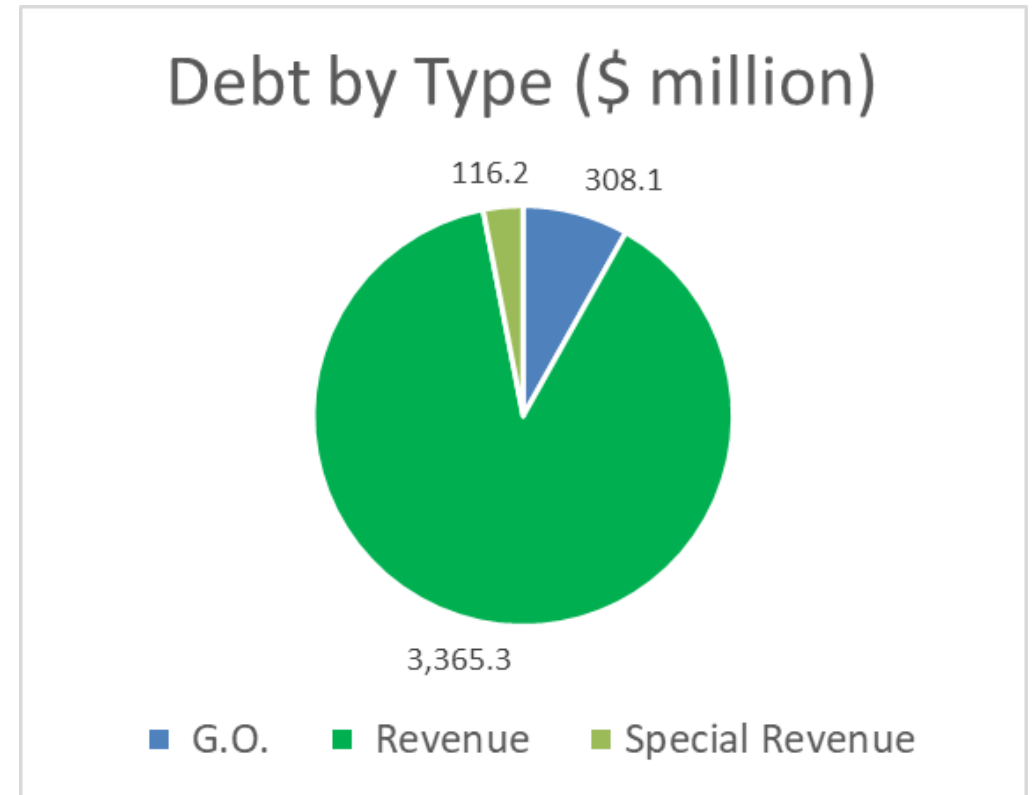
- Similar in all material respect to other Intermediate Lien resolutions
  - Pursuant to Intermediate Lien Master Resolution
  - Provides delegation to Executive Director to approve bond sale
- Provides funding for related costs
- Bonds will be sold by Port underwriting team
- Delegation Limits:
  - Maximum Par Amount: \$950 million
  - Maximum Interest Rate:
    - Tax-exempt series 4%
    - Taxable series 5%
  - Bond sale must occur within six months of adoption
  - Exceeding limits requires further authorization

# ADDITIONAL INFORMATION

# The Port Primarily Uses Revenue Bonds For CIP Funding

## Type of Debt based on Security Pledge

- General Obligation – secured by the Port’s full faith and credit and paid from the tax levy
- Revenue bonds – secured by all of the Port’s net operating revenues
- Special revenue bonds – secured by a specific revenue source:
  - PFCs
  - Fuel Facility lease



# Port Revenue Bonds - Three Liens

Priority of Payment from Gross Operating Revenues	
1	Operating Expenses
2	First Lien Obligations
3	Intermediate Lien Obligations
4	Subordinate Lien Obligations
5	Capital Investments

Revenue Liens	Primary Use	3/31/21 \$M
First Lien	Non-Airport or in adverse markets	243.5
Intermediate Lien	Airport funding; includes Airport features like using PFCs and CFCs to off-set debt service	2,895.8
Subordinate Lien	Variable rate debt backed by bank credit facilities; includes CP	<u>226.0</u>
		3,365.3

The Airport accounts for 86% of all Port debt and 93% of revenue bond debt