

# Airport Revenue Bonds Presentation to Senate Study Committee

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# OVERVIEW OF MUNICIPAL BONDS



# General Characteristics

- A municipal bond is an instrument that evidences the obligation of a government body to pay the holder money borrowed, with interest.
- Issued by states, state authorities and almost every kind of local government entity.
- Held by all kinds of investors – money market funds, mutual funds, institutions and individuals.
- Trade “over-the-counter”- not listed on an established exchange such as NYSE.
- Disclosure document – our version of a “prospectus” – is called the “*Official Statement.*”



# Purposes of Bond Issuance

- General government administration
- Government-owned utilities
- Air and surface transportation
- Ports
- Economic Development
- Housing
- Colleges and Universities
- Hospitals



# Security Structures

- General Obligation Bonds
- General Revenue Bonds
- Limited Obligation Bonds
- Special Purpose or Project Revenue Bonds
- Guaranteed Revenue Bonds
- Contract-backed Obligations
- Conduit Bonds



# CITY OF ATLANTA AIRPORT REVENUE BONDS



# Airport Master Bond Ordinance

- Amended and Restated Master Bond Ordinance (2000)
  - The “master document” that prescribes the basic terms, conditions, limitations and restrictions on the Airport, Airport revenues, and Airport bonds.
  - All Airport revenue bonds benefit from the covenants and restrictions contained in the Master Bond Ordinance.
  - One can add new covenants and restrictions in subsequent deals, but it is *very difficult* to take them away.
  - At least seventeen Supplemental Bond Ordinances



# “Airport”

- “Airport” means Hartsfield-Jackson Atlanta International Airport, all related improvements and facilities, additions, extensions and improvements, and specifically includes:
  - any additional airport later acquired or constructed by the City
  - any property or facilities purchased with funds of, or revenues derived from, Hartsfield-Jackson Atlanta International Airport
  - any other property or facilities allocated by the City to the Department of Aviation





# “Revenues”

- Revenues means
  - all revenues and receipts derived from the ownership of the Airport, including rentals, charges, landing fees, use charges and concession revenue
  - unrestricted gifts, grants, reimbursements or payments received from governmental units or public agencies for the benefit of the Airport
- Does not include business license fees, occupational taxes, building permit fees etc.



# Atlanta Airport Revenues

Source: Department of Aviation 2017 Financial Statements

- Airport General Revenues\*
  - Parking \$131,895
  - Car Rental 40,359
  - Concessions 120,945
  - Rental Income 126,882
  - Landing Fees 17,220
  - Other 60,654
  - Total \$497,955



# Other Airport Revenues

Source: Department of Aviation 2017 Financial Statements

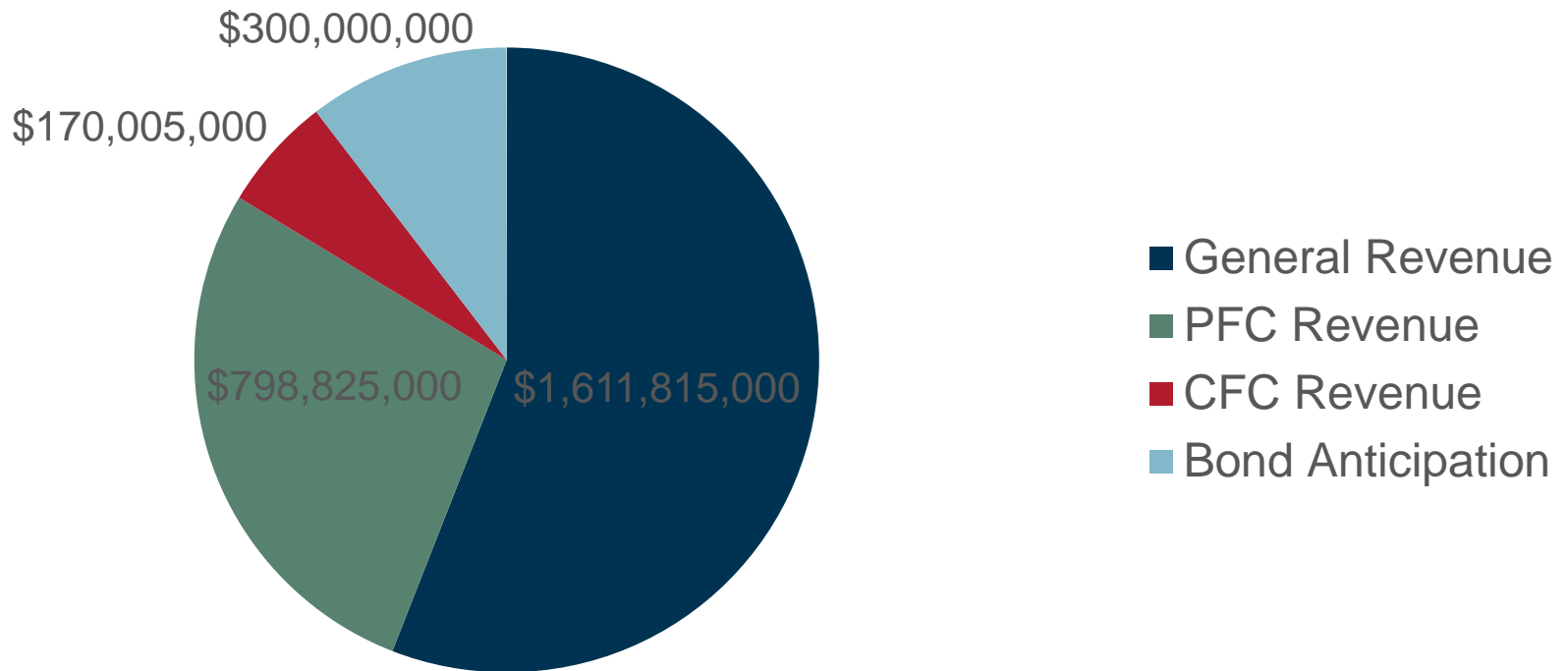
- PFC Revenues (~\$195 million/year)
- CFC Revenues (~\$38 million/year)



# Outstanding Airport Bonds

Source: 2017 Department of Aviation Financial Statements

Airport Revenue Bonds Par Amount as of June 30, 2017



# RESTRICTIONS ON TRANSFER OF AIRPORT



# Bond Ordinance Restrictions

- Section 604 of the Master Bond Ordinance: City *irrevocably covenants, binds and obligates itself not to sell, lease or encumber all or any part of the Airport*
- Exceptions:
  - Disposition of property not necessary for the operation of the Airport
  - Sale of only a portion of the Airport property to another entity of the State or its political subdivisions
  - *Subject to a number of conditions*, transfer of the Airport as a whole to another entity of the State or its political subdivisions



# Requirements for Transfer of Airport as a Whole

Source: 2014 Official Statement of the City relating to Airport Revenue Bonds

- Transferee must undertake *all* obligations of the City under Bond Ordinance and the Airline agreements
- Transferee must pay costs of transfer
- Opinion of Bond Counsel: No adverse effect on tax-exempt status of Bonds; no default under Bonds, Airline agreements or contracts relating to Bonds
- Opinion of Counsel to the City regarding numerous FAA matters
- Opinion of Airport Consultant: No diminution of Airport revenues
- Opinion of a Financial Advisor: Transfer will not result in a downgrade of credit rating on Airport bonds



# AVOIDANCE OF RESTRICTIONS ON TRANSFER OF AIRPORT

- *Really only one way:* Refinance all of the Airport bonds with new bonds, issued by the transferee
- Would have to raise a lot more than \$2.8 billion to pay off the existing bonds
- Would result in the Airport carrying significantly higher debt load than it does now





# RELATIONSHIP TO STATE DEBT AND OTHER STATE AUTHORITY BONDS



# Airport Bond Structure: Post-Transfer

- The bonds would maintain their basic security features
  - Continue to be payable *solely* from Airport revenues
  - Non-recourse or “limited obligations” – no obligation of State treasury to support debt service
  - Not guaranteed by the State, and under State Constitution, could not be
- Additional Oversight: Issuance of Future Debt subject to review by Georgia State Financing and Investment Commission



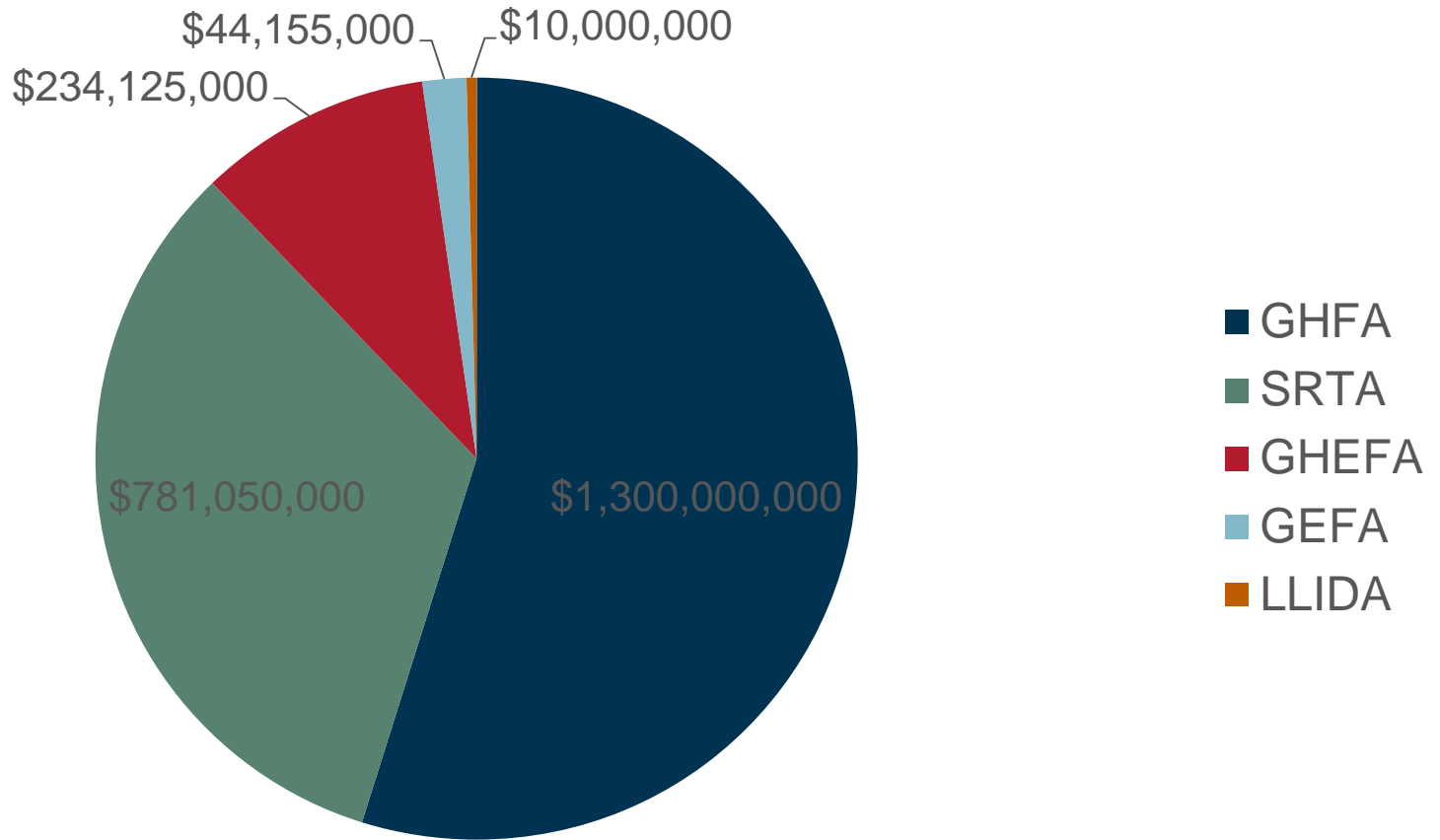
# Effect on State's Constitutional Debt Limit

- State Debt Limit: Highest annual debt service on General Obligation and Guaranteed Revenue Debt may not exceed 10% of Treasury Receipts
- Most Authority debt does not count against debt limit. Examples are Ports, GWCCA, SRTA, GHFA.
- Likewise, Airport debt assumed by new Authority would not count against State's debt limit.

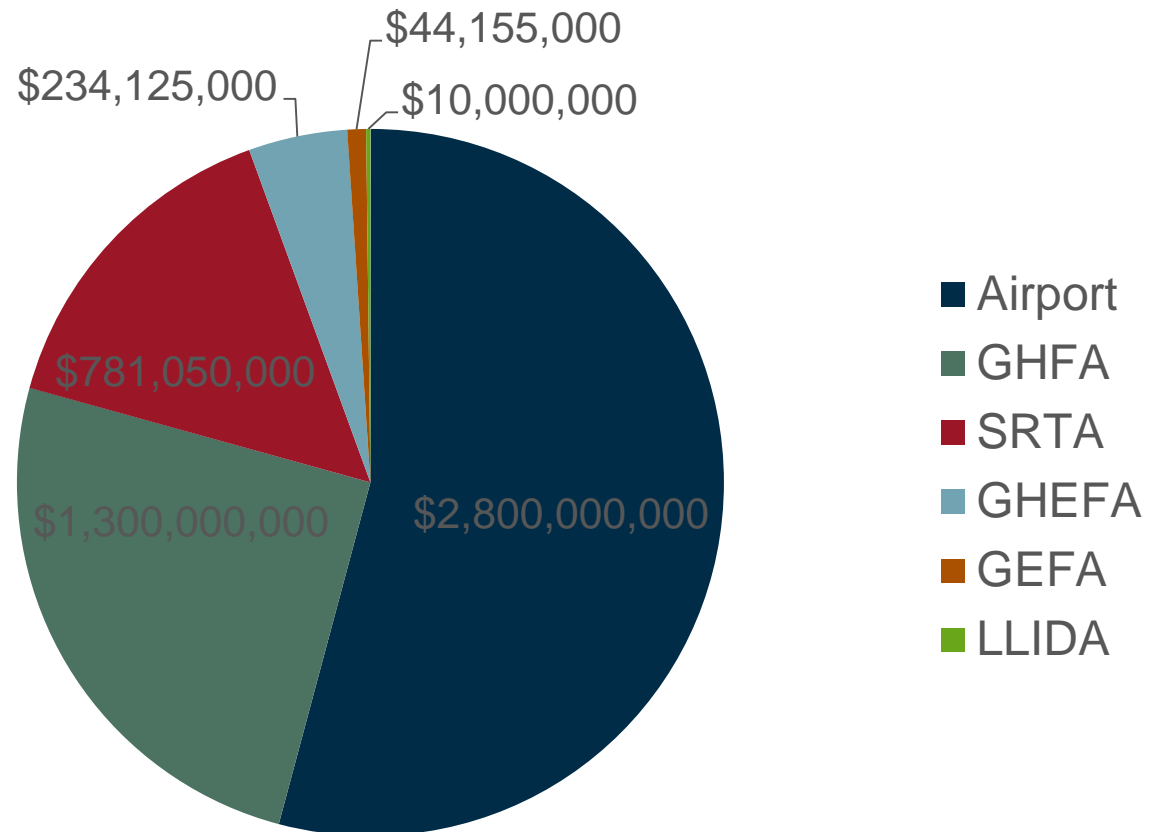


# Outstanding State Authority Bonds

Source: State of Georgia Debt Management Plan, FY 2018-2022



# State Authority Debt – Post-Transfer



# Q&A

