

Bond Case Briefs

Municipal Finance Law Since 1971

Atlanta Sells Airport Bonds, But Council Has Some Questions On How It Was Done.

Atlanta City Council OK'd the sale of about \$700 million in bonds this week on behalf of the airport — and airport revenue will pay off the borrowing. The market considers the airport just about as safe as U.S. Treasury bonds.

But members of Atlanta City Council had some questions about when the bond information was put together and who did it.

So first, the bonds: the yields vary, but for some of the bonds with a maturity date of 10 years, the rate is as low as 1.37% — lower than the rate on 10-year U.S. Treasury bonds. Tax treatment of municipal bonds is a little different from federal bonds, but still, the rate suggests investors think Hartsfield-Jackson Atlanta International Airport is pretty low-risk. The bond rating agencies rate the airport as having a very strong capacity to meet financial commitments, so that's near the very top of the rating pile.

In a statement, Moody's justified its rating. On up side, there's stable demand for flights in and out of HJIA, which has a "monopoly on air travel to the region." On the down side, a total \$4.1 billion in works underway at the airport are in early stages, and costs might go up.

Not important in the rating: noise about a possible state takeover of the airport. Fundamentals of airport economics would be the same, no matter who the owner is.

The bonds will help pay for Concourse T's extension, upgrades to other concourses, modernization and maintenance, a replacement fire station and other things.

But on to Atlanta City Council, which must review and approve the work of the executive branch on the bond.

Councilmember Antonio Brown said he wanted to have the documents longer before being asked to vote, pointing to a thick stack of hundreds of pages of paper.

That stack had been out for about a week and a half, said city CFO Roosevelt Council, presenting the bond documents to City Council at a Wednesday hearing.

Much of the information, like the general intent of the bond and roughly where the money would be spent is known earlier than that, said Councilmember Howard Shook. Things like the yields on the bonds down to the last decimal, or the date of sale, might not be known with more than a few days' notice. But, still Shook and others commented that there are details about spending and names that they feel arrive to Council uncomfortably late in the process.

"This is the second one that I've voted on, the day of when I'm provided the documentation, the bones of what we're voting on. I'm just not OK continuing to do that," Brown said.

Some of his colleagues piled on questions, mostly about the “transaction team:” the contractors who act as lawyers and advisors on the bond sale.

Like, who picks the team and how much they’re paid.

The co-bond counsel are Hunton Andrew Kurth and The Kendall Law Firm. The co-disclosure counsel are Greenberg Traurig and Riddle & Schwartz. The Financial Advisor is Frasca & Associates. The airport consultant is LeighFisher.

Councilmember Natalyn Archibong said she wanted to see the minority- or female-owned business certification for all transaction team firms claiming that status. She was looking at some of the transaction team websites during the meeting and said she wasn’t seeing the diversity pieces of all of them.

She also wanted to know how the transaction team is selected.

It’s a mix, according to answers given by members of the administration who answered. For some posts, it’s via a request-for-proposals process. For bond counsel, proposals are solicited and the city attorney makes the final decision.

Council President Felicia Moore wanted to know how much the team is paid.

Council said he could get her that information. He also said he and his team could communicate more with Councilmembers if they like.

Documents:

[Preliminary official statement on the bonds](#) (large file 428 pages)

[Federal filings on Atlanta airport revenue bonds](#)

Saporta Report

By Maggie Lee

August 30, 2019