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Texas Airport Plans \$11 Billion Bond Gusher as Growth Surges.

- **Half to fund capital improvements, half for refunding**
- **Much of the debt will be taxable to attract foreign buyers**

For Wall Street bankers and investors prospecting for municipal-bond deals at a conference in Texas, Michael Phemister promised them a gusher.

The vice president for treasury management at Dallas Fort Worth International Airport said he was planning on selling between \$10 billion and \$11 billion in municipal bonds over the next five to seven years to add more capacity to an airport that serves one of the fastest-growing areas of the nation.

“Our airfield is in pretty good shape, but we’re out of gates again,” Phemister said at a Bond Buyer conference in Dallas.

Dallas Fort Worth International will join a surge of U.S. airports that have issued debt this year. In an arms race to expand and improve terminals, municipal-bond sales issued by airports are up more than 30 percent this year to \$13.7 billion, including those in Denver, New York, Los Angeles, San Francisco and Salt Lake City. The increase stands in contrast to the rest of the municipal-bond market, where debt sales dropped this year after interest rates rose and the federal tax-overhaul pulled subsidies from a key type of refinancing.

Half of the Dallas airport bonds will be for airfield and terminal improvements, with the rest going to refund existing debt, Phemister said. The first refinancing issue is tentatively planned for the summer of 2019 to take out \$1.3 billion of higher-cost debt. The airport has the option to call about \$5.2 billion through 2023. He also detailed that a large portion of the debt was going to be subject to federal income taxes, instead of tax-exempt or alternative minimum tax bonds.

“The difference in yields between AMT and taxable we believe to be marginal and they’re just going to get tighter,” he said.

By issuing the bonds as taxable securities, the airport hopes to draw interest from international buyers, who are looking abroad for high-grade bonds because debt yields across much of Europe and Asia are well below those in the U.S. Foreign investment in municipal debt has been increasing, giving overseas buyers a small but growing segment of the market.

Phemister said he met with over 25 investors during a two-week trip to court foreign buyers in Europe and Asia, making stops in London, Paris, Seoul and Taipei “to talk to them about the U.S. airport credit and how we have never defaulted.” The airport aims to get about 20 percent in international participation in the first-issued taxable deal.

A 10-year capital plan is currently being negotiated with the airlines, including American Airlines, which has a major presence at the Dallas airport, according to 2017 financial statements. Proposed

projects include a \$2.5 billion terminal and \$1.5 billion for airfield improvements.

The airport is also considering a multi-billion dollar sale of short-term debt to help finance its operations.

“\$1 billion will get you noticed,” Phemister said of such commercial paper sales. “We hope to bring \$1 billion deals once a year over the next four to five years.

Bloomberg Markets

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November 30, 2018, 7:48 AM MST

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