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WEDNESDAY

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WASHINGTON

A BIPARTISAN HOUSE VERSION OF A Senate proposal to expand tax-exempt private activity bonds with the creation of Move America Bonds was introduced Tuesday on the eve of hearings that will ramp up long-awaited congressional work on infrastructure legislation. **5**

THE REGIONS

TEXAS SALES TAX REVENUE OF \$2.796 billion in February nearly matched January's \$2.8 billion and was 7% higher than the same month in 2018, state Comptroller Glenn Hegar said. **20**

MICHIGAN GOV. GRETCHEN WHITMER unveiled a \$60.2 billion fiscal 2020 budget Tuesday that seeks roughly \$2.5 billion more annually to fix the state's crumbling roads through a 45-cent-per gallon increase in the state's fuel tax. **20**

WEB EXCLUSIVES

NEW YORK CITY COUNCIL SPEAKER Corey Johnson on Tuesday proposed a municipal takeover of mass-transit operations within the five boroughs from the state-run Metropolitan Transportation Authority.

A CALIFORNIA BILL WOULD REQUIRE the state government, local governments and school districts to provide financial documents to the State Controller's Office in a more readily searchable format than the PDF.

PODCAST: IN THE FIRST PART OF A two-part podcast, Emilie Mazzacurati of Four Twenty Seven discusses the challenges state and local governments face when it comes to climate change, adaptation and resilience. Chip Barnett hosts.

Kansas City Terminal Advances

By YVETTE SHIELDS

Kansas City, Missouri, is nearing the final action needed to pave the way for the sale of roughly \$1.8 billion of special obligation bonds to develop the new single-terminal project at Kansas City International Airport under a public-private partnership.

The council Thursday approved in an 11-1 vote an ordinance that authorizes the city manager to execute the KCI Airport Terminal Modernization Project Development Agreement with Edgemoor Infrastructure & Real Estate LLC, the private investor group that will lead the design and construction and helped craft the financing.

"I'm pleased that we are continuing to move forward to get this done because at the end of



Kansas City Mayor Sly James, a booster of the new airport terminal project, hailed the city council decision to move forward.

the day that's what's important for our residents and the future of our city," Mayor Sly James said in a statement after last week's vote.

Ordinances laying out an interim and long-term financing deal could be presented and consid-

ered as soon as Thursday when the airport committee meets, followed by the full council.

"At the moment, the plan of finance has not been finalized," John Green, chief financial officer at the city's Department of Avia-

Turn to *Airport* page 4

Pension Ruling Is Narrow

By KEELEY WEBSTER

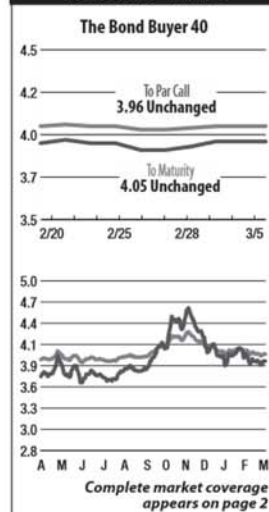
A California Supreme Court ruling delivered a narrow win for the state's 2012 retirement reform law, without touching on the so-called California Rule, a series of older rulings that taken together are viewed as state constitutional protection of existing employee pension benefits.

The court ruled Monday in *CalFire Local 2881 et al. v. California Public Employees' Retirement System et al.* that the opportunity to purchase additional retirement service credit, colloquially known as "air time," was not a right protected by the contract clause of the state constitution.

The unanimous opinion written by Chief Justice Tani Cantil-Sakauye also said that, in light of the justices' "air time" finding, "we have no occasion to address the second issue by the parties: whether the elimination of the opportunity to purchase ARS credit was an unconstitutional impairment of public employees' vested rights."

"It is not what I hoped for," Turn to *California* page 20

TUESDAY'S YIELDS



Pioneering Issuers Wrestle With New Disclosure Requirements

By SARAH WYNN

WASHINGTON – Offering documents subject to the newly-amended Securities and Exchange Commission Rule 15c2-12 are beginning to appear after the Feb. 27 effective date of the changes, and some issuers are concerned about whether their new disclosures will be setting a precedent others will be able to live up to.

The concern has arisen because issuers must now enter into more wide-ranging continuing disclosure agreements under 15c2-12, which as of two weeks ago includes two new material events issuers must agree to disclose on an ongoing basis.

Event 15 says issuers have to disclose when they incur financial obligations, if material, as well as agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer that could affect security holders.

Event 16 says that in connection with those financial obliga-

tions, issuers have to disclose events which "reflect financial difficulties," such as a default or modification of terms.

David Erdman, Wisconsin's capital finance director, will be one of the first issuers this week

Turn to *SEC* page 5

ONLINE



New Jersey Gov. Phil Murphy's second budget proposal sets up another showdown with lawmakers over taxes and spending.

Airport Bond Financing Plan Moves Ahead for New Kansas City Terminal

Continued from page 1

tion, said in an email. "We are currently reviewing a few options for initial funding" and will wait for council review before releasing further details.

The bond ordinance seeks up to \$2 billion of issuance authority but "the number is now closer to \$1.85 billion in total borrowing," Green said. "The timing will likely be late spring, early summer." The security will be in the form of a residual agreement with the airlines.

The new terminal is being constructed on the site of the terminal airport's shuttered Terminal A and is expected to begin later this month. New parking facilities are included in the project. The terminal will initially feature 39 gates with room to grow and could open as soon as 2023, when the two terminals now in operation will close down allowing the airport to operate as a single-terminal facility.

The design is a reaction to the present terminal setup, which requires multiple security checkpoints in each terminal, making the airport a difficult place to connect flights and limiting options for post-security dining and shopping.

The city is to retain ownership and operational control of the new terminal. The airport is operated as an enterprise department of the city, which also runs Charles B. Wheeler Downtown Airport, a general aviation facility.

Approval of the agreements last week came after various fits and starts that have played out since the city began exploring the use of a P3 to manage the project in early 2017. The city scrapped an original plan to use the hometown firm that pitched the idea in favor of a competitive selection process.

Edgemoor was chosen in September 2017 and voters then approved the project two months later.

The ground was laid for the ordinances to be approved last week after seven air-

lines representing 95.5% of airline volume signed off on the final terms including the cost — which was lowered to \$1.5 billion from \$1.65 billion — earlier in the week. Airlines had resisted covering the growing price tag for the project.

The Federal Aviation Administration also recently approved an environmental assessment the project needed to proceed.

The proposed long-term financing ordinance authorizes the sale of up to \$2 billion of senior appropriation obligation bonds by the Kansas City Industrial Development Authority. The city will make debt service and additional payments to the authority under an amended master bond ordinance "for the purpose of providing funds to finance the terminal."

"The annual appropriation of net revenues of the city's airport system will serve as the revenue source for the repayment of obligations" incurred through the execution of a financing agreement between the city and authority, city documents say.

The bonds' true interest cost is capped initially at up to 5.75% for a series expected to be subject to the alternative minimum tax, a TIC of 5.50% for a non-AMT series, and a TIC of 6.00% for any taxable series. Debt service will be set at level annual principal and interest levels, according to term sheet on the airline lease agreement.

Under the airlines' term sheet that lays out its obligations, the city agrees to apply for the highest level of passenger facility charges and will pursue federal airport improvement program and security grants. The PFC is currently set at \$4.50 per passenger but airports are lobbying Congress for an increase. The various agreements also outline how the airlines' annual costs tied to the project will be set and their rights to approve certain future projects or costs that exceed the agreed-to price tag.

The cost to complete the project "will not exceed \$1.5 billion unless the increase is permitted by the development agreement and approved by the signatory airlines,"

documents say. The developer agreement lays out work and performance guarantees and penalties for violations.

Morgan Stanley is lead underwriter. Hilltop Securities, Inc. and Moody Reid Financial Advisors are advising the city. Kutak Rock LLP, the Hardwick Law Firm LLC, and Martha E. Schach, owner of Attorney at Law LLC, are co-bond counsel. Lewis Rice LLC and Fields & Brown LLC and Schach are co-disclosure counsel.

The city may also seek approval this week for an interim financing deal to cover immediate costs as it awaits the long-term financing sale. The city may issue up to \$90 million of taxable airport special obligation bond anticipation notes. That funding is needed now to cover about \$23 million in payments owed to Edgemoor and \$48 million for initial construction costs and repayment would be wrapped into the long-term financing.

The city initially considered an internal borrowing from the general fund or the water revenue fund but the council pushed back over concerns that the public would view that as a use of public funds for a project promoted as one that would not fall on the backs of taxpayers.

Morgan Stanley would directly purchase the notes and the same team would advise on that deal and provide legal services based on a proposed ordinance that may be considered Thursday.

The option of using a more traditional debt financing over private equity dollars was a highlight of Edgemoor's proposal that beat out four vying for the project.

The team led by Maryland-based Edgemoor won the nod over local firm Burns & McDonnell, which was initially considered a favorite after first pitching the idea of a P3 to the city. AECOM and Jones Lang LaSalle also were vying for the project.

The Edgemoor team includes Meridiam, which is a member of the LaGuardia Gateway Partners that is leading the private

partnership on the on LaGuardia Central Terminal B Redevelopment Project. Other Edgemoor participants include Clark Construction Group, the Weitz Company, and Clarkson Construction.

A special mayoral advisory group appointed by James in 2016 recommended in 2017 that a new central terminal was needed. A city fact sheet said the existing terminals "do not make sense financially or environmentally and cannot accommodate needed modernization for passenger convenience, airline expansion, baggage and security requirements."

KCI operates three runways with 180 daily departures to more than 50 markets and is 18 miles north of downtown Kansas City. It opened in 1972. The two terminals in operation have 41 gates and the airport has 25,471 parking spaces.

Moody's Investors Service earlier this year affirmed its A1 rating and stable outlook on \$147.5 million of outstanding debt.

"The rating affirmation considers the airport's planned terminal development which will elevate leverage in the coming years, high debt service coverage ratio that Moody's expects to remain above 2 times during the construction of the city's planned replacement terminal, and adequate liquidity," analysts wrote.

"The city does not currently plan to issue senior lien revenue bonds to fund the project, which is supportive of the credit profile of the existing senior lien general airport revenue bonds," Moody's added. Factors that could lead to a downgrade include issuance of senior lien revenue bonds to fund the terminal project and debt service coverage below 1.75 times on senior lien general airport revenue bonds. □

For more content about this region, visit the Regional News tab on BondBuyer.com.

VISIBLE SUPPLY BY STATE

State	March 5, 2019		February 26, 2019		Chg in Amt
	Issues	Amount	Issues	Amount	
Illinois	2	\$56,710	5	\$81,590	-24,880
Indiana	3	59,365	1	44,100	15,265
Iowa	7	27,050	10	95,850	-68,800
Michigan	7	81,465	4	63,430	18,035
Minnesota	14	338,015	8	189,515	148,500
Missouri	2	58,875	4	101,730	-42,855
Nebraska	0	0	1	40,140	-40,140
North Dakota	0	0	0	0	0
Ohio	8	86,335	7	510,540	-424,205
South Dakota	0	0	0	0	0
Wisconsin	15	207,405	19	400,770	-193,365

Sources: Ipreo, The Bond Buyer

Dollar amounts are in thousands

GENERAL OBLIGATION YIELD CURVES FOR MAR. 4, 2019

State	Ratings	One-Year	Five-Year	10-Year	30-Year
Illinois	Baa3/BBB-/BBB	2.78	3.47	3.98	4.68
Indiana	Aaa/AAA/AAA	1.57	1.73	2.24	3.12
Iowa	Aaa/AAA/AAA	1.57	1.73	2.23	3.10
Michigan	Aa1/AA/AA	1.59	1.74	2.22	3.15
Minnesota	Aa1/AAA/AAA	1.57	1.70	2.18	3.05
Missouri	Aaa/AAA/AAA	1.57	1.68	2.14	3.01
Nebraska	NR/AAA/NR	1.57	1.76	2.30	3.20
North Dakota	Aa1/AA+/NR	1.59	1.78	2.32	3.19
Ohio	Aa1/AA+/AA+	1.59	1.74	2.23	3.12
South Dakota	Aaa/AAA/AAA	1.57	1.73	2.25	3.13
Wisconsin	Aa1/AA/AA+	1.58	1.73	2.23	3.14

Sources: Municipal Market Data, Moody's Investors Service, Standard & Poor's, Fitch Ratings