

Memo City of St. Louis Airport Working Group

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Date: November 16, 2018

Subject: St. Louis Lambert International Airport – Restrictions on Airport Development
Using Existing Airport Debt Structure

This memorandum provides an overview of the restrictions on future development at the St. Louis Lambert International Airport (the “Airport”) using the Airport’s existing General Airport Revenue Bonds structure.

1. CAN THE CITY FUND FUTURE DEVELOPMENT AT THE AIRPORT USING THE EXISTING AIRPORT DEBT STRUCTURE?

The City can issue additional Airport revenue bonds to fund development at the Airport as long as the net revenues from the operation of the Airport are sufficient to pay for the principal of and interest on those additional bonds as well as all other outstanding Airport revenue bonds.

According to the Amended and Restated Indenture of Trust, dated as of July 1, 2009, between the City and UMB Bank, N.A., as trustee (the “Master Indenture”), to issue additional Airport revenue bonds, the City must show, based on estimates of an Airport Consultant¹, that the Net Revenues² in a 12-month period during the 18 months preceding the issuance of the additional bonds equaled 1.25 times the aggregate adjusted debt service for all outstanding Airport revenue bonds. It also must show that, based on estimates of an Airport Consultant, the estimated Net Revenues for the three years following the completion of the project that is being financed with the proceeds of the additional bonds will be at least equal to 1.25 times the adjusted debt service for all outstanding Airport revenue for each of those years, including the debt service for the additional bonds.³

The City has covenanted in the Master Indenture to establish, fix, prescribe and collect rates, fees and rentals for the use of the Airport as is reasonably anticipated to provide sufficient Revenues to pay for aggregate adjusted debt service and all deposits required to maintain accounts created under the Master Indenture.⁴

¹ The Airport Consultant is defined under the Master Indenture to mean an airport consulting firm or corporation retained by the City to carry out the duties provided for such consultant under the Master Indenture (i.e., recommending rental and other charges for use of Airport facilities and projecting revenues to be derived from the operations of the Airport). Unison served as the City’s Airport Consultant and prepared the Report of the Airport Consultant in connection with the City’s Series 2017 Airport bond issue.

² Defined as Revenues less Operation and Maintenance Expenses.

³ See Section 304 of the Master Indenture.

⁴ See Section 811 of the Master Indenture.

The City may finance capital improvements or facilities to be located at Airport from proceeds of obligations other than Airport revenue bonds issued by the City which are not payable from Revenues (“Special Facilities”), without regard to the Master Indenture requirements for issuance of additional Airport revenue bonds, as long as:

(i) such obligations are payable solely from rentals or other charges derived by the City under a lease, sale or other agreement entered into between the City and a third party that will be utilizing the Special Facilities to be financed;

(ii) an Airport Consultant provides a certificate to the Trustee that the estimated payments to be derived from the Special Facilities will be sufficient to pay the principal and interest on such obligations, all operating and maintenance costs and all reserve requirements;

(iii) an Airport Consultant provides a certificate to the Trustee that the construction and operation of such Special Facilities will not decrease the projected Revenues of the Airport; and

(iv) a fair and reasonable rent is charged by the City for the land on which the Special Facilities will be located, and such rent is deemed Revenues of the Airport. In other words, such ground rent must also flow through the existing waterfall under the Master Indenture and may not be used for other City purposes.

2. CAN THE CITY DEVELOP THE AIRPORT BY SUBLEASING DISCRETE PORTIONS OF THE AIRPORT INSTEAD OF LEASING THE ENTIRE AIRPORT TO A PRIVATE OPERATOR?

The City cannot sell, lease or transfer all or a substantial part of the Airport⁵ unless the Airport revenue bonds are paid in full or defeased, because the Master Indenture requires the Airport to be operated by the City and the Airport Commission as long as any Airport revenue bonds are outstanding.⁶

The City and the Airport Commission may lease, grant licenses, easements or enter into agreements with third party vendors, consultants and contractors for specific aspects or portions of the maintenance or operation of the Airport or the construction of capital projects at the Airport⁷ as long as such lease, contract, license, easement or right does not impede or restrict the operation by the City of the Airport for Airport purposes.⁸

The City also may sell any property constituting part of the Airport which, in the opinion of the Airport Commission (expressed in the form of a written resolution) and the Airport Consultant, is not necessary or useful in the operation of the Airport.⁹

However, any proceeds from the sale or disposition of property not used to replace such property and any payments with respect to a lease, contract, license, easement or right described above must be applied in the same manner and to the same purpose as Revenues, as set forth in Section 504 of the Master Indenture.¹⁰ In other words, such proceeds must flow through the existing waterfall under the Master Indenture and may not be used for other City purposes.

⁵ Under the Master Indenture, Airport property reflects all the land inside the St. Louis Lambert International Airport Boundaries and all future land acquired by the City for purposes of operating the Airport.

⁶ See Sections 810 and 809.E of the Master Indenture.

⁷ See Section 810.A of the Master Indenture.

⁸ See Section 809.C of the Master Indenture.

⁹ See Section 809.B of the Master Indenture.

¹⁰ See Section 809.D of the Master Indenture.