



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

October 4th 2016

Presented By:
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Agenda

- Houston Airport System
 - A. Forward Bond Purchase Agreement with RBC
 - B. Commercial Paper Program Series A and B
 - C. Special Facilities Revenue Bonds (United Airlines Improvement Projects)



Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ Millions)	Bank	Expiration	Requires Bank Letter of Credit
Commercial Paper	A&B	150 ⁽¹⁾	RBC	12/16/2016	Y
Forward Bond Purchase Agreement	C	450 ⁽²⁾	RBC	11/05/2022	N
Variable Rate Demand Bonds	2010A	92.905	Barclays	12/22/2017	Y
Auction Rate Securities	2000 P-1	35.650	N/A	N/A	N
	2000 P-2	35.425			N
	2002C	79.425			N
	2002D1	58.400			N
	2002D2	56.400			N
Total Variable Debt		958.205			
Total Variable Debt Outstanding		445.205			
Total Debt Outstanding		3,002.265	Total Current Variable Rate Exposure 14.83%		

⁽¹⁾ As of July 31, 2016 Monthly Financial Report, there is a total of \$87 Million outstanding on the \$150 Million Commercial Paper program.

⁽²⁾ Forward Bond Purchase Agreement is expected to be used for appropriations capacity. Currently, \$36.5 Million has been appropriated.

Note: This presentation constitutes the written recommendation of the Finance Working Group.



Forward Bond Purchase Agreement with RBC

Background:

- Over the next five years, the Airport System (HAS) has capital funding requirements of approximately \$2.25 billion in capital projects, to be funded with airport equity, grants, passenger facility charges, and airport revenue bonds.
- HAS anticipates substantial appropriations needs related to the Intercontinental Terminal Redevelopment Program (ITRP) beginning in FY2017, which will require additional appropriation and interim financing capacity.
- On October 21, 2015, City Council approved the replacement of a \$150 million inferior lien commercial paper facility with a Forward Bond Purchase Agreement (FBPA) with RBC Capital Markets in an amount not to exceed \$450 million (\$300 million to increase appropriations capacity and \$150 million to replace an existing inferior lien commercial paper facility).

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Forward Bond Purchase Agreement with RBC

- The structure allows the City the flexibility to use the facility similarly to a commercial paper program, but at a reduced cost for undrawn (appropriation) purposes only
- The agreement with RBC has a term of 7 years with a final maturity of November 2022

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Forward Bond Purchase Agreement with RBC

Next Steps:

- Annual re-authorization is required to ratify and confirm the Forward Bond Purchase Agreement.
- To be in compliance with Ordinance 2015-1004, the City has 365 days from the date of the ordinance, for the annual re-authorization which will be October 21st, 2016.
- The Finance Working Group will present this to City Council on October 5th, 2016

Note: This presentation constitutes the written recommendation of the Finance Working Group.



Commercial Paper Program Series A and B

Background:

- The Series A and B CP line currently supports the Houston Airport System's CIP and has proven to be a cost-effective method of accessing cash and providing interim financing for the System's capital improvement program.
- Size of the CP program is \$150 million
- The current bank facility expires on 12/16/2016
- The City issued a request for term sheets in September, and will select a bank with which to negotiate final terms and conditions

Next Steps:

- An RCA is expected to be presented to City Council in November

Note: This presentation constitutes the written recommendation of the Finance Working Group.



Special Facilities Revenue Bonds (United Airlines Improvement Projects)

Background:

- United has proposed, and the City agrees, that there is a need for United to expand and renovate its existing maintenance operations at IAH.
- United has requested that the City allow the issuance of Special Facilities Revenue Bonds to fund this project.
- The expansion is anticipated to include one large hangar capable of handling up to two wide-body aircraft, a parts warehouse, shops, engineering support facilities and related employee parking at a proposed site located within the boundaries of IAH.
- Under the lease agreement for this complex, the City is not pledged to repay any associated debt from funds other than lease payments received from United. The lease payments from United Airlines however will be pledged to repay the debt obligation.

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Special Facilities Revenue Bonds (United Airlines Improvement Projects)

- Anticipated size of the transaction is \$160 million.

Next Steps:

- The City is considering issuing Special Facilities Revenue Bonds potentially before the end of the year.
- An RCA will be presented to City Council as the transaction is closer to coming to market.



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Questions?