



# Finance Department

## Presentation to the City of Houston Budget and Fiscal Affairs Committee

### Upcoming Financial Transactions

June 2, 2020

Presented By:  
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# Agenda

- **Combined Utility System (CUS)**
  - a) Texas Water Development (TWDB) SWIFT Loan Application
  - b) Clean Water SRF Loan Application
- **Houston Airport System (HAS)**
  - a) Special Facilities Revenue Refunding Bonds (United Airlines)
- **General Obligation (GO)**
  - a) State Energy Conservation Office (SECO) Loan



# Texas Water Development Board (TWDB) SWIFT Loan Application

## Background:

- Projects being financed: Northeast Plant Transmission Lines.
  - The City Received an invitation from the TWDB to apply for an additional \$38 million loan.
  - The loan rates will be at TWDB's expected AAA rated financing cost, adjusted for a subsidy determined by TWDB for each funding cycle (up to 20%)



# Texas Water Development Board (TWDB) SWIFT Loan Application

## Next Steps:

CUS will be submitting an application with TWDB, in the amount of approximately \$38 million.

- The Finance Working Group recommends proceeding with the application.
- This item will be presented to City Council for consideration in mid June 2020.
- The loan is expected to close in Fall 2020.

Note: This presentation constitutes the written recommendation of the Finance Working Group (FWG).  
SWIFT – State Water Implementation Fund for Texas



# Texas Water Development Board (TWDB) SWIFT Loan Application

## Next Steps:

- 2020 loan of approximately \$38 million will require two Council Actions.
  - Council Approval of Financing Agreement in Summer 2020.
    - TWDB relies on Financing Agreement when selling its TWDB bonds in September, and imposes financial penalties for terminating close to, or after TWDB's sale of bonds.
  - Council Approval of Loan documents, expected in September 2020.
    - Loan scheduled to close in October/November 2020.



# CUS Clean Water SRF Loan Application

## Background:

- The Texas Water Development Board (“TWDB”) administers a program that provides below market, low-interest rate loans to communities that assist in meeting clean water standards. This program is known as the Clean Water State Revolving Fund (“CWSRF”) and is open to political subdivisions that own and operate a wastewater system.
- In 1998, the TWDB began using a priority rating process to determine the amount of funding participants could receive from the Clean Water State Revolving Fund. Municipalities are annually requested to submit an Intended Use Plan providing information on projects to be considered for TWDB funding. After projects are prioritized and the amount of available funds determined, applicants are invited to apply for CWSRF loans.



# CUS Clean Water SRF Loan Application

## Background:

- Projects being financed: Citywide Sanitary Sewer Collection System Rehabilitation

## Next Steps:

- CUS will be submitting an application with the TWDB, estimated at approximately \$325 million.
- The multi-year loan is expected to close in April 2021 and April 2023 respectively.
- The Finance Working Group recommends proceeding with the application.
- This item will be presented to City Council for consideration in mid June 2020.

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



# HAS Special Facilities Revenue Refunding Bonds (United Airlines)

## Background:

- United has proposed, and the City agrees, that there is a need for United to refinance some existing bond series with upcoming maturities in July.
- The Series of bonds identified are the Series 2014, 2015B-2 and 2015C Bonds.
- United has requested that the City issue Special Facilities Revenue Refunding Bonds for this purpose.
- The Special Facilities Revenue Refunding Bonds would not be supported by general airport revenues or any other City revenues, other than payments from United under the special facilities lease.
- Anticipated size of the transaction is up to \$152.915 million.





# HAS Special Facilities Revenue Bonds (United Airlines)

## Next Steps:

- The City anticipates issuing Special Facilities Revenue Refunding Bonds in late June 2020.
- The issuance of the Special Facility Revenue Refunding Bonds will require City Council action on each of the three identified bonds series to be considered on June 3, 2020.



# HAS Special Facilities Revenue Bonds (United Airlines)

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System:	Special Facility Bonds
New Money or Refunding?:	Refunding
Par Amount:	\$152.915 Million
Use of the Debt Proceeds:	Refinancing existing debt

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Revenue Source Securing Debt:	Special Facilities Lease revenues from United
Estimated Weighted Average Life of the Debt Being Refunded(Years):	0.047 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded:	4.97 Years
Estimated Additional Debt Service:	\$59.5 Million
Estimated True Interest Cost (%):	7.68%
Anticipated Council Agenda Date:	June 3, 2020
Anticipated Date of Pricing:	June 17, 2020
Anticipated Date Closing:	June 25, 2020

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All figures are subject to market adjustments. Market rates are as of May 18, 2020.

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



# GO State Energy Conservation Office Loan

## Background:

- The Texas Comptroller of Public Accounts administers the LoanSTAR Revolving Loan Program through its State Energy Conservation Office (“SECO”).
- The program finances energy-related cost-reduction retrofits for eligible public sector institutions.
- GSD wishes to participate in the program through a proposed loan totaling approximately \$2.8 M to install/upgrade several energy-related upgrades ranging from lighting replacement to HVAC system.
- The SECO loan will be repaid by the annual energy savings realized through the implementation of the State-approved energy efficiency projects.



# GO State Energy Conservation Office Loan

- Based on the Preliminary Energy Assessment, the implementation of the projects is anticipated to reduce utility energy consumption resulting in estimated annual savings of \$411k annually.
- This represents a simple payback of 6.7 years.

## **Next Steps:**

- Completion of the Utility Assessment Report (UAR) for the loan package.
- An RCA is expected to be brought before Council in early fall 2020 approving the loan application.



# Finance Department

Questions?