



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

January 13, 2025

Presented By:
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Agenda

- Convention & Entertainment System (C&E)
 - a) Interim Financing Facility
- Combined Utility System (CUS)
 - a) Combined Utility System First Lien Revenue Refunding Bonds, Series 2025A
 - b) Variable Rate Demand Bonds, Series 2004B-3 and 2004B-6
- Houston Airport System (HAS)
 - a) Airport System Subordinate Lien Revenue Bonds, Series 2025
 - b) Commercial Paper Program, Series A & B



Convention & Entertainment Facilities

Background:

- The City's Convention and Entertainment Facilities Department has recently expressed the need to fund capital expenditures related to the George R. Brown ("GRB") Expansion Project.
- The City issued a request for term sheets from qualified financial institutions for an Interim Financing Facility of up to \$400 million on December 6, 2024.

Next Steps:

- The Finance Working Group has reviewed responses from qualified financial institutions and agreed to move forward with Huntington National Bank and Truist Bank.
- An RCA is expected to be brought before Council in February 2025.
- A Reimbursement Resolution, declaring the City's official intent to reimburse itself for certain capital expenditures from bond proceeds, is expected to be brought before Council in January 2025.



Combined Utility System First Lien Revenue Refunding Bonds, Series 2025A

Background:

- The City's Combined Utility System First Lien Revenue and Refunding Bonds, Series 2014D are currently callable.
- The City is seeking to refinance these bonds to achieve present value and cash flow savings

Next Steps:

- An RCA is expected to be presented to City Council in February 2025.



CUS Revenue and Refunding Bonds, Series 2025A

System: Combined Utility System

New Money or Refunding?: Refunding

Par Amount: \$350 Million

Use of the Debt Proceeds: Current Refunding

Revenue Source Securing Debt: Net revenues of the Combined Utility System

Estimated Weighted Average Life of the Debt
Being Refunded(Years): 9.02 years

Estimated Change to the Weighted Average Life
of Debt Being Refunded: (0.03) years

Estimated Present Value Savings: \$29.95MM

Estimated Percentage Savings: 8.64%

Estimated True Interest Cost (%): 3.58%

Anticipated Council Agenda Date: February 2025

Anticipated Date of Pricing: March 2025

Anticipated Date Closing: April 2025

All figures are as of December 17, 2024 and are subject to market adjustments.

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



CUS Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank / Dealer	Expiration	Requires Bank Facility
Commercial Paper	B-1	100.00	Bank of America	8/19/2027	Y
	B-2	275.00	Morgan Stanley ⁽¹⁾	12/15/2039	N
	B-3	75.00	Sumitomo	1/31/2029	Y
	B-4	100.00	PNC Bank	7/12/2025	Y
	B-5	250.00	Morgan Stanley ⁽¹⁾	2/1/2030	N
	B-6	100.00	Bank of America	8/19/2027	Y
	B-7	100.00	JP Morgan	5/30/2025	Y
Subtotal		1000.00			
Variable Rate Demand Bonds	2004B-2	100.00	Sumitomo	3/31/2026	Y
	2004B-3	75.00	Sumitomo	1/28/2025 ⁽³⁾	Y
	2004B-4	75.00	JP Morgan	6/12/2026	Y
	2004B-5	100.00	RBC	10/22/2027	Y
	2004B-6	78.33	Sumitomo	1/28/2025 ⁽³⁾	Y
	2012A	125.00	TD Bank	4/18/2025	Y
	2012B	100.00	TD Bank	5/21/2027	Y
	2018C	249.08	Barclays	7/28/2025	Y
Subtotal		902.41			
Total Debt Outstanding⁽²⁾				\$6,361.2 Million	
Total Commercial Paper Outstanding ⁽²⁾				\$0.0	
Total Unhedged Variable Rate Debt⁽²⁾				0%	

⁽¹⁾ The Series B-2 and B-5 are an Extendible Commercial Paper product.

⁽²⁾ As of November 30, 2024, Monthly Financial Report.

⁽³⁾ An interim extension through March 28, 2025, has been executed.



CUS Variable Rate Demand Bonds, Series 2004B-3 and 2004B-6

Background:

- VRDBs are long term bonds, which are remarketed on a weekly basis, at short term interest rates. In order to be marketable, the VRDBs require liquidity facilities provided by a highly rated bank.
- The underlying bank facilities supporting the Series 2004B-3 and 2004B-6 programs provided by Sumitomo are scheduled to expire on January 28, 2025. Interim extensions to March 28, 2025, have been executed.

Next Steps:

- The City has received renewal proposals from the current liquidity provider and is recommending renewing both facilities with Sumitomo for 3 years.
- The RCAs are expected to be presented to City Council in January 2025.



HAS - Airport System Subordinate Lien Revenue Bonds, Series 2025

Background:

- As previously presented, there is a need for United to expand Terminal B at IAH to handle expected incremental increase in passenger volume at IAH.
- On November 15, 2023, City Council approved a Memorandum of Agreement (MOA).
- The expansion will be financed with Special Facility Revenue Bonds (SFRB) and General Airport Revenue Bonds (GARB). The total anticipated size of these transactions is up to \$2.55 billion.
 - SFRB capped at \$1.95 billion
 - GARB capped at \$624 million
- The GARB will be utilized to finance portions of the seven Gate Expansion at Hobby and the Central Utility Plant Upgrade (CUP) at IAH.



HAS - Airport System Subordinate Lien Revenue Bonds, Series 2025

Next Steps:

- The issuance of the GARB will require City Council action expected to be considered in February 2025.
- The City anticipates issuing the GARB that will finance the Terminal B improvements, the West Concourse Expansion and the CUP as part of several issuances over a period of multiple years (2025 through 2029).
- As a standard course of business, the Finance Working Group (FWG) will continue to monitor and review possibilities to refinance existing debt if prudent opportunities to achieve present value savings exist.



HAS – Airport System Subordinate Lien Revenue Bonds, Series 2025

System:	Houston Airport System
New Money or Refunding?:	New Money
Par Amount:	\$645 million (approximately)
Use of the Debt Proceeds:	CIP Projects

Revenue Source Securing Debt:	General Airport Revenues
Estimated Weighted Average Life of the Debt Being Refunded(Years):	Not Applicable
Estimated Change to the Weighted Average Life of Debt Being Refunded:	Not Applicable
Estimated Present Value Savings:	Not Applicable
Estimated Percentage Savings:	Not Applicable
Estimated True Interest Cost (%):	4.65%
Anticipated Council Agenda Date:	February 2025
Anticipated Date of Pricing:	March 2025
Anticipated Date Closing:	April 2025

All figures are as of December 2024 and are subject to market adjustments.



HAS Interim Funding Summary

Liquidity Type	Series	Size (\$ millions)	Bank / Dealer	Expiration	Requires Bank Facility
Commercial Paper	A&B	350.00 ⁽¹⁾	Sumitomo	3/31/2025	Y
Forward BPA	C	450.00 ⁽²⁾	RBC	2/5/2027	N
Subtotal		750.00			
Total Debt Outstanding⁽³⁾				\$2,370.4 Million	
Total Commercial Paper Outstanding⁽¹⁾				\$0.0	
Total Unhedged Variable Rate Debt				0%	

- (1) As of November 30, 2024 Monthly Financial Report, there is no outstanding commercial paper.
- (2) Forward Bond Purchase Agreement is used for appropriations capacity and requires annual City Council authorization. Currently, there is nothing outstanding.
- (3) As of November 30, 2024 Monthly Financial Report. Excludes Special Facilities Revenue Bonds.



HAS Commercial Paper Program, Series A & B

Background:

- The Airport System (“HAS”) is expecting to fund future capital projects with airport equity, grants, passenger facility charges and airport revenue bonds. The existing HAS CP Series A&B currently support capital expenditures related to the Houston Airport System’s Capital Improvement Plan projects.
- Commercial paper (“CP”) is a short term note which is remarketed for a period of up to 270 days at short term interest rates. In order to be marketable, the CP requires a liquidity facility provided by a highly rated bank.
- The underlying bank facility supporting the Series A & B programs provided by Sumitomo are scheduled to expire on March 31, 2025.

Next Steps:

- The City has reached out to the current liquidity provider for a renewal proposal and is recommending renewing with Sumitomo for 3 years.
- An RCA is expected to be presented to City Council in January 2025.



Finance Department

Questions?