



# CITY OF HOUSTON

Finance Department

## Interoffice

Correspondence

**To:** Budget and Fiscal Affairs  
Committee

**From:** Michelle Mitchell, Director  
Finance Department

**Date:** October 5, 2010

**Subject:** Houston Airport System,  
Subordinate Lien Revenue  
Refunding Bonds, Series 2005A  
(AMT)

The purpose of this memorandum is to summarize an upcoming transaction to support the \$92.9 million Houston Airport System (HAS) Subordinate Lien Revenue Refunding Bonds, Series 2005A (Series 2005A). A specific Request for Council Action is expected to be brought before Council at a later date.

The American Recovery and Reinvestment Act of 2009, includes an "Alternative Minimum Tax (AMT) Holiday", which allows private activity bonds (like the Series 2005As) to be issued as non-AMT debt. This provides greater market access and more favorable borrowing rates. This "AMT Holiday" will expire on December 31, 2010.

The current structure of the Series 2005As are variable rate demand bonds (VRDBs). VRDBs are long term bonds that are remarketed weekly at short term interest rates. The VRDBs have provided a cost-effective method of financing HAS Capital Improvement Projects. Due to favorable short term interest rates, the refunded bonds will also have a variable structure with the ability to convert to a fixed rate at a later date. The Series 2005As current facility will expire on February 1, 2011. In order to be marketable, the VRDBs will require a liquidity facility replacement to be provided by a highly rated bank.

### Recommendation

The Finance Working Group recommends the approval of refunding the HAS Series 2005A Bonds to take advantage of the ability to convert the tax status to non-AMT and replacement of the expiring liquidity facility.

The Finance Working Group recommends approval of these transactions.



# CITY OF HOUSTON

Finance Department

## Interoffice

Correspondence

**To:** Budget and Fiscal Affairs  
Committee

**From:** Michelle Mitchell, Director  
Finance Department



**Date:** October 5, 2010

**Subject:** Houston Airport System, Senior Lien  
Commercial Paper Note Program,  
Letter of Credit Replacement

The purpose of this memorandum is to summarize an upcoming transaction to support the existing \$150 million Houston Airport System (HAS) Senior Lien Commercial Paper Note Program, letter of credit replacement. A specific Request for Council Action will be brought before City Council at a later date.

Starting in 1993, City Council began authorizing commercial paper programs to provide appropriation capacity and "on time" funding for various capital expenditures of the City. The issuance of commercial paper has provided an expedient, cost-effective method of accessing cash and providing interim financing. Commercial paper notes are later refinanced into fixed rate bonds more closely matching the useful life of the project or equipment being financed.

The current credit facility that supports the HAS Senior Lien Commercial Paper Notes, Series A (AMT) and Series B (Non-AMT) (CP Series A and B) expires on January 4, 2011. A Request for Proposals has been distributed and the Finance Working Group will review submitted proposals and recommend a replacement credit provider to City Council.

### **Recommendation**

The Finance Working Group recommends approval for the replacement of the letter of credit for the HAS CP Series A and B.

The Finance Working Group recommends that the City proceed with this transaction.



# CITY OF HOUSTON

Finance Department

## Interoffice

Correspondence

**To:** Budget and Fiscal Affairs  
Committee

**From:** Michelle Mitchell, Director  
Finance Department

A handwritten signature in black ink, appearing to be "M", enclosed in a circular scribble.

**Date:** October 5, 2010

**Subject:** Convention and Entertainment  
Facility Subordinate Lien Hotel  
Occupancy Tax and Parking  
Revenue Commercial Paper Notes,  
Series A

The purpose of this memorandum is to summarize an upcoming transaction to replace liquidity support for the City's Convention and Entertainment Facilities (CEF) Subordinate Lien Commercial Paper Note Program. A specific Request for Council Action is expected to be brought before Council in late October.

Starting in 1993, City Council began authorizing commercial paper (CP) programs to provide appropriation capacity and "on time" funding for various capital expenditures of the City. The issuance of commercial paper has provided an expedient, cost-effective method of accessing cash and providing interim financing.

Currently, the credit agreement for CEF Subordinate Lien Hotel Occupancy and Parking Revenue Commercial Paper Notes, Series A (CEF CP Series A) is scheduled to expire January 16, 2011.

### Recommendation

The Finance Working Group (FWG) recommends the replacement of the CEF CP Series A credit agreement for up to \$50 million.

The FWG recommends approval of this transaction.