



# Finance Department

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

### Upcoming Financial Transactions

March 30, 2021

Presented By:  
Melissa Dubowski – Deputy Director



# Agenda

- Houston Airport System (HAS)
  - a) Subordinate Lien Revenue Refunding Bonds, Series 2021
  - b) Special Facilities Revenue & Refunding Bonds (United Airlines), Series 2021A, B-1 & B-2
- Convention and Entertainment (C&E)
  - a) Hotel Occupancy Tax & Special Revenue Refunding Bonds, Series 2021
- General Obligation (GO)
  - a) Tax and Revenue Anticipation Notes (TRANS), Series 2021
  - b) Public Improvement Bonds, Series 2021DE (Texas Water Development Board FIF Loans)



# HAS Subordinate Lien Revenue Refunding Bonds, Series 2021

## **Background:**

- The City has used the issuance of commercial paper to provide an expedient, cost-effective method of accessing cash and providing interim financing. The commercial paper (CP) notes are later refinanced into fixed rate bonds that match the useful life of the projects and/or equipment being financed.
- The total size of the Series 2021 Bonds is anticipated to be approximately \$335 million
- As a standard course of business, the FWG will continue to monitor and review possibilities to refinance existing debt if prudent opportunities to achieve present value savings exists.

## **Next Steps:**

- An RCA is anticipated to be brought before Council in Spring 2021.



# HAS Special Facilities Revenue & Refunding Bonds (United Airlines), Series 2021A, B-1 & B-2

## Background:

- As previously presented, there is a need for United to replace current baggage handling system in Terminals C and E at IAH.
- United is requesting that the City issue Special Facilities Revenue Bonds for this purpose in one or more series
- The anticipated size of this portion of the transaction is up to \$370 million
- The Special Facilities Revenue Bonds would not be supported by general airport revenues or any other City revenues, other than payments from United under the special facilities lease.



# HAS Special Facilities Revenue & Refunding Bonds (United Airlines), Series 2021A, B-1 & B-2

## Background:

- United has proposed, and the City agrees, that there is a need for United to refinance an existing bond series that is callable in July.
- The proposed bonds to be refunded are the Series 2011 bonds, totaling approximately \$113 million.
- 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.



# HAS Special Facilities Revenue & Refunding Bonds (United Airlines), Series 2021A, B-1 & B-2

## Next Steps:

- The City anticipates issuing Special Facilities Revenue Refunding Bonds in one or more series in late May 2021.
- The issuance of the Special Facility Revenue & Refunding Bonds will require City Council action expected to be considered in May 2021.



# HAS Special Facilities Revenue & Refunding Bonds (United Airlines), Series 2021A, B-1 & B-2

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System:	Houston Airport System
New Money or Refunding?:	New Money and Refunding
Par Amount:	\$482 million
Use of the Debt Proceeds:	Baggage Handling System and Refunding

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Revenue Source Securing Debt:	United Special Facilities Lease Revenues
Estimated Weighted Average Life of the Debt Being Refunded(Years):	11.648 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded:	(0.275 Years)
Estimated Present Value Savings:	\$28.387 million
Estimated Percentage Savings:	25.05%
Estimated True Interest Cost (%):	3.719%
Anticipated Council Agenda Date:	May 2021
Anticipated Date of Pricing:	May 2021
Anticipated Date Closing:	May 2021

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All figures are as of March 11, 2021 and are subject to market adjustments.

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



# Hotel Occupancy Tax & Special Revenue Refunding Bonds, Series 2021

## **Background:**

- The City has identified certain Hotel Occupancy Tax & Special Revenue Bonds that can be refunded for present value savings in the current interest rate environment.
- As a standard course of business, in conjunction with this transaction, the FWG will review possibilities to refinance existing debt if prudent opportunities to achieve present value savings exists.
- Anticipated size of the transaction is up to \$35 million.

## **Next Steps:**

- An RCA is anticipated to be brought before Council in the coming months.





# Hotel Occupancy Tax & Special Revenue Refunding Bonds, Series 2021

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System:	Convention & Entertainment Facilities
New Money or Refunding?:	Refunding
Par Amount:	\$33 million
Use of the Debt Proceeds:	Refunding

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Revenue Source Securing Debt:	HOT and Parking revenues
Estimated Weighted Average Life of the Debt Being Refunded(Years):	5.98 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded:	0.938 Years
Estimated Present Value Savings:	\$5.5 million
Estimated Percentage Savings:	15.86%
Estimated True Interest Cost (%):	1.81 %
Anticipated Council Agenda Date:	Spring/Summer 2021
Anticipated Date of Pricing:	Spring/Summer 2021
Anticipated Date Closing:	Spring/Summer 2021

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All figures are as of March 18, 2021 and are subject to market adjustments.

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



# Tax and Revenue Anticipation Notes (TRANS), Series 2021

## **Background:**

- Each year the City sells Tax and Revenue Anticipation Notes (TRANS) to help manage working capital needs during the year. This need for working capital is caused by the timing difference during the City's fiscal year between the collections of revenues versus expenditures. The major revenue source for the General Fund is ad valorem taxes, which are largely collected during December, January and February.
- The TRANS provides an efficient, cost effective way to address this temporary cash shortfall. The actual sale of the notes is done on a competitive basis through an auction intended to give the City access to a large scope of potential purchasers and provides efficient pricing.



# Tax and Revenue Anticipation Notes (TRANS), Series 2021

- Historically, the TRANS ordinance is structured to allow additional supplemental issuances, separated in time from the initial issuance, enabling the City to comply with tax laws and arbitrage regulations. The initial borrowing is based on an estimated monthly cash flow analysis prepared prior to the beginning of the fiscal year, which projects the cash flows (and predicts the maximum shortfall) during the fiscal year.
- The first TRANS issue is sized conservatively because it is based on an early estimate of cash flows. If the City's initial borrowing does not cover its shortfall, it may elect to borrow additional funds through the issuance of supplemental notes. The last time the City used the supplemental borrowing was in FY2009 for unexpected Ike-related expenditures.



# Tax and Revenue Anticipation Notes (TRANS), Series 2021

## Next Steps:

- For FY2022, the TRANS primary borrowing in July 2021 will be approximately \$150 to \$300 million. The total authorized size (primary and supplemental) of the TRANS is anticipated to be approximately \$400 million.
- The competitive sale process is expected to occur in June. The results will be presented to City Council on the date of sale as part of a motion to accept the winning bid or bids.
- An RCA will be presented to City Council for authorization of the sale in May 2021.



# GO Public Improvement Bond, Series 2021DE – FIF Loans

## Background:

- Texas Water Development Board (TWDB) established the Flood Infrastructure Fund (FIF) Grant Application program in 2019.
- New grant program authorized by 86th Texas Legislature
- Funds flood mitigation projects and plans for future flood events
- Eligible projects include planning and design activities, work to obtain necessary regulatory approvals & construction and/or implementation of flood projects
- Funding in form of grants and 0% interest rate loans
- The debt service on the loans will be entirely paid for by Houston Public Works (HPW), but the City's ad valorem taxing authority will be pledged as security for that repayment.



# GO Public Improvement Bond, Series 2021DE – FIF Loans

## Projects being financed:

### 1. Kingwood Taylor Gully Project

- On November 2, 2020 City Council approved a resolution authorizing the City to make a loan application with the TWDB's FIF Funding Program
- The scope of the project is to construct channel improvements along Taylor Gully (G103-80-03.1B) that will upgrade the conveyance capacity of the channel to a 100-year level of service (LOS) and reduce the risk of flooding to residential, commercial and industrial structures as evaluated through the Kingwood Drainage Study.
- The estimated amount of this loan application is \$10.1 million. Interest rates on this program are 0% for a twenty to thirty-year period.



# GO Public Improvement Bond, Series 2021DE – FIF Loans

## Projects being financed:

### 2. Wynnewood Project

- On November 17, 2020 City Council approved a resolution authorizing the City to make a loan application with the TWDB's FIF Funding Program
- The scope of project is to construct a combined system of roadside ditches and in-line stormwater lines to provide 27 acre-feet of inline detention.
- The total estimated amount for this loan applications is approximately \$8.6 million. Interest rates on this program are 0% for a twenty to thirty-year period.



# GO Public Improvement Bond, Series 2021DE – FIF Loans

## Next Steps:

- The TWDB is currently considering the submitted applications and is expected to notify the City by the end of April of decision.
- If approved, an RCA will be presented to City Council for authorization of the loans in June 2021.





# Finance Department

Questions?