



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

July 29, 2025

Presented By:
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Agenda

- **General Obligation (GO)**
 - a) Public Improvement Bonds, Series 2025
 - b) Tax and Revenue Anticipation Notes (TRANS), Series 2025
- **Combined Utility System (CUS)**
 - a) First Lien Revenue Bonds, Series 2025 (TWDB SWIFT Loan)
 - b) CWA Contract Revenue Bonds, Series 2025 (City of Houston Projects) (TWDB SWIFT Loan)
 - c) First Lien Revenue Bonds, Series 2026A&B (TWDB Clean Water SRF Loans)
- **Houston Airport System (HAS)**
 - a) Special Facilities Revenue Bonds (United Airlines), Series 2025



GO Public Improvement Bonds, Series 2025

Background:

- The City has used the issuance of short-term notes, in the form of commercial paper (CP) to provide an expedient, cost-effective method of accessing cash and providing interim financing. The CP notes are later refinanced into fixed rate bonds that match the useful life of the projects and/or equipment being financed.
- This transaction represents the normal refunding of these General Obligation commercial paper notes. The anticipated size of the Series 2025 Bonds used to refund CP will be approximately \$150 - \$200 million.



GO Public Improvement Bonds, Series 2025

- Below is a breakdown of the proposed components.

Component Being Refunded	Up To	Use
Refund CP Series G, H	\$120 Million	Capital Projects
Refund CP Series E-1 and E-2	\$80 Million	Equipment
Grand Total	<u>\$200 Million</u>	



GO Public Improvement Bonds, Series 2025

Next Steps:

- As standard course of business, in conjunction with this transaction, the Finance Working Group (FWG) will review possibilities to refinance additional existing debt if prudent opportunities to achieve present value savings exist.
- An RCA is expected to be presented to City Council in August 2025.



GO Public Improvement Bonds, Series 2025

System:	General Obligation
New Money or Refunding?:	Commercial Paper Refunding
Par Amount:	\$150 - \$200 million
Use of the Debt Proceeds:	Capital Improvement Program
Revenue Source Securing Debt:	Ad Valorem Property Taxes
Estimated Weighted Average Life of the Debt Being Refunded(Years):	N/A
Estimated Change to the Weighted Average Life of Debt Being Refunded:	N/A
Estimated Present Value Savings:	N/A
Estimated Percentage Savings:	N/A
Estimated True Interest Cost (%):	4.75% (assuming 20-year level debt amortization)
Anticipated Council Agenda Date:	August 2025
Anticipated Date of Pricing:	August - September 2025
Anticipated Date Closing:	September - October 2025

All figures are as of July 8, 2025, and are subject to market adjustments.

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



GO Tax and Revenue Anticipation Notes (TRANS), Series 2025

Background:

- 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 last TRANS issue was on October 21, 2024.
- 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.



GO Tax and Revenue Anticipation Notes (TRANS), Series 2025

Next Steps:

- For FY2026, total authorized size (primary and supplemental) of the TRANS is currently being calculated.
- An RCA will be presented to City Council for authorization of the sale in August 2025.
- The competitive sale process is expected to occur in August - September 2025. The results will be presented to City Council by the Controller's office on the date of sale as part of a motion to accept the winning bid or bids.
- The closing is planned for mid-October 2025.



CUS First Lien Revenue Bonds, Series 2025 (TWDB SWIFT Loan)

Background:

- Projects being financed: East Water Purification Plant
- The City applied to the Texas Water Development Board (TWDB) for loans of \$966 million to be issued over a multi-year period.
- 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%).

Next Steps:

- The FWG recommends issuing the CUS First Lien Revenue Bonds, Series 2025 in an amount not to exceed \$350 million.
- This item is scheduled to be presented to City Council for consideration in August 2025.



CUS First Lien Revenue Bonds, Series 2025 (TWDB SWIFT Loan)

System:	Combined Utility System
New Money or Refunding?:	New Money
Par Amount:	\$350 Million
Use of the Debt Proceeds:	East Water Purification Plant
Revenue Source Securing Debt:	Net Revenues of the Combined Utility System
Estimated Weighted Average Life of the Debt Being Refunded(Years):	N/A
Estimated Change to the Weighted Average Life of Debt Being Refunded:	N/A
Estimated Present Value Savings:	N/A
Estimated Percentage Savings:	N/A
Estimated True Interest Cost (%):	4.75%
Anticipated Council Agenda Date:	August 2025
Anticipated Date of Pricing:	October 2025
Anticipated Date Closing:	November 2025



CWA Contract Revenue Bonds, Series 2025 (TWDB SWIFT Loan)

Background:

- The Coastal Water Authority (CWA) applied for \$320 million in multi-year financing from the TWDB.
- Projects being financed: CWA Project B-2 Pipeline. The B-2 pipeline will be a raw water line that supplies raw water to industrial customers and to the East Water Purification Plant. B-2 will mitigate risk of B-2 failure.
- Debt service will be paid by the Combined Utility System.



CWA Contract Revenue Bonds, Series 2025 (TWDB SWIFT Loan)

Next Steps:

- The CWA's TWDB application was approved in 2024, and this is the second year of their multi-year issuance.
- The second loan installment of \$50 million is expected to close in fall 2025.
- Construction is expected to begin in April 2026 and be completed in 2029.



CUS First Lien Revenue Bonds, Series 2026A&B (TWDB Clean Water SRF Loans)

Background:

- Projects being financed: 1) Lift Station Renewal and Rehabilitation 2) Force Main Renewal and Rehabilitation.
- The City is applying to the TWDB for two loans at \$44 million each, to be issued in spring 2026.
- 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 30%).

Next Steps:

- The FWG recommends approving the applications for the two CUS First Lien Revenue Bonds, Series 2026A&B. Both loans will be issued for \$44 million each. Further Council action would be taken, based on TWDB action on the CUS's application.



CUS First Lien Revenue Bonds, Series 2026A&B (TWDB Clean Water SRF Loans)

System:	Combined Utility System
New Money or Refunding?:	New Money
Par Amount:	\$44 Million Each Loan (\$88 Million Total)
Use of the Debt Proceeds:	1) Lift Station Renewal and Rehabilitation 2) Force Main Renewal and Rehabilitation
Revenue Source Securing Debt:	Net Revenues of the Combined Utility System
Estimated Weighted Average Life of the Debt Being Refunded(Years):	N/A
Estimated Change to the Weighted Average Life of Debt Being Refunded:	N/A
Estimated Present Value Savings:	N/A
Estimated Percentage Savings:	N/A
Estimated True Interest Cost (%):	4.22%
Anticipated Council Agenda Date:	January 2026
Anticipated Date of Pricing:	April 2026
Anticipated Date Closing:	May 2026



HAS Special Facilities Revenue Bonds (United Airlines), 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.
- United is requesting that the City issue Special Facilities Revenue Bonds for this purpose in one or more series with an anticipated size not to exceed (NTE) \$400 million.
 - New catering operations facility – (NTE) \$220 million
 - Ground Support Equipment (GSE) – (NTE) \$180 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.
- An inducement resolution was brought to City Council on May 21, 2025.



HAS Special Facilities Revenue Bonds (United Airlines), Series 2025

Next Steps:

- The City anticipates issuing Special Facilities Revenue Bonds in one or more series in Fall 2025.
- The issuance of the Special Facilities Revenue Bonds will require City Council action expected to be considered in September 2025.



HAS Special Facilities Revenue Bonds (United Airlines), Series 2025

System:	Houston Airport System
New Money or Refunding?:	New Money
Par Amount:	\$400 Million (NTE)
Use of the Debt Proceeds:	Terminal B Expansion
Revenue Source Securing Debt:	United Special Facilities Lease Revenues
Estimated Weighted Average Life of the Debt Being Refunded(Years):	N/A
Estimated Change to the Weighted Average Life of Debt Being Refunded:	N/A
Estimated Present Value Savings:	N/A
Estimated Percentage Savings:	N/A
Estimated True Interest Cost (%):	6.00%
Anticipated Council Agenda Date:	September 2025
Anticipated Date of Pricing:	Fall 2025
Anticipated Date Closing:	Fall 2025

All figures are as of July 8, 2025, and are subject to market adjustments.

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HAS Special Facilities Revenue Bonds (United Airlines), Series 2025

Background:

- As standard course of business, in conjunction with this transaction, the FWG has reviewed possibilities to refinance additional existing debt for opportunities to achieve present value savings.
- United has proposed, and the City agrees, that there is a need for United to refinance for savings an existing bond series that is callable in July.
- Below is a breakdown of the proposed bonds to be refunded:

Refunded Series	Par Refunded	Existing Coupon
Series 2011	\$108.1 Million	6.500 – 6.625%
Series 2014	\$139.3 Million	5.000%
Series 2015B-1	\$176.7 Million	5.000%
Grand Total	<u>\$424.1 Million</u>	



HAS Special Facilities Revenue Bonds (United Airlines), Series 2025

- 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 Bonds (United Airlines), Series 2025

System:	Houston Airport System
New Money or Refunding?:	Refunding of Series 2011, 2014 and 2015B-1
Par Amount:	\$425 million
Use of the Debt Proceeds:	Refunding
Revenue Source Securing Debt:	United Special Facilities Lease Revenues
Estimated Weighted Average Life of the Debt Being Refunded(Years):	5.163 years
Estimated Change to the Weighted Average Life of Debt Being Refunded:	(0.041) years
Estimated Present Value Savings:	\$14.7 million
Estimated Percentage Savings:	3.4%
Estimated True Interest Cost (%):	4.80%
Anticipated Council Agenda Date:	September 2025
Anticipated Date of Pricing:	Fall 2025
Anticipated Date Closing:	Fall 2025

All figures are as of May 19, 2025, and are subject to market adjustments.

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Questions?