



# CITY OF HOUSTON

Finance Department

## Interoffice

Correspondence

**To:** Budget and Fiscal Affairs Committee

**From:** Kelly Dowe, Director  
Finance Department

**Date:** January 31, 2012

**CC:**

**Subject:** **Houston Airport System,  
Subordinate Lien Revenue  
Refunding Bonds, Series  
2012, Series A, Series B, and  
Series C**

The purpose of this memorandum is to summarize an upcoming transaction with the Houston Airport System, Subordinate Lien Revenue Refunding Bonds, Series 2012A, Series 2012B, and Series 2012C (the "Series 2012 Bonds"). The Series 2012 Bonds will refund outstanding bonds of the System, supplement the current debt service reserve fund if needed, and pay costs of issuance. A specific Request for Council Action will be brought before City Council in early February.

The City has identified approximately \$550 million of Subordinate Lien Bonds that are candidates to be refunded to achieve present value savings in the current interest rate environment. If interest rates decrease further, there is a possibility of having additional bonds that could be candidates for refunding. Therefore, the maximum size of the Series 2012 Bonds, including funding the debt reserve as needed, is \$650 million. The currently projected present value savings of the refunding alone is estimated to be approximately \$38.4 million, which is approximately 7.1% of the refunded par.

The Finance Working Group recommends the Series 2012 Bonds be issued through a negotiated financing with Morgan Stanley serving as senior manager along with Ramirez & Co., Inc. and RBC Capital Markets as co-senior managers. Blaylock Robert Van, LLC, Jefferies & Company, Inc., and Wells Fargo are recommended as co-managers. Bracewell Giuliani, L.L.P. and Bates & Coleman are recommended as co-bond counsel along with Haynes and Boone, LLP and Bratton & Associates as co-disclosure counsel.

### **Recommendation**

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