



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 9/12/2023

Item Creation Date: 8/25/2023

HAS – Senior Lien Commercial Paper Notes Insurance

Agenda Item#: 26.

Background:

RECOMMENDATION:

Enact an Ordinance appropriating \$112,000.00 from the Airports Improvement Fund (8011) to acquire a Bond Reserve Fund Surety Policy pertaining to the outstanding Airport System Senior Lien Commercial Paper Notes and approving a Debt Service Reserve Agreement.

SPECIFIC EXPLANATION:

The City of Houston, Texas (the "City") from time to time issues commercial paper notes for Airport System purposes payable solely from, and secured by, a pledge of, and lien on, the Net Revenues derived from the operation of the Houston Airport System. The City has authorized a commercial paper program secured by a senior lien on the Net Revenues of the Airport System (the "Senior Lien Notes") pursuant to City Ordinance Nos. 99-1338, as ratified, confirmed or restated by Ordinance Nos. 2002-1165, 2004-1286, 2010-912, and 2013-1064 (collectively, the "Prior Ordinances"), the Master Ordinance No. 2016-846 (the "Master Ordinance"), and City Ordinance Nos. 2016-847, and 2020-210 (collectively, the "Supplemental Ordinances," and, together with the Prior Ordinances and the Master Ordinance, the "Ordinances").

The City covenants to maintain a Senior Lien Bond Reserve Fund (as set forth in the Master Ordinance) equal to the Reserve Fund Requirement, which is currently \$22.6M, and such Senior Lien Notes are secured thereby. This Reserve Fund Requirement has been previously satisfied by depositing to the credit of the Senior Lien Note Reserve Fund Participant Account a combination of lawfully appropriated funds and Senior Lien Bond Reserve Fund Surety Policies in accordance with the Master Ordinance. Two of the existing Senior Lien Reserve Fund Surety Policies in the combined principal amount of approximately \$6.4M issued by National Public Finance Guarantee Corporation expire on October 25, 2023.

The City's Finance Working Group has determined that it is financially prudent to replace the expiring surety policies as described above and satisfy its Reserve Fund Requirement by depositing a replacement Senior Lien Bond Reserve Fund Surety Policy (the "2023 Senior Lien Bond Reserve Fund Surety Policy") acquired from Assured Guaranty Municipal Corp. The premium associated with the policy is estimated not to exceed \$112,000.00 and will be paid pursuant to the appropriation authorized by this Ordinance. The 2023 Senior Lien Bond Reserve Fund Surety Policy will have a ten-year term. The Ordinance authorizes and approves a commitment with Assured Guaranty Municipal Corp. (the "Commitment") in substantially the form set forth in [Exhibit A](#) to the Ordinance, and a debt service reserve fund policy agreement in substantially the form set forth in [Exhibit B](#) to the Ordinance.

Fiscal Note:

No significant Fiscal Operating impact is anticipated as a result of this project.

Director's Signature:

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Mario Diaz

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Mario C. Diaz

Houston Airport System

Amount and Source of Funding:

\$112,000.00

Airports Improvement Fund

Fund 8011

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