



CITY OF HOUSTON - CITY COUNCIL

Meeting Date:

District B

Item Creation Date: 1/8/2018

HAS - Fund Correction for Enabling Projects for United Technical Operations Center (UTOC) at IAH

Agenda Item#:

Background:

RECOMMENDATION:

Enact an ordinance to de-appropriate \$10,000,000 from the HAS Airports Improvement Fund (8011) and appropriate \$10,000,000 from the HAS Airports Renewal and Replacement Fund (8010), for the Special Facilities Lease Agreement (SFL) with United Airlines, Inc., Technical Operations Center (UTOC) to expand its aircraft maintenance hangar complex at George Bush Intercontinental Airport/Houston (IAH).

SPECIFIC EXPLANATION:

On November 15, 2017, City Council adopted Ordinance 2017-887 which accepted a Special Facilities Lease Agreement with United Airlines, Inc. for the expansion of United's aircraft maintenance facilities at IAH and appropriated \$10,000,000 from the HAS Airports Improvement Fund (8011) for costs that HAS agreed to reimburse United for with respect to certain enabling projects associated with United's project. When the public notices for the lease were posted, the incorrect fund was identified. However, in the interest of time, the fund that was incorrectly identified was used for the appropriation with the understanding that HAS would be allowed to return to Council to correct. This action will serve to de-appropriate the \$10,000,000 from the HAS Airports Improvement Fund (8011) and to re-appropriate it from the correct fund, the HAS Airports Renewal and Replacement Fund (8010).

On September 7, 2016, the City adopted Ordinance No. 2016-681 approving a Memorandum of Agreement (MOA) with United for an expansion of United's aircraft maintenance hangar complex on approximately 39 acres at IAH. The MOA provided for United and the City to enter an SFL under which United would construct its maintenance facility expansion, which is referred to as United's Technical Operations Center (the "UTOC Project").

The UTOC Project is to be constructed by United and financed by United using Special Facility Bonds and its own funds. Certain enabling projects, such as environmental work and relocation of certain existing facilities, are funded by the City. Under the MOA, the City appropriated \$12,500,000 to pay for the City's enabling projects. Subsequently, additional enabling projects were identified, which required an additional \$10 million to be appropriated under the SFL.

In connection with the SFL, the City intends to issue the City of Houston, Texas Airport System Special Facilities Bonds (United Technical Operations Center Project), Series 2017 (AMT) (the "UTOC Special Facilities Bonds"). Pursuant to the SFL, for as long as the UTOC Special Facilities Bonds remain outstanding, United will be obligated to pay the principal and interest on the bonds, and the UTOC Special Facilities Bonds will not constitute an indebtedness of the City, nor will they be a general obligation of the City.

As part of the UTOC Special Facilities Bonds transaction, this project was presented to the Budget and Fiscal Affairs Committee on October 3, 2017.

Fiscal Note:

There is no impact to the FY18 Adopted Operating Budget for this item. Therefore, no fiscal note is required as stated in the Financial Policy Ord. 2014-1078 as an Operating Budget Item.

This item is considered to be a capital project. See below for funding information and the required fiscal notes associated with a capital project. No impact to the operating budget is anticipated as the project relocates existing facilities and structures to similar facilities and structures at IAH. The existing facilities and structures will then be demolished and the site turned over to United. United will then construct its Maintenance Hangar Complex at the site and all future operating and maintenance expenses for the Complex shall be borne by United.

Capital Project Information

See attached Form A

Director's Signature:

T.H. Saary
Mario C. Diaz
Houston Airport System

for
M. DIAZ.

Prior Council Action:

09/07/16 (O) 2016-681

11/15/17 (O) 2017-887

Amount of Funding:

\$10,000,000 – HAS Airports Renewal and Replacement Fund (8010)

\$10,000,000 – HAS Airports Improvement Fund (8011) – De-appropriate

Prior funding:

\$12,500,000 – HAS Renewal and Replacement Fund (8010) 09/07/16

\$10,000,000 – HAS Airports Improvement Fund (8011) 11/15/17

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KHM