



CITY OF HOUSTON

INVESTOR CONFERENCE

BRINGING TOGETHER INSTITUTIONAL INVESTORS WITH THOSE GOVERNMENT ENTITIES THAT REQUIRE CAPITAL.

MARCH

27, 2013

Hilton Americas Hotel | 1600 Lamar Street Houston, Texas

Valuable forums to explore strategies, trends and opportunities for future investment in the City of Houston.

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Investorconference@houstontx.gov





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City of Houston

General Fund FY2013 Update & FY2014 Outlook

March 27, 2013

**Kelly Dowe
Finance Director**

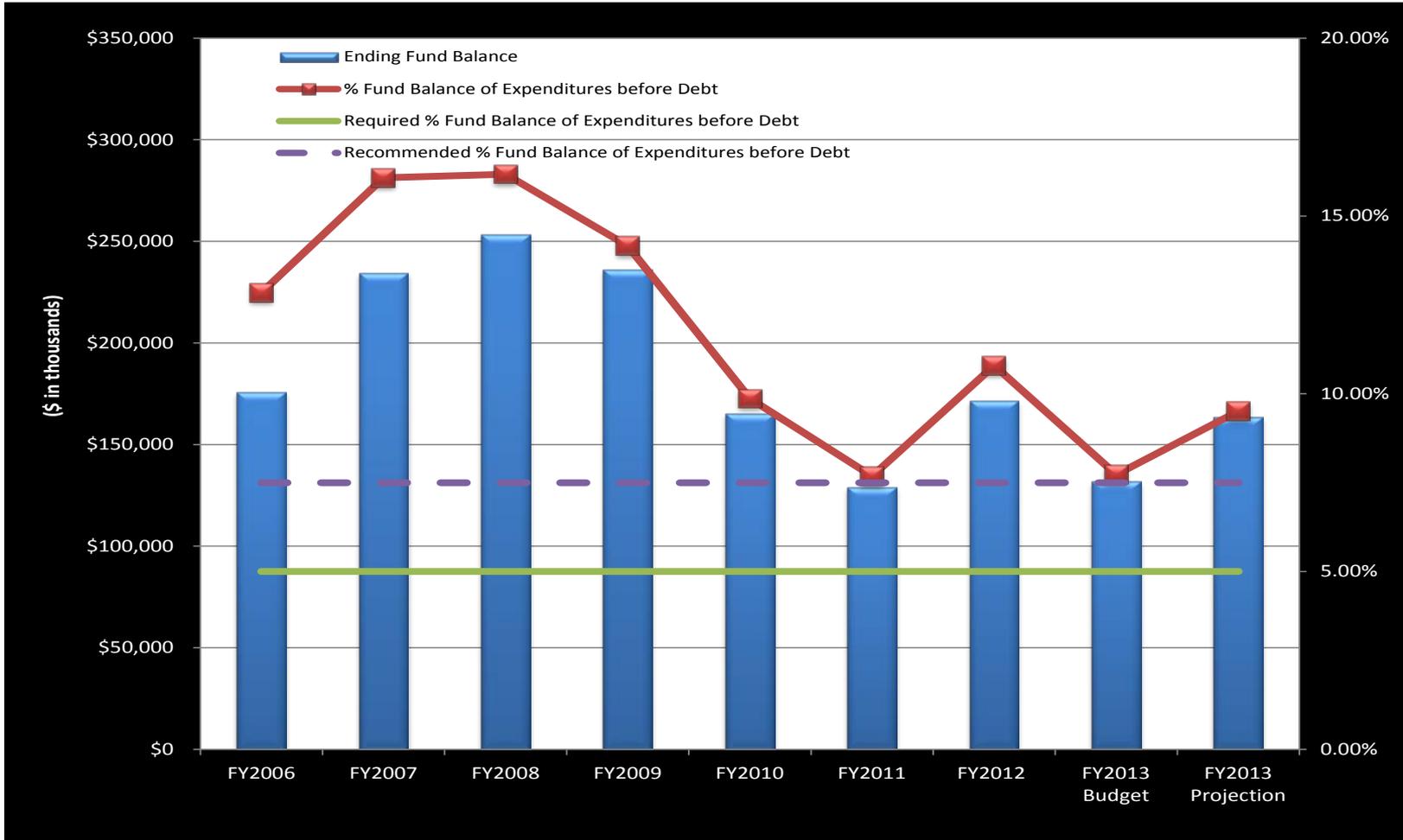


Highlights

- FY2012 General Fund Balance:
 - Ending fund balance estimate in May 2012 at \$161.9M (10% of expenditure less debt)
 - Actual ending fund balance based on CAFR in January 2013 at \$171.7M (10.8% of expenditure less debt)
- FY2013 General Fund Balance update:
 - Adopted ending fund balance at \$131.9M (7.7% of expenditure less debt)
 - Estimated ending fund balance based on 7+5 Report projected at \$163.7M (9.5% of expenditure less debt)



Fund Balance – General Fund



Note:

- FY2013 Ending Fund Balance Projection includes re-designation of the full \$20 million Rainy Day Fund.
- Discontinued the use of pension obligation bonds in FY2011.



General Fund Revenue and Other Sources

(\$ in thousands)

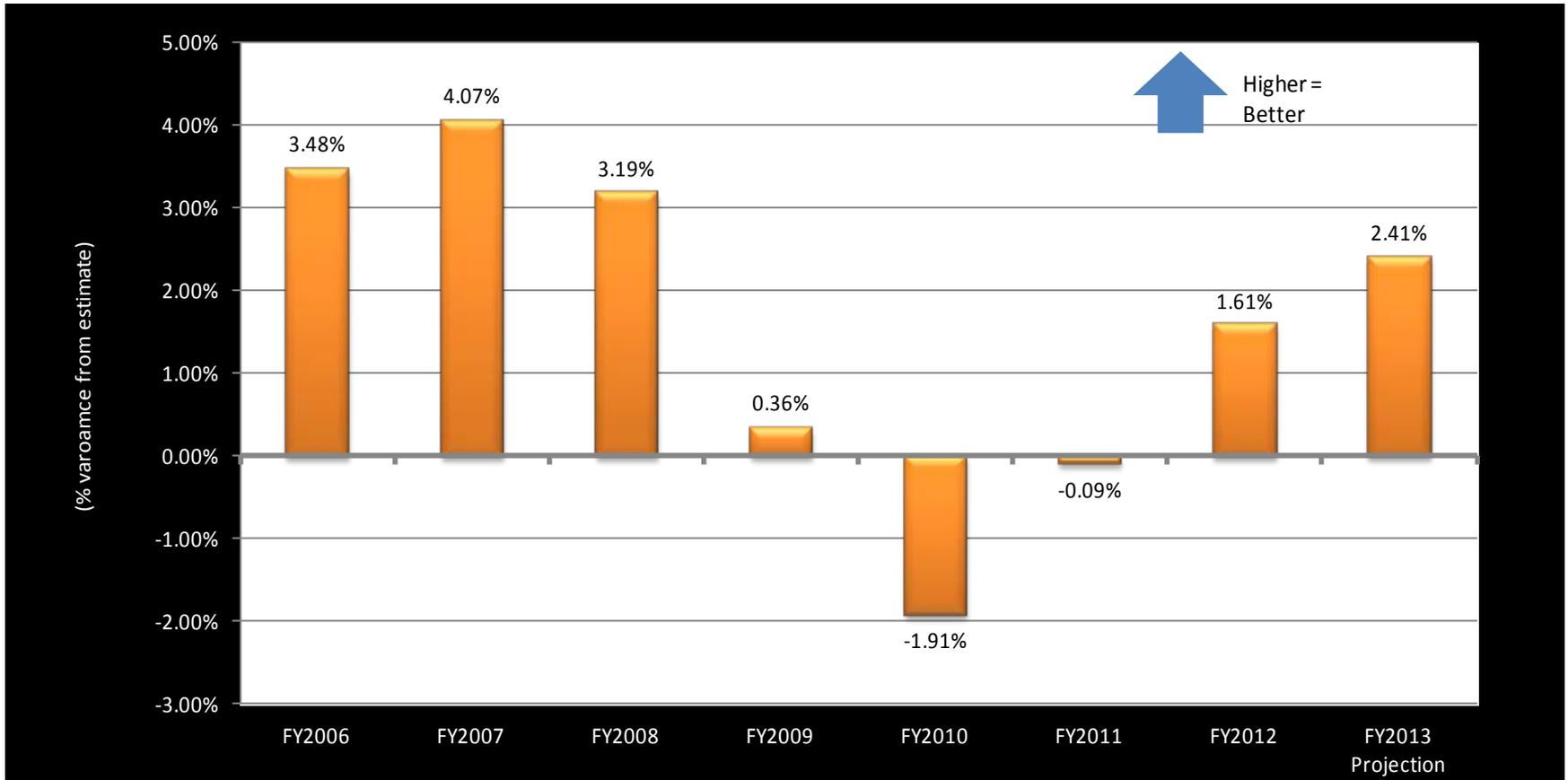
	Adopted Budget	Actual/ Projection	Variance	%
FY2006	1,570,614	1,625,250	54,636	3.48%
FY2007	1,660,074	1,727,580	67,506	4.07%
FY2008	1,755,989	1,811,960	55,971	3.19%
FY2009	1,878,209	1,884,880	6,671	0.36%
FY2010	1,883,304	1,847,354	(35,950)	-1.91%
FY2011	1,841,774	1,840,055	(1,719)	-0.09%
FY2012	1,827,996	1,857,343	29,347	1.61%
FY2013¹	1,922,870	1,969,197	46,327	2.41%

Note:

1. Based on FY2013 Projection as of January MFOR



General Fund Revenue and Other Sources as % of estimate



Note: Percentage variance is from Adopted Budget



General Fund Expenditures and Other Uses

(\$ in thousands)

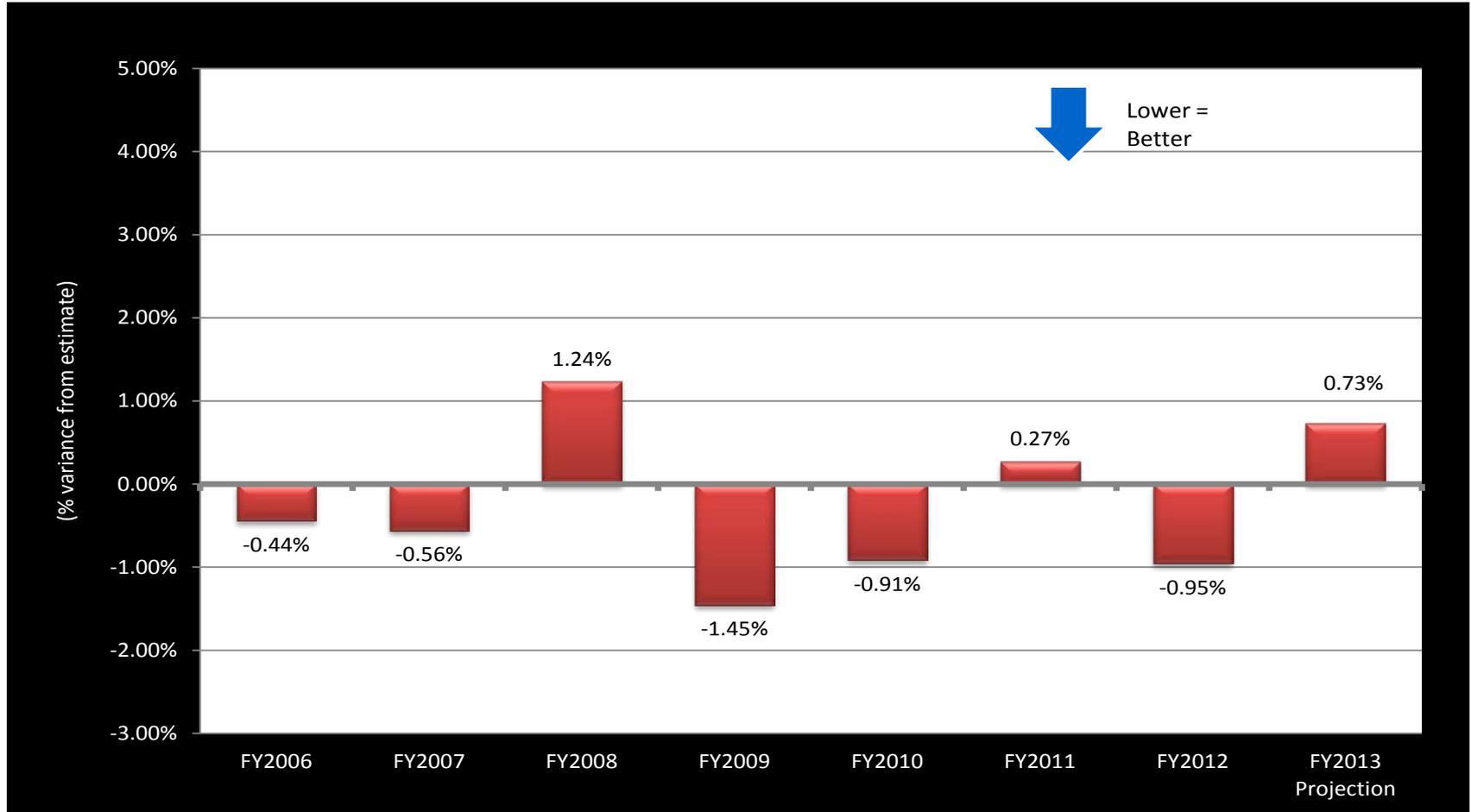
	Adopted Budget	Actual/ Projection	Variance	%
FY2006	1,570,614	1,563,746	(6,868)	-0.44%
FY2007	1,677,420	1,668,075	(9,345)	-0.56%
FY2008	1,768,476	1,790,341	21,865	1.24%
FY2009	1,929,686	1,901,646	(28,040)	-1.45%
FY2010	1,933,997	1,916,387	(17,610)	-0.91%
FY2011	1,895,697	1,900,875	5,178	0.27%
FY2012	1,827,996	1,810,551	(17,445)	-0.95%
FY2013¹	1,947,894	1,962,208	14,314	0.73%

Note:

1. Based on FY2013 Projection as of January MFOR - which includes prior year's health benefits payment of \$12 million.



General Fund Expenditure and Other Uses as % of estimate



Note: Percentage variance is from Adopted Budget. FY2013 Projection includes \$12 million payment to health benefits fund for FY2012 costs.

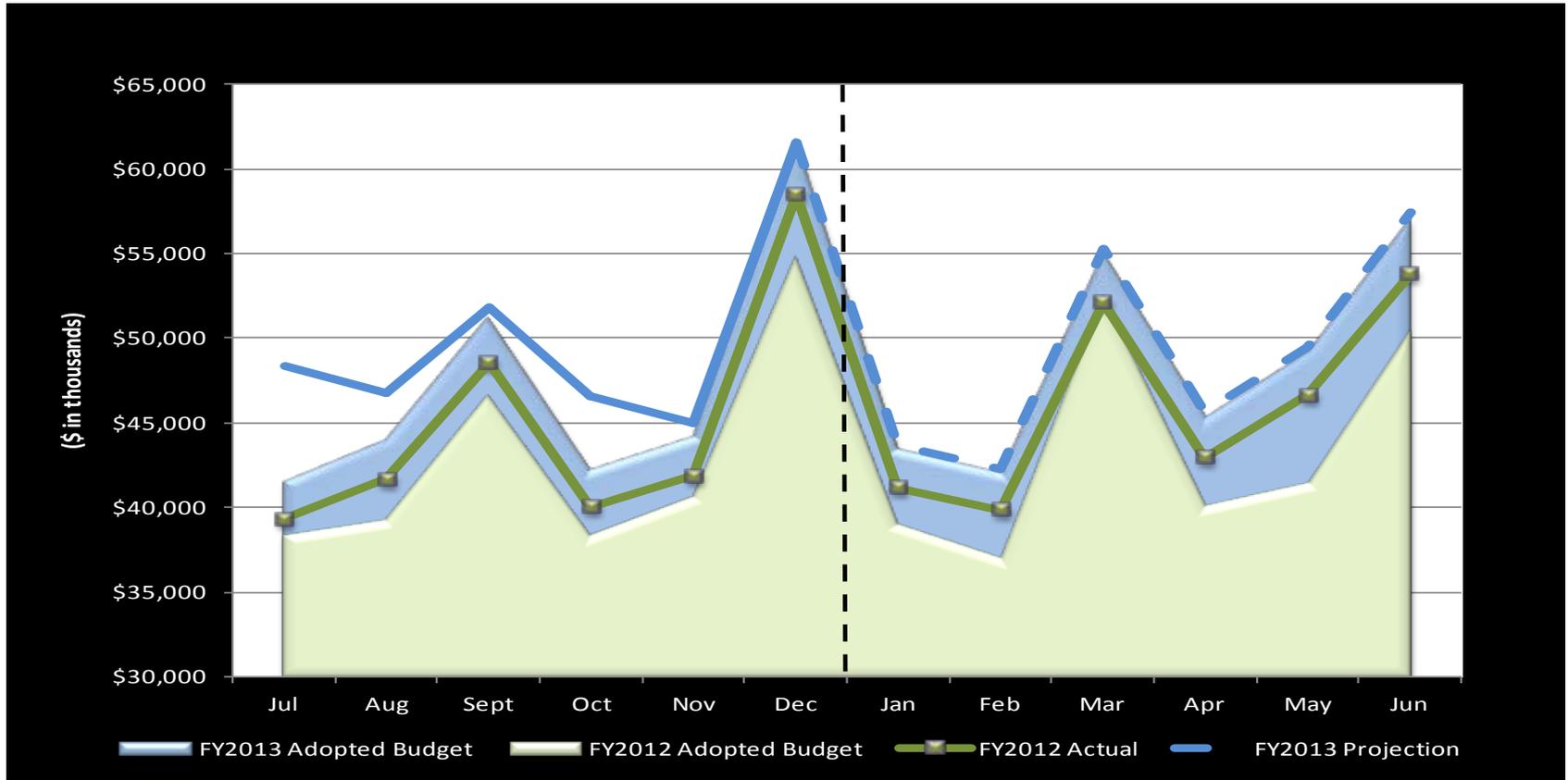


Property Tax





Sales Tax



	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY2012 Actual	39,319	41,676	48,547	40,022	41,879	58,501	41,176	39,852	52,137	42,965	46,637	53,832
FY2013 Act/Proj	48,397	46,736	51,815	46,616	44,955	61,524	43,695	42,291	55,327	45,594	49,491	57,429
% Change	23.09%	12.14%	6.73%	16.48%	7.34%	5.17%	6.12%	6.12%	6.12%	6.12%	6.12%	6.68%



Franchise Fees

(\$ in thousands)

Franchise Fees	FY2012 Actual	FY2013 Budget	FY2013 YTD	FY2013 Projection	Variance over/(under)
Electric Franchise	\$ 99,765	\$ 103,697	\$ 52,038	\$ 103,697	\$ -
Telephone Franchise	45,466	44,606	26,414	45,213	607
Gas Franchise	22,009	19,194	11,197	19,194	-
Other Franchise Fees	25,520	24,175	14,625	24,836	661
Total	\$ 192,760	\$ 191,672	\$ 104,274	\$ 192,940	\$ 1,268



General Fund Expenditures

(\$ in thousands)

Category	FY2012 Actual	FY2013 Budget	FY2013 YTD	FY2013 Projection	Variance over/(under)
Personnel	\$ 916,018	\$ 951,236	\$ 435,390	\$ 951,851	\$ 615
Health Benefits	147,077	169,859	97,531	181,859	12,000
Pension	165,566	191,759	112,773	191,759	-
Others	361,383	393,943	303,069	395,639	1,696
Debt	220,507	241,100	-	241,100	-
Total	\$ 1,810,551	\$ 1,947,897	\$ 948,763	\$ 1,962,208	\$ 14,311

Note: FY2013 Projection includes \$12 million payment to health benefits fund for FY2012 costs.



Health Benefits

(\$ in thousands)

Description	FY2012 Actual	FY2013 Budget	FY2013 YTD	FY2013 Projection	Variance over/(under)
Health Ins - Act Civilian	\$ 32,021	\$ 37,673	\$ 21,268	\$ 40,929	\$ 3,256
Health Ins - Act Classified	90,087	104,074	59,842	110,908	\$ 6,834
Health/Life Ret - Civilian	10,251	12,051	6,521	12,842	\$ 791
Health/Life Ret - Classified	14,718	16,061	9,900	17,179	\$ 1,118
Total	\$ 147,077	\$ 169,859	\$ 97,531	\$ 181,859	\$ 12,000

Note: FY2013 projection includes \$12 million payment to health benefits fund for FY2012 costs.



Pension

(\$ in thousands)

Description	FY2012 Actual	FY2013 Budget	FY2013 YTD	FY2013 Projection	Variance over/(under)
Civilian	\$ 38,662	\$ 46,234	\$ 26,501	\$ 46,234	\$ -
Fire	61,204	61,475	36,647	61,475	-
Police	65,701	84,050	49,625	84,050	-
Total	\$ 165,567	\$ 191,759	\$ 112,773	\$ 191,759	\$ -



Energy

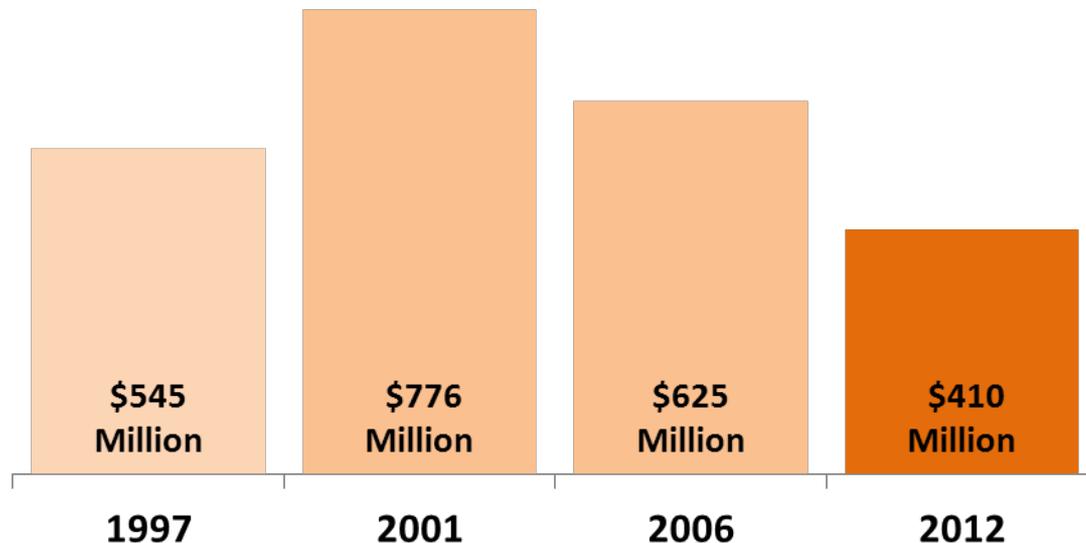
(\$ in thousands)

Description	FY2012 Actual	FY2013 Budget	FY2013 YTD	FY2013 Projection	Variance over/(under)
Fuel	\$ 24,838	\$ 24,452	\$ 12,394	\$ 24,452	\$ -
Electricity	52,124	50,828	29,667	50,828	-
Natural Gas	590	711	210	711	-
Total	\$ 77,552	\$ 75,991	\$ 42,271	\$ 75,991	\$ -



Bond Election

- The 2012 City Bond Election did not require a tax increase.
- The bond proposal was the smallest in more than 30 years and hundreds of millions of dollars less than the three previous bond measures:





General Obligation Bonds

- General Obligation bonds are:
 - backed by an ad valorem tax levied, within legal limits, on taxable property in the city
 - rated Aa2/AA/AA by Moody's, S&P and Fitch, respectively
- Ad valorem property taxes are the primary source of funds used to pay debt service on the City's General Obligation bonds



General Obligation Debt

- Total Outstanding Debt as of January 31, 2013 and January 31, 2012.
- Variable rate exposure of 7.95%

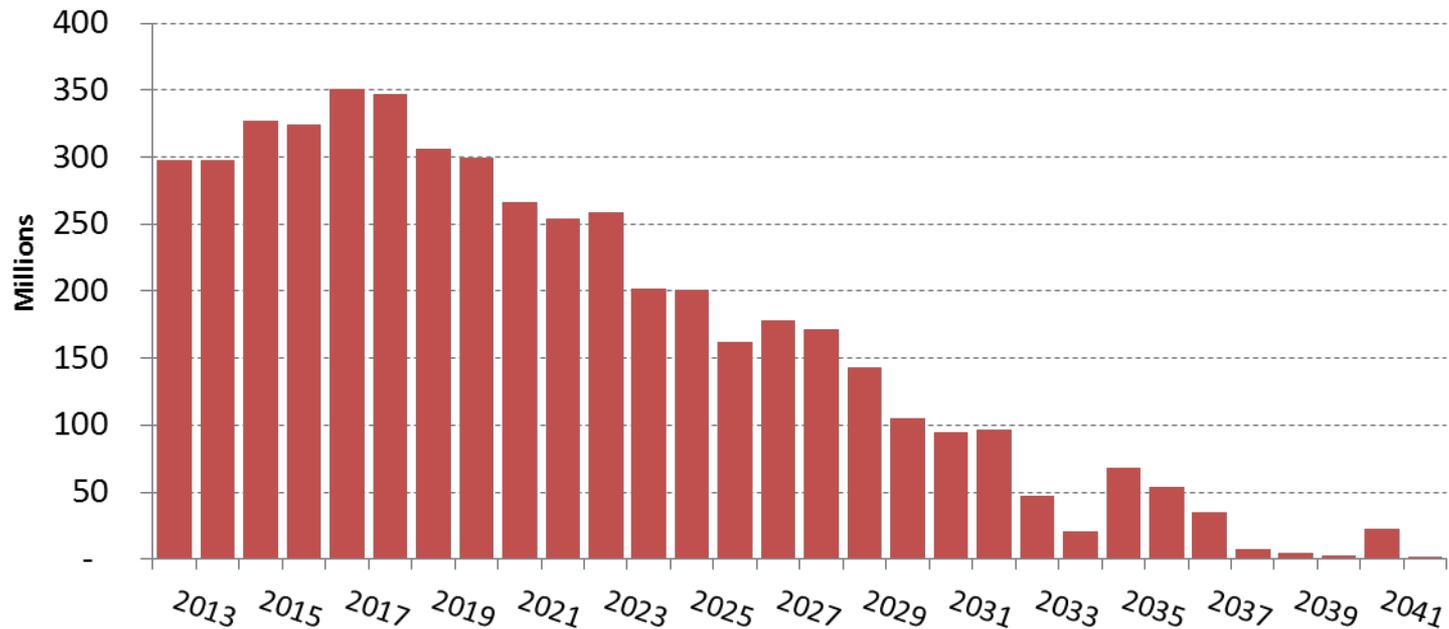
(in thousands)

Debt Type	January 31, 2013	January 31, 2012
Public Improvement Bonds	2,582,320	2,514,715
Commercial Paper Notes	276,900	310,450
Pension Obligations	607,775	607,775
Certificates of Obligations	17,365	65,950
Total	\$3,484,360	\$3,498,890



General Obligation Debt Service

- Principal and interest annual debt service⁽¹⁾ payable from Ad Valorem taxes.



(1) Excluding outstanding commercial paper notes



GENERAL FUND FY2014 OUTLOOK

As of March 27, 2013



Revenues Outlook – FY2014

- **Growth Estimates:**

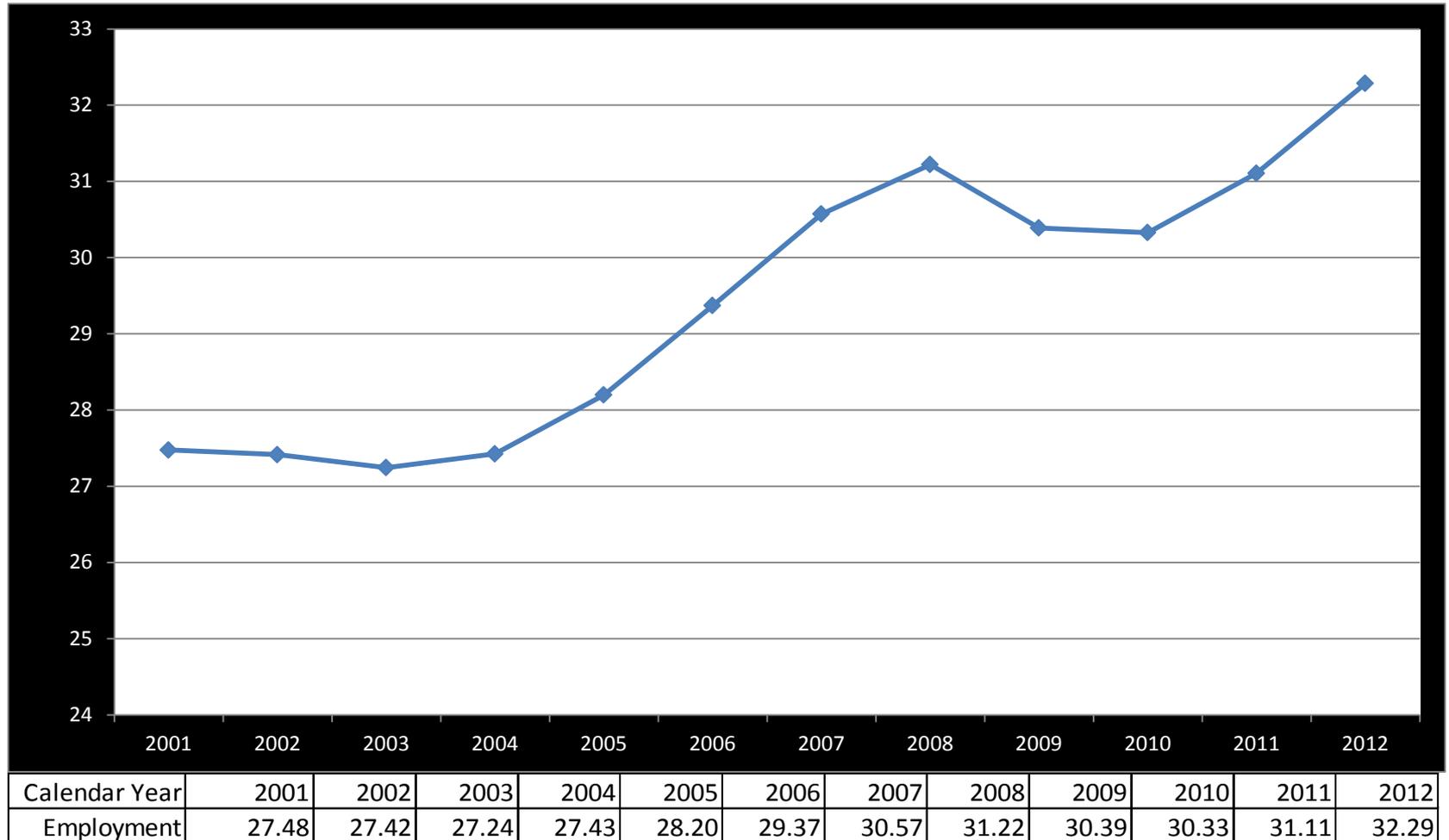
- Property Tax = 3.8%
- Sales Tax = 4.7%
- Other Revenues = -2.4%
 - Includes Franchise Fees, Industrial Assessment, License and Permits, Charges for Services, etc.
 - In FY2013, Industrial Assessment revenues include prior year (FY2012) collection, resulting in negative growth in FY2014.

- Collections Program

- Cost of Service Fee Recovery

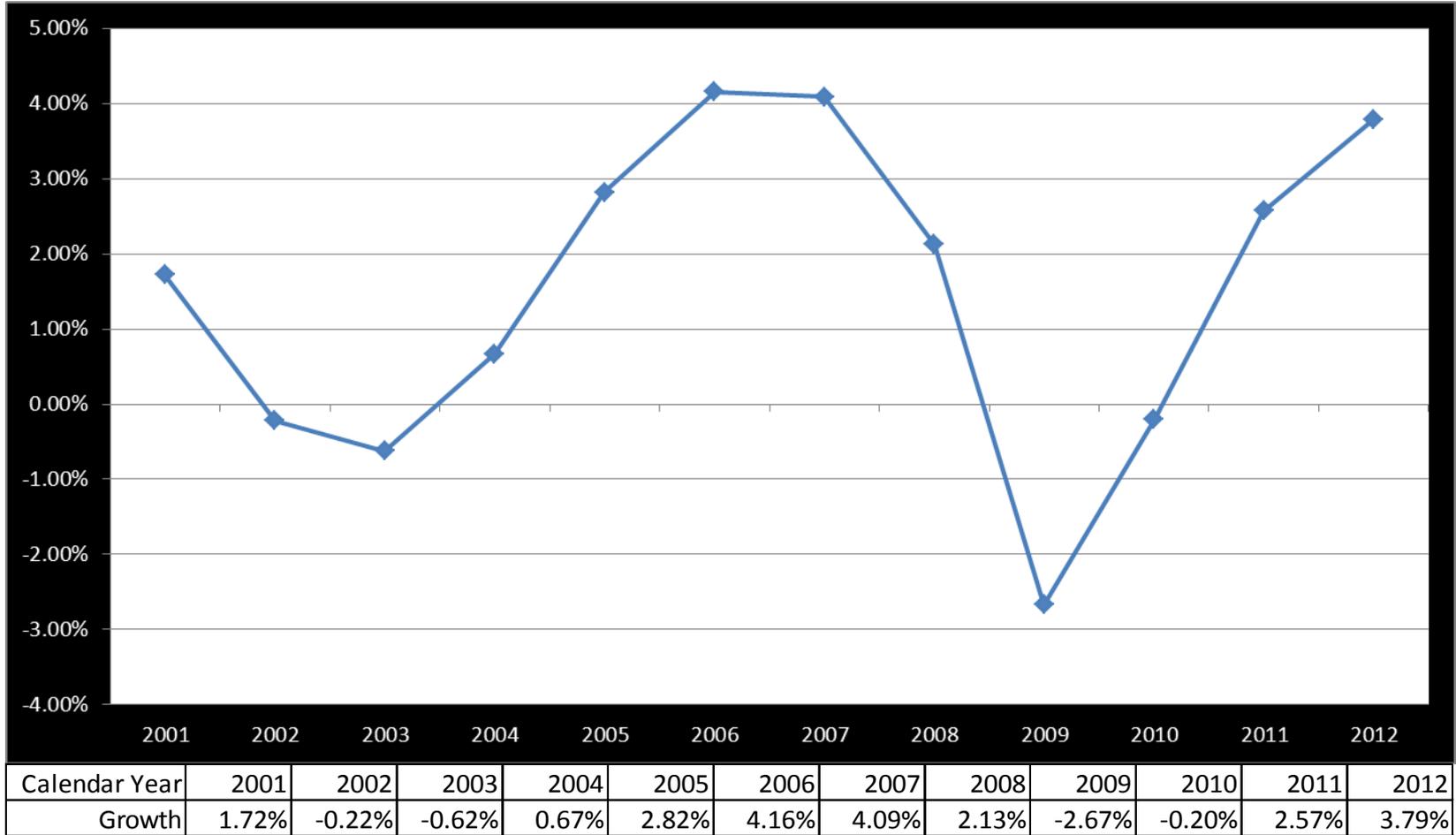


Houston MSA Jobs in Millions





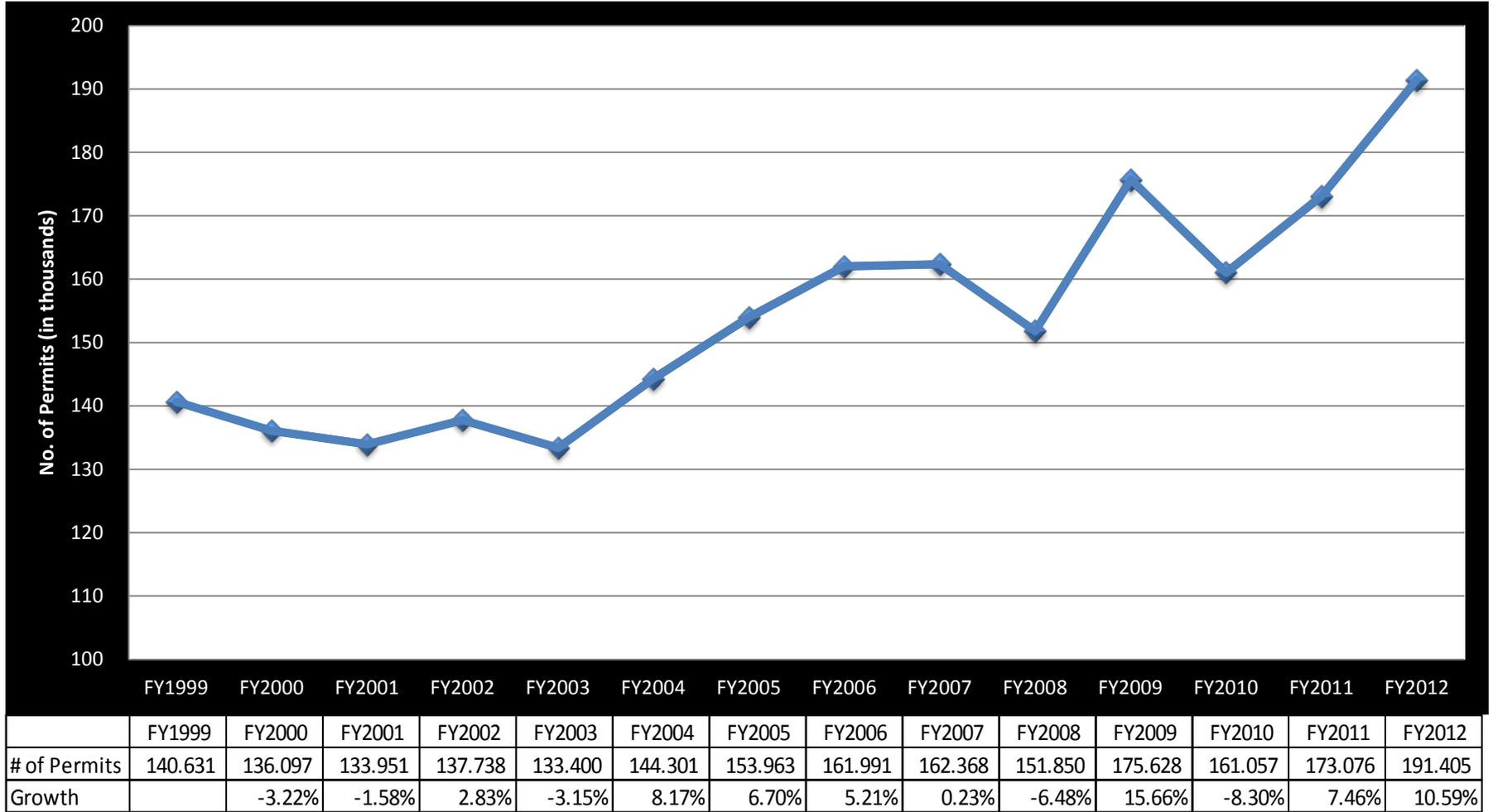
Year Over Year Job Growth – Houston MSA





Building Permit Issuance

in Thousands





Expenditures Outlook – FY2014

- **Salary Increases:**

- Civilian = 3.0%
- Police Classified = 3.54%
- Fire Classified = 0.34%
- All three based upon separate union contracts
- Includes net headcount changes

- **Pension:**

- HMEPS at 22.69%, a 2% increase
- HFRRF at 23.9%, no increase
- HPOPS \$10M increase plus \$8.5M previously deferred pension payment



Expenditures Outlook – FY2014

- **Health Benefits:**
 - Growth at approximately 14.9%
- **Debt:**
 - Debt service transfer increase of \$13M



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HoustonfirstSM

Presentation to

Houston Investor Conference

Wednesday, March 27, 2013

Brenda Bazan, CFO

What is **Houstonfirst**SM and how does it relate to the City?

- Houston First is a consolidation of the City's Convention and Entertainment Facilities Department and the Houston Convention Center Hotel Corporation
- Legal Structure – Houston First is a Local Government Corporation under a Board of Directors which evolved from board of Houston Convention Center Hotel Corporation. It was approved by Houston City Council with an effective date of July 1, 2011
- Benefits – the consolidation creates a single entity focused on the long term sustainability of the operation as a whole and the development of a civic vision for the City's convention and theater products; certain overall cost savings can also be expected
- City receives annual lease payment and has oversight role through approval of board members, budget and debt. Debt pledges, bond covenants and cash flows related to first lien bonds were not affected
- Separate administrative functions (payroll, accounting system, purchasing, etc.) developed incrementally since HFC creation

How does the Hilton Americas-Houston Hotel Fit In?

- Original Houston Convention Center Hotel Corporation board became board of HFC
- Hilton profits and management are now more formally integrated with convention center and arts operations
- Hilton continues to pay debt service on hotel debt plus pay “preferred return” pursuant to original Interlocal Agreement



Facility Overview

Houston First manages the following facilities:

- Hilton Americas - Houston Hotel
- George R. Brown Convention Center
- Jones Hall for the Performing Arts
- Wortham Theater Center
- Miller Outdoor Theatre
- Certain downtown parks and outdoor venues
- Other smaller venues
- Downtown parking facilities

Who approves major projects?

- Board of HFC approves annual operating and capital budgets
- Houston City Council approves HFC budget
- HFC Board and Houston City Council approves all matters related to debt

The Basics of C & E Debt

- C&E first lien debt is nominally divided into debt that was used to build the Hilton (the “hotel bonds”) and debt that was used to expand the convention center (the “convention center bonds”). However, all first lien bonds are City obligations and share equal security features.
- Pledged revenue – revenue pledged to first lien bonds consists of 81% of Hotel Occupancy Tax (HOT) , parking revenues from certain downtown garages, and taxes rebated to the Hilton
- Tax rebates expire in December 2013 (10th anniversary of hotel opening)
- A portion of the expiring tax rebates will continue to flow to the City (and thus remain pledged) after expiration while the remainder will return to other jurisdictions and will no longer be pledged

Debt Basics (continued)

- **First Lien Debt - \$626 million issued, \$463 million currently outstanding**
- **Additional bonds test (1.35 x MADS¹) prevents new first lien debt until next year at the earliest**
- **Bonds rated A-, A2 with stable outlook**
- **Current subordinate lien Commercial Paper – \$42 million outstanding from a \$50 million available line of credit secured by Union Bank Letter of Credit. (Expires this year-replacement process is underway)**
- **Additional debt planned for 2013 - mortgage loan against Hilton – to be discussed in later slide relating to new hotel development**

¹See Bond Ordinance authorizing first lien bonds of specific details regarding the issuance of additional debt.

HOT Revenue Projections

- HOT is by far the greatest source of revenue for HFC
- 2012 HOT growth was second largest ever experienced
- Annual projections are made by Smith Travel, PKF Hospitality Research, and Institute of Regional Forecasting at University of Houston; UH model makes longer-term predictions
- 2013 budget for HOT is \$75.6 million, an 8.9% increase over 2012

	YEAR OVER YEAR INCREASE	HOT COLLECTIONS(mm)
2000	3.9%	\$ 42.2
2001	6.1%	\$ 44.8
2002	-4.5%	\$ 42.8
2003	-5.1%	\$ 40.6
2004	6.2%	\$ 43.1
2005	4.1%	\$ 44.9
2006	21.5%	\$ 54.5
2007	8.7%	\$ 59.3
2008	12.1%	\$ 66.4
2009	-13.3%	\$ 57.6
2010	-5.4%	\$ 54.5
2011	11.5%	\$ 60.8
2012	14.1%	\$ 69.4
2013	8.9%	\$ 75.6
2014	4.9%	\$ 79.3
2015	9.1%	\$ 86.5
2016	7.4%	\$ 92.0
2017	8.2%	\$ 100.5

Predicted



Financial Interaction Between City and HFC

- City accounts for all pledged revenue and debt service pursuant to bond covenants
- City holds all debt service reserve funds and 90-day operating reserve pursuant to bond covenants
- HFC collects and accounts for amounts for net pledged revenue plus non-pledged revenues, including net cash flow from the Hilton hotel
- HFC holds required reserves for capital refurbishment of Hilton Hotel

The Future of the Convention District

- The 2025 Master Plan envisions public/private development of the convention district, improvements to existing infrastructure including Avenida de las Americas and future expansion of the GRBCC
- Key drivers of 2025 Master Plan:
 - Convention facilities
 - Hotel package
 - Transportation
 - Attractions and activities for visitors
 - Safety and security
- Master Plan calls for leveraging momentum of recent projects like Discovery Green, One Park Place, Hess Tower and Metro's east-west light rail transit to enhance downtown's east side
- Initial action steps from Master Plan:
 - Development of a second convention headquarters hotel
 - Downtown Living Initiative Chapter 380, with new tax incentives for housing developers

Aerial Rendering from the Master Plan

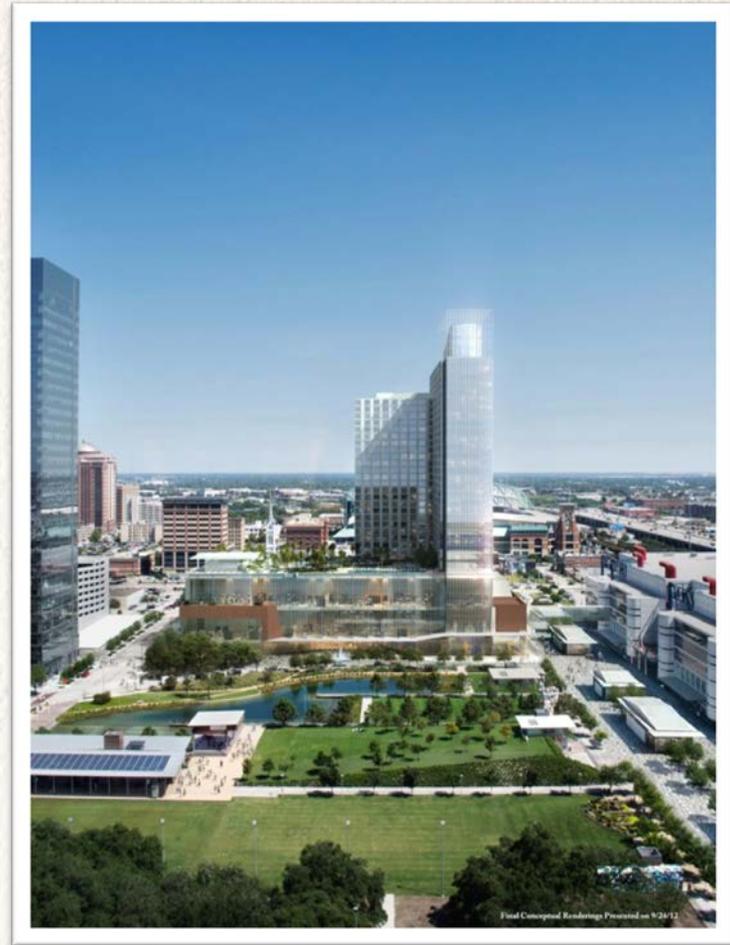


Public Incentives for New Hotel

- Master Plan identified lack of downtown hotel rooms as major obstacle to attracting new conventions
- Incentives
 - Cash
 - Tax abatements/tax rebates
 - Build parking garage
 - Provide sky bridges
- Raising the cash – loan against equity and cash flow of Hilton
- Process for selection included requests for qualifications answered by 11 developers and narrowed to negotiations with RIDA Development
- The new Marriott Marquis will have 1,000 rooms and be connected to the convention center via climate controlled skywalk
- Opening scheduled for June 1016

The New Marriott Marquis Opening in 2016

- Last fall RIDA Development Corp. announced plans to develop a 1,000-room Marriott Marquis at the north end of the GRB
- HFC is negotiating a development and funding agreement with RIDA
- Once an agreement is reached and approved, RIDA will begin with the design phase of the project
- Groundbreaking is expected to take place in 2014
- Anticipated hotel opening is 2016



Future Financing Considerations

- **First Lien Debt - Small current refunding in process to take advantage of interest rate savings**
- **Additional first lien bonds may be considered in 2014 at the earliest**
- **Fixing out auction rate securities is possible without meeting new bonds test although not currently under active consideration due to advantageous rate; 2011 refunding reduced amount of auction rate bonds from \$150 million to \$75 million**
- **Commercial paper LOC expires in December 2013; replacement LOC search currently under way**

Summary

- Houston's future as a convention destination and business travel destination is bright
- The new Marriott Marquis will enhance this future
- Formation of HFC enables a higher level of management initiative to be applied to the challenge of building Houston's appeal and competitiveness

Thank you
for visiting
HoustonfirstSM



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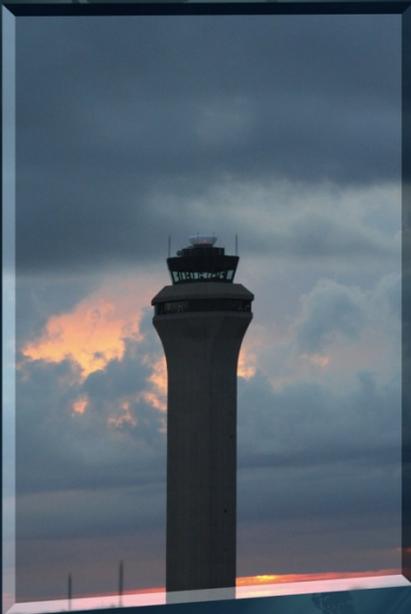
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MARIO C. DIAZ
AVIATION DIRECTOR
HOUSTON AIRPORT SYSTEM

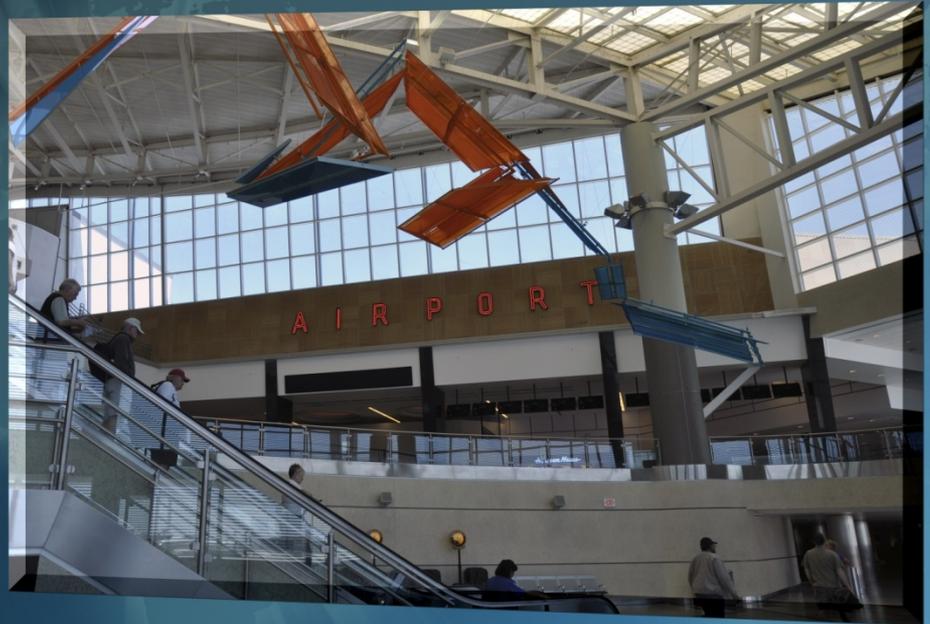
GEORGE BUSH INTERCONTINENTAL AIRPORT

- Flagship airport in Houston
- 5 Terminals & 137 Gates
- 40 million passengers in 2012
- All int'l travel (8.7 million)
- O & D: 51%
- Connecting: 49%



WILLIAM P. HOBBY AIRPORT

- Located seven miles south of downtown
- Home to low cost airlines
- 25 Gates
- 10.4 million passengers in 2012
- O & D: 75%
- Connecting: 25%



ELLINGTON AIRPORT

- Acquired by City of Houston in 1984
- General Aviation
- Supports U.S. Military Operations
- Home to NASA training



- Fourth Largest City in the U.S.
- 2011 Gross Area Product: \$442 Billion
- Houston/Sugarland/Baytown is fifth largest MSA in the U.S. with six million people

Source: Greater Houston Partnership



ECONOMIC IMPACT

- Houston MSA would rank as world's 25th largest economy
- Fastest growing economy in the U.S.
- Supports 2.7 million payroll jobs – more than 33 of the 50 states in the U.S.

Source: Greater Houston Partnership

A nighttime photograph of a city skyline, likely Houston, featuring several prominent skyscrapers with their windows illuminated. The sky is a deep blue, and the buildings are lit up with various colors, primarily yellow and white. The text 'ECONOMIC IMPACT' is overlaid on a dark blue banner at the bottom of the image.

ECONOMIC IMPACT



Exports as a Percent of Gross Metro Product 10 Most Populous U.S. Metro Areas

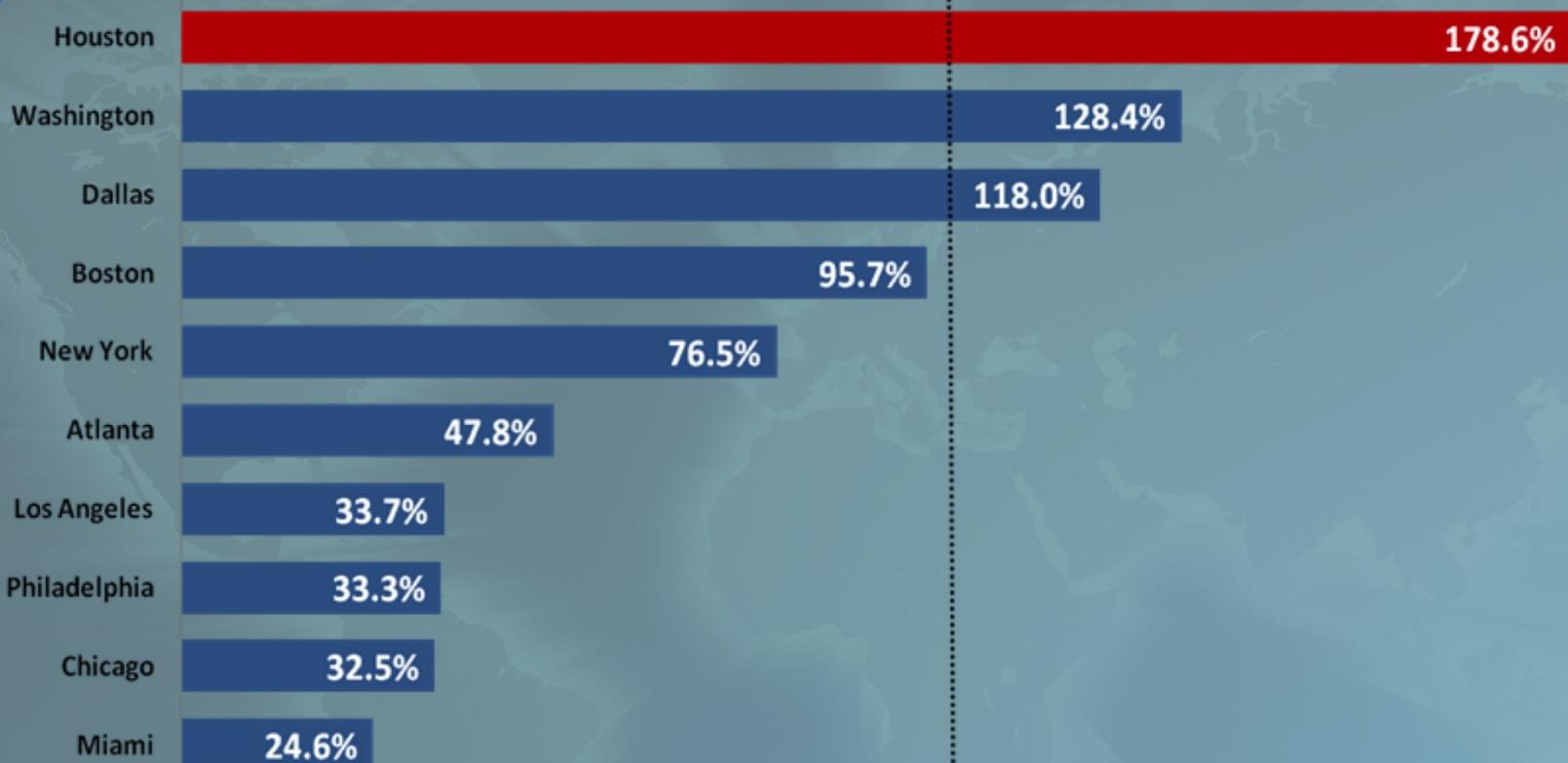
Metro Area	'05	'10
Houston	13.9%	20.7%
Los Angeles	6.6	8.6
Miami	8.6	14.4
Philadelphia	4.3	6.6
Washington, DC	1.7	2.6
Dallas-Ft Worth	6.6	5.9
Boston	6.9	7.0
New York	5.2	6.8
Atlanta	4.5	5.5
Chicago	5.6	6.4

Source: HIS Global Insight

ECONOMIC IMPACT

Recovery from Great Recession

Percent of jobs recovered through Dec. 2012



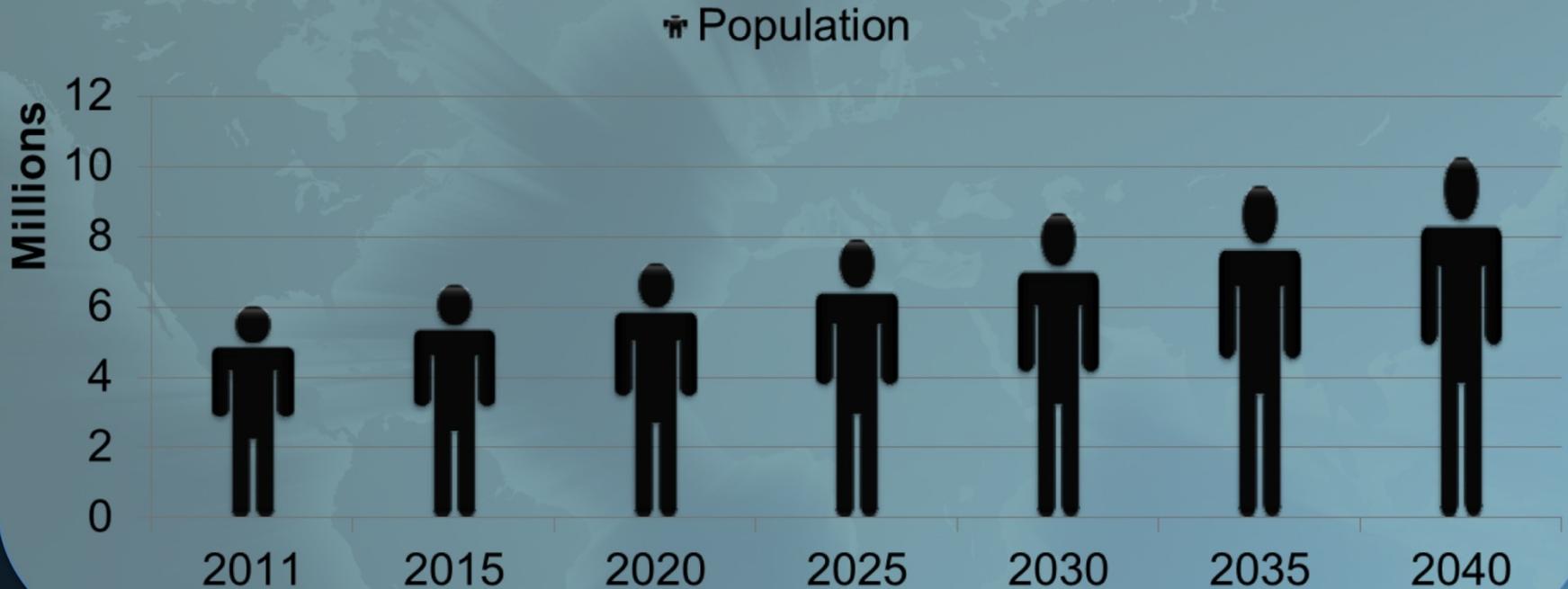
Source: U.S. Census Bureau of Labor Statistics

ECONOMIC IMPACT

Houston Will Lead Nation in Population Growth

Estimated 10 million people by 2040

Greater Houston Growth Trends



Source: The Perryman Group

ECONOMIC IMPACT

Houston Will Lead Nation in Job Growth

Real GAP of \$962 Billion by 2040



Source: The Perryman Group

ECONOMIC IMPACT

George Bush Intercontinental Airport

Passenger Totals

Total:

2002: 33.9 million

2012: 39.8 million

17.6% increase



Domestic:

2002: 28.2 million

2012: 31.1 million

10.2% increase



International:

2002: 5.6 million

2012: 8.7 million

54.6% increase



Calendar Year 2002 & 2012

International Onboard Passengers by Region (Calendar Years 2007 – 2012)



OPERATIONS

George Bush Intercontinental Airport



Air China



Turkish Airlines

OPERATIONS

George Bush Intercontinental Airport



Spirit Airlines

Dallas – Sept 2012

Chicago – Oct 2012

Las Vegas – Oct 2012

Orlando – Feb 2012

Los Angeles – April 2012

Denver – June 2013

Detroit – June 2013

OPERATIONS

HAS Daily Flight Changes

United Airlines

↓ 25

Southwest Airlines

↑ 12

Other Airlines

↑ 11

Total

↓ 2

OPERATIONS

HAS Daily Seat Changes



United Airlines  1,978



Southwest Airlines  1,700



Other Airlines  1,057

Total  779

OPERATIONS

United Airlines Seats

Share of Departures Seats 1Q 2012- 1Q 2013



OPERATIONS

New Nonstop Flights – Hobby Airport

Austin

Chicago

Raleigh/Durham

Branson

Kansas City

San Antonio

Charlotte

Pittsburgh

Seattle

Calendar Year 2012

A Southwest Airlines airplane, painted in the airline's signature blue and red livery, is captured in flight, banking to the right. The aircraft is positioned in the lower half of the frame. In the background, the airport's infrastructure is visible, including a prominent white control tower with a black top section on the left, and a large, multi-story terminal building with a green-tiled roof. The sky is clear and blue. The text "WILLIAM P. HOBBY AIRPORT" is overlaid at the bottom of the image in a white, serif font.

WILLIAM P. HOBBY AIRPORT

International Flights at William P. Hobby Airport



- IAH will remain airport for full-service long-haul int'l flights
- Will bring regional int'l flight capabilities to HOU
- Houston has most connectivity with Mexico in the U.S.
- Traffic to Latin America will increase
- Int'l flights at HOU will begin in 2015

FUTURE STRATEGY

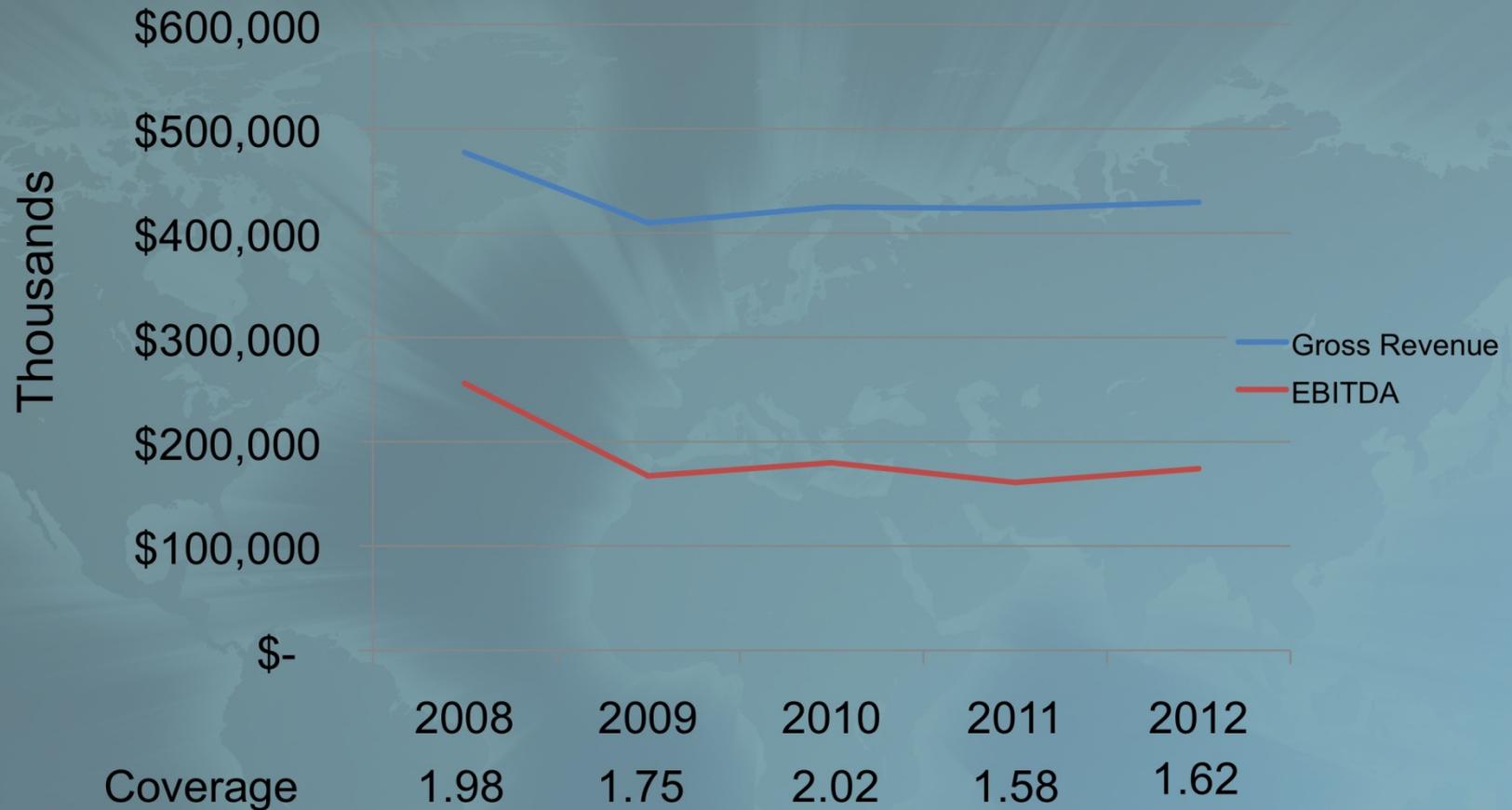
Spaceport at Ellington Airport



- Feasibility study already performed
- Create cluster of Aerospace & Aviation companies
- Support small, reusable space vehicles
- Establish Houston as the brand for Aerospace activity

FUTURE STRATEGY

5-year Financial Performance



FINANCIAL STRENGTH

¹See Bond Ordinance authorizing airport debt for more detail. Coverage numbers included herein may include miscellaneous revenues not defined as Gross Revenues or Net Revenues in the Ordinance.

↑ D1-6

Airline	Flight	Gate
AEROMEX	3	D8
AEROMEX		D8
AIR FRANCE	97	D7
BRITISH		D9

Passenger Facility Charges

Airport	Rate	Enacted	FY 12 Collections
IAH	\$3.00	12/1/08	\$50M
HOU	\$3.00	11/1/06	\$13M
Cash Balance (12/31/12)			\$87M

D6 →
✈️ →

FINANCIAL STRENGTH

Terminal B Renovation



- \$1 Billion partnership with United Airlines
- Central Hold Room/ Concession area opens in Q2 CY13
- 4X amount of space as previous facility
- Increases fleet flexibility for United Airlines

CAPITAL IMPROVEMENT PROGRAM

Terminal D Renovation



- Represents International “Front Door” to Houston
- Terminal D was built in 1991
- Current facility is due for update
- Detailed evaluation process is underway

CAPITAL IMPROVEMENT PROGRAM

International Flights at Hobby Airport



- Two-story, five-gate facility with FIS
- Southwest to have Preferential use of 4 gates, other gate will be common use
- \$150 million investment by Southwest
- HAS will own & operate the facilities when construction complete



CAPITAL IMPROVEMENT PROGRAM

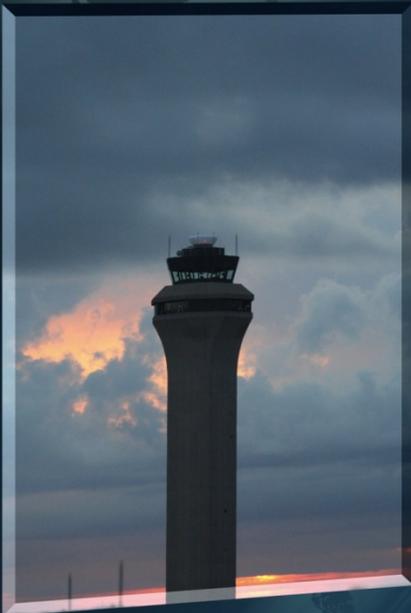
Hobby Airport Garage & Roadway



- 3,000 space parking garage
- Displaces 500 space surface lot
- Estimated cost is \$55 million
- Portion of roadway is re-directed to minimize congestion
- Opens with Int'l terminal in 2015

CAPITAL IMPROVEMENT PROGRAM

CITY OF HOUSTON INVESTOR CONFERENCE



MARIO C. DIAZ
AVIATION DIRECTOR
HOUSTON AIRPORT SYSTEM



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Houston's Combined Utility System

Overview of the System and its Financing

Presented by Susan Bandy, CPA, Deputy Director
Department of Public Works & Engineering



Executive Summary

Area Growth and Water Needs Growth

- In January 2013, Forbes listed Houston as the second fastest growing US City
- Harris County added more residents than any other county in the U.S. in 2012
- By 2060, the Houston Area population is estimated to double
- Per state mandated ground water reduction plans, the region is shifting from reliance on ground water to surface water

Financial Strength

- Comparing FY2000 to FY2012, Revenues grew by 57% or \$350Million
- CUS maintains over 500 days of available operating cash
- Per Ordinance since 2004 – rates are adjusted automatically each year on April 1st

Capital Program

- April 2010, City Council approved funding levels in the rates to support a “Best Practices Capital Program” of \$370Million annually
- The CIP includes a defined replacement schedule for all System assets
- Funding now includes pay-as-you-go cash funding in 2012 10% and 20% in 2020

Credit, Bonds and Variable Debt

- Over the last several years the CUS has reduced LOC needs, or other bank supported backing, from \$2.3Billion to \$1.6Billion by reducing CP credit lines and converting all non-swapped variable debt to fixed bonds
- CUS has executed all appropriate refundings during this period of attractive interest rates

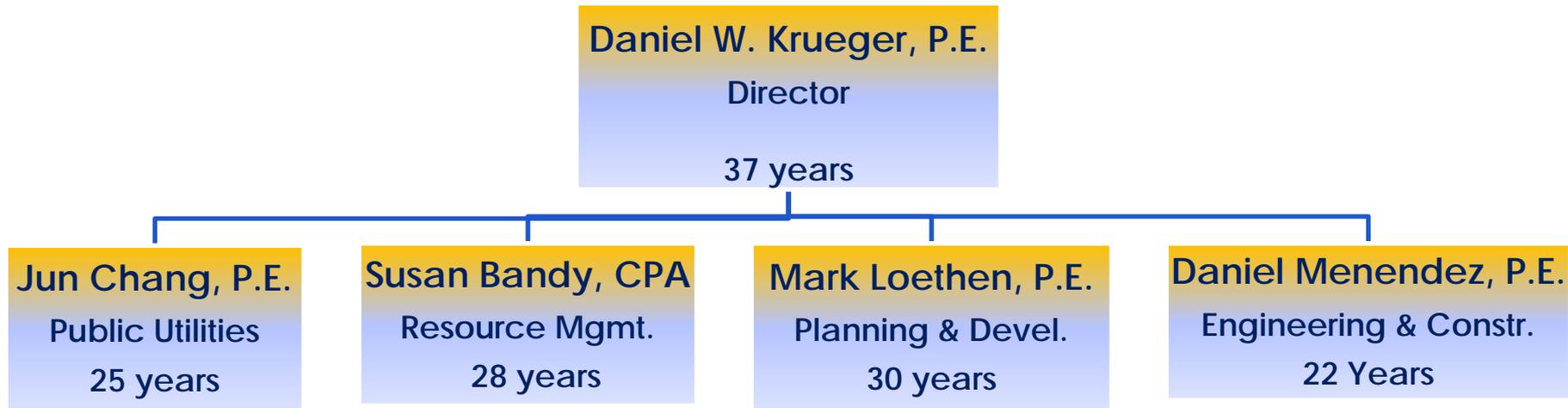
Our Vision

To plan, design, construct, operate and maintain Houston's critical public infrastructure systems in a coordinated manner to provide drinking water and wastewater collection and treatment; and do so responsively, effectively, efficiently and in an environmentally responsible fashion to serve our customers.

Houston CUS – One of Largest Water & Sewer Systems in U.S.

- 640 square miles
- 7,500 miles of water lines
- 6,900 miles of wastewater lines
- Budget average of 450 MGD of potable water (844 max)
 - Available potable water MGD Surface 625 + Ground 219 permit
 - Highest day on record – 672 MGD treated in Sept. '11
- Supplies an average of 220 MGD of untreated water
- Treats approximately 230 MGD of wastewater (564 permitted)
- Maintain ~460,000 accounts and related metering system

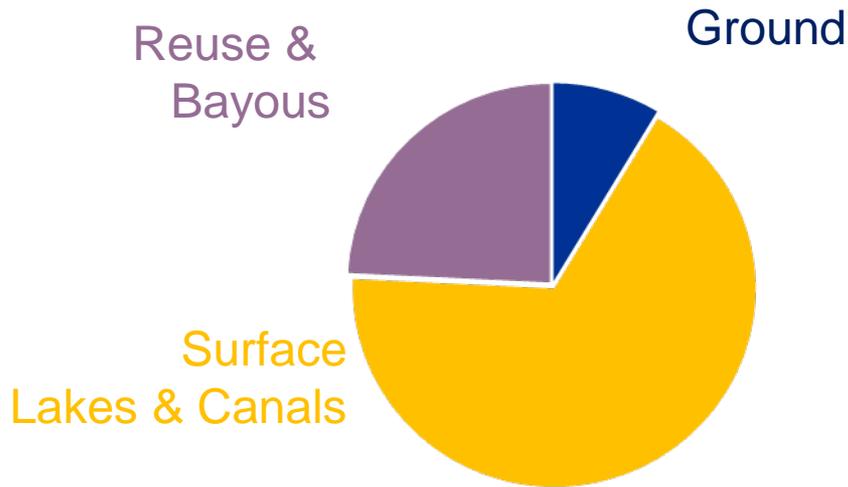
CUS Management Team



The CUS has a senior management team with an average of 28 years of related experience that is dedicated to the well-being of the CUS and its customers.

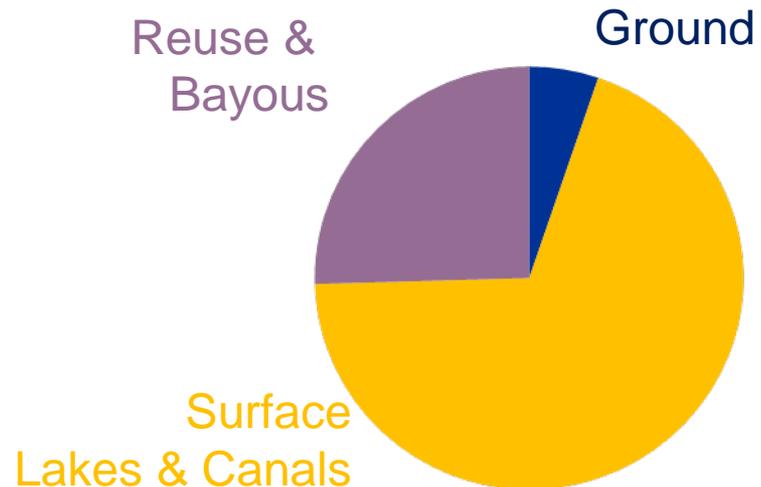
COH Water Supply

Water Supply 2013



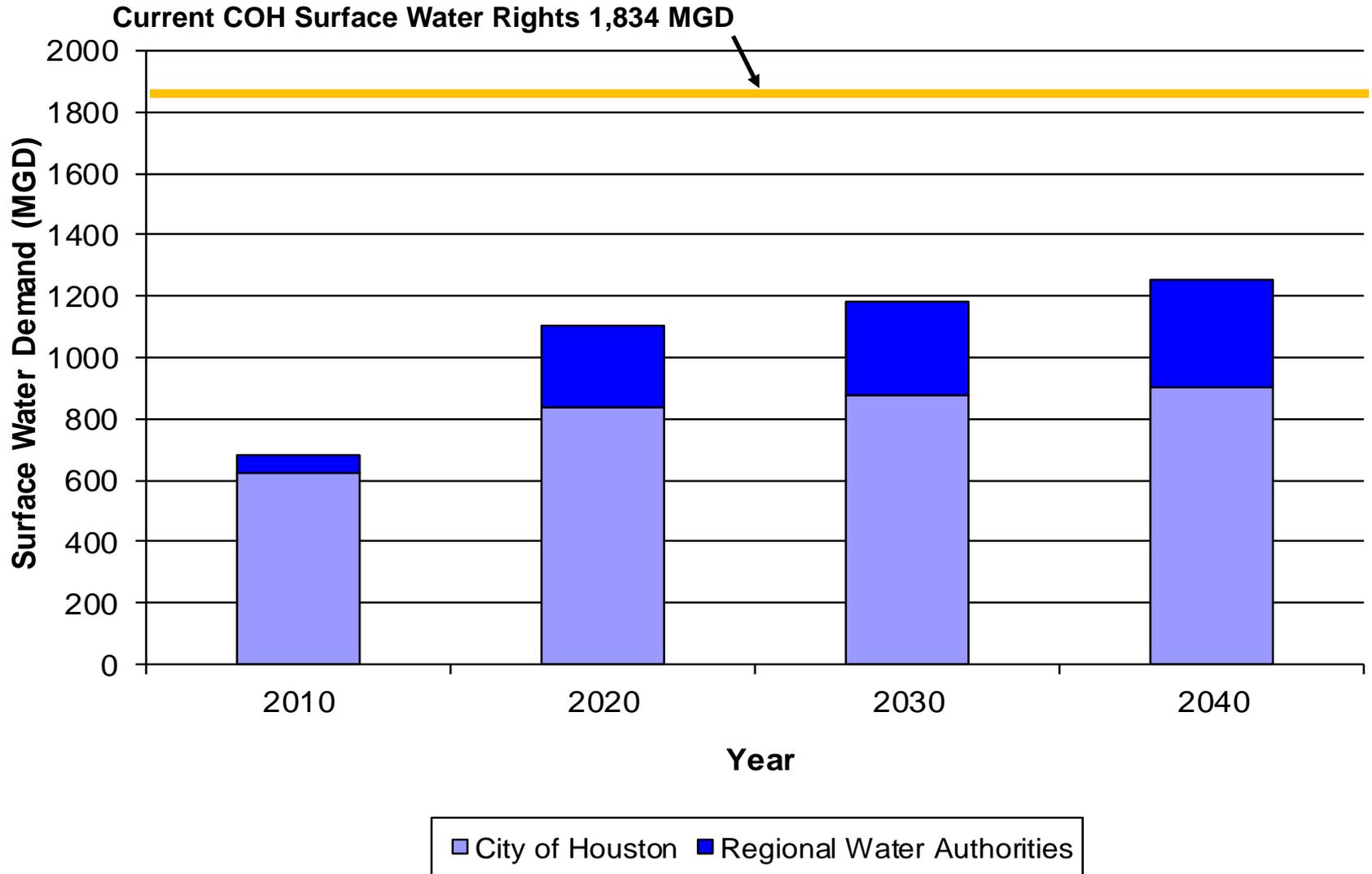
All Water Rights & Permitted
2,069 MGD

Water Supply ~2030



All Water Rights & Permitted
2,131 MGD
After building Allen's Creek

Projected Demand vs. Current Supply - Surface Water



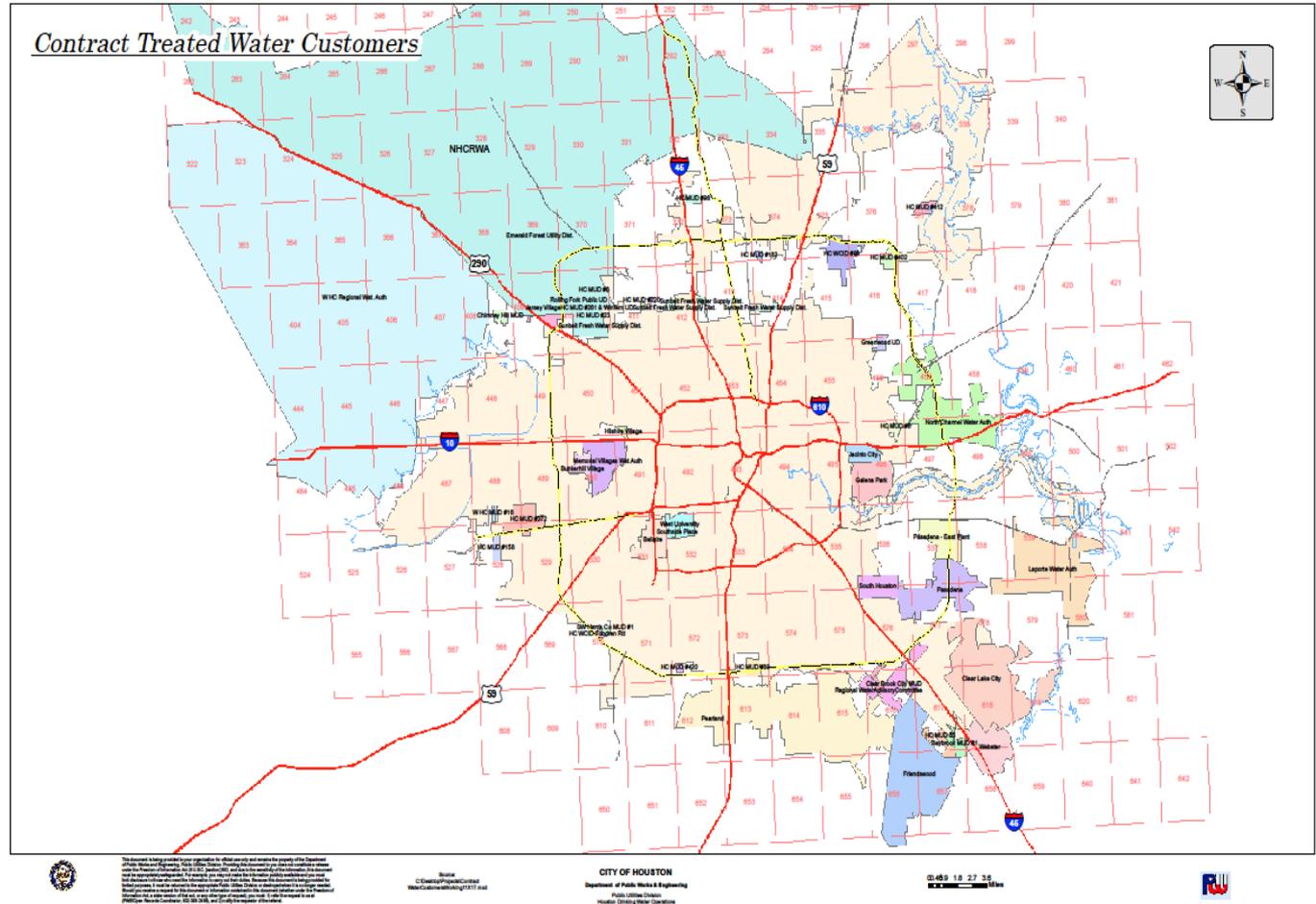
Strong Regional Water Supplier

Population Served - 4.4 million

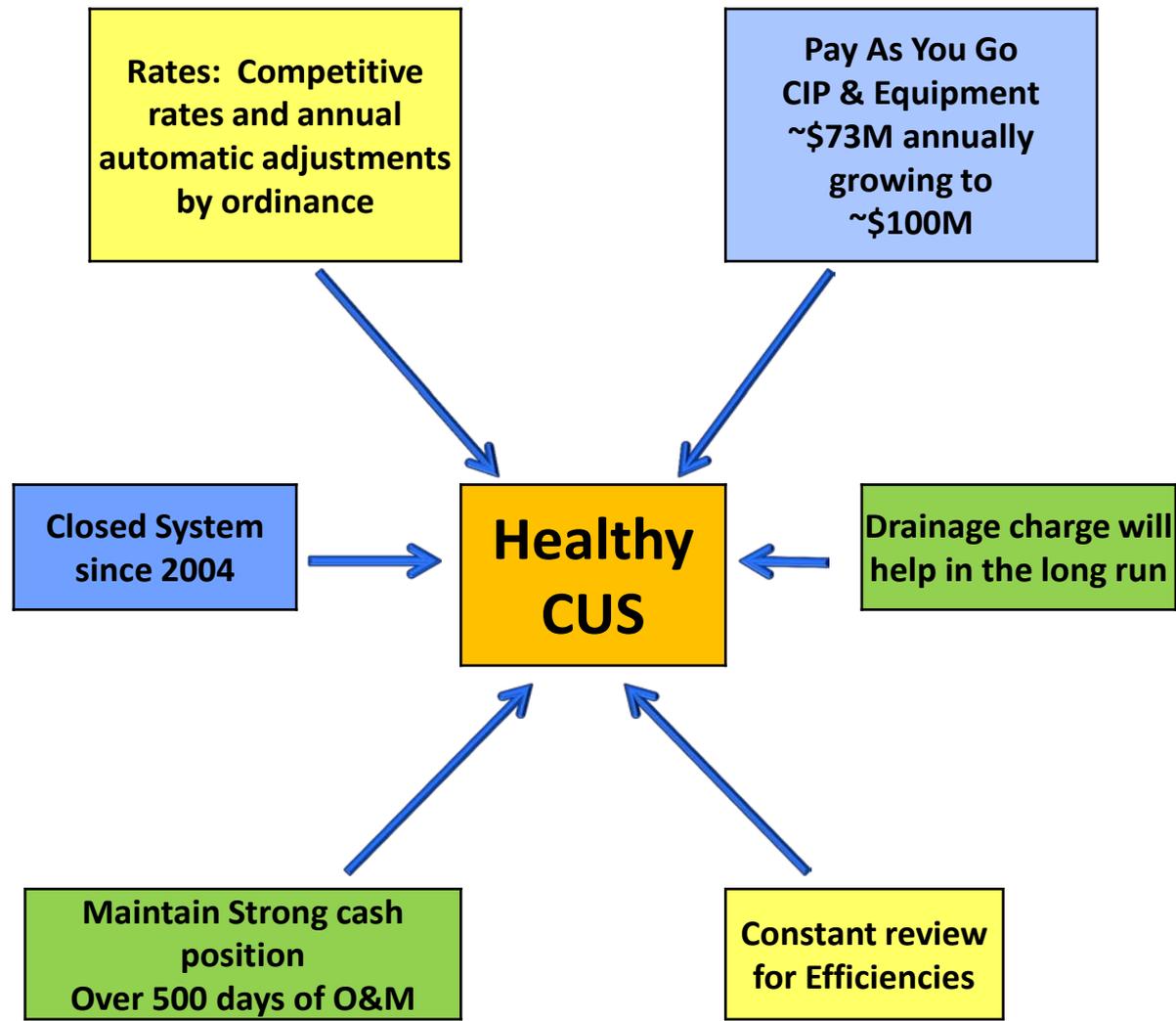
Customers: Cities, Water Authorities & MUDs

- Baytown
- Bellaire
- Bunkerhill Village
- Clear Brook
- Clear Lake City
- Deer Park
- Friendswood
- Galena Park
- Hilshire Village
- Humble
- Jersey Village
- League City (GCWA)
- NASA
- Pasadena
- Pearland
- San Jacinto
- South Houston
- Southside Place
- Spring Valley
- Webster
- West University

Water Authorities 4
MUD Districts ~110



Long Term Financial Planning



CUS Rates

Rate Structure

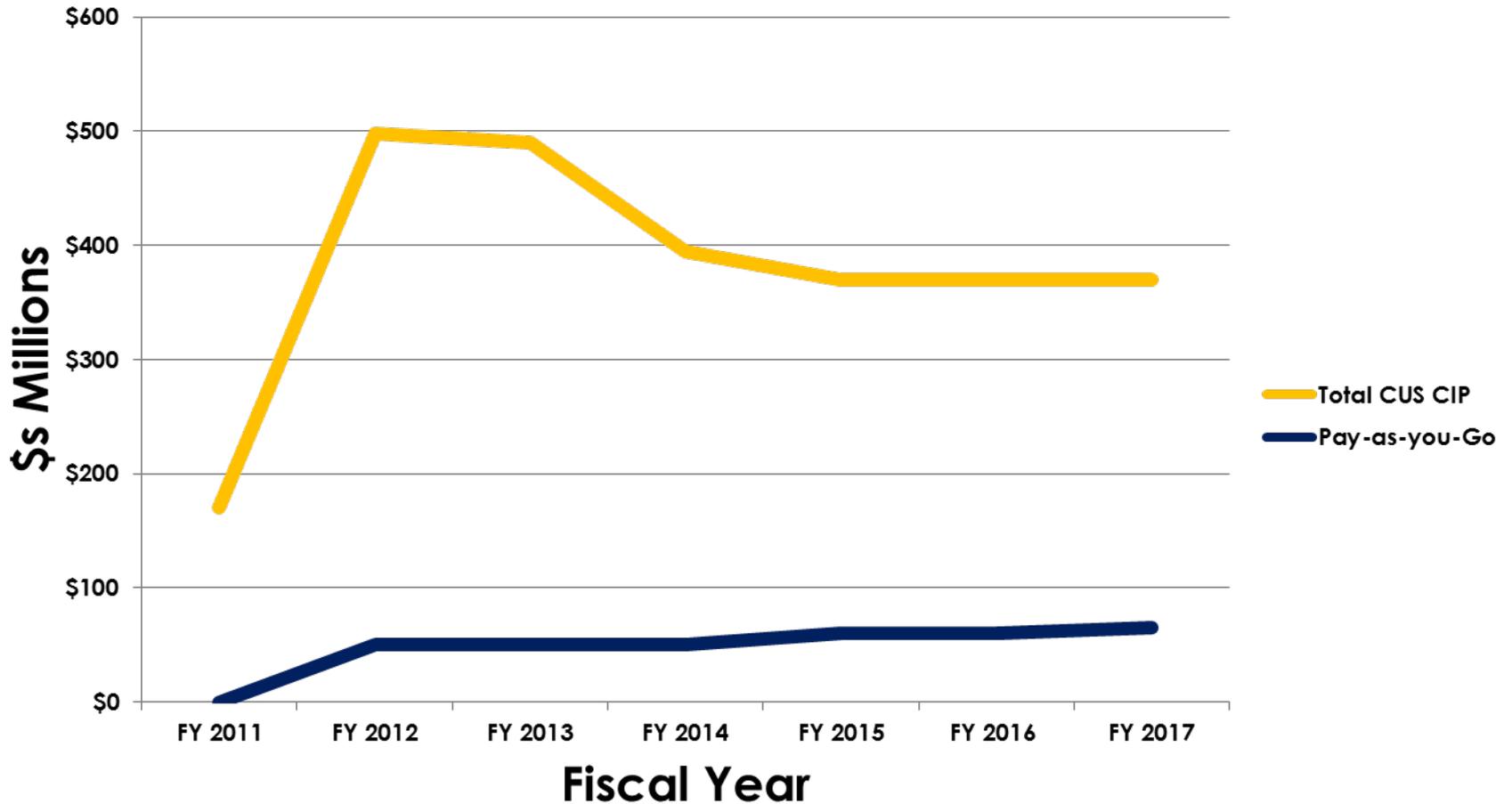
- CUS is 100% self funded
- All Customer classes set at cost of service
- Generates sufficient revenues to fund 'Best Practices' CIP of \$370 - includes partial cash funding
- Generates Net Revenues to meet a minimum of: 1.3 annual debt coverage

**Producer Price Index
All Commodities
Requires a cost of
service rate study**

OR

**Houston Regional
Consumer Price
Index
Plus
US Census Year over
Year Population
Increase**

CUS Capital Program (CIP) Water & Wastewater



Capital Improvement Projects



South East Purification Plant

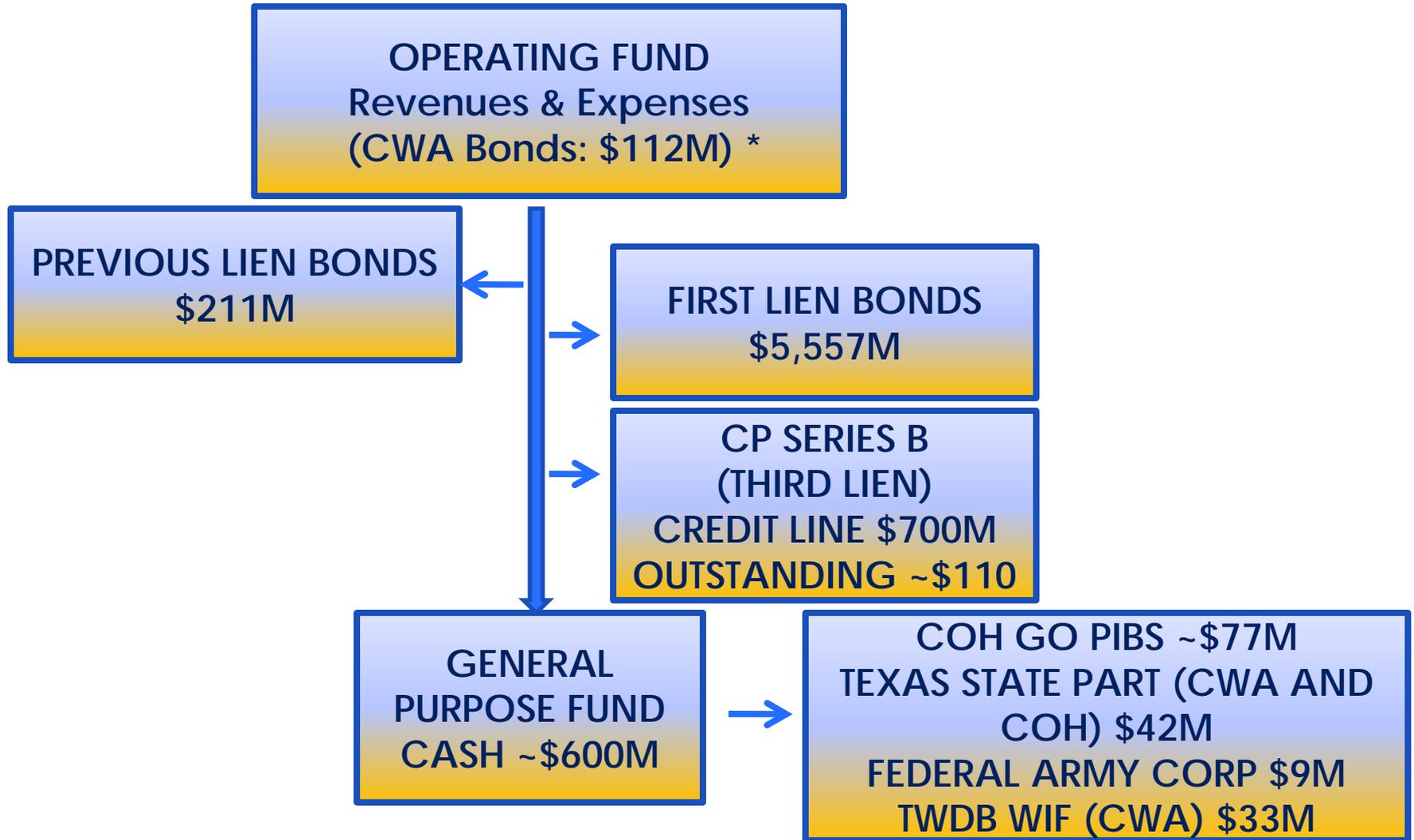
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Date 03.23.11

Ongoing CIP projects:

- Replacement of aging infrastructure
- Expansion of raw water conveyance
– Luce Bayou
- Expansion of surface water distribution system



CUS Debt Service Flow of Funds



CUS Variable Debt - History

Historical

Converted Auctions in 2008

VRDB Taxable: \$723M

Included \$250 VRDB Swapped

VRDB Tax Exempt \$653M Swapped

Total: \$1.376B

Commercial Paper \$900M

Transactions & Current

Taxable Variable(2004C)

Converted to Tax Exempt Fixed

2009A - \$23M Dec 2008

2011A - \$274M Feb 2011

2011F - \$49.5M Dec 2011

2012F - \$132M Dec 2012

Variable Tax Exempt – Swapped

2004B \$428M VRDB with LOCs,

2012A&B \$225M (Put)

& 2012C \$250M (Put)

Total Current \$903M

Variable with Swaps

Commercial Paper (LOCs) \$700M

Profit & Loss Highlights Cash Basis

CAFR FY 2011 CUS \$M

Revenues		\$ 921
Expenses	O&M	<u>(363)</u>
Net Revenues		\$ 558

Annual Bond Debt
Service Coverage:
1.60

CAFR FY 2012 CUS \$M

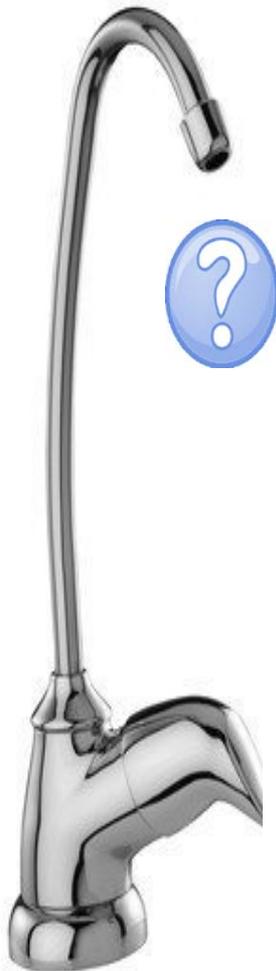
Revenues		\$ 969
Expenses	O&M	<u>(418)</u>
Net Revenues		\$ 551

Annual Bond Debt
Service Coverage
1.48

CUS FY13 Financing Transactions

- **New Money Revenue Refunding Bond \$149M 2012D**
 - Replenished appropriation capacity
 - Closed: September 13, 2012
 - **TWDB Clean Water Loan #26 \$49.9M 2012E**
 - Closed: September 27, 2012
 - **Taxable to Tax Exempt Conversion \$132M 2012F**
 - Pricing November 29, 2012 & Closing date: December 19, 2012
 - **Renew Commercial Paper B-2, \$75M Dec 2012**
 - **TWDB State Participation Loan – Luce Bayou (CWA) \$28M Feb 1, 2013**
-
- **Renew VRDB LOCs 2004 B-2, B-4, & B-5, \$275M**
 - Complete Renewal / New on or before April 6, 2013
 - **TWDB Clean Water Loan #27 \$48.7M**
 - Closing in April 11, 2013
 - **New Money ~\$200M Spring 2013**
 - Closing date: end of May 2013

Q&A



For further information, please contact:
Susan Bandy – (832) 395-2468
Kate Bechtold – (832) 395-2578



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Investor Relations

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- [Muni Bonds: Strengthening Houston's Quality of Life](#)
- [Q & A](#)
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- [Quarterly Investment Reports](#)
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Tax exempt municipal bonds have been a mainstay for U.S. cities for a century. Three quarters of all public infrastructure built by states and cities is financed by these bonds, so in a very real way the bonds contribute to job growth as well as sales and property tax revenue while keeping homeowners safe from escalating taxes. In short, this has been a very fruitful partnership of municipalities, the Federal government and private investors.

Cities utilize municipal bonds to finance their capital projects such as roads and highways, water projects and schools, and cities save from 25 to 30 percent on interest costs with tax exempt "muni" bonds. [MORE ...](#)

Local Groups: Don't Mess With Our Tax-Exempt Bonds
by: Jennifer DePaul, Bondbuyer.com
Wednesday, February 27, 2013

State and local groups have one message for Washington: "Don't mess with our tax exempt bonds!"

The National Association of Counties, the National League of Cities and the U.S. Conference of Mayors called on lawmakers Wednesday to reject proposals that would restrict or eliminate tax exemption for

Other Investment Quick Links



Controller Ronald Green on Bloomberg TV

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- [Monthly Operations and Financial Report](#)
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