HOUSTON AIRPORT SYSTEM · HOUSTON, TEXAS

Presented by J'Maine Chubb

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Mission:
We exist to connect the people, businesses, cultures and economies of the world to Houston.

Our Vision:
Establish the Houston Airport System as a five-star global air service gateway where the magic of flight is celebrated.

HOUSTON AIRPORTS

Recent Accolades

A leading global air transport rated organization committed to attaining 5-star level status

- IAH and HOU retain 4-stars

- **IAH**
  - **#1 Best Airport Website & Digital Services**
  - #5 Best Airport Dining
  - #5 Best North American Airports
  - #6 Best Airports, 40-50M passengers

- **HOU**
  - #6 Best US Regional Airports
  - #9 Best Airports 10-20M passengers

Source: Skytrax March 2019.

Recent transactions

HAS maximized the use of refundings for savings and to reduce variable rate exposure in 2018

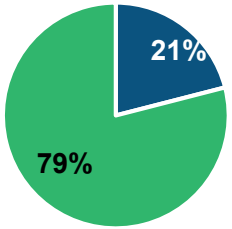
✓ GARB Refunding Bonds – August 2018

City of Houston Airport System Subordinate Lien Revenue Refunding Bonds, Series 2018C (AMT) & D (Non-AMT / AMT Holiday) ($569M)

- The 2018C Series bonds refunded $242.3M of auction rate securities with subordinate lien fixed rate bonds
- The subordinate lien Series 2018D bonds refunded the senior lien 2009A bonds for PV savings and preserved the AMT holiday status of this private activity debt

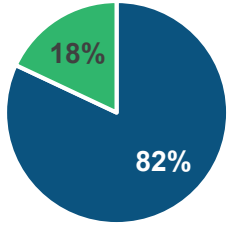
Prior to 2018 Transactions

Principal by Lien



■ Subordinate ■ Senior

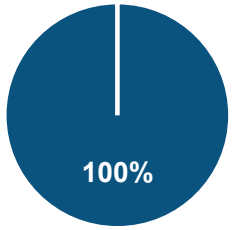
Fixed vs Variable [1]



■ Fixed ■ Variable

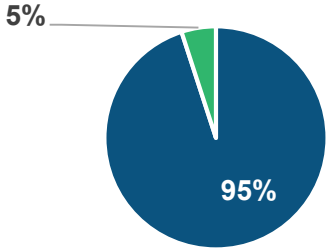
Current

Principal by Lien



■ Subordinate ■ Senior

Fixed vs Variable [1]



■ Fixed ■ Variable

[1] Excludes CP

Houston Airport System

Three-airport system managed and operated by the City's Department of Aviation (HAS) serving the nation's fifth-largest metropolitan area

- George Bush Intercontinental (IAH) – international gateway hub
  - ✓ United's 2nd largest hub
- William P. Hobby (HOU) – international low-cost service
  - ✓ Southwest's 7th busiest airport
- Ellington – NASA, general aviation, military and spaceport

	IAH	HOU	TOTAL
Enplaned passengers (M)	21.9	7.3	29.2
Share domestic	75%	93%	80%
Originating percentage	55%	69%	58%
Average daily departures	614	169	783
Number of gates	128	30	158

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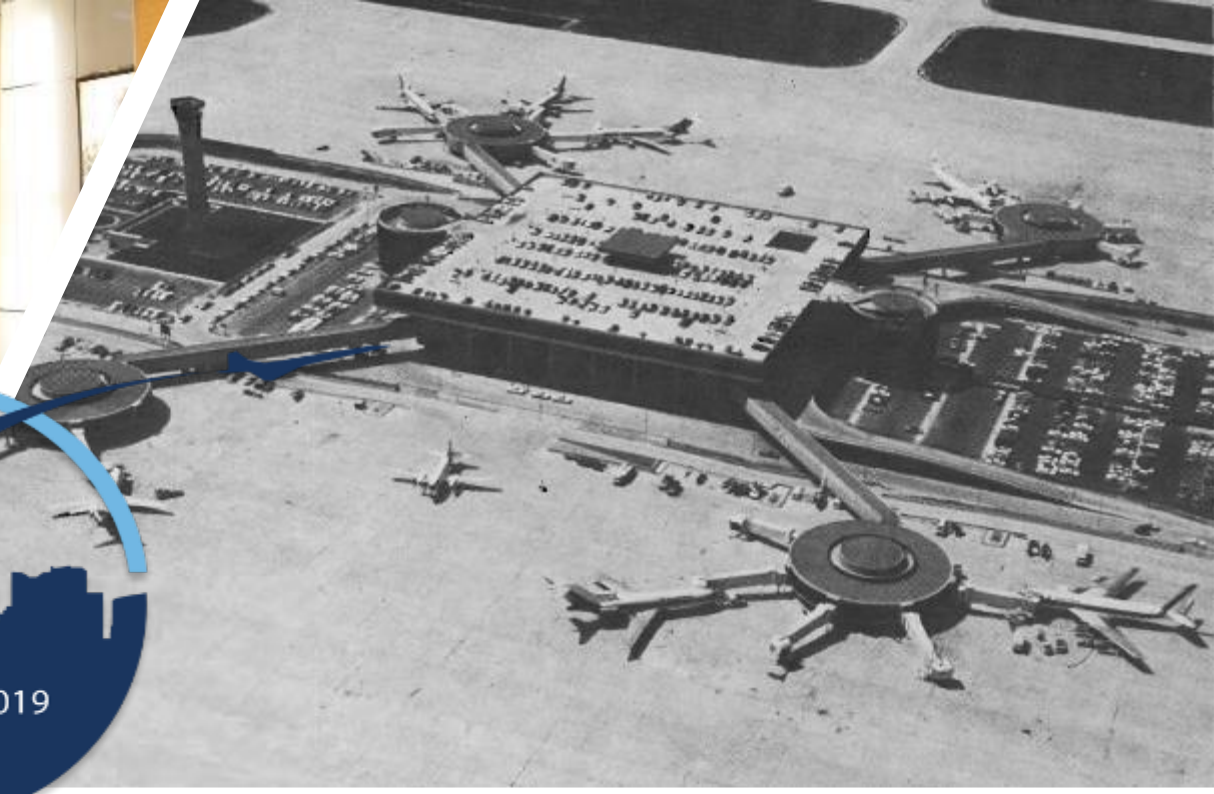


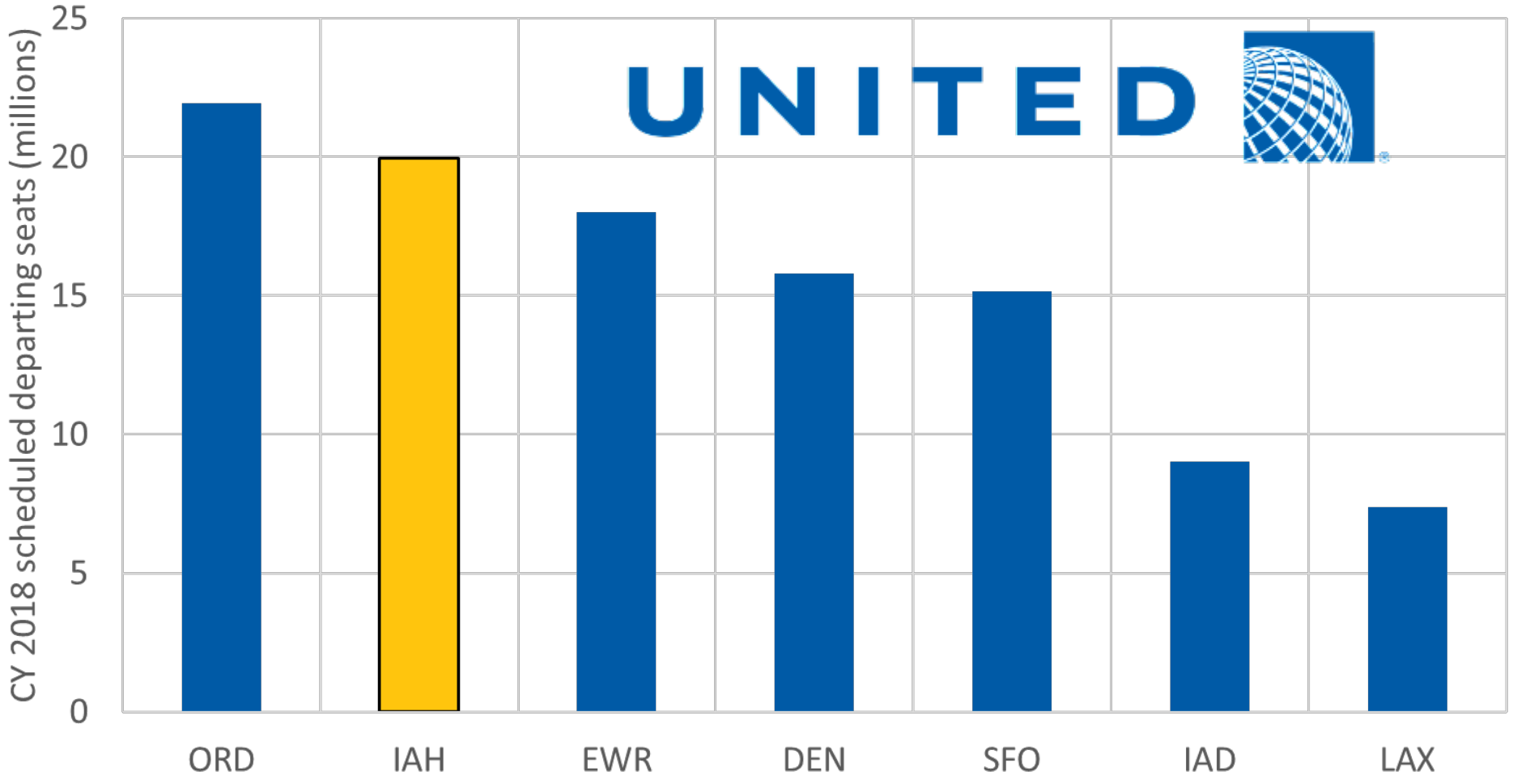
1969 ★ 2019

IAH

GEORGE BUSH INTERCONTINENTAL AIRPORT

George Bush Intercontinental (IAH) is still United's 2nd largest hub

IAH maintained position as United's second largest hub with nearly 20 million scheduled seats during calendar year 2018



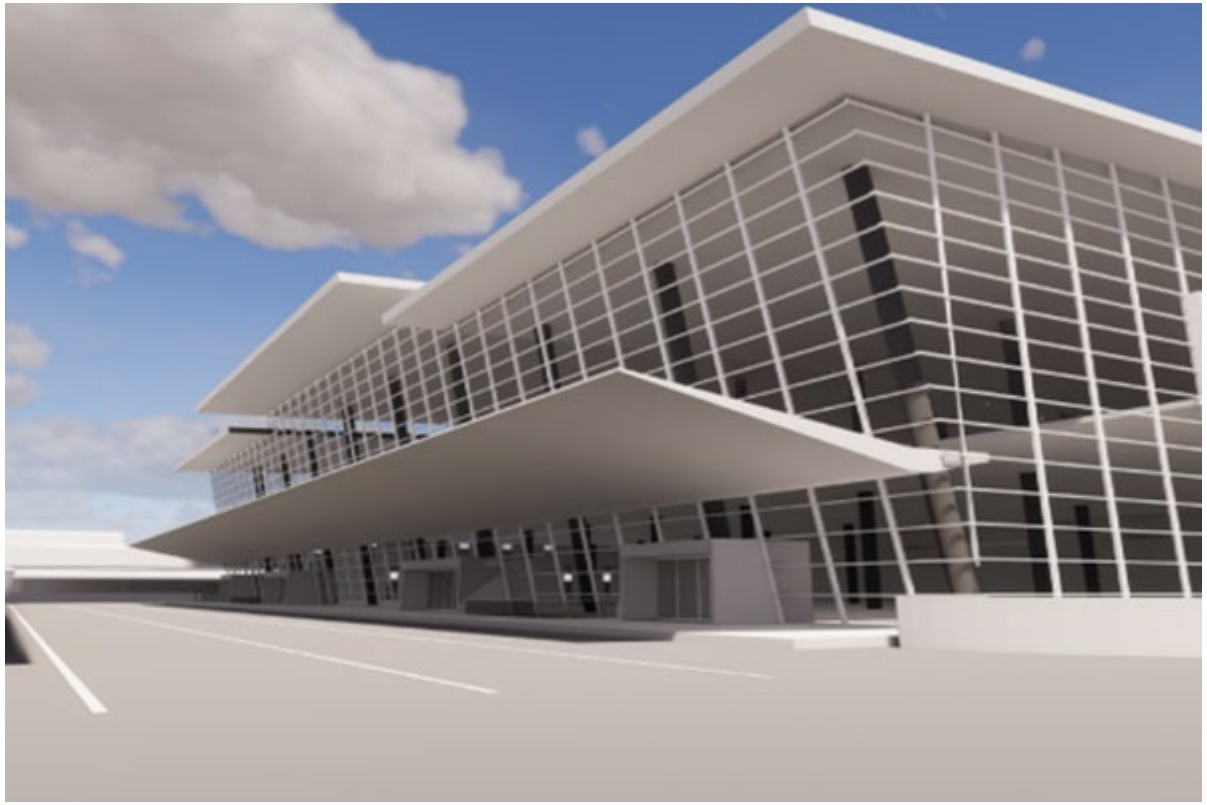
Source: Innovata database, accessed April 2019.

IAH Terminal Redevelopment Program (ITRP)

- Combine Terminals D and E by 2024
- Consolidate all ticketing counters, security lanes and baggage claims into a ticketing hall
- No longer will Terminal E domestic passengers have to retrieve checked bags from Terminal C

Investing in George Bush Intercontinental (IAH)

New international facilities will also include a new centralized international check-in hall



New centralized International Processor Hall where all Foreign Flag airlines and United's international passengers will check-in

- Expand and improve efficiency of existing FIS by consolidating two checkpoints into one and adding three additional claim devices
- Adding a new domestic baggage claim area
- Associated enabling projects (utilities, etc.)
- Budget - $370M

Investing in George Bush Intercontinental (IAH)

United has broken ground on a new Technical Operations Center

Investing in George Bush Intercontinental (IAH)

America Airlines to Open Line Maintenance Station Beginning in June

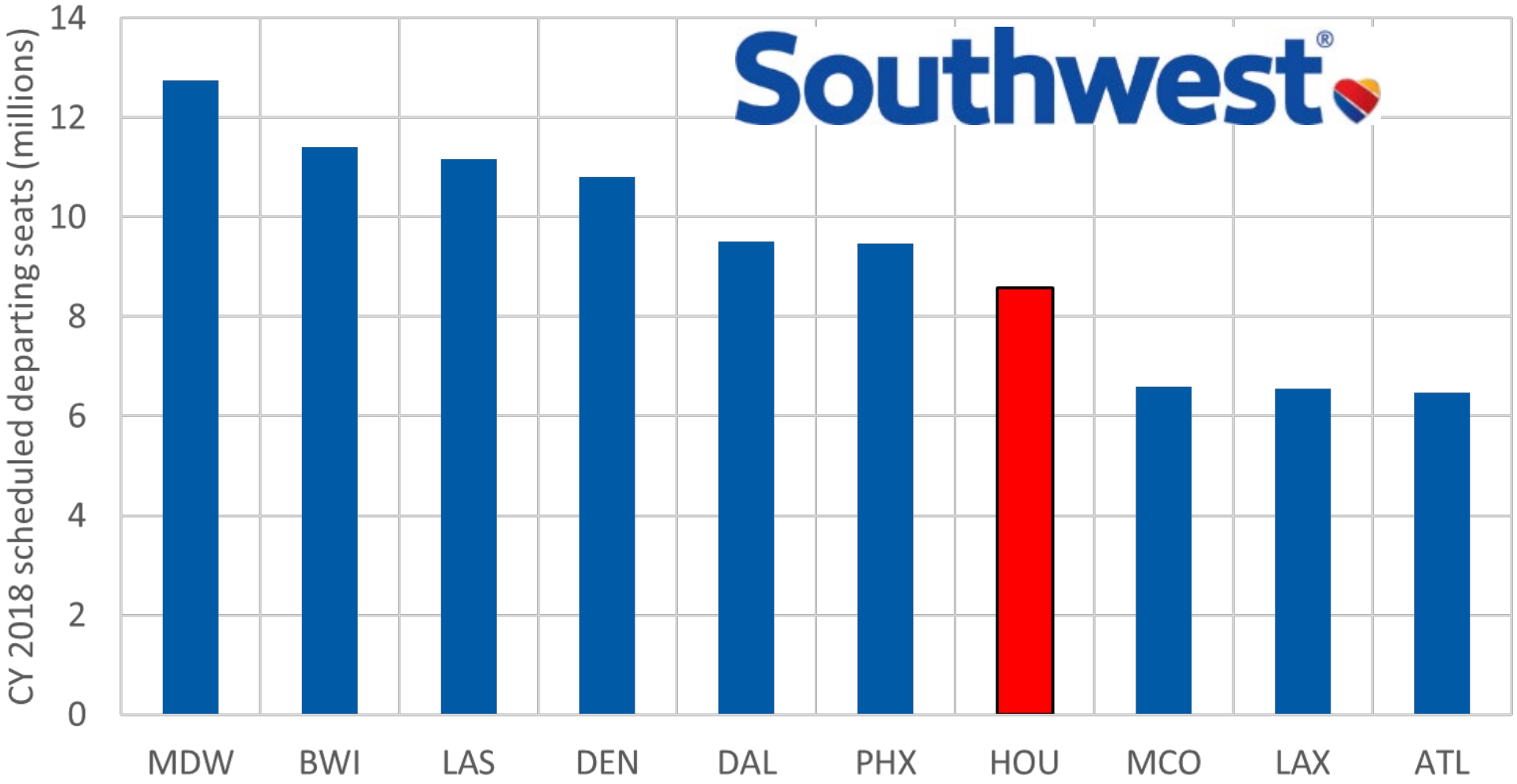
AA's 29th Line Maintenance station will provide additional support for increased maintenance needs.

Almost **50 jobs** will be created with bulk including Aviation Maintenance Technicians.

Maintenance will be performed on Boeing 737 and Airbus A319, A320 and A321 aircraft.

William P. Hobby (HOU) is Southwest's 7th busiest airport

Southwest surpassed 8.5 million scheduled seats in 2018; nearly 2 million over Orlando



Source: Innovata database, accessed April 2019.

Investing in William P. Hobby (HOU)

Southwest is currently erecting a new hangar complex at Hobby

Investing in William P. Hobby (HOU)

Consolidated Rental Car Facility (CONRAC)

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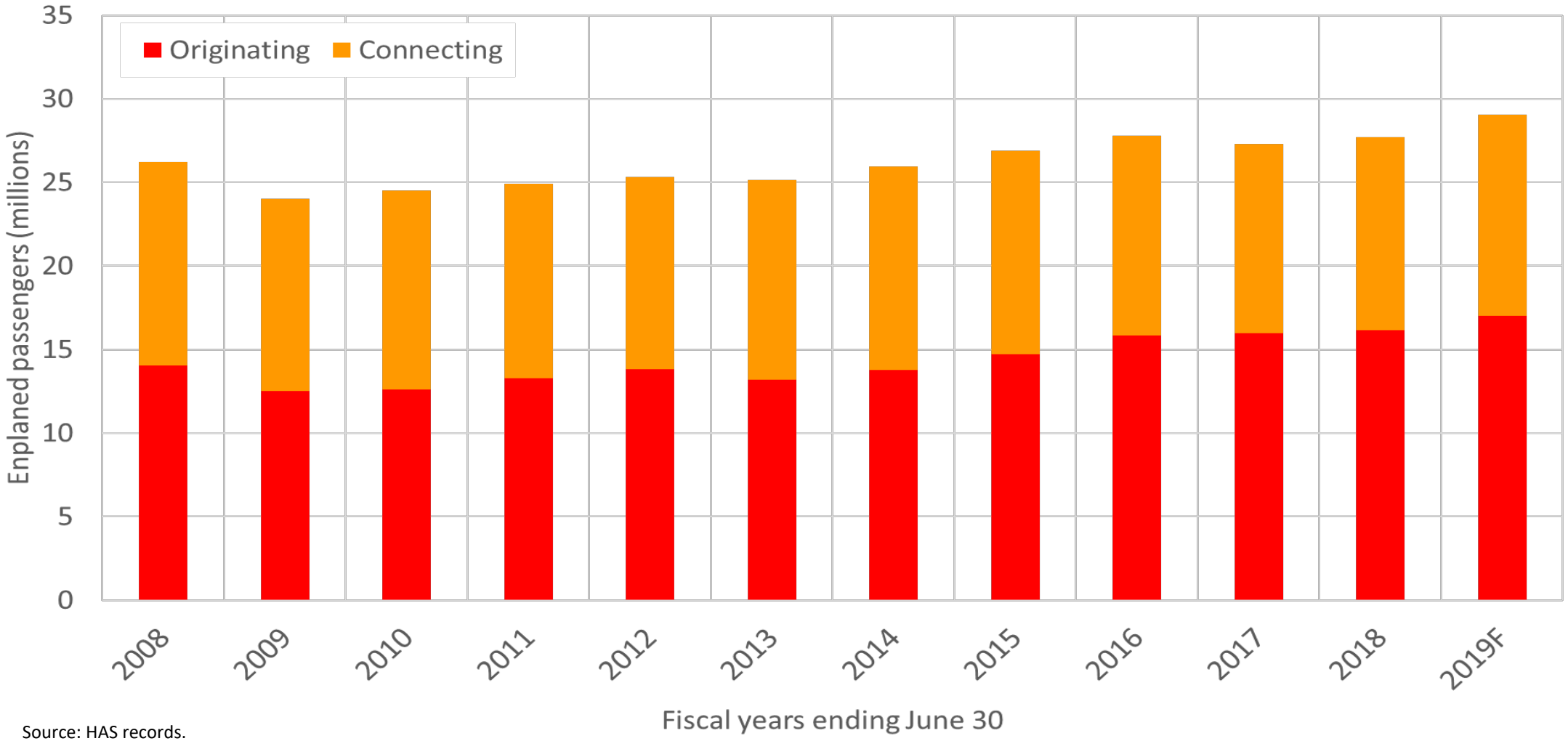
Originating traffic remains strong

HAS Originating traffic has held strong as passenger enplanements approaches 30 million



Source: HAS records.

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International traffic has remained positive in recent years

With growing traffic at Hobby, Houston Airports had nearly 6 million international enplaned passengers in FY18

Source: HAS records.

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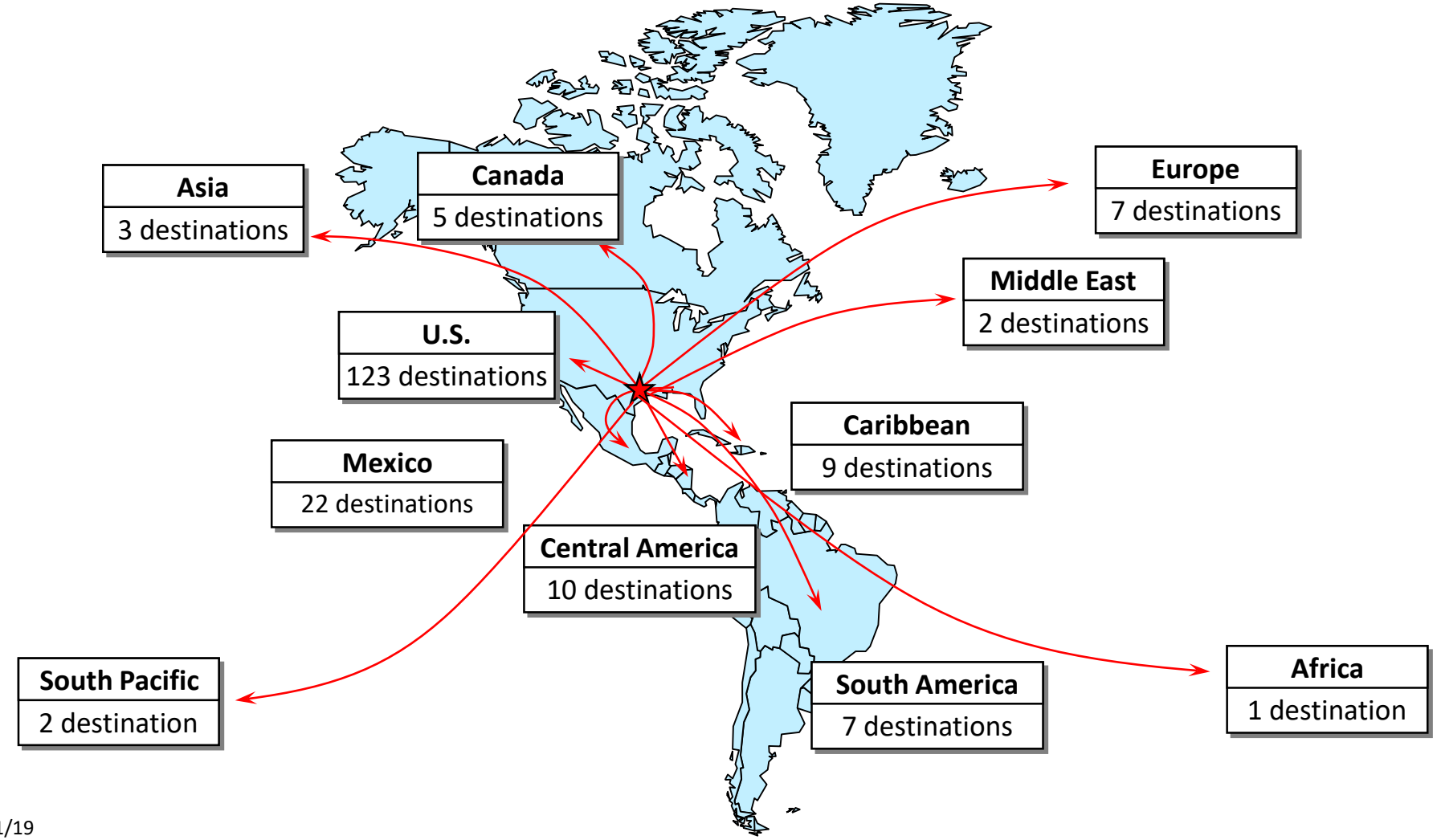
IAH has nonstop service to 6 continents

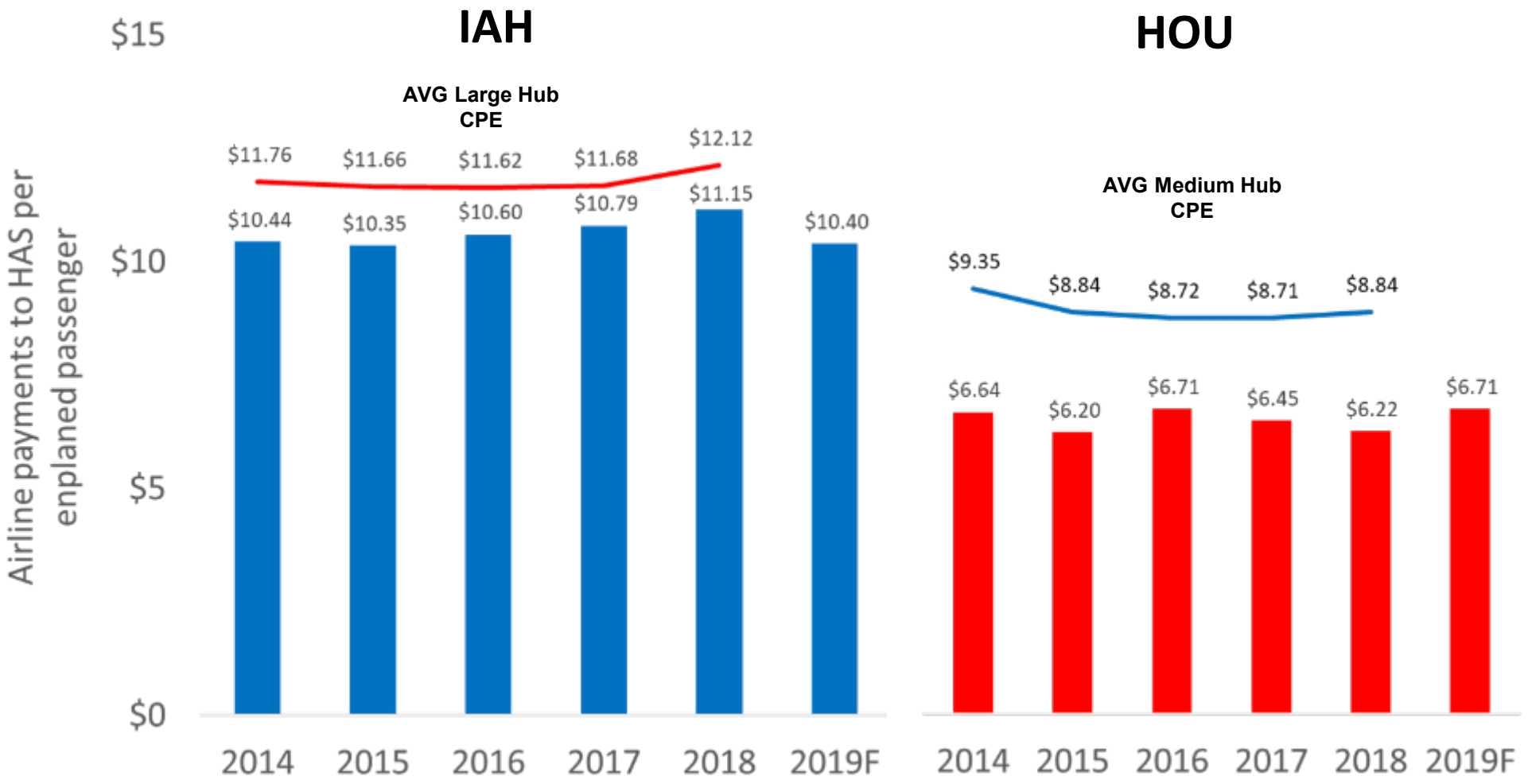
With the addition of Ethiopian airlines in summer 2019, IAH will once again provide service to all 6 inhabited continents



Source: Mi Diio as of 3/31/19

IAH and HOU have competitive airline costs

Houston remains an attractive hub for major carriers that desire to add or expand service



Source: HAS records. Amounts are payments to HAS only (excludes special facility bond debt service payments and building maintenance expenses paid directly by United) and 11/2018 CPE report prepared by: WJ Advisors, PH2 Consulting & Airmac.

Debt service coverage remains strong

Houston Airports has managed to its DSCR targets consistently over the past several years

	2015	2016	2017[1]	2018	2019F[2]	CAGR, 2015-19
Revenues						
Airline	$263.9	$274.9	$280.9	$287.9	$282.6	1.7%
Nonairline and all other	225.9	220.9	229.6	234.5	241.2	1.7%
Total	$489.8	$495.8	$510.5	$522.4	$523.8	1.7%
O&M expenses	$283.6	$314.7	$314.5	$326.9	$317.7	2.9%
Net revenues	$206.3	$181.1	$196.1	$195.5	$206.2	0.0%
Debt service	$163.3	$163.9	$175.0	$174.5	$176.9	2.0%
Less: PFCs	(38.1)	(42.3)	(54.7)	(50.6)	(60.6)	12.4%
Less: Grant revenues	(16.4)	(13.9)	-	-	-	-
Net debt service	$108.9	$107.7	$120.4	$123.8	$116.3	1.7%
Debt service coverage	**1.89**	**1.68**	**1.63**	**1.58**	**1.77**	

Note: Amounts in millions except percentages and coverage ratio. Numbers may not total exactly due to rounding.
[1] Estimated DSCR net of effects following pension reform changes in 2017. [2] Unofficial FY 2019 forecast as of 2/28/2019 MFOR.

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HAS Senior & Subordinate Lien Debt Overview

Approximately $1.9 billion in outstanding bonds or about $66 per enplaned passenger[1,2]

Series	Tax status	Coupon type	Outstanding par
Senior Lien			
	None outstanding		-
			-
Subordinate Lien			
Series 2000B	Non-AMT	Fixed	$44,515,000
Series 2002A	AMT	Fixed	20,005,000
Series 2002B	Non-AMT	Fixed	27,450,000
Series 2010	Non-AMT	Variable rate	92,305,000
Series 2011A	AMT	Fixed	209,370,000
Series 2011B	Non-AMT	Fixed	64,475,000
Series 2012A	AMT	Fixed	275,315,000
Series 2012B	Non-AMT	Fixed	217,135,000
Series 2018A	AMT	Fixed	130,550,000
Series 2018B	Non-AMT	Fixed	285,220,000
Series 2018C	Non-AMT	Fixed	212,820,000
Series 2018D	Non-AMT	Fixed	356,290,000
			$1,935,450,000
Total			**$1,935,450,000**

[1] Outstanding debt as of 4/1/2019; 2018 calendar year enplanements.
[2] Excluding CP - $40.5M outstanding as of 3/31/2019

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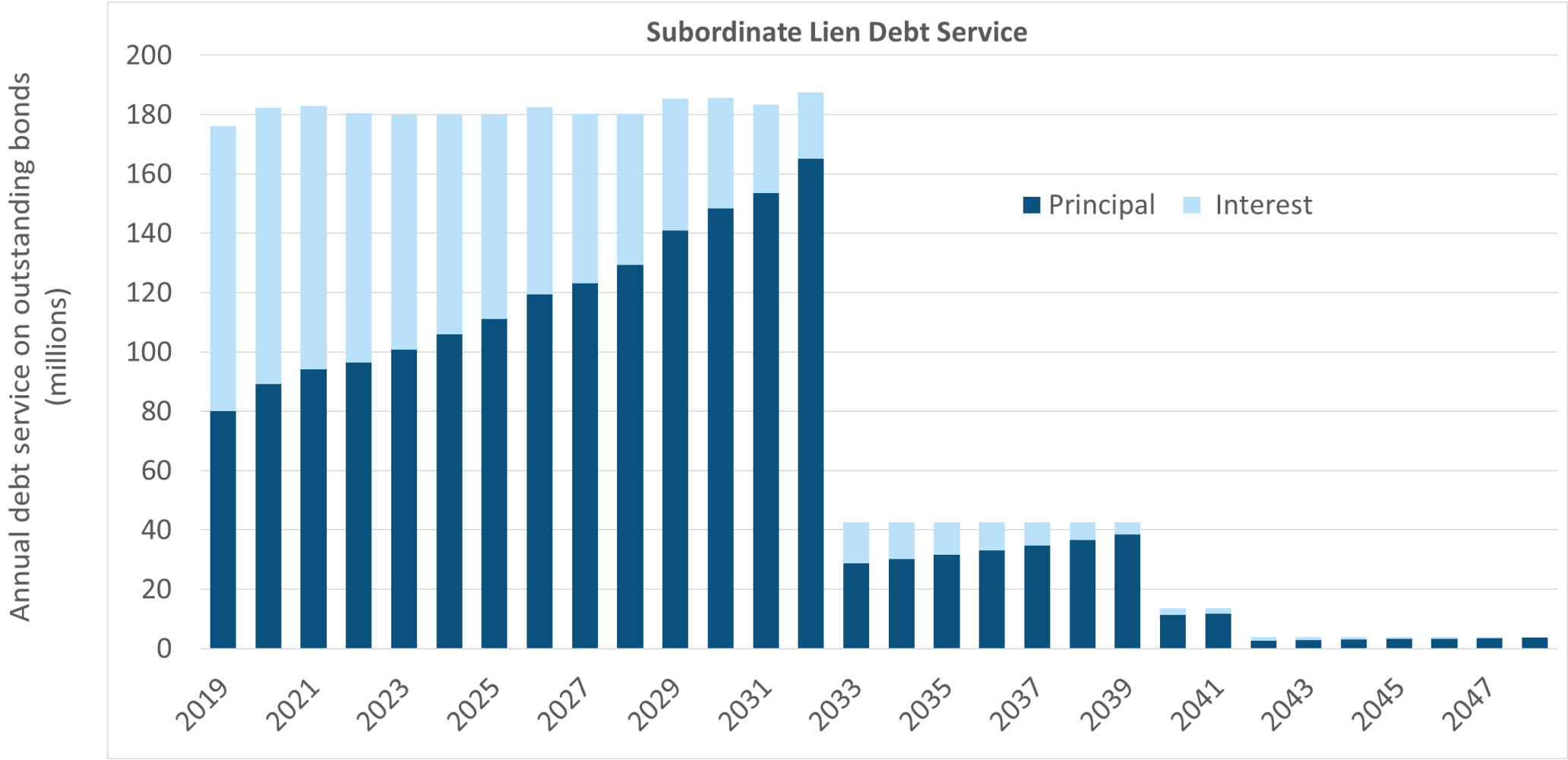
HAS Subordinate Lien Debt Service

The system's debt profile allows HAS the ability to shift debt beyond fiscal year 2032



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HAS ratings and credit strengths[1]

Extremely strong enterprise risk profile with stable outlook

- Monopoly position, managing both commercial service airports in the combined statistical area
- Economically strong air service market area with strong population growth
- Geographic location that supports hub operations

	Moody's		S&P		Fitch	
Senior Lien	Aa3	Stable	AA-	Stable	NR	--
Subordinate Lien	A1	Stable	A+	Stable	A	Positive

[1]Statements and ratings are from recent rating reports issued by Fitch, Moody's, and Standard & Poor's

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Conservative approach towards debt management

Optimizing alternative sources of financing and making capital investments as needed

Management debt objectives for 2019

- Continue to monitor opportunities to capitalize on savings when interest rates are favorable
- Optimize Passenger Facility Charge and grant funding to minimize debt service requirements
- Maintain a minimum Debt Service Coverage Ratio of 1.5x or reject projects; seeking alternatives that allow targets to be met.

Projected capital improvement plan funding sources

HAS plans to use a mix of varied sources to fund the proposed FY20-24 CIP

City of Houston Aviation Department 5 Year Capital Plan Projected Funding (000s)						
Facility Location	FY20	FY21	FY22	FY23	FY24	FY20 - FY24
HAS CIP Totals	$544,338	$978,325	$405,538	$36,237	$87,162	$2,051,600
Projected Funding Source*						
Airport Improvement Fund	$115,638	$184,651	$99,357	$5,558	$21,355	$426,559
Bonds/Commercial Paper	239,771	382,868	206,013	11,522	44,278	$884,452
Pay-Go PFCs	116,582	186,158	100,168	5,602	21,529	$430,039
AIP/FAA Grants	72,347	49,648	0	13,555	0	$135,550
Special Facility Debt	0	175,000	0	0	0	$175,000
Total	$544,338	$978,325	$405,538	$36,237	$87,162	$2,051,600

*** Projected appropriation timing only (not actual cashflow or issuance timing. The table reflects the projections and estimates of HAS; Houston City Council has not approved this plan.**

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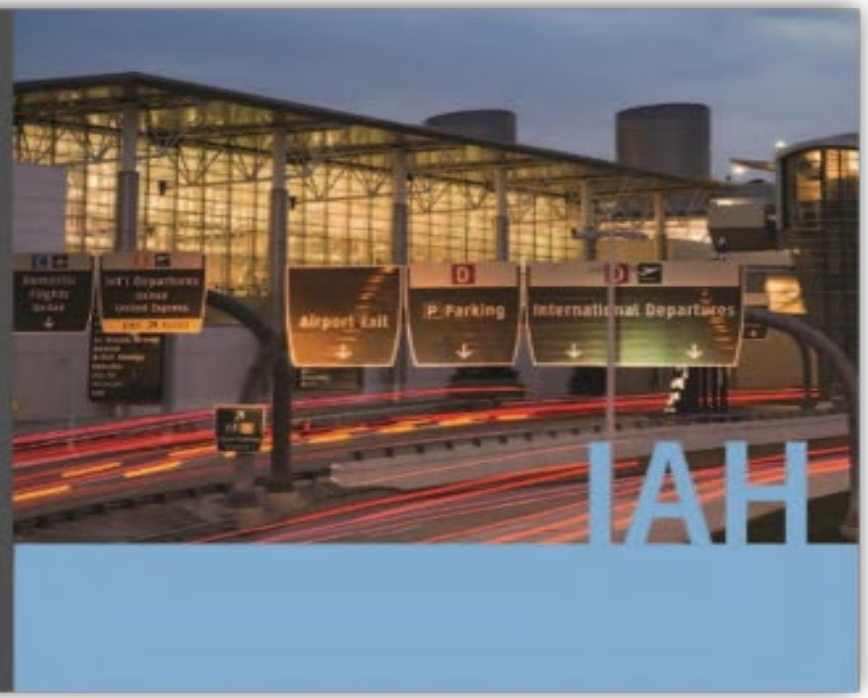
Questions?

Houston. The only city in the Western Hemisphere with *two four-star airports.*

4 STAR AIRPORT
SKYTRAX



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