



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

August 4th 2015

Presented By:
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Agenda

- Pricing Update - Combined Utility System First Lien Revenue Refunding Bonds, Series 2007A Exchange Bonds and Series 2015D
- Texas Water Development Board (TWDB) SWIFT Loans
- Airport System Interim Financing Facility
- Public Improvement Refunding Bonds, Series 2015



Pricing Update

CUS Series 2007A Exchange Bonds & Series 2015D

System: Combined Utility System

Par Amount: \$118.785 Million

Use: Capital Improvement Program

Average Life (Years): 16.713

Present Value Savings: \$10,122,249

Percentage Savings: 7.914%

All-In True Interest Cost (%): 3.711%

Closing Date: July 9, 2015

Note: This presentation constitutes the written recommendation of the Finance Working Group.



Combined Utility System

- Texas Water Development Board (TWDB) SWIFT Loan for NE Plant Expansion & Second Source Transmission Lines
 - SWIFT Application approved by Council May 2015
 - TWDB Board approved Application on July 23, 2015
 - Next Steps: First loan installment of \$29.5 Million will require two (2) Council Actions August - November
 - Council Approval of Financing Agreement
 - Council Approval of Loan documents for closing

Note: Loan Closing November/December 2015



Combined Utility System

- Texas Water Development Board (TWDB) SWIFT Loan for Coastal Water Authority (CWA) Luce Bayou Interbasin Transfer
 - City's Next Steps: First loan installment \$66.565 Million
 - Council Approval of the CWA Luce Bayou Project Contract Amendment August/September 2015
- The two TWDB SWIFT loans will result in a 22% discount from the market rate

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Combined Utility System SWIFT Loans

System:	Combined Utility System
New Money or Refunding?:	New Money
Par Amount:	\$96.065 Million
Use of the Debt Proceeds:	NE Plant Expansion and Luce Bayou

Revenue Source Securing Debt:	Net revenues of the Combined Utility System
Estimated Weighted Average Life of the Debt Being Refunded(Years):	N/A
Estimated Change to the Weighted Average Life of Debt Being Refunded:	N/A
Estimated Present Value Savings:	N/A
Estimated Percentage Savings:	N/A
Estimated True Interest Cost (%):	22% discount from the market rate
Anticipated Council Agenda Date:	September
Anticipated Date of Pricing:	October
Anticipated Date Closing:	December



Airport System

Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ Millions)	Bank	Expiration	Requires Bank Letter of Credit
Commercial Paper	A&B	150 ⁽¹⁾	RBC	12/16/2016	Y
Commercial Paper	C	150 ⁽²⁾	JP Morgan	12/01/2039	N
Variable Rate Demand Bonds	2010A	93.105	Barclays	12/22/2017	Y
Auction Rate Securities	2000 P-1	38.825	N/A	N/A	N
	2000 P-2	38.600			N
	2002C	84.300			N
	2002D1	63.275			N
	2002D2	61.300			N
Total Variable Debt		679.405			
Total Variable Debt Outstanding		428.905			
Total Debt Outstanding		3,041.935	Total Current Variable Rate Exposure 14.10%		

⁽¹⁾ As of May 31, 2015 Monthly Financial Report, there is a total of \$49.5 Million outstanding on the \$150 Million RBC facility.

⁽²⁾ Inferior lien commercial paper facility used for appropriations capacity, with nothing outstanding.

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Airport System Interim Financing Facility

- Over the next five years, the Airport System (HAS) has capital funding requirements of approximately \$2.25 Billion in capital projects, to be funded with airport equity, grants, passenger facility charges, and airport revenue bonds
- HAS has covered cash flow requirements through 1Q FY2017, but the substantial appropriations needs related to the Intercontinental Terminal Redevelopment Program (ITRP) occurring in FY2016 require additional interim financing facilities
- HAS is seeking options for interim financing facilities up to \$450 Million (\$300 Million to increase appropriations capacity and \$150 Million to replace an existing inferior lien commercial paper facility)

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Airport System Interim Financing Facility

- The City will issue a request for proposals that will be open allowing multiple structures to be proposed
- The Finance Working Group will present a recommendation on the most cost effective option or options that meets the Airport System's needs

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Annual Financing Plan

Department	Series	Size (\$ Millions)	Anticipated Closing	PV Savings (\$ Millions)	True Interest Cost (%)
GO	TRANS 2015	210	July 2, 2015	N/A	---
CUS	2015C&D	187	July 9, 2015	15.35	3.56
Subtotal		\$397		\$15.35	1.83
GO	PIB 2015	217*	November 2015	7*	---
HAS	2016	TBD	TBD	---	---
FY2016	Total	\$614		\$22.35	
FY2015	Total	\$1,353		\$44.13	
FY2014	Total	\$2,390		\$209.23	
FY2013	Total	\$1,143		\$22.31	

* Estimated. Preliminary, subject to change. Assumes market rates as of July 30, 2015.

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Public Improvement Refunding Bond Series 2015

- Commercial paper (CP) has provided an expedient, cost-effective method of accessing cash and providing interim financing. The CP notes are later refinanced into fixed rate bonds that match the useful life of the project or equipment being financed.
- This transaction represents the normal refunding of these commercial paper notes.
- Additionally we will be refinancing some currently outstanding bonds at lower current market interest rates which result in present value savings currently estimated at \$7 Million.

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Public Improvement Refunding Bond Series 2015

- Below is a breakdown of proposed components:

Component being Refunded	Up To	Use
Refund CP Series G, H, J	\$50,000,000	Infrastructure
Refund CP Series E	\$92,000,000	Equipment
Total	\$142,000,000	
Advance Refundings	\$75,000,000	
Total	<u>\$75,000,000</u>	
Grand Total	\$217,000,000	

- Additional bonds produce savings, but do not meet the City's criteria as set out in the Financial Policies.
- As standard course of business, in conjunction with this transaction, the FWG will review possibilities to refinance existing debt if prudent opportunities to achieve present value savings exists.
- An RCA is expected to be brought before Council in September.

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Public Improvement Refunding Bond Series 2015

System: General Obligation

New Money or Refunding?: Both

Par Amount: \$217 Million

Use of the Debt Proceeds: Capital Improvement Program

Revenue Source Securing Debt: Ad Valorem Property Taxes

Estimated Weighted Average Life of the Debt
Being Refunded (Years): 8.756

Estimated Change to the Weighted Average Life
of Debt Being Refunded: (0.2) years

Estimated Present Value Savings: \$6,895,039

Estimated Percentage Savings: 9.28%

Estimated True Interest Cost (%): 2.839%

Anticipated Council Agenda Date: September

Anticipated Date of Pricing: October

Anticipated Date Closing: November

All figures are subject to market adjustments.

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Questions?