



# Finance Department

## Presentation to the City of Houston Budget and Fiscal Affairs Committee

### Upcoming Financial Transactions

January 10<sup>th</sup> 2017

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# Agenda

## A. General Obligation (GO)

- GO Series K-1 Forward Bond Purchase Agreement with RBC

## B. Underwriter Pool

- Results of the Underwriting Services Request for Qualification (RFQ)

## C. Upcoming Negotiated Transactions involving Underwriters

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



# GO Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank	Expiration
Commercial Paper	E-1	100	Citigroup	7/13/18
	E-2	100	Wells Fargo	4/26/2019
	G-1	75	Mizuho	2/19/2018
	G-2	125	Sumitomo	11/28/2017
	H-2	100	Mizuho	10/13/2017
	J	125	State Street	5/20/2017
	K-2	100	Citibank	12/27/2018
Forward Bond Purchase Agreement	K-1	150	RBC	2/2/2022
<b>Total</b>		<b>875</b>		
<b>Total Variable Debt Outstanding<sup>(1)</sup></b>		<b>139.90</b>		
<b>Total Debt Outstanding<sup>(1)</sup></b>		<b>3,064.24</b>	<b>Total Current Variable Rate Exposure<sup>(1)</sup> 4.57%</b>	

<sup>(1)</sup> As of October 31, 2016 Monthly Financial Report.

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# GO Series K-1 Forward Bond Purchase Agreement with RBC

## Background:

- The Series K-1 line currently supports the dedicated pay-as-you-go fund to help maintain and improve the City's drainage and street infrastructure. It has proven to be a cost-effective method of providing appropriation capacity and back-up interim financing for the Re-Build Houston capital improvement program.
- On January 28, 2015, City Council approved a Forward Bond Purchase Agreement (FBPA) for the Series K-1 line with RBC Capital Markets in an amount not to exceed \$150 million.
- The structure allows the City the flexibility to use the facility similarly to a commercial paper program, but at a reduced cost for undrawn (appropriation) purposes only.
- The agreement with RBC had a term of 7 years with a final maturity of February 2022.

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# GO Series K-1 Forward Bond Purchase Agreement with RBC

## Next Steps:

- Due to increased capital needs, the City is looking to increase the size of the Series K-1 FBPA from \$150 to \$200 million and has negotiated the increase with RBC, keeping all other terms the same as the existing arrangement.
- An RCA is expected to be presented to City Council on January 18<sup>th</sup>, 2017.

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# Results of the Underwriting Services Request for Qualification (RFQ)

## Background:

- In order to promote fairness, objectivity and transparency, the City's financial policies recommends the Finance Working Group to establish a pool of firms to provide underwriting services on the upcoming bond transactions for the fiscal year.
- The City released an RFQ to establish an "open" pool of pre-qualified underwriting firms on November 18<sup>th</sup>, 2016.
- The deadline for submissions in response to this request for qualifications was December 9<sup>th</sup>, 2016.
- An "open" pool means that any firms that did not submit their qualifications on December 9<sup>th</sup>, would be given the opportunity to submit their qualifications at the end of every fiscal year i.e. June 30<sup>th</sup> to become a part of the pool.

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# Results of the Underwriting Services Request for Qualification (RFQ)

- We received responses and after review of the submissions by the Finance Working Group, all respondents have been qualified to become a part of the underwriter pool.

## Next Steps:

- At a later date, the City will notify all pre-qualified firms of the opportunity to submit information for specific transactions.

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# Upcoming Negotiated Transactions involving Underwriters

Department	Series	Size <sup>1</sup> (\$ Millions)	Anticipated Closing Date
CUS	2017B	TBD	TBD
GO	PIB 2017	TBD	TBD
HAS	2017	TBD	TBD
CUS	2017C	100	May 2017
GO	Pension Obligation Bonds 2017	1,000	June 2017

(1) Estimated. Preliminary, subject to change.

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**Questions?**