



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

March 7th 2017

Presented By:
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Agenda

A. Combined Utility System

- i. SIFMA Index Floating Rate Note, Series 2012B
- ii. First Lien Revenue and Refunding Bonds, Series 2017B

B. General Obligation

- i. Public Improvement Refunding Bonds, Series 2017A



CUS Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank / Dealer	Expiration	Requires Bank Facility
Commercial Paper	B-1	100.00	Bank of America	1/8/2019	Y
	B-2	75.00	Morgan Stanley ⁽¹⁾	3/13/2022	N
	B-3	75.00	Bank of Tokyo-Mitsubishi	1/16/2018	Y
	B-4	100.00	State Street	7/12/2019	Y
	B-5	250.00	RBC ⁽²⁾	10/30/2018	N
	B-6	100.00	Bank of America	7/12/2019	Y
Subtotal		700.00			
Variable Rate Demand Bonds	2004B-2	100.00	Citigroup	3/29/2019	Y
	2004B-3	75.00	Sumitomo	4/3/2018	Y
	2004B-4	75.00	Bank of Tokyo	4/4/2019	Y
	2004B-5	100.00	Wells Fargo	4/4/2019	Y
	2004B-6	78.33	Sumitomo	4/3/2018	Y
Subtotal		428.33			
SIFMA Index Floater	2012A	125.00	Bank of America	5/1/2020	N
	2012B	100.00	Wells Fargo Securities	6/1/2017	N
	2016C	249.08	Bank of America	8/1/2019	N
Subtotal		474.08	Total Debt Outstanding⁽³⁾	\$6,237.403	
				Total Commercial Paper Outstanding⁽³⁾	\$120.00
				Total Unhedged Variable Rate Debt⁽³⁾	1.92%

⁽¹⁾ The Morgan Stanley B-2 is an Extendible Commercial Paper product.

⁽²⁾ The RBC facility B-5 is a Forward Purchase Agreement.

⁽³⁾ As of December 31, 2016 Monthly Financial Report.

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



CUS SIFMA Index Floating Rate Note, Series 2012B

Background:

- Floating-rate notes are bonds that have a variable coupon, equal to a market index rate (usually SIFMA or a percentage of LIBOR), plus a negotiated spread. The spread remains constant until the mandatory tender date for the notes, which is typically 1 to 5 years from the closing date.
- The CUS SIFMA Index Floating Rate Note, Series 2012B have a soft put and mandatory tender date of June 1, 2017.



CUS SIFMA Index Floating Rate Note, Series 2012B

Next Steps:

- The City issued a request for proposals and received several responses.
- The City is examining all submitted proposals, including potential alternative financial instruments to be used for the same purposes.
- An RCA is expected to be brought before Council in April.



Combined Utility System, Series 2017B

Background:

- The City has used the issuance of commercial paper to provide an expedient, cost-effective method of accessing cash and providing interim financing. The commercial paper notes are later refinanced into fixed rate bonds that match the useful life of the projects and/or equipment being financed.
- This transaction represents the normal refunding of these commercial paper notes issued by the Combined Utility System. The total anticipated size of the Series 2017B Bonds will be approximately \$250 million.



Combined Utility System, Series 2017B

Next Steps:

- As standard course of business, in conjunction with this transaction, the Finance Working Group (FWG) will review possibilities to refinance existing debt if prudent opportunities to achieve present value savings exist.
- An RCA is expected to be brought before Council in late March.



Combined Utility System, Series 2017B

System :	Combined Utility System
New Money or Refunding?:	New Money
Par Amount :	\$250 Million
Use of the Debt Proceeds :	Capital Improvement Program
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 (%) :	3.917%
Anticipated Council Agenda Date :	March
Anticipated Date of Pricing :	April
Anticipated Date Closing :	May

All figures are subject to market adjustments. Market rates are as of February 22, 2017.

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GO Public Improvement Refunding Bond Series 2017A

Background:

- 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 General Obligation commercial paper notes. The total anticipated size of the Series 2017A Bonds will be approximately \$160 million.
- Additionally we will be refinancing some currently outstanding bonds at lower current market interest rates which result in present value savings currently estimated at \$3.3 Million.



GO Public Improvement Refunding Bond Series 2017A

- Below is a breakdown of proposed components:

Component being Refunded	Up To	Use
Refund CP Series G, H, J	\$110,000,000	Capital Projects
Refund CP Series E	\$50,000,000	Equipment
Total	\$160,000,000	
Advance Refundings	\$30,000,000	
Total	<u>\$30,000,000</u>	
Grand Total	\$190,000,000	

- Additional bonds produce savings, but do not meet the City’s criteria as set out in the Financial Policies.

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GO Public Improvement Refunding Bond Series 2017A

Next Steps:

- As standard course of business, in conjunction with this transaction, the Finance Working Group (FWG) will review possibilities to refinance existing debt if prudent opportunities to achieve present value savings exist.
- An RCA is expected to be brought before Council in early April.



GO Public Improvement Refunding Bond Series 2017A

System:	General Obligation
New Money or Refunding?:	Both
Par Amount:	\$190 Million
Use of the Debt Proceeds:	Capital Improvement Program and Refunding
Revenue Source Securing Debt:	Ad Valorem Property Taxes
Estimated Weighted Average Life of the Debt Being Refunded (other than Commercial Paper):	10.092 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded (other than Commercial Paper):	0.92 Years
Estimated Net Present Value Savings:	\$3.3 Million
Estimated Percentage Savings:	11.9%
Estimated True Interest Cost (%):	3.23%
Anticipated Council Agenda Date:	April
Anticipated Date of Pricing:	Early May
Anticipated Date Closing:	End of May

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Questions?