




CITY OF HOUSTON

Finance Department

Interoffice

Correspondence

To: Budget and Fiscal Affairs
Committee

From: Kelly Dowe, Director 
Finance Department

Date: December 6, 2011

Subject: **Combined Utility System
Commercial Paper, Series B-3
Liquidity Replacement**

The purpose of this memorandum is to summarize an upcoming transaction to support the City's Combined Utility System (CUS) Capital Improvement Program (CIP). A specific Request for Council Action is expected to be brought before Council on December 21, 2011.

Starting in 1993, City Council began authorizing commercial paper (CP) programs to provide appropriation capacity and "on time" funding for various capital expenditures of the City. The issuance of commercial paper has provided an expedient, cost-effective method of accessing cash and providing interim financing. CP notes are later refinanced into fixed rate bonds more closely matching the useful life of the project or equipment being financed.

The current liquidity facility that supports the Series B-3 CP program expires on December 16, 2011. This commercial paper program supports the CUS's CIP. This recommendation is for the replacement of the Series B-3 liquidity provider, while maintaining the aggregate amount of commercial paper capacity at \$75 million.

The Finance Working Group ("FWG") recommends the Bank of Tokyo-Mitsubishi UFJ, Ltd. to provide liquidity for the Series B-3 program in the amount of \$75 million, plus interest. The liquidity facility will have a 3-year term, with a commitment fee of 75 basis points per annum.