



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transaction

April 29th 2014

Presented By:
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Agenda

- Tax and Revenue Anticipation Notes 2014

* This presentation constitutes the written recommendation of the Finance Working Group.



Annual Financing Plan

Department	Series	Size (\$ millions)	Anticipated Closing	PV Savings (\$ millions)	True Interest Cost (%)
GO	TRANS 2013	180	July 1, 2013	N/A	0.16
CUS	TWDB ⁽¹⁾ 2014A	65	February 12, 2014	---	2.36
CUS	2014BC	1,298	March 2014	207.45	3.33
Subtotal		\$1,543		\$207.45	
HAS	2014	308	May 2014	---	---
CEF	2014	50	June 2014	1.78	---
GO	PIB 2014	264	June 2014	---	---
CUS	2014D	225	June 2014	---	---
GO	TRANS 2014	TBD	July 2014	---	---
Subtotal		\$847		\$1.78	
FY2014	Total	\$2,390		\$209.23	
FY2013	Total	\$1,143		\$22.31	

1. Texas Water Development Board
2. HAS transaction will not constitute an indebtedness of the City, nor will it be a general obligation of the City.



Tax and Revenue Anticipation Notes Series 2014

- Each year the City sells Tax and Revenue Anticipation Notes (TRANS) to help manage working capital needs during the year. This need for working capital is caused by the timing difference between the collections of revenues versus expenditures. The major revenue source for the General Fund is ad valorem taxes, which are largely collected during December, January and February.
- The TRANS provides an efficient, cost effective way to address this temporary cash shortfall. The actual sale of the notes is done on a competitive basis through an electronic auction intended to give the City access to a large scope of potential purchasers and provides efficient pricing.



Tax and Revenue Anticipation Notes Series 2014

- Historically, the TRANS are structured to potentially allow additional supplemental issuances, separated in time from the initial issuance, enabling the City to comply with tax laws and arbitrage regulations. The initial borrowing is based on an estimated monthly cash flow analysis prepared prior to the beginning of the fiscal year, which projects the cash flows (and predicts the maximum shortfall) during the fiscal year.
- The first TRANS issue is sized conservatively because it is based on an early estimate of cash flows. If the City's initial borrowing does not cover its shortfall, it may elect to borrow additional funds through the issuance of supplemental notes. The supplemental borrowing has only been used once in the past 9 years for unexpected Ike related expenditures in FY 2009.



Tax and Revenue Anticipation Notes Series 2014

- For FY 2015, the TRANS primary borrowing in July 2014 will be \$150 to \$250 million. The total authorized size (primary and supplemental) of the TRANS will be \$300 million.
- The competitive auction is expected to occur in June and the results will be presented to City Council for a motion to accept the winning bid or bids.
- An RCA will be presented to City Council on May 7, 2014 for authorization of the sale



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Questions?