



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

May 2nd 2017

Presented By:
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Agenda

A. Combined Utility System

- i. Pricing Update: First Lien Revenue Refunding Bonds, Series 2017B

B. General Obligation

- i. Tax and Revenue Anticipation Notes Series (TRANS) 2017



Combined Utility System Pricing Update: CUS Series 2017B

System: Combined Utility System

Total Par Amount: \$288.080 Million

Refunded Par Amount: \$70.570 Million

Use: Capital Improvement Program and
Refunding

Average Life (Years) ⁽¹⁾: 9.572

Present Value Savings: \$5,928,871

Percentage Savings: 8.401%

All-In True Interest Cost (%): 2.381%

Anticipated Closing Date: May 4, 2017

⁽¹⁾ Figure related to refunding bonds.

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



Tax and Revenue Anticipation Notes Series 2017

Background:

- 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 2017

- 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 12 years for unexpected Ike related expenditures in FY 2009.



Tax and Revenue Anticipation Notes Series 2017

Next Steps:

- For FY 2018, the TRANS primary borrowing in July 2017 will be \$150 to \$300 million. The total authorized size (primary and supplemental) of the TRANS will be \$400 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 for authorization of the sale on May 3, 2017.



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Questions?