



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

October 29th 2019

Presented By:
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Agenda

A. Combined Utility System (CUS)

- i. Pricing Update: First Lien Revenue and Refunding Bonds, Series 2019BC & 2020A
- ii. First Lien Revenue Bonds, Series 2020B (TWDB)

B. General Obligations (GO)

- i. Pricing Update: Public Improvement Refunding Bonds, Series 2019ABC

C. Houston Airport System (HAS)

- i. Interim Financing Facility
- ii. Refunding Bonds Series 2020

D. Convention & Entertainment Facilities (CEF)

- i. Refunding Bonds Series 2020



Combined Utility System Pricing Update: Series 2019BC & 2020A

System: Combined Utility System

Total Par Amount: \$770.965 million

Refunded Par Amount: \$619.260 million

Use: Capital Improvement Program and Refunding

	Series:	2019B	2019C	2020A (Forward Delivery)
Average Life (Years):		18.978	13.398	12.747
Present Value Savings:		n/a	\$94.964 million	\$26.600 million
Percentage Savings:		n/a	19.045%	26.342%
All-In True Interest Cost (%):		3.022%	2.679%	2.468%

Series 2019BC Closing Date: September 17, 2019

Series 2020A Closing Date: August 19, 2020 (Forward Delivery)



CUS First Lien Revenue Bonds, Series 2020B (TWDB)

Background:

- The Texas Water Development Board (“TWDB”) administers a program that provides below market, low-interest loans to communities that assist in meeting clean water standards. This program is known as the Clean Water State Revolving Fund (“CWSRF”) and is open to political subdivisions that own and operate a wastewater system.
- In 1998, the TWDB began using a priority rating process to determine the amount of funding participants could receive from the Clean Water State Revolving Fund. Municipalities are annually requested to submit an Intended Use Plan providing information on projects to be considered for TWDB funding. After projects are prioritized and the amount of available funds determined, applicants are invited to apply for CWSRF loans.



CUS First Lien Revenue Bonds, Series 2020B (TWDB)

Background:

- Projects being financed: Citywide Sanitary Sewer Collection System Rehabilitation

Next Steps:

- The Finance Working Group recommends issuing the CUS First Lien Revenue Bonds, Series 2020B in an amount not to exceed an estimated \$46 million.
- The proceeds would be used for approved wastewater projects that are included in the FY2020 - FY2024 Adopted Capital Improvement Project.
- This item will be presented to City Council for consideration in the next few months.



CUS First Lien Revenue Bonds, Series 2020B (TWDB)

System: Combined Utility System

New Money or Refunding?: New Money

Par Amount: \$46.185 million

Use of the Debt Proceeds: Clean Water Projects

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 (%): 165 basis points below market rates, given
the underlying credit rating for CUS

Anticipated Council Agenda Date: Spring 2020

Anticipated Date Closing: Spring 2020



Public Improvement Refunding Bonds Pricing Update: Series 2019ABC

System: General Obligation

Total Par Amount: \$493.315 million

Refunded Par Amount: \$380.505 million

Use: Capital Improvement Program and Refunding

Series:	2019A	2019B	2019C (Forward Delivery)
Average Life (Years):	11.58	5.344	2.242
Present Value Savings:	\$17.536 million	\$17.826 million	\$1.588 million
Percentage Savings:	10.876%	9.152%	6.482%
All-In True Interest Cost (%):	2.445%	2.320%	1.461%

Series 2019AB Closing Date: September 10, 2019

Series 2019C Closing Date: December 4, 2019 (Forward Delivery)



HAS Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ Millions)	Bank	Expiration	Requires Bank Letter of Credit
Commercial Paper	A&B	150 ⁽¹⁾	Sumitomo	12/15/2021	Y
Forward Bond Purchase Agreement	C	450 ⁽²⁾	RBC	11/05/2022	N
Variable Rate Demand Bonds	2010A	92.105	Barclays	12/22/2020	Y
Total Variable Debt		692.105			
Total Variable Debt Outstanding		147.575			
Total Debt Outstanding		2,932.165	Total Current Variable Rate Exposure 5.03%		

⁽¹⁾ As of September 30, 2019 Monthly Financial Report, there is a total of \$55.47 Million outstanding on the \$150 Million Commercial Paper program.

⁽²⁾ Forward Bond Purchase Agreement is used for appropriations capacity. Currently, there is nothing outstanding.



HAS Interim Financing Facility

Background:

- Over the next five years, the Airport System (HAS) has capital funding requirements of approximately \$2.06 billion in capital projects, to be funded with airport equity, grants, passenger facility charges, and airport revenue bonds.
- In 2015, HAS put in place a \$450 million inferior lien interim financing arrangement with RBC using a forward bond purchase agreement.
- Alternative financial products with similar flexibility may now be available at a lower cost.
- Any alternative product chosen would be a replacement for all or part of the current arrangement, keeping the sizing at \$450 million in aggregate.



HAS Interim Financing Facility

Next Steps:

- On October 10, 2019, the City issued a request for term sheet proposals from qualified financial institutions to provide credit facilities and/or interim financing alternatives.
- The Finance Working Group will review submitted proposals from qualified financial institutions and make a recommendation by November 2019.
- An RCA is anticipated to be brought before council in December 2019.



HAS Refunding Bonds Series 2020

Background:

- The City has identified certain Airport System Subordinate Lien Revenue Bonds that can be refunded for present value savings in the current interest rate environment.
- The recommended issuance of City of Houston, Texas, Airport System Subordinate Lien Revenue Bonds, Series 2020 (taxable) will refund these bonds and pay any associated costs of issuance.
- The total size of the Series 2020 Bonds is anticipated to be approximately \$660 million
- As a standard course of business, the FWG will continue to monitor and review possibilities to refinance existing debt if prudent opportunities to achieve present value savings exists. It is anticipated refunding results in present value savings currently estimated at \$42.6 million, subject to market conditions and further due diligence.

Next Steps:

- An RCA is anticipated to be brought before Council in the next few months.



HAS Refunding Bonds Series 2020

System:	Houston Airport System
New Money or Refunding?:	Refunding
Par Amount:	\$660 million (approximately)
Use of the Debt Proceeds:	Refunding

Revenue Source Securing Debt:	Net General Airport Revenues
Estimated Weighted Average Life of the Debt Being Refunded(Years):	7.627 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded:	0.386 Years
Estimated Present Value Savings:	\$42.6 million
Estimated Percentage Savings:	7.15%
Estimated True Interest Cost (%):	2.65 %
Anticipated Council Agenda Date:	To be determined
Anticipated Date of Pricing:	To be determined – in early 2020
Anticipated Date Closing:	To be determined

All figures are as of October 9, 2019 and are subject to market adjustments.

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



CEF Refunding Bonds Series 2020

Background:

- The City has identified certain Convention and Entertainment Facilities Department Hotel Occupancy Tax and Special Revenue Bonds that can be refunded for present value savings in the current interest rate environment.
- The total size of the Series 2020 Bonds is anticipated to be approximately \$41 million
- As a standard course of business, the FWG will continue to monitor and review possibilities to refinance existing debt if prudent opportunities to achieve present value savings exists. It is anticipated refunding results in present value savings currently estimated at \$2.76 million, subject to market conditions and further due diligence.

Next Steps:

- An RCA is anticipated to be brought before Council in the next few months.



CEF Refunding Bonds Series 2020

System:	Convention & Entertainment Facilities
New Money or Refunding?:	Refunding
Par Amount:	\$40.745 million
Use of the Debt Proceeds:	Refunding

Revenue Source Securing Debt:	HOT and Parking revenues
Estimated Weighted Average Life of the Debt Being Refunded (Years):	6.649 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded:	-0.293Years
Estimated Present Value Savings:	\$2.76 million
Estimated Percentage Savings:	7.16%
Estimated True Interest Cost (%):	2.82%
Anticipated Council Agenda Date:	To be determined
Anticipated Date of Pricing:	Early 2020
Anticipated Date Closing:	Early 2020

All figures are as of October 18, 2019 and are subject to market adjustments.

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



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Questions?