



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

February 2, 2021

Presented By:
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Agenda

- Combined Utility System (CUS)
 - a) First Lien Revenue and Refunding Bonds, Series 2021A&B
 - b) First Lien Revenue Refunding Bonds, Series 2012B
 - c) First Lien Revenue Refunding Bonds, Series 2018C
- General Obligation (GO)
 - a) Commercial Paper Program, Series G-1



CUS First Lien Revenue and Refunding Bonds, Series 2021A&B

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 (CP) 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.
- Based on market conditions as of January 6, 2021, the total anticipated size of the Series 2021A&B Bonds will be approximately \$375 million.



CUS First Lien Revenue and Refunding Bonds, Series 2021A&B

- Approximately \$270 million is related to CP refunding.
- Additionally, the Series 2021A&B Bonds will include approximately \$105 million for the purpose of refunding existing debt, which will result in present value savings currently estimated at \$7.7 million, subject to market conditions and further due diligence.

Next Steps:

- An RCA is expected to be brought before Council in February 2021.



CUS First Lien Revenue and Refunding Bonds, Series 2021A&B

System:	Combined Utility System
New Money or Refunding?:	Both
Proceeds Amount:	\$375 Million
Use of the Debt Proceeds:	Capital Improvement Program and Refunding

Revenue Source Securing Debt:	Net Revenues of the Combined Utility System
Estimated Weighted Average Life of the Debt Being Refunded (other than Commercial Paper):	10.657 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded (other than Commercial Paper):	(0.564) Years
Estimated Net Present Value Savings:	\$7.788 Million
Estimated Percentage Savings:	8.46%
Estimated True Interest Cost (%):	2.39%
Anticipated Council Agenda Date:	February 2021
Anticipated Date of Pricing:	Spring 2021
Anticipated Date Closing:	Spring 2021

All figures are subject to market adjustments. Market rates are as of January 6, 2021.

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



CUS Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank / Dealer	Expiration	Requires Bank Facility
Commercial Paper ⁽¹⁾	B-1	100.00	Bank of America	10/22/2021	Y
	B-2	75.00	Morgan Stanley	3/13/2022	N
	B-3	75.00	Sumitomo	1/14/2025	Y
	B-4	100.00	PNC Bank	7/12/2022	Y
	B-5	250.00	Morgan Stanley	3/1/2023	N
	B-6	100.00	Bank of America	10/22/2021	Y
Subtotal		700.00			
Variable Rate Demand Bonds	2004B-2	100.00	Citigroup	3/31/2022	Y
	2004B-3	75.00	Sumitomo	4/2/2021	Y
	2004B-4	75.00	PNC Bank	6/19/2023	Y
	2004B-5	100.00	Wells Fargo	4/4/2022	Y
	2004B-6	78.33	Sumitomo	4/2/2021	Y
	2012A	125.00	TD Bank	4/18/2025	Y
	2012B	100.00	State Street	6/1/2021	Y
Subtotal		653.33			
Index Floaters	2018C	249.08	Bank of America	8/1/2021	N
Subtotal		249.08			
				Total Debt Outstanding⁽²⁾	\$7,113.2
				Total Commercial Paper Outstanding⁽²⁾	\$170.0
				Total Unhedged Variable Rate Debt⁽²⁾	2.39%

⁽¹⁾ The Series B-2 and B-5 are an Extendible Commercial Paper product.

⁽²⁾ As of December 31, 2020 Monthly Financial Report.

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



CUS First Lien Revenue Refunding Bonds, Series 2012B

Background:

- The Series 2012B Bonds, which were originally issued as Floating-rate notes, are currently variable rate demand bonds (VRDBs).
- VRDBs are long term bonds, which are remarketed on a weekly basis, at short term interest rates. In order to be marketable, the VRDBs require a liquidity facility provided by a highly rated bank.
- The underlying bank facility, supporting the CUS Series 2012B Bonds, is scheduled to expire on June 1, 2021.



CUS First Lien Revenue Refunding Bonds, Series 2012B

Next Steps:

- The City has released a request for term sheet proposals from qualified financial institutions to provide liquidity facilities and/or financial alternatives.
- The Finance Working Group will review proposals for favorable terms and determine steps to move forward.
- An RCA is expected to be presented to City Council in Spring 2021.



CUS First Lien Revenue Refunding Bonds, Series 2018C

Background:

- The Series 2018C Bonds are currently structured as index floating rate notes.
- Index floating-rate notes are bonds with a variable coupon, equal to a market index rate (usually SIFMA or a percentage of LIBOR), plus a negotiated spread.
- The CUS Series 2018C Bonds have a mandatory tender date of August 1, 2021.



CUS First Lien Revenue Refunding Bonds, Series 2018C

Next Steps:

- The City has released a request for term sheet proposals from qualified financial institutions to provide liquidity facilities and/or financial alternatives.
- The Finance Working Group will review proposals for favorable terms and determine steps to move forward.
- An RCA is expected to be presented to City Council in Spring 2021.



GO Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank	Expiration	Requires Bank Facility
Commercial Paper	E-1	100	Citigroup	7/13/2021	Y
	E-2	70	Wells Fargo	4/22/2022	Y
	G-1	75	TD Bank	4/13/2021	Y
	G-2	125	Barclays	11/19/2021	Y
	H-2	100	TD Bank	11/8/2023	Y
	J	125	State Street	5/20/2023	Y
	K-1	200	RBC ⁽¹⁾	2/2/2026	N
	K-2	100	RBC ⁽¹⁾	2/2/2026	N
Total		895			
Total Debt Outstanding⁽²⁾ \$3,603.9					
Total Commercial Paper Outstanding⁽²⁾ \$179.9			Total Current Variable Rate Exposure 4.99%		

⁽¹⁾ The RBC facilities K-1 and K-2 are Forward Bond Purchase Agreements.

⁽²⁾ As of December 31, 2020 Monthly Financial Report.

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GO Commercial Paper Program

Series G-1

Background:

- Commercial paper (CP) has provided an expedient, cost-effective method of accessing cash and providing interim financing.
- General Obligation Commercial Paper Program, Series G-1 supports the City's capital improvement program.
- The current liquidity facility for the Series G-1 CP program is set to expire on April 13, 2021.

Next Steps:

- The City has reached out to the current liquidity provider for a renewal proposal and is recommending proceeding with a substitution with TD Securities.
- An RCA is expected to be brought before Council in late March 2021.



Finance Department

Questions?