



# Finance Department

## Presentation to the City of Houston Budget and Fiscal Affairs Committee

### Upcoming Financial Transactions

April 4, 2023

Presented By:  
Melissa Dubowski - Deputy Director



# Agenda

- **Combined Utility System (CUS)**
  - a) Variable Rate Demand Bonds, Series 2004B-4
- **General Obligation (GO)**
  - a) Public Improvement Bonds, Series 2023
- **Houston Airport System (HAS)**
  - a) Subordinate Lien Revenue and Refunding Bonds, Series 2023A & B



# CUS Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank / Dealer	Expiration	Requires Bank Facility
Commercial Paper	B-1	100.00	Bank of America	8/19/2027	Y
	B-2	75.00	Morgan Stanley <sup>(1)</sup>	2/1/2029	N
	B-3	75.00	Sumitomo	1/10/2025	Y
	B-4	100.00	PNC Bank	7/12/2025	Y
	B-5	250.00	Morgan Stanley <sup>(1)</sup>	2/1/2030	N
	B-6	100.00	Bank of America	8/19/2027	Y
<b>Subtotal</b>		<b>700.00</b>			
Variable Rate Demand Bonds	2004B-2	100.00	Sumitomo	3/31/2026	Y
	2004B-3	75.00	Sumitomo	1/28/2025	Y
	2004B-4	75.00	PNC Bank	6/19/2023	Y
	2004B-5	100.00	UBS	3/28/2025	Y
	2004B-6	78.33	Sumitomo	1/28/2025	Y
	2012A	125.00	TD Bank	4/18/2025	Y
	2012B	100.00	TD Bank	5/24/2024	Y
	2018C	249.08	Barclays	7/28/2025	Y
<b>Subtotal</b>		<b>902.41</b>			
<b>Total Debt Outstanding<sup>(2)</sup></b>				<b>\$6,803.2 Million</b>	
<b>Total Commercial Paper Outstanding<sup>(2)</sup></b>				<b>\$0.0</b>	
<b>Total Unhedged Variable Rate Debt<sup>(2)</sup></b>				<b>0%</b>	

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

<sup>(2)</sup> As of February 28, 2023, Monthly Financial Report.



# CUS Variable Rate Demand Bonds, Series 2004B-4

## Background:

- The 2004B-4 bonds are tax-exempt 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 Series 2004B-4 bonds is scheduled to expire on June 19, 2023.



# CUS Variable Rate Demand Bonds, Series 2004B-4

## Next Steps:

- The City released a request for term sheet proposals from qualified financial institutions to provide liquidity facilities and/or financial alternatives.
- The Finance Working Group has reviewed proposals and agreed to move forward with JPMorgan for Series 2004B-4.
- An RCA is expected to be presented to City Council in Spring 2023.



# GO Public Improvement Bonds Series 2023

## Background:

- Commercial paper (CP) has historically provided an expedient, cost-effective method of accessing cash and providing interim financing. The CP notes are later refinanced into fixed rate bonds that match the useful life of the project or equipment being financed.
- This transaction represents the normal refunding of these General Obligation commercial paper notes. The anticipated size of the Series 2023 Bonds used to refund CP will be approximately \$200 million.



# GO Public Improvement Bonds Series 2023

- Below is a breakdown of proposed components:

Component being Refunded	Up To	Use
Refund CP Series G, H	\$158 Million	Capital Projects
Refund CP Series E	\$42 Million	Equipment
Grand Total		<b><u>\$200 Million</u></b>

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



# GO Public Improvement Bonds Series 2023

## Next Steps:

- As standard course of business, in conjunction with this transaction, the Finance Working Group (FWG) will review possibilities to refinance additional existing debt if prudent opportunities to achieve present value savings exist.
- An RCA is expected to be brought before Council in Summer 2023.





# GO Public Improvement Bonds Series 2023

---

System:	General Obligation
New Money or Refunding?:	Commercial Paper Refunding
Par Amount:	\$200 million
Use of the Debt Proceeds:	Capital Improvement Program

---

Revenue Source Securing Debt:	Ad Valorem Property Taxes
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 (%):	3.635%
Anticipated Council Agenda Date:	Summer 2023
Anticipated Date of Pricing:	Fall 2023
Anticipated Date Closing:	Fall 2023

---

All figures are as of March 27, 2023 and are subject to market adjustments.

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



# HAS Subordinate Lien Revenue and Refunding Bonds, Series 2023A & B

## Background:

- The City has historically 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.
- The total size of the Series 2023 Bonds is anticipated to be approximately \$625 million which includes CP takeout and a Project Fund.



# HAS Subordinate Lien Revenue and Refunding Bonds, Series 2023A & B

## Next Steps:

- 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.
- An RCA is anticipated to be brought before Council in April 2023.



# HAS Subordinate Lien Revenue and Refunding Bonds, Series 2023A & B

---

System:	Houston Airport System
New Money or Refunding?:	Both
Par Amount:	\$625 million
Use of the Debt Proceeds:	Capital Improvement Program

---

Revenue Source Securing Debt:	Net General Airport Revenues
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 (%):	4.622%
Anticipated Council Agenda Date:	April 2023
Anticipated Date of Pricing:	May 2023
Anticipated Date Closing:	June 2023

---

All figures are as of March 24, 2023 and are subject to market adjustments.

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



# Finance Department

Questions?