



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

November 3rd 2014

Presented By:
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Agenda

- Airport System
 - Special Facilities Revenue and Refunding Bonds (United Airlines Improvement Projects), Series 2014 B-1, B-2 and C
- Combined Utility System
 - Commercial Paper Program Series B-2
 - Coastal Water Authority Contract Revenue Refunding Bonds, Series 2014
 - Texas Water Development Board Bonds Series 2015A & 2015B
- General Obligation
 - Commercial Paper Program Series G-1
 - Commercial Paper Program Series K-1



HAS Special Facilities Revenue and Refunding Bonds, Series 2014

- The proposed Series 2014B and C Bonds
 - Will finance up to \$250 million relating to the construction of a new concourse to the west of the north concourse of Terminal C by United Airlines at George Bush Intercontinental Airport “IAH” (this is the first phase of the MLIT Project as outlined in the MOA between the City and United approved by Council on June 18, 2014) and
 - To the extent that market conditions allow, will refund a portion of certain outstanding Series 1997B/1998B Terminal Facilities Bonds and Series 1997C/1998C Support Facilities Bonds up to an aggregate \$165 million
- The City is not pledged to repay associated debt. Under the Terminal B Special Facilities Lease agreement, United Airlines is pledged to repay the debt obligation.
- The refunding will not provide a direct benefit to the City, but will provide a reduction in costs at IAH to United Airlines.
- An RCA will be presented to City Council in mid November.



CUS Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank	Expiration	Requires Bank Letter of Credit
Commercial Paper	B-1	100.00	JPMorgan Chase	12/16/2015	Y
	B-2	75.00	Wells Fargo	12/15/2014	Y
	B-3	75.00	Bank of Tokyo-Mitsubishi	1/20/2015	Y
	B-4	100.00	State Street	7/15/2016	Y
	B-5	250.00	RBC ⁽¹⁾	10/30/2018	Y
	B-6	100.00	US Bank	7/15/2016	Y
Subtotal		700.00			
Variable Rate Demand Bonds	2004B-2	100.00	Bank of New York Mellon	4/4/2016	Y
	2004B-3	75.00	Sumitomo	4/3/2015	Y
	2004B-4	75.00	Bank of Tokyo	4/6/2016	Y
	2004B-5	100.00	Wells Fargo	4/6/2016	Y
	2004B-6	78.33	Sumitomo	4/3/2015	Y
Subtotal		428.33			
Total		\$1,128.33			
SIFMA Index Floater	2012A	125.00	Loop Capital Markets	6/1/2015	N
	2012B	100.00	Wells Fargo Securities	6/1/2017	N
	2012C	249.08	RBC ⁽¹⁾	8/1/2016	N
Subtotal		474.08	Total Debt Outstanding⁽²⁾		\$6,192,204
Total		\$1,602.41			

⁽¹⁾ The RBC facility is a Forward Purchase Agreement.

⁽²⁾ As of August 31, 2014 Monthly Financial Report.



CP Program Series B-2

- Commercial Paper Series B-2
 - Expires 12/15/2014.
 - The Series B-2 CP currently supports the CUS's CIP and has proven to be a cost-effective method of financing the System's capital improvement program; saving the System millions of dollars in debt service.
- The City has issued a request for proposal in October.
- The City will examine all submitted proposals, including potential alternative financial instruments to be used for the same purposes.
- An RCA will be presented to City Council in December with a recommended structure .



Coastal Water Authority Bonds

- The Coastal Water Authority (CWA), a governmental agency of the State of Texas, created in 1967, constructs untreated water conveyance and distribution facilities for the delivery of water from the Trinity River to the Houston metropolitan area.
- The issuance of the proposed CWA Contract Revenue Refunding Bonds, Series 2014 are in response to current favorable market conditions.
- The CWA and the City's Combined Utility System (CUS) entered into a Projects Contract under which the CUS is unconditionally obligated to pay the debt service on the refunding bonds. The refunding of these bonds will result in a present value savings, which will be passed through to the CUS.
- The Finance Working Group recommends issuing the Series 2014 Bonds to refinance the currently outstanding bonds at lower interest rates, in an amount not to exceed of \$45 million.
- An RCA will be presented to City Council in mid November.



Texas Water Development Board Bonds

- The Texas Water Development Board 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 and the Drink Water State Revolving Fund (“DWSRF”) and is open to political subdivisions that own and operate a water system.
- The FWG recommends issuing the CUS First Lien Revenue Bonds, Series 2015A and Series 2015B. The proceeds would be used for approved projects in the City’s adopted CIP and redemption of commercial paper not to exceed a total of \$126 million.
- An RCA will be presented to City Council in late December or early January.



GO Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank	Expiration	Requires Bank Facility
Commercial Paper	E-1	100.00	JP Morgan Chase	6/15/2015	Y
	E-2	100.00	Wells Fargo	4/28/2016	Y
	G-1	75.00	Comerica	11/28/2014	Y
	G-2	125.00	Sumitomo	11/28/2017	Y
	H-2	100.00	Mizuho	10/13/2017	Y
	J	125.00	State Street	5/20/2017	Y
	K-1	100.00	BBVA	12/26/2014	Y
	K-2	100.00	Citibank	12/27/2015	Y
Total		825.00			
Total Debt Outstanding⁽¹⁾ \$3,269,635					

⁽¹⁾ As of August 31, 2014 Monthly Financial Report.



CP Program Series G-1

- The City is exploring renewal options with current liquidity provider.
- Based on the renewal response, the City may issue a request for proposal as needed.
- The City will examine potential alternative financial instruments to be used for the same purposes, such as callable Commercial Paper and Direct Purchase alternatives.
- The Finance Working Group recommends we explore renewal or replacement of existing letter of credit as it comes due.
- An RCA will be presented to City Council in December if an alternative structure is recommended.



CP Program Series K-1

- Commercial Paper Series K-1
 - Expires 12/26/2014, but can be terminated at no cost.
 - The Series K-1 will be used primarily for appropriation capacity only.
 - It will continue to support the dedicated pay-as-you-go fund to help maintain and improve the city's drainage and street infrastructure.
 - An alternative financial instrument, Extendible Commercial Paper (ECP), has been proposed by Morgan Stanley to provide the same service as the existing commercial paper program at a lower cost.
 - FWG recommendation:
 - Replace the \$100 million Series K-1 with the Extendible Commercial Paper now and
 - Increase the size from \$100 to \$150 million to better accommodate additional appropriations capacity.
- An RCA will be presented to City Council in late November or early December.



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Questions?