



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

July 30, 2024

Presented By:
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Agenda

- **General Obligation (GO)**
 - a) Tax and Revenue Anticipation Notes (TRANS), Series 2024

- **Combined Utility System (CUS)**
 - a) Variable Rate Demand Bonds, Series 2004B-5
 - b) Coastal Water Authority SWIFT Loan Application



Tax and Revenue Anticipation Notes, Series 2024

Background:

- 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 during the City's fiscal year 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 last TRAN issue was in 2021.
- 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 auction intended to give the City access to a large scope of potential purchasers and provides efficient pricing.



Tax and Revenue Anticipation Notes (TRANS), Series 2024

- Historically, the TRANS ordinance is structured to 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 last time the City used the supplemental borrowing was in FY2009 for unexpected Ike-related expenditures.



Tax and Revenue Anticipation Notes (TRANS), Series 2024

Next Steps:

- For FY2025, the total authorized size (primary and supplemental) of the TRANS is currently being calculated.
- An RCA will be presented to City Council for authorization of the sale in August 2024.
- The competitive sale process is expected to occur in October 2024. The results will be presented to City Council by the Controller's office on the date of sale as part of a motion to accept the winning bid or bids.
- The closing is planned for late October 2024.



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	275.00	Morgan Stanley ⁽¹⁾	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 ⁽¹⁾	2/1/2030	N
	B-6	100.00	Bank of America	8/19/2027	Y
	B-7	100.00	JP Morgan	5/30/2025	Y
Subtotal		1000.00			
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	JP Morgan	6/12/2026	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 ⁽³⁾	Y
	2018C	249.08	Barclays	7/28/2025	Y
Subtotal		902.41			
Total Debt Outstanding⁽²⁾				\$6,482.8 Million	
Total Commercial Paper Outstanding⁽²⁾				\$0.0	
Total Unhedged Variable Rate Debt⁽²⁾				0%	

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

⁽²⁾ As of May 31, 2024, Monthly Financial Report.

⁽³⁾ In the process of being extended.



CUS Variable Rate Demand Bonds, Series 2004B-5

Background:

- 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 City is looking to replace the current liquidity facility.

Next Steps:

- The City has issued a request for proposals from qualified financial institutions to provide liquidity services.
- An RCA is expected to be presented to City Council in Fall 2024



Texas Water Development Board (TWDB)

SWIFT Loan Application

Background:

- The Texas Water Department Board (“TWDB”) administers a program, the State Water Implementation Fund of Texas (SWIFT), that provides below market, low-interest rate loans to provide financing for eligible political subdivisions.
- The B-2 pipeline will be a raw water line that supplies raw water to industrial customers and to the East Water Purification plant. B-2 will mitigate risk of B-1 failure.
- Projects being Financed: Coastal Water Authority (CWA) Project B-2 Pipeline.
- CWA applied for \$320 million in multi-year financing from the TWDB.
- Debt service will be paid by the Combined Utility System.



Texas Water Development Board (TWDB) SWIFT Loan Application

Next Steps:

- TWDB approved CWA's application.
- In August 2024, City Council will be asked to approve a supplement to the Projects Contract authorizing CWA to undertake the B-2 project and to issue a series of bonds pertaining to the project to the TWDB.
- The initial loan of \$25 million is expected to close in Fall 2024.
- Construction is expected to begin in April 2026 and be complete in 2029.



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Questions?