Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

January 10th 2017

Presented By:
Tantri Emo – Deputy Director
Melissa Dubowski – Acting Assistant Director
Agenda

A. General Obligation (GO)
   ➢ GO Series K-1 Forward Bond Purchase Agreement with RBC

B. Underwriter Pool
   ➢ Results of the Underwriting Services Request for Qualification (RFQ)

C. Upcoming Negotiated Transactions involving Underwriters

Note: This presentation constitutes the written recommendation of the Finance Working Group.
## GO Variable Rate Exposure Summary

<table>
<thead>
<tr>
<th>Liquidity Type</th>
<th>Series</th>
<th>Size ($ millions)</th>
<th>Bank</th>
<th>Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Paper</td>
<td>E-1</td>
<td>100</td>
<td>Citigroup</td>
<td>7/13/18</td>
</tr>
<tr>
<td></td>
<td>E-2</td>
<td>100</td>
<td>Wells Fargo</td>
<td>4/26/2019</td>
</tr>
<tr>
<td></td>
<td>G-1</td>
<td>75</td>
<td>Mizuho</td>
<td>2/19/2018</td>
</tr>
<tr>
<td></td>
<td>G-2</td>
<td>125</td>
<td>Sumitomo</td>
<td>11/28/2017</td>
</tr>
<tr>
<td></td>
<td>H-2</td>
<td>100</td>
<td>Mizuho</td>
<td>10/13/2017</td>
</tr>
<tr>
<td></td>
<td>J</td>
<td>125</td>
<td>State Street</td>
<td>5/20/2017</td>
</tr>
<tr>
<td></td>
<td>K-2</td>
<td>100</td>
<td>Citibank</td>
<td>12/27/2018</td>
</tr>
<tr>
<td>Forward Bond Purchase Agreement</td>
<td>K-1</td>
<td>150</td>
<td>RBC</td>
<td>2/2/2022</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>875</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Total Variable Debt Outstanding**<sup>(1)</sup> 139.90
- **Total Debt Outstanding**<sup>(1)</sup> 3,064.24
- **Total Current Variable Rate Exposure**<sup>(1)</sup> 4.57%

<sup>(1)</sup> As of October 31, 2016 Monthly Financial Report.

Note: This presentation constitutes the written recommendation of the Finance Working Group.
GO Series K-1 Forward Bond Purchase Agreement with RBC

Background:

- The Series K-1 line currently supports the dedicated pay-as-you-go fund to help maintain and improve the City's drainage and street infrastructure. It has proven to be a cost-effective method of providing appropriation capacity and back-up interim financing for the Re-Build Houston capital improvement program.

- On January 28, 2015, City Council approved a Forward Bond Purchase Agreement (FBPA) for the Series K-1 line with RBC Capital Markets in an amount not to exceed $150 million.

- The structure allows the City the flexibility to use the facility similarly to a commercial paper program, but at a reduced cost for undrawn (appropriation) purposes only.

- The agreement with RBC had a term of 7 years with a final maturity of February 2022.

Note: This presentation constitutes the written recommendation of the Finance Working Group.
GO Series K-1 Forward Bond Purchase Agreement with RBC

Next Steps:

- Due to increased capital needs, the City is looking to increase the size of the Series K-1 FBPA from $150 to $200 million and has negotiated the increase with RBC, keeping all other terms the same as the existing arrangement.

- An RCA is expected to be presented to City Council on January 18th, 2017.
Results of the Underwriting Services Request for Qualification (RFQ)

Background:

– In order to promote fairness, objectivity and transparency, the City’s financial policies recommends the Finance Working Group to establish a pool of firms to provide underwriting services on the upcoming bond transactions for the fiscal year.

– The City released an RFQ to establish an “open” pool of pre-qualified underwriting firms on November 18th, 2016.

– The deadline for submissions in response to this request for qualifications was December 9th, 2016.

– An “open” pool means that any firms that did not submit their qualifications on December 9th, would be given the opportunity to submit their qualifications at the end of every fiscal year i.e. June 30th to become a part of the pool.

Note: This presentation constitutes the written recommendation of the Finance Working Group.
Results of the Underwriting Services Request for Qualification (RFQ)

- We received responses and after review of the submissions by the Finance Working Group, all respondents have been qualified to become a part of the underwriter pool.

**Next Steps:**

- At a later date, the City will notify all pre-qualified firms of the opportunity to submit information for specific transactions.

Note: This presentation constitutes the written recommendation of the Finance Working Group.
Upcoming Negotiated Transactions involving Underwriters

<table>
<thead>
<tr>
<th>Department</th>
<th>Series</th>
<th>Size $^1$ ($ Millions)</th>
<th>Anticipated Closing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUS</td>
<td>2017B</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>GO</td>
<td>PIB 2017</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>HAS</td>
<td>2017</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>CUS</td>
<td>2017C</td>
<td>100</td>
<td>May 2017</td>
</tr>
<tr>
<td>GO</td>
<td>Pension Obligation Bonds 2017</td>
<td>1,000</td>
<td>June 2017</td>
</tr>
</tbody>
</table>

(1) Estimated. Preliminary, subject to change.

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

Questions?