



# Finance Department

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

### Upcoming Financial Transactions

April 7<sup>th</sup> 2015

Presented By:  
Jennifer Olenick, CFA - Assistant Director



# Agenda

- Tax and Revenue Anticipation Notes 2015
- General Obligation Commercial Paper Program, Series E-1
- Underwriting Services Request for Information



# Annual Financing Plan

Department	Series	Size (\$ millions)	Anticipated Closing	PV Savings (\$ millions)	True Interest Cost (%)
GO	TRANS 2014	200	July 2, 2014	N/A	0.10
CUS	2014D	548	July 9, 2014	24.37	3.21
GO	PIB 2014	257	August 19, 2014	5.94	2.84
CEF	2014	74	August 20, 2014	4.58	4.04
HAS	2014 CONRAC	38	September 4, 2014	N/A	3.12
CUS	TWDB <sup>(1)</sup> 2015AB	103	January 29, 2015	N/A	1.46
CEF	2015	133	March 19, 2015	9.24	3.31
<b>Subtotal</b>		<b>\$1,353</b>		<b>\$44.13</b>	<b>2.60</b>
CUS	2015C	200	May / June 2015	---	---
GO	TRANS 2015	150-250	July 2015	---	---
GO	PIB 2015	TBD	August 2015	---	---
<b>Subtotal</b>		<b>\$1,703-1,803</b>		<b>\$44.13</b>	
<b>FY2014</b>	<b>Total</b>	<b>\$2,390</b>		<b>\$209.23</b>	
<b>FY2013</b>	<b>Total</b>	<b>\$1,143</b>		<b>\$22.31</b>	

1. Texas Water Development Board



# Tax and Revenue Anticipation Notes Series 2015

- Each year 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 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 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 electronic auction intended to give the City access to a large scope of potential purchasers and provides efficient pricing.



# Tax and Revenue Anticipation Notes Series 2015

- Historically, the TRANS are structured to potentially 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 supplemental borrowing has only been used once in the past 10 years for unexpected Ike related expenditures in FY 2009.



# Tax and Revenue Anticipation Notes Series 2015

- For FY 2016, the TRANS primary borrowing in July 2015 will be \$150 to \$250 million. The total authorized size (primary and supplemental) of the TRANS will be \$300 million.
- The competitive auction is expected to occur in June and the results will be presented to City Council for a motion to accept the winning bid or bids.
- An RCA will be presented to City Council in May for authorization of the sale.



# 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	Mizuho	2/19/2018	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	150.00	RBC	2/2/2022	N
	K-2	100.00	Citibank	12/27/2015	Y
<b>Total</b>		<b>875.00</b>			
<b>Total Debt Outstanding<sup>(1)</sup></b>		<b>\$3,336,635</b>			

<sup>(1)</sup> As of January 31, 2015 Monthly Financial Report.



# GO Commercial Paper Program

## Series E-1

- The current liquidity facility for the General Obligation Commercial Paper Program, Series E-1 set to expire on June 15<sup>th</sup> 2015.
- The City will be exploring renewal options with the current liquidity provider, and potential replacement liquidity providers.
- The City has requested its financial advisors to seek proposals.
- 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 the existing letter of credit as it come due.





# Underwriting Services Request for Information

- The adopted financial policies called for, “A formal Request for Information (RFI) process shall be conducted by the Finance Working Group annually when selecting underwriters in order to promote fairness, objectivity and transparency.”
- The RFI was released on Tuesday March 2, 2015.
- The deadline for submissions in response to this request for information was Monday March 16, 2015.
- We received a total of 36 responses.
- For further clarification on underwriter pool assignments, please see the provided memo.



# Finance Department

Questions?