



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

September 1, 2020

Presented By:
Melissa Dubowski – Deputy Director



Agenda

- Harris County – Houston Sports Authority Revenue Refunding Bonds
- General Obligation (GO)
 - a) Public Improvement Bonds, Series 2020
 - b) Commercial Paper Program, Series H-2



Harris County – Houston Sports Authority Revenue Refunding Bonds

- Harris County – Houston Sports Authority (the “Authority”) has \$869 million of debt outstanding supported primarily by hotel occupancy taxes and motor vehicle rental taxes
 - COVID-19 has significantly impacted those receipts, and is expected to continue to do so over the next several years
 - Accordingly, the Authority is seeking to issue up to \$125 million of Series 2020 bonds to restructure principal and interest to create near term cash flow relief for the next four years
- Authority debt is not an obligation of the City, but in order to issue these bonds the Authority needs approvals from the City and Harris County, similar to its 2014 refunding (which produced NPV savings of \$99.7 million)
- This proposed restructuring will provide debt service relief through 2024 by extending the final maturity of the overall debt portfolio by three years. The restructuring is expected to increase the NPV cost of the Authority’s debt by approximately \$15 to 20 million



Harris County – Houston Sports Authority Revenue Refunding Bonds

Next Steps:

- An RCA is being brought to Council on September 2, 2020.
- Pricing is scheduled for September 2020.
- Closing is scheduled for October 2020.



GO Public Improvement Bonds Series 2020

Background:

- Commercial paper (CP) has 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 2020 Bonds used to refund CP will be approximately \$151 million.
- The City also intends on refinancing some currently outstanding bonds at lower current market interest rates which result in present value savings currently estimated at \$6.2 million.
- Additionally included in this transaction, the City is planning on issuing approximately \$3 million in Certificates of Obligation to fund the Dangerous Buildings program. The issuance of these bonds represented in the subsequent table are intended to continue uninterrupted operation of the program.



GO Public Improvement Bonds Series 2020

– Below is a breakdown of proposed components:

Component being Refunded	Up To	Use
Refund CP Series G, H, J	\$91 Million	Capital Projects
Refund CP Series E	\$60 Million	Equipment
Sub Total		<u>\$151 Million</u>
Certificates of Obligation Series 2020	\$3 Million	Demolition of Dangerous Buildings
Current Refunding	\$54 Million	Refinancing Existing Debt
Sub Total		<u>\$57 Million</u>
Grand Total		\$208 Million

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



GO Public Improvement Bonds Series 2020

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 Fall 2020.



GO Public Improvement Bonds Series 2020

System:	General Obligation
New Money or Refunding?:	Both
Proceeds Amount:	\$208 Million
Use of the Debt Proceeds:	Capital Improvement Program and Refunding

Revenue Source Securing Debt:	Ad Valorem Property Taxes
Estimated Weighted Average Life of the Debt Being Refunded (other than Commercial Paper):	10.1 Years
Estimated Change to the Weighted Average Life of Debt Being Refunded (other than Commercial Paper):	<1 Year
Estimated Net Present Value Savings:	\$6.2 Million
Estimated Percentage Savings:	13.3%
Estimated True Interest Cost (%):	1.75%
Anticipated Council Agenda Date:	Fall 2020
Anticipated Date of Pricing:	Fall 2020
Anticipated Date Closing:	Fall 2020

All figures are subject to market adjustments. Market rates are as of August 24, 2020

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GO Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank	Expiration	Requires Bank Facility
Commercial Paper	E-1	100	Citigroup	7/13/2021	Y
	E-2	70	Wells Fargo	4/22/2022	Y
	G-1	75	Toronto Dominion	2/12/2021	Y
	G-2	125	Barclays	11/19/2021	Y
	H-2	100	Barclays	11/13/2020	Y
	J	125	State Street	5/20/2023	Y
	K-1	200	RBC ⁽¹⁾	2/2/2026	N
	K-2	100	RBC ⁽¹⁾	2/2/2026	N
Total		895			
Total Debt Outstanding⁽²⁾ \$3,555.9					
Total Commercial Paper Outstanding⁽²⁾ \$131.9			Total Current Variable Rate Exposure 3.70%		

⁽¹⁾ The RBC facilities K-1 and K-2 are Forward Bond Purchase Agreements.

⁽²⁾ As of June 30, 2020 Monthly Financial Report.

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GO Commercial Paper Program

Series H-2

Background:

- Commercial paper (CP) has provided an expedient, cost-effective method of accessing cash and providing interim financing.
- General Obligation Commercial Paper Program, Series H-2 supports the City's capital improvement program.
- The current liquidity facility for the Series H-2 CP program is set to expire on November 13, 2020.

Next Steps:

- In July, the City issued a request for proposals from qualified financial institutions to provide credit facilities.
- The Finance Working Group received proposals and is evaluating the proposals to recommend either renewal or replacement of the existing letter of credit.

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Questions?