Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

February 4, 2020

Presented By:
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Agenda

A. Houston Airport System (HAS)
   i. Commercial Paper Program, Series A & B

B. Combined Utility System (CUS)
   i. First Lien Revenue and Refunding Bonds, Series 2012A

C. General Obligation (GO)
   i. Commercial Paper Program, Series J

HAS Variable Rate Exposure Summary

Liquidity Type	Series	Size ($ Millions)	Bank	Expiration	Requires Bank Letter of Credit
Commercial Paper	A&B	150[1]	Sumitomo	12/15/2021	Y
Forward Bond Purchase Agreement	C	450[2]	RBC	11/05/2022	N
Variable Rate Demand Bonds	2010A	92.105	Barclays	12/22/2020	Y
Total Variable Debt		**692.105**			
Total Variable Debt Outstanding		**189.078**			
Total Debt Outstanding		**2,881.563**	**Total Current Variable Rate Exposure 6.56%**		

[1] As of December 31, 2019 Monthly Financial Report, there is a total of $96.973 Million outstanding on the $150 Million Commercial Paper program.
[2] Forward Bond Purchase Agreement is used for appropriations capacity and requires annual City Council authorization. Currently, there is nothing outstanding.

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

HAS – Commercial Paper Program, Series A & B

Background:

- Over the next five years, the Airport System (HAS) has capital funding requirements of approximately $2.06 billion in capital projects, to be funded with airport equity, grants, passenger facility charges, and airport revenue bonds.
- HAS currently has an existing $150 million senior lien commercial paper programs, Series A (AMT) and Series B (Non-AMT) that currently supports capital expenditures related to the Houston Airport System's Capital Improvement Plan projects.

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

HAS – Commercial Paper Program, Series A & B

- HAS is seeking to increase its senior lien commercial Paper program capacity by an additional $200 million. This additional capacity will allow the Airport System to continue with existing and planned projects as detailed in CIP.

<u>Next Steps:</u>

- On November 25, 2019, the City issued a request for term sheet proposals from qualified financial institutions to provide credit facilities.
- Upon review of all submitted proposals, including potential alternative financial instruments to be used for the same purposes, the FWG recommends proceeding with increasing the current CP program with Sumitomo by an additional $200 million for a total size of $350 million.
- An RCA is expected to be brought before Council later this month.

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

CUS Variable Rate Exposure Summary

Liquidity Type	Series	Size ($ millions)	Bank / Dealer	Expiration	Requires Bank Facility
Commercial Paper[1]	B-1	100.00	Bank of America	10/22/2021	Y
	B-2	75.00	Morgan Stanley	3/13/2022	N
	B-3	75.00	Sumitomo	1/15/2021	Y
	B-4	100.00	PNC Bank	7/12/2022	Y
	B-5	250.00	Morgan Stanley	3/1/2023	N
	B-6	100.00	Bank of America	10/22/2021	Y
	Subtotal	**700.00**			
Variable Rate Demand Bonds	2004B-2	100.00	Citigroup	3/31/2022	Y
	2004B-3	75.00	Sumitomo	4/2/2021	Y
	2004B-4	75.00	PNC Bank	6/19/2023	Y
	2004B-5	100.00	Wells Fargo	4/4/2022	Y
	2004B-6	78.33	Sumitomo	4/2/2021	Y
	2012B	100.00	State Street	6/1/2021	Y
	Subtotal	**528.33**			
Index Floaters	2012A	125.00	Bank of America	5/1/2020	N
	2018C	249.08	Bank of America	8/1/2021	N
	Subtotal	**374.08**	**Total Debt Outstanding[2]**	**$6,756.721**	
			Total Commercial Paper Outstanding [2]	**$45.00**	
			Total Unhedged Variable Rate Debt[2]	**.67%**	

[1] The Series B-2 and B-5 are an Extendible Commercial Paper product.
[2] As of December 31, 2019 Monthly Financial Report.

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

CUS First Lien Revenue and Refunding Bonds, Series 2012A

Background:

- The City has identified approximately $125 million of the Combined Utility System First Lien Revenue and Refunding Bonds, Series 2012A (SIFMA Index Floating Rate Bonds) that have a mandatory tender date of May 1, 2020.
- In anticipation, on January 7, 2020, the City issued a request for term sheet proposals from qualified financial institutions to provide liquidity facilities and/or financial alternatives.
- The Finance Working Group will review proposals once they are submitted and provide recommendations for issuance of these bonds.

Next Steps:

- An RCA is expected to be presented to City Council by April 2020.

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

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	11/28/2022	Y
	H-2	100	Barclays	11/21/2021	Y
	J	125	State Street	5/20/2020	Y
	K-1	200	RBC	2/2/2026	N
	K-2	100	RBC	2/2/2026	Y
	Total	**895**			

Total Debt Outstanding[(1)] $3,918.035

Total Commercial Paper Outstanding[(1)] $78.900 **Total Current Variable Rate Exposure 2.01%**

[(1)] As of December 31, 2019 Monthly Financial Report.

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

GO Commercial Paper, Series J

Background:

- Commercial Paper program has provided a 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.
- The Series J facility is approximately $125 million in size and currently supports the Capital Improvement Projects.
- The current liquidity facility is set to expire on May 20, 2020.

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

GO Commercial Paper, Series J

Next Steps:

- The City has reached out to the current liquidity provider for a renewal proposal.
- The FWG will review proposal for favorable terms and determine steps to move forward.

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Questions?