



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

January 3, 2023

Presented By:
Melissa Dubowski - Deputy Director



Agenda

- **Combined Utility System (CUS)**
 - a) Commercial Paper Program Expansion
- **General Obligation (GO)**
 - a) Commercial Paper Program, Series E



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	75.00	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
Subtotal		700.00			
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	PNC Bank	6/19/2023	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	Y
	2018C	249.08	Barclays	7/28/2025	Y
Subtotal		902.41			
Total Debt Outstanding⁽²⁾				\$6,823.2 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 November 30, 2022, Monthly Financial Report.



CUS Commercial Paper Program Expansion

Background:

- Commercial Paper programs have provided a cost-effective method of accessing cash and providing interim financing for the Combined Utility System's (CUS) capital Improvement program (CIP).
- The CUS anticipates that appropriations and spending will increase as projects continue in order to comply with the EPA Consent Decree and other CIP needs.
- To implement the projects timely, additional capacity is needed for both appropriations and drawn purposes.



CUS Commercial Paper Program Expansion

Next Steps:

- In early January, The City will issue a Request for Term Sheets to seek proposals for up to \$300M in additional appropriation capacity, with up to \$200M targeted for drawn capacity.
- The proposals will be evaluated by the Finance Working Group
- An RCA will be presented to City Council in Spring 2023.



GO Variable Rate Exposure Summary

Liquidity Type	Series	Size (\$ millions)	Bank	Expiration	Requires Bank Facility
Commercial Paper	E-1	100	State Street	7/10/2026	Y
	E-2	100	Wells Fargo	4/22/2025	Y
	G-1	75	TD Bank	4/11/2024	Y
	G-2	125	Barclays	11/19/2025	Y
	H-2	100	TD Bank	11/8/2023	Y
	J	125	State Street	5/20/2023	Y
	K-1	200	RBC ⁽¹⁾	12/31/2030	N
	K-2	100	RBC ⁽¹⁾	12/31/2030	N
Total		925			
Total Debt Outstanding⁽²⁾ \$3,365.5					
Total Commercial Paper Outstanding⁽²⁾ \$201.70			Total Current Variable Rate Exposure 5.99%		

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

⁽²⁾ As of November 30, 2022, Monthly Financial Report.



GO Commercial Paper, Series E

Background:

- The Finance Working Group from time to time reviews the administration, operations and efficiency of all commercial paper programs.
- The Series E commercial paper program was created in 2002, and since 2011, has operated as two separate programs (E-1 and E-2) under one combined ordinance.
- There is currently one ordinance for E-1 and E-2, but separate credit agreements with different terms and expiration dates for E-1 and E-2.
- The Finance Working Group recommends that the Series E-1 and Series E-2 be bifurcated and operate under standalone ordinances rather one combined ordinance.
- This will make the administration of each Series E program more efficient going forward.



GO Commercial Paper, Series E

Next Steps:

- An RCA will be presented to City Council in February 2023.
- The Finance Working Group may bring recommendations for additional actions forward on other commercial paper programs from time to time to enhance administration and efficiency of all commercial paper programs.



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Questions?