



Finance Department

Presentation to the City of Houston Budget and Fiscal Affairs Committee

Upcoming Financial Transactions

August 29, 2023

Presented By:
Melissa Dubowski - Deputy Director



Agenda

- **Combined Utility System (CUS)**
 - a) Variable Rate Demand Bonds (VRDB)
Remarketing Agent
- **General Obligation (GO)**
 - a) Commercial Paper Program, Series H-2
- **Houston Airport System (HAS)**
 - a) HAS Senior Lien Debt Service Reserve Fund
Contribution - Surety Policy
 - b) Pricing Update: Subordinate Lien Revenue
Refunding Bonds, Series 2023A & B



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 | 275.00 | Morgan Stanley ⁽¹⁾ | 12/15/2039 | 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 |
| | B-7 | 100.00 | JPMorgan | 5/30/2025 | N |
| Subtotal | | 1,000.00 | | | |
| 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 | JPMorgan | 6/12/2026 | 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 CUS Debt Outstanding⁽²⁾ | | | | \$6,693.8 Million | |
| Total Commercial Paper Outstanding⁽²⁾ | | | | \$25.0 | |
| Percent of Current Unhedged Variable Rate Debt⁽²⁾ | | | | 0.37% | |

⁽¹⁾ The Series B-2 and B-5 are an Extendible Commercial Paper product.

⁽²⁾ As of July 31, 2023, Monthly Financial Report.



VRDB Remarketing Agent

Background:

- VRDBs are bonds remarketed by a remarketing agent, securities firm or a broker-dealer, on a weekly basis, at short term interest rates.
- The City is considering replacing the current remarketing agent.

Next Steps:

- The City will issue a request for proposals from qualified financial institutions/broker-dealers to provide remarketing services.
- An RCA is expected to be presented to City Council in the Fall of 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 | 5/21/2026 | Y |
| | K-1 | 200 | RBC ⁽¹⁾ | 12/31/2030 | N |
| | K-2 | 100 | RBC ⁽¹⁾ | 12/31/2030 | N |
| Total | | 925 | | | |
| Total GO Debt Outstanding⁽²⁾ \$3,205.9 | | | | | |
| Total GO Commercial Paper Outstanding⁽²⁾ \$275.4 | | | GO Current Variable Rate Exposure 8.59% | | |

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

⁽²⁾ As of July 31, 2023, Monthly Financial Report.



GO Commercial Paper Program Series H-2 (Renewal)

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 8, 2023.

Next Steps:

- The City has reached out to the current liquidity provider for a renewal proposal and is recommending renewing with TD Securities.



HAS Surety Policy Renewal

Background:

- Section 3.07 of the Master Trust Indenture states that the City shall establish and maintain a balance in the Senior Lien Bond Reserve Fund Participant Account equal to the Reserve Fund Requirement for the Senior Lien Bonds and the Senior Lien Notes.
- The Senior Lien Bond Reserve Fund (“DSRF”) Requirement is \$22.6 million.
- Currently, the requirement is satisfied by a combination of cash and surety policies.
- Two of the surety policies totaling approximately \$6.4 million expire on October 25, 2023, Leaving a DSRF balance after expiration of approximately \$16.2 million.
- The expiring policies in the amount of approximately \$6.4 million need to be replaced before the expiration date to ensure the DSRF Requirement continues to be met.



HAS Surety Policy Renewal

Next Steps:

- In connection with the HAS 2023AB bond sale this summer, the City negotiated favorable terms with Assured Guaranty to provide replacement surety policies for both the Subordinate Lien DSRF in connection with the bond sale as well as for the Senior Lien DSRF.
- An RCA will be presented to City Council in September 2023.



Pricing Update - HAS Subordinate Lien Revenue and Refunding Bonds, Series 2023A & B

System: Houston Airport System

Total Par Amount: \$756.050 million

Refunded Par Amount: \$198.985 million

Use: Capital Improvement Program and Refunding

| Series: | 2023A (AMT) | 2023B (Non-AMT) |
|--------------------------------|-----------------|-----------------|
| Average Life (Years): | 17.958 | 11.424 |
| Present Value Savings: | \$4.483 million | \$8.387 million |
| Percentage Savings: | 4.219% | 9.043% |
| All-In True Interest Cost (%): | 4.538% | 3.592% |

Series 2023AB Closing Date: July 19, 2023

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Questions?