Upcoming Financial Transactions

Finance Department
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CUS Liquidity Summary

Liquidity Type	Series	Size ($ millions)	Bank	Expiration	Requires Bank Letter of Credit
Commercial Paper	B-1	250.00	JPMorgan Chase	12/16/2013	Y
	B-2	75.00	Wells Fargo	12/14/2012	Y
	B-3	75.00	Bank of Tokyo-Mitsubishi	1/20/2015	Y
	B-4	100.00	Barclay's	7/15/2013	Y
	B-5	100.00	BBVA	5/27/2015	Y
	B-6	100.00	Citibank	7/15/2013	Y
	Total	**700.00**			
Variable Rate Demand Bonds	2004B-1	225.00	Bank of America	12/16/2013	Y
	2004B-2	100.00	State Street	4/5/2013	Y
	2004B-3	75.00	Sumitomo	4/3/2015	Y
	2004B-4	75.00	JPMorgan Chase	4/6/2013	Y
	2004B-5	100.00	Lloyd's	4/6/2013	Y
	2004B-6	78.33	Scotia	4/3/2015	Y
	2008D-1	132.01	JPMorgan Chase	12/31/2012	Y
	Total	**785.34**			
	Subtotal	**1,485.34**			
SIFMA Index Floater	2010 B-1	200.00	RBC	3/22/2013	N
	2010 B-2	49.08	RBC	3/23/2013	N
	Total	**249.08**			

CUS Variable Rate Demand Bonds Series 2004B-1

- The 2004B-1 bonds are one of six (6) tranches of tax-exempt variable rate bonds supported by bank letters of credit.
- On February 15th Moody's announced a review of 17 banks and securities firms with global capital markets operations and published a special comment on the challenges facing each bank. Included in this review was a potential downgrade for Bank of America, which is the liquidity provider for the Series 2004B-1 Bonds.
- Due to the risk of downgrade the Finance Working Group (FWG) thinks it is prudent for the City to replace the letter of credit currently provided by Bank of America and the contract allows the City to terminate without penalty.

CUS Variable Rate Demand Bonds Series 2004B-1

- The FWG considers this replacement a good opportunity to reduce dependence on bank letters of credit.
- The recommended alternative to a letter of credit is a SIFMA Index Floater
  - Floating-rate notes are bonds that have a variable coupon, equal to a market index rate, like SIFMA, LIBOR or federal funds rate, plus a spread. The spread is a rate that remains constant.
- The FWG also recommends splitting the $225 million into two tranches; $125 million with a 3-yr term and $100 million with a 5-yr term
- An RCA will be brought before Council in May.

Annual Financing Plan

Department	Series	Size ($ millions)	Anticipated Closing	PV Savings ($ millions)	True Interest Cost
HAS	2012A,B,C	504	Closed April 5,2012	55.6	4.07%
GO	2012A,B	370	Priced April 24, 2012	16.5	2.27%
	Subtotal	**874**		**72.1**	**3.66%**
CEF	2012A	40-50	May 2012	---	---
HAS	Prepayment	9	June 2012	---	---
GO	TRANS 2012	150-300	July 2012	---	---
CUS	2012W	200-300	TBD	---	---
CUS*	TWDB 2012X	50	Sept. 2012	---	---
CUS	2012Z	132	Dec. 2012	---	---
	Subtotal	**581-841**		**---**	**---**
	Total	**1,455- 1,715**		**72.1**	**3.66%**

* The referenced transactions are new issues that will be placed through the Texas Water Development Board.

Tax and Revenue Anticipation Notes Series 2012

- 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 2012

- 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 7 years for unexpected Ike related expenditures in FY 2009.

Tax and Revenue Anticipation Notes Series 2012

- For FY 2013, the TRANS primary borrowing in July 2012 will be $150 to $250 million. The total authorized size (primary and supplemental) of the TRANS will be $300 million.
- An RCA will be presented to City Council on May 9, 2012 for authorization of the sale, and approval of the Preliminary Official Statement (POS), Notice of Sale, and distribution of the POS. 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.

Redemption of Houston Airport Bonds

- The Airport system currently has $8.71 million of bonds outstanding that are eligible for prepayment as of 1/1/12
- The FWG has determined that it is financially prudent and in the best interest of the City to use available cash resources of the Airport System to redeem these bonds:
  - The interest rate being paid on these bonds is 5.5%
  - The average estimated interest rate being earned on the cash resources of the Airport system is 1.4%
- **The Ordinance for this item is on agenda this week**