

<b>SUBJECT:</b> Approve an Ordinance approving a supplemental borrowing evidenced by City of Houston, Texas Tax and Revenue Anticipation Notes, Series 2016 (the "Series 2016 Notes"), which includes authorizing the execution of a note purchase agreement; approving bond counsel and special tax and special disclosure counsel making other findings and provisions related to such notes and matters incident thereto.		<b>Category #</b>	<b>Page 1 of 2</b>	<b>Agenda Item #</b>
<b>FROM (Department or other point of origin):</b> Finance Department and Office of City Controller		<b>Origination Date:</b> April 26, 2016	<b>Agenda Date</b>	
<b>DIRECTOR'S SIGNATURE:</b>		<b>Council District Affected:</b> All		
<b>For additional information contact:</b> Jennifer Olenick Charisse Mosely		<b>Date and identification of prior authorizing Council action:</b>		
<b>Phone:</b> 832-393-9112 <b>Phone:</b> 832-393-3529				
<b>RECOMMENDATION:</b> Approve an Ordinance approving a supplemental borrowing evidenced by City of Houston, Texas Tax and Revenue Anticipation Notes, Series 2016 (the "Series 2016 Notes"), which includes authorizing the execution of a note purchase agreement; approving bond counsel and special tax and special disclosure counsel making other findings and provisions related to such notes and matters incident thereto.				
<b>Amount of Funding:</b> Not Applicable			<b>Finance Dept Budget:</b>	
<b>Source of Funding:</b> [ X ] General Fund [ ] Grant Fund [ ] Enterprise Fund [ ] Other (Specify)				
<b><u>SPECIFIC EXPLANATION:</u></b>  <p>The City's General Fund revenue collections are not evenly distributed throughout the fiscal year. The major revenue source is ad valorem taxes, the largest part of which is collected shortly before the tax delinquency date of February 1st of each year. In order to finance its general operation expenditures each fiscal year, the City borrows against anticipated collection of taxes and revenues to cover temporary cash flow shortages. This request is for City Council's approval to issue Tax and Revenue Anticipation Notes ("TRANS" or "Notes") for Fiscal Year 2017 in an aggregate amount not to exceed \$400 million.</p> <p>The TRANS are structured in two parts, which helps the City comply with tax laws and arbitrage regulations. The first ordinance will approve the initial borrowing. This initial issuance is sized to comply with the federal tax law exemptions and avoid arbitrage penalties. We currently project that the initial issuance will be between \$150 and \$300 million and this amount, based on preliminary cash flows for FY2017, will continue to be conservatively refined until the pricing in June. The ordinance also authorizes the preparation of the POS and NOS in respect to the competitive sale of the initial Series 2016 Notes. Prior to distribution, the finance working group will approve and deem final the POS and NOS in conformity with the City's disclosure policies. The closing for the Notes is anticipated to occur in early July.</p> <p>The second ordinance will authorize the Mayor and City Controller to authorize the terms of a second offering for a supplemental borrowing if there are additional cash needs later in the fiscal year. If the supplemental borrowing occurs (not to exceed \$400 million between both the initial and supplemental borrowing), the finance working group is authorized to determine certain matters relating to the supplemental borrowing consistent with the terms of this ordinance. The supplemental notes, if issued, would be repaid prior to fiscal year end. The supplemental borrowing option has only been utilized once in at least the past 11 years, in FY 2009, in an amount of \$40 million for Hurricane Ike related expenditures.</p>				
<b>REQUIRED AUTHORIZATION</b>				
<b>Finance Director:</b>	<b>Other Authorization:</b>		<b>Other Authorization:</b>	

<b>Date:</b> April 26, 2016	<b>Subject:</b> Approve an Ordinance approving a supplemental borrowing evidenced by City of Houston, Texas Tax and Revenue Anticipation Notes, Series 2016 (the "Series 2016 Notes"), which includes authorizing the execution of a note purchase agreement; approving bond counsel and special tax and special disclosure counsel making other findings and provisions related to such notes and matters incident thereto.	<b>Originator's Initials</b>	<b>Page 2 of 2</b>
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For the first borrowing, electronic bids for the Notes will be received on or about June 22<sup>nd</sup> 2016 with the winning bid approved via motion at the City Council meeting. If any bid becomes a leading bid within two minutes prior to the scheduled end of the bidding, the time period for submission of bids will automatically be extended by two minutes from the time that such bid was received. At the close of the bidding period, the Office of the City Controller, Finance Department and the City's Financial Advisors will verify interest rate calculations of bids received and join the City Council session to announce the results.

Since this is a competitive auction, there will not be a necessity for an underwriting team. The Law Offices of Francisco G. Medina are recommended as bond counsel. Bracewell LLP is recommended as disclosure counsel and special tax counsel.

This item was presented to the Budget and Fiscal Affairs Committee on April 5<sup>th</sup> 2016.

**Recommendation:**

The Finance Working Group recommends approval of this item.