

TO: Mayor via City Secretary REQUEST FOR COUNCIL ACTION

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| SUBJECT: Ordinance authorizing the sale of the Public Improvement Refunding Bonds, Series 2015A and such other series as may be required to refund and defease certain outstanding obligations of the City; authorizing a Preliminary Official Statement, Official Statement and related agreements pertaining to such bonds. | | Category # | Page 1 of 2 | Agenda Item # |
| FROM (Department or other point of origin): Finance Department and Office of City Controller | | Origination Date: 11/10/2015 | Agenda Date | |
| DIRECTOR'S SIGNATURE: | | Council District Affected: All | | |
| For additional information contact: Jennifer Olenick Phone: 832-393-9112 Charisse Mosely Phone: 832-393-3529 | | Date and identification of prior authorizing Council action: N/A | | |
| RECOMMENDATION: Approve an Ordinance authorizing the sale of the City of Houston, Texas, Public Improvement Refunding Bonds Series 2015A and such other series as may be determined, in an aggregate amount not to exceed \$510 million; authorizing certain designated city officials to approve the principal amount, interest rates, prices, terms and sale thereof; authorizing such officials to determine the outstanding obligations to be refunded and/or defeased. Approving the use of a preliminary official statement and authorizing the preparation and distribution of an official statement in connection with such offering. | | | | |
| Amount of Funding: N/A Not Applicable | | | Finance Dept Budget: | |
| Source of Funding: <input checked="" type="checkbox"/> General Fund <input type="checkbox"/> Grant Fund <input type="checkbox"/> Enterprise Fund <input type="checkbox"/> Other (Specify) | | | | |
| SPECIFIC EXPLANATION: The Finance Working Group (the "FWG") is recommending refunding certain outstanding general obligation commercial paper notes, certain outstanding general obligation bonds and financing all related costs of issuance. | | | | |
| <u>Commercial Paper</u> The City has been issuing variable rate commercial paper to fund its Capital Improvement Program and equipment procurements for a number of years. Consistent with the City's financial policies, outstanding general obligation, commercial paper notes are refinanced with long term fixed rate bonds with a final maturity to match the useful life of the capital improvement project or equipment financed with such commercial paper. This transaction represents the normal refunding of these commercial paper notes with long term fixed rate refunding bonds. Based on current market conditions, the intent is to refund up to \$160 million of outstanding commercial paper notes. | | | | |
| <u>Current and Advance Bond Refunding</u> In addition to the refunding of general obligation commercial paper, the City anticipates refunding certain outstanding public improvement bonds to achieve present value debt service savings on an aggregate basis. The FWG is reviewing current outstanding debt for refunding opportunities. All refundings would meet the parameters established under the City's adopted financial policies. | | | | |
| REQUIRED AUTHORIZATION | | | | |
| Finance Department Director: | | Other Authorization: | | Other Authorization: |

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| Date: November 10, 2015 | Subject: Ordinance authorizing the sale of the Public Improvement Refunding Bonds Series 2015A and such other series as may be required to refund and defease certain outstanding obligations of the City; authorizing a Preliminary Official Statement and related agreements pertaining to such bonds. | Originator's Initials | Page 2 of 2 |
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Summary

The following table further summarizes the approximate allocation of the combined proposed transaction:

Public Improvement Refunding Bonds Series 2015A

| | Refunding Component | Up To | Use |
|--------------|--------------------------------|-----------------------------|----------------|
| A. | Refund CP Series G, H, J | \$60,000,000 | Infrastructure |
| | Refund CP Series E | \$100,000,000 | Equipment |
| B. | Current and Advance Refundings | \$350,000,000 | |
| Total | | <u>\$510,000,000</u> | |

Recommendation

This transaction was presented to the Budget and Fiscal Affairs Committee on August 4, 2015.

The Finance Working Group recommends the PIB Series 2015A be issued through a negotiated financing with Loop Capital Markets serving as book running manager along with FTN Financial and Wells Fargo as co-senior managers. Jefferies, RBC Capital Markets and Stifel Nicolaus are recommended as co-managers. Bracewell & Giuliani LLP and Baker Williams & Matthiesen LLP are recommended as co-bond counsel along with Haynes & Boone and Bratton & Associates as co-disclosure counsel.