



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 11/27/2018

Item Creation Date: 10/26/2018

FIN - CP CUS Series B-5

Agenda Item#: 35.

Background:

An Ordinance Supplementing Ordinance No. 2009-1118 relating to the issuance of the City of Houston, Texas Combined Utility System Third Lien Extendable Commercial Paper Notes, Series B-5.

RECOMMENDATION:

Approve an Ordinance supplementing the City of Houston, Texas Combined Utility System Ordinance No. 2009-1118; Authorizing and Approving the issuance of one or more series and subseries, in several subseries designations, of the City of Houston, Texas, Combined Utility System Third Lien Extendable Commercial Paper Notes, Series B-5 in an aggregate amount not to exceed \$250,000,000; authorizing the execution and delivery of an Issuing Paying Agency Agreement, a Dealer Agreement, the engagement of co-bond counsel and the approval of an Offering Memorandum.

SPECIFIC EXPLANATION:

The existing letter of credit that supports the current Series B-5 commercial paper (CP) program has an upcoming expiration date of January 30, 2019. This program currently supports capital expenditures related to the Combined Utility System's Capital Improvement Plan projects. The City is considering replacing the current facility with an extendable commercial paper (ECP) notes program, in a not to exceed amount of \$250 million, which will accommodate appropriations capacity.

Morgan Stanley has been selected to provide the ECP notes program, which provides a similar expedient, cost-effective method of accessing cash and providing interim financing as a traditional commercial paper program, but will not require a bank liquidity facility. The ECP Notes have a lower "all-in" cost compared to traditional CP (based on the expected use of the program) and provide the system timing flexibility for a take-out financing when necessary. This recommended alternative to a letter of credit will provide a good opportunity to reduce dependence on bank letters of credit.

This transaction was presented to the Budget and Fiscal Affairs Committee on August 7, 2018.

Recommendation:

The Finance Working Group recommends the approval of this item.

Tantri Emo, Chief Business Officer and Finance Director

Chris Brown, Houston City Controller

Prior Council Action:

Ordinance No. 2004-299
Ordinance No. 2009-1118

Amount of Funding:

N/A

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