



CITY OF HOUSTON

Finance Department

Interoffice

Correspondence

To: Budget and Fiscal Affairs Committee **From:** Kelly Dowe, Director (1)
Finance Department

Date: November 7, 2011

Subject: **GO Commercial Paper (Series G)
Liquidity Replacement**

The purpose of this memorandum is to summarize an upcoming transaction to support the City's Capital Improvement Program ("CIP") initiatives. A specific Request for Council Action is expected to be brought before Council on November 9, 2011. The proposed items will be marked as "not taggable" due to volatile market conditions.

Starting in 1993, City Council began authorizing commercial paper programs to provide appropriation capacity and "on time" funding for various capital expenditures of the City. The issuance of commercial paper has provided an expedient, cost-effective method of accessing cash and providing interim financing. Commercial paper notes are later refinanced into fixed rate bonds more closely matching the useful life of the project or equipment being financed.

The current liquidity facility that supports the Series G commercial paper program expires on November 15, 2011. This commercial paper program supports the City's Capital Improvement Plan. This recommendation is for the creation of two commercial paper programs to be designated as Series G-1 and G-2, to replace the current Series G commercial paper program. The aggregate amount of commercial paper capacity to be added is \$200 million in total, which is a reduction of \$76 million from the current capacity.

The Finance Working Group ("FWG") recommends Comerica to provide liquidity for the Series G-1 program in the amount of \$75 million, plus interest. The liquidity facility will have a 2-year term, with a commitment fee of 45 basis points per annum. In addition, the FWG recommends Sumitomo to provide liquidity for the Series G-2 program in the amount of \$125 million, plus interest. The liquidity agreement will have a 3-year term, and the commitment fee will be 45 basis points per annum.