



# CITY OF HOUSTON

Finance Department

## Interoffice

Correspondence

**To:** Budget and Fiscal Affairs Committee

**From:** Kelly Dowe, Director  
Finance Department

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Finance Department

**CC:**

**Date:** May 3, 2011

**Subject: Texas Water Development  
Board Bonds: Combined  
Utility System First Lien  
Revenue Bonds, Series  
2011B and Series 2011C**

The purpose of this memorandum is to summarize an upcoming transaction, the City's Combined Utility System First Lien Revenue Bonds, Series 2011B, and the City's Combined Utility System First Lien Revenue Refunding Bonds, Series 2011C (the "Series 2011B and 2011C Bonds"). A specific Request for Council Action is on City Council Agenda this week. The Texas Water Development Board ("TWDB") will be setting the interest rates in early May and the closing is projected to occur in early June.

The TWDB has designed and administers a program that provides below market, low-interest loans to communities that assist in meeting clean water standards. This program is known as the Clean Water State Revolving Fund ("CWSRF") and is open to political subdivisions that own and operate a wastewater system. The City's Combined Utility System ("CUS") has participated in this loan program since the late 1980s.

A number of Texas entities participate in this program because CWSRF offers below market financing. After TWDB approval, the CUS has two years to close the loan through the issuance of bonds that are privately placed with TWDB. By placing the bonds directly with the TWDB, the need to select underwriters is eliminated.

In December 2007 and in October of 2008, the City deemed it appropriate to apply to the TWDB for financial assistance in connection with the improvement and correction of certain wastewater and sewer portions of the City's Water and Sewer System. The total commitment amount was \$96,150,000, of which \$15,110,000 were issued as the Combined Utility System First Lien Revenue Refunding Bonds, Series 2010A. This leaves a balance of \$81,040,000 (\$22,795,000 constituting the proposed Series 2011B Bonds and \$58,245,000 as the proposed Series 2011C Bonds).

### **Recommendation**

The Finance Working Group recommends that the City proceed with this transaction.