



CITY OF HOUSTON

Finance Department

Interoffice

Correspondence

To: Budget and Fiscal Affairs Committee

From: Kelly Dowe, Interim Director 
Finance Department

Jennifer Olenick, Division Manager
Finance Department

cc:

Date: January 10, 2011

Subject: **Combined Utility System First
Lien Revenue Refunding
Bonds, Series 2011A**

The purpose of this memorandum is to summarize an upcoming transaction, the City's Combined Utility System First Lien Revenue Refunding Bonds, Series 2011A (the "Series 2011A Bonds"). A specific Request for Council Action will be brought before City Council in early February. The bond pricing is projected to take place in mid to late February and the closing to occur in early March.

In 2004, the City sold the Series 2004C-1 and Series 2004C-2 Combined Utility System First Lien Revenue Refunding Bonds as auction rate securities. Due to auction rate market difficulties in May 2008, \$274 million of these bonds were remarketed into a 3-year term rate mode with a mandatory tender date of May 15, 2011. These bonds must be remarketed, refunded or defeased by this mandatory tender date.

The Finance Working Group recommends refunding the bonds with fixed rate bonds to reduce the Combined Utility System's variable rate exposure and that these Series 2011A Bonds be issued through a negotiated financing with an underwriting and legal team to be named in the Request for Council Action.

Recommendation

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