



# CITY OF HOUSTON

Finance Department

## Interoffice

Correspondence

To: Budget and Fiscal Affairs Committee

From: Kelly Dowe, Director <sup>KD</sup>  
Finance Department

Date: August 30, 2011

CC:

Subject: **Combined Utility System  
Series 2008D-3 Bonds**

The Combined Utility System ("CUS") has about \$50 million of variable rate demand bonds ("VRDBs") Series 2008D-3 that become convertible from taxable to tax-exempt on December 1, 2011. VRDBs are long term bonds that are remarketed weekly at short term interest rates. The VRDBs have provided a cost-effective method of financing a portion of the CUS Capital Improvement Program ("CIP").

The Finance Working Group ("FWG") recommends refunding the Series 2008D-3 VRDBs Bonds through a competitive sale via an electronic auction. The intent of this method of sale is to give the City access to a large scope of potential purchasers and to provide efficient pricing. The bonds will be refunded to fixed-rate debt to reduce variable rate exposure of the Combined Utility System in an amount not to exceed \$50 million.

### **Recommendation**

The FWG recommends approval of this transaction.