

**SPECIAL MEETING
JOINT WITH UTILITY BOARD OF TRUSTEES**

**OCTOBER 6, 2010
@ 5:00 P.M.
TOWN HALL, CITY HALL**

A joint meeting of the Harlingen Elective Commission and the Utility Board of Trustees was held on Wednesday, October 6, 2010 at 5:00 p.m. in Town Hall, City Hall, 118 E. Tyler Street, Harlingen, Texas. Those in attendance were:

City Commission

Mayor Chris Boswell
Joey Trevino, Mayor Pro Tem
Gustavo C. Ruiz, Commissioner District 1
Robert Leftwich, Commissioner District 2
Kori Marra, Commissioner District 3
Jerry Prepejchal, Commissioner District 4

Utility Board of Trustees

Kevin Campbell
Cris Villarreal
Rick de los Santos
Curtis Bonner
Neil Haman

Others present:

Carlos Yereña, City Manager
Roxann P. Cotroneo
Sylvia R. Trevino, City Secretary
Darrell Gunn, General Manager, HWWS
Kathren Davidson, Director of Finance, HWWS

(Financial Advisors)

Ann Berger Entekin, First Southwest
Noel Valdez, First Southwest

Mayor Boswell called the meeting to order on behalf of the City Commission.
Kevin Campbell called the meeting to order on behalf of the Utility Board of Trustees.

RESOLUTION OF THE UTILITY BOARD OF TRUSTEES APPROVED REQUESTING THE CITY TO APPROVE THE ISSUANCE AND SALE OF CITY OF HARLINGEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2010A IN THE APPROXIMATE PRINCIPAL AMOUNT OF \$6,500,000 AND CITY OF HARLINGEN TEXAS WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010B IN THE APPROXIMATE PRINCIPLE AMOUNT OF 4,200,000; PLEDGING THE REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM TO THE PAYMENT OF THE PRINCIPAL AND INTEREST ON SAID BONDS, APPROVING AN OFFICIAL STATEMENT AND ORDAINING OTHER MATTERS RELATED THERETO.

Ms. Entekin introduced Noel Valdez and through her presentation gave a municipal market update. She indicated that as of September 30th, the Revenue BBI of 25 Revenue Bonds, was 4.59% which is 21 basis points or 0.21% higher than the 22-year low.

Since January 1, 2003 interest rates have been very volatile, especially last year when the financial markets experienced significant stress. The yield curve has become steeper, thereby benefiting shorter-term bond issues. Over the last year there has been downward movement in the market that has produced historically low interest rates.

Ms. Entekin went over the ratings, which were affirmed as Aa2 (Moody's) and AA- (Standard & Poors). She indicated that one of Moody's comments was that 'the system has a solid history of producing net revenue that support over 2x coverage'. A comment made by Standard and Poors was 'historically, annual DSC has been strong and has exceeded 2x over the past four fiscal years'.

Ms. Entekin outlined the municipal bond insurance and noted the assured guaranty and went over the coverage analysis. She indicated that the total interest cost was ½ million dollars less than the original projection back in August 2010. The true interest cost was 3.950% versus 3.969%

Going over the final debt structure, she indicated that there wouldn't be a need for a subordinate lien. There is a 3.244 net value savings.

Ms. Entekin proceeded to explain the Series 2010B Transaction Summary and explained all outstanding prior Senior Lien bonds will be refunded and as a result new money and refunding bonds are on parity, removing subordinate lien from the bond issue titles, all future debt issuance will be on parity.

Ms. Entekin acknowledged the underwriters; Estrada Hinojosa and she thanked the Harlingen Waterworks staff for working with First Southwest that helped in putting the presentation together.

Commissioner Leftwich asked if the rating agency presented a more thorough detail on their comments. Ms. Entekin referred Commissioner Leftwich to TAB B of the presentation booklet.

Mayor Boswell congratulated everyone that worked on the bonds and for obtaining such a low interest rate.

Neil Haman made a motion to approve the resolution. C. Bonner seconded the motion and it carried unanimously by the Utility Board of Trustees.

ORDINANCE ADOPTED AUTHORIZING THE ISSUANCE AND DELIVERY OF THE CITY OF HARLINGEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2010A; AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND PAYING AGENT/REGISTRAR AGREEMENT'AND APPROVING AN OFFICIAL STATEMENT; AND PLEDGING THE REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM TO THE PAYMENT OF THE PRINCIPAL AND INTEREST ON SAID BONDS; AND ORDAINING OTHER MATTERS RELATING THERETO

Roxann Cotroneo, the City Attorney, read the caption of the ordinance.

ORDINANCE AUTHORIZING THE ISSUANCE AND DELIVERY OF THE CITY OF HARLINGEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2010A; AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND PAYING AGENT/REGISTRAR AGREEMENT; APPROVING AN OFFICIAL STATEMENT; AND PLEDGING THE REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM TO THE PAYMENT OF THE PRINCIPAL AND INTEREST ON SAID BONDS; AND ORDAINING OTHER MATTERS RELATING THERETO.

Commissioner Marra made a motion to adopt the ordinance. Commissioner Trevino seconded the motion.

Under discussion, Commissioner Leftwich questioned if the impact fees would offset the increased rates.

Mr. Gunn replied yes. He explained that the current CIP in the 2010-11 budget is in excess of \$9 million. This bond issue is for \$6.5 million. The remainder of the funds will be offset by impact fees that have accumulated over some time because of the expansion components that are associated with two projects at the wastewater treatment plant. He explained that impact fees, by State law, can only be spent on capacity related issues associated with expansion and he further explained that the two projects would have increased capacity.

Commissioner Leftwich asked about grant leverage with this bond issue. Mr. Gunn explained that the current CIP has a reuse line for approximately \$300,000. 60% of that will be paid through a grant from the Bureau of Reclamation. He added that they have also applied through the Clean Water Program and Drinking Water Program, under the Texas Water Development Board, as associated with the American Recovery and

Reconstruction Act and it appears, from numerous trips to Austin, that they have been approved. However, it is not grant money but a reduced low interest loan. Harlingen Waterworks does not qualify for a total grant because it is not a disadvantaged community. And, there are no specific projects associated with a colonia or some regional area that they need to reach out to such as Brownsville and other cities.

Further discussion followed on low-income areas in Harlingen and grant monies that maybe could be available for Harlingen Waterworks.

The motion carried unanimously.

ORDINANCE ADOPTED AUTHORIZING THE ISSUANCE AND DELIVERY OF THE CITY OF HARLINGEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010B IN THE APPROXIMATE PRINCIPAL AMOUNT OF \$4,200,000; FOR THE PURPOSE OF REFUNDING ALL OF THE CITY'S OUTSTANDING WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2000 AND WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2003; AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND ESCROW AGREEMENT, APPROVING AN OFFICIAL STATEMENT, AND PLEDGING THE REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM TO THE PAYMENT OF THE PRINCIPAL AND INTEREST ON SAID BONDS; AND ORDAINING OTHER MATTERS RELATING THERETO.

The caption of the ordinance was read.

ORDINANCE ADOPTED AUTHORIZING THE ISSUANCE AND DELIVERY OF THE CITY OF HARLINGEN, TEXAS WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010B IN THE APPROXIMATE PRINCIPAL AMOUNT OF \$4,200,000; FOR THE PURPOSE OF REFUNDING ALL OF THE CITY'S OUTSTANDING WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2000 AND WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2003; AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT AND ESCROW AGREEMENT, APPROVING AN OFFICIAL STATEMENT, AND PLEDGING THE REVENUES OF THE CITY'S WATERWORKS AND SEWER SYSTEM TO THE PAYMENT OF THE PRINCIPAL AND INTEREST ON SAID BONDS; AND ORDAINING OTHER MATTERS RELATING THERETO.

Commissioner Marra made a motion to adopt the ordinance. Commissioner Trevino seconded the motion and it carried unanimously.

There being no further business the meeting adjourned at 5:25 p.m.

Chris Boswell, Mayor

Kevin Campbell, Chairman

Attest:

Sylvia R. Trevino, City Secretary