

# THE BOND BUYER

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## TUESDAY

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### REGIONS

#### IN DECISIONS

**ANNOUNCED** Friday afternoon, the Nevada Supreme Court threw a state spending limit measure off the November ballot, but upheld much of a ballot measure designed to limit land-use regulation and the use of eminent domain for redevelopment. . . . .6

### OBITUARY

**WILLIAM J. RYAN**, who covered the municipal bond market at The Bond Buyer between 1945 and 1996, passed away Friday after a lengthy battle with cancer. He was 75. . . . .4

### UNDERWRITERS & DEALERS

**RIPPLES FROM THE RETIREMENT OF** Seattle-Northwest Securities Corp.'s former chief John Rose continued last week, as Mike Lewis was promoted to managing director of investment banking and municipal trading and sales. . . . .7

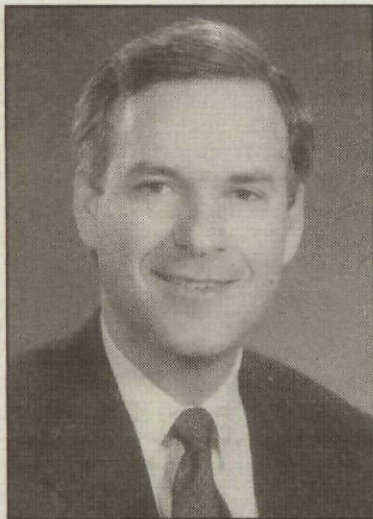
#### NEW YORK-BASED

**SAMUEL A. RAMIREZ & Co.** recently hired Kimberly Quinones as a new managing director in its Los Angeles office to help boost the firm's presence in California. . . . .7

### Listings

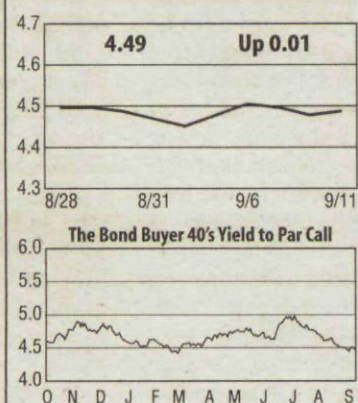
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"The freeway will be much wider ... This transaction will shave six to eight years off the project," says Harris County Judge Robert Eckels.

### MONDAY'S YIELDS



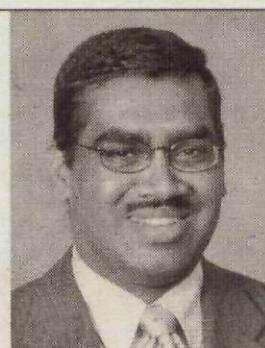
The municipal market was quiet and slightly weaker yesterday, albeit with a somber tone, as participants observed the five-year anniversary of the Sept. 11 terrorist attacks. *Complete market coverage by Michael Scarchilli and Matthew Posner appears on Page 2.*

### INSIDE

A new Fitch report looks at toll road creditworthiness from the perspective of private sector participation, says co-author

Cherian George.

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## Texas Toll Road Dealing Harris County Sets New-Money Sale, Swap

BY ELIZABETH ALBANESE

**DALLAS** — **Harris County**, Tex., will go to market this month with two separate debt transactions — a \$135 million new-money issue of toll revenue bonds and a forward-starting swap for outstanding debt with a mandatory put in 2009.

The new-money deal is expected to price Sept. 18, while the swap will be priced later this month.

**Siebert Brandford Shank & Co.** is the lead manager for the transaction, with **Morgan Keegan & Co.** serving as co-senior manager. Rounding out the underwriting syndicate are **Piper Jaffray & Co.**, **Popular Securities Inc.**, and **RBC Capital Markets**.

**First Southwest Co.** is the county's financial adviser, and **Andrews Kurth LLP** serves as its bond counsel. **Greenberg Traurig LLP** is special disclosure counsel for the transaction, and **JPMorgan Chase Bank** will serve as trustee. **Bates & Coleman PC** will serve as underwriters' counsel for the deal.

Proceeds from the bonds will serve as partial funding for a managed toll lane project being built on Interstate 10 near Houston. The toll lanes, when completed, will be managed by the **Harris County Toll Road Authority**.

"The freeway will be much wider when the project is completed," said County Judge **Robert Eckels**, who chairs the county's commissioners' court. "This transaction will shave six to eight years off the project."

Construction for the project is under way by the **Texas Department of Transportation**, which is also providing \$250 million of upfront funding for the managed lanes. County officials were able to seal the deal for the sorely needed lanes with a commitment of \$500 million toward the project.

"The county, however, will be able to recoup its entire commitment with toll revenues from the managed

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## Puerto Rico Authority's Debt Plan

Refinances \$250M in  
Effort to Get Rating

BY ADAM L. CATALDO

The **Puerto Rico Aqueduct and Sewer Authority** has refinanced \$250 million of outstanding debt in advance of a \$930 million deal planned for later this year.

The **Government Development Bank of Puerto Rico** acted as PRASA's financial adviser on the deal and announced the transaction yesterday. The debt was refinanced through a syndicate of six local banks, including **Banco Popular de Puerto Rico** and **Scotiabank**.

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## Texas Banker Jiles Leaves First Albany for RBC

BY ELIZABETH ALBANESE

**DALLAS** — Longtime Texas public finance banker **Jodie Jiles** has left **First Albany Capital Inc.**, where he oversaw the firm's Houston office, to join **RBC Capital Markets**.

Jiles, who left First Albany Sept. 1, began work at RBC on Sept. 5.

"Bringing Jodie on board fits in with our long-term strategy in Texas," said **Bill Gumbert**, manager of southwest operations for RBC Capital Markets. "Jodie will be instrumental in furthering our banking efforts, focusing on four major ar-

reas: traditional larger issuers, health care issuers, higher education issuers, and infrastructure finance."

Jiles, who is a well-known banker and community leader in Texas, will "open a lot of doors" for the firm as it continues its efforts to expand its business operations, Gumbert said.

Jiles was most recently a senior vice president at First Albany, where he worked for more than three years.

"I am extremely excited about moving to RBC," Jiles said. "The platform here is absolutely awesome. It's the sixth largest bank in North America, and its financial products group is just superior."

He said that many of the RBC bankers that he'll work with on a

daily basis now are people he's worked with in the Texas market for more than 20 years.

"I am thrilled now to be working on their team — our team, as we serve issuers throughout the Southwest and beyond," Jiles said. "You can go to a client with your toolbox half-full or full. This platform allows me to offer clients a platform — and a full toolbox — to meet their financial needs."

Gumbert said that Jiles would work on both financial advisory and underwriting accounts.

Jiles holds a bachelor's degree in accounting from Texas Southern

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# Harris County, Tex., to Sell \$135M for Toll Road Project

Continued from page 1

lanes," said **Edwin Harrison**, director of financial services for Harris County.

The Series 2006A toll revenue senior-lien bonds will be rated AA-minus by **Standard & Poor's**, A1 by **Moody's Investors Service**, and A-plus by **Fitch Ratings**.

Harrison said that the debt would be qualified for insurance.

"Whether we use insurance depends on the market," he said. "If insurance is warranted, it will be there. If not, then it won't be there."

The bonds are backed solely by revenues from the Harris County toll road system. However, in the event that toll revenues are insufficient to pay maintenance and operating costs, a property tax could be levied for that purpose, though not to meet debt service obligations.

The county also has a 1983 authorization that allowed it to sell unlimited-tax bonds — backed by the county's property tax levy — to fund toll road projects. That debt carries a subordinate lien on toll revenues.

"When there is money left over after paying debt service on the senior-lien revenue bonds, it goes to pay the unlimited-tax bonds," Harrison said. "To date, we've never had to levy a property tax in support of those unlimited-tax bonds. The county commissioners have been very meticulous in its decisions concerning the toll road system, and as such, it's always been self-supporting."

Revenues for the Harris County Toll Road System are three times the system's debt service obligations, Harrison said. The bond covenant for the authority's debt requires 1.25 times coverage.

"We already have the February 2007 and August 2007 debt service set aside for the Series 2006A bonds," he said, adding that the system has roughly \$250 million set aside in its revenue accounts for debt purposes.

The toll road system's current five-

year capital plan encompasses \$618.4 million of projects.

Its revenues were \$373 million during fiscal 2006, and they are currently expected to increase by as much as 11% each year, as population growth and development in the areas served by the roads add to use of the system.

The Series 2006A debt will be structured as term bonds. According to the preliminary official statement, the 30-year bonds will likely be priced as three term bonds.

"We're going to go with term bonds," Harrison said. "We will put the debt on the back end of the deal because of the flatness of the yield curve."

In addition to pricing the Series 2006A bonds, the Toll Road Authority will enter into a swap later this month. The pricing of the variable-rate to fixed-rate swap, which will be based on the London Interbank Offered Rate, will be dependent upon market conditions, according to Harrison.

"In 2004, we issued \$462.8 million of toll road bonds," he said. "Of these, \$200 million were put bonds with a mandatory put in 2009."

Harrison said that the structure of the debt at that time, which carried historically low interest rates on the short end of the yield curve, allowed the authority to take advantage of then-current market conditions.

"We knew that we would have to do something with them in 2009," he said.

However, to take advantage of current market rates, the authority will enter into a forward-starting swap to begin in 2009.

"Right now, because of the flatness of the yield curve, we're going to go ahead and lock in an interest rate that will be lower than the 4.5% one we used when we modeled the original transaction," Harrison said.

**Citigroup Global Markets Inc.** and **Morgan Keegan** will serve as swap counterparties for the deal. **Andrews Kurth** is the swap counsel for the deal, and **Green-**

Harris County Tex., Toll Road Bond Sales		
Issue	Amount*	Sale Date
Toll road senior lien revenue refunding bonds, Series 2005 A	\$207.8	Sept. 2005
Toll road senior lien revenue refunding bonds, Series 2004 A	\$168.7	Feb. 2004
Toll road unlimited tax & lien revenue bonds, Series 2003	\$321.5	July 2003
Toll road unlimited tax subordinate revenue bonds, Series 2002	\$42.3	Oct. 2002
Toll road senior lien revenue and refunding bonds, Series 2002	\$397.5	Oct. 2002
Toll road unlimited tax revenue refunding bonds, Series 2001	\$120.7	Aug. 1998
Toll road revenue refunding bonds, Series 1997	\$232.8	July 1997
Toll road unlimited tax revenue refunding bonds, Series 1995 A	\$14.3	Sept. 1996
*Dollars in millions		Source: Thomson Financial

berg Traurig is the counterparties' counsel. First Southwest will serve as swap adviser for the transaction.

Harris County commissioners this summer unanimously rejected proposals to lease or sell the county's lucrative toll road system, opting instead to implement business practices used by private firms to ensure the system generates the maximum revenue possible.

The county had received a number of proposals from private toll road companies — as well as investment banks representing such companies — to take over the current three-road toll system.

The study process included efforts by **Citigroup** and **Siebert Brandford Shank**, which investigated the possibilities associated with selling the toll authority and its assets to another public entity, such as a regional mobility authority; work by **JPMorgan** and **Banco Popular**, which investigated options for a sale of the toll authority and its assets to a private entity; and proposal by **Goldman, Sachs & Co.** and **Loop Capital Markets LLC**, which reviewed concession options available to the county, ex-

ploring all of the facets involved in a possible long-term lease of the HCTRA and its assets.

Commissioners had said that in the unlikely event that they had chosen to sell or lease the system, which could net the county as much as \$20 billion, proceeds from the transaction would have been used to defease outstanding debt and to fund new transportation projects.

The sale of assets such as toll roads and toll road systems is increasing across the country as governments struggle with the high cost of operating and maintaining such facilities, and a lack of available funding for additional projects.

States such as **Texas, Oregon, Indiana, California, Utah, Colorado, Illinois, New York, New Jersey, Delaware, Virginia, North Carolina, and South Carolina** have legislation on the books that allows them to participate in public-private projects.

There are currently \$25 billion worth of projects in play for lease agreements in the United States, and another \$20 billion to \$25 billion in new road projects under consideration. □

## SOUTHWEST INVISIBLE SUPPLY

Issuer and purpose	Amount*	Approval status	Underwriter choice	Expected sale date	Issuer and purpose	Amount*	Approval status	Underwriter choice	Expected sale date
<b>ARIZONA</b>					<b>NEW MEXICO</b>				
AzDOT/Maricopa County	\$3,043	P	negotiated	2006-20	State severance bonds	\$949	P		2006-08
Maricopa County CCD	\$951	A	negotiated	2006-15	State Trans	\$700	P		2006
Phoenix water rev. bonds	\$240	P	negotiated	2007	<b>OKLAHOMA</b>				
Scottsdale USD	\$218	A	negotiated	2006	Tulsa street GOs	\$239	A	negotiated	2006
State transportation Gans	\$190	P	negotiated	2006-08	<b>TEXAS</b>				
Board of Regents rev. bonds	\$60	P	negotiated	2006	State Highway Fund rev. bonds	\$3,000	A	negotiated	2006-15
<b>ARKANSAS</b>					Texas Mobility Fund bonds	\$3,000	A	negotiated	2006-15
State econ. develop. GOs	\$500	A	negotiated	2006	DART rev. bonds	\$1,800	A	negotiated	2006-15
<b>COLORADO</b>					TPFA	\$850	A	negotiated	2006
Regional Transportation District	\$3,477	A	negotiated	2006-10	Houston ISD	\$508	A		2006-07
Mesa County School No. 51	\$109	A		2006					

\*Dollars in millions. A = approved, P = Pending



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