

THE BOND BUYER

The Daily Newspaper of Public Finance

Wednesday, September 15, 2010

New York City Water Authority Sets \$800 Million in Back-to-Back Deals

BY TED PHILLIPS

The New York City Municipal Water Finance Authority plans to market \$800 million of fixed-rate bonds in two back-to-back deals this week and next.

The authority will go out with \$600 million of new-money taxable Build America Bonds on Thursday. It plans a one-day retail order period on Monday for \$200 million of tax-exempt refunding bonds that will be offered to institutional investors on Tuesday.

Rice Financial Products Co. will run the books on the refunding. The agency last year designated Rice as one firm that would be given the opportunity to jump ahead in the syndicate.

The deals' structure, which will be sold under the agency's subordinate lien, have not been finalized, but Raymond Orlando, spokesman for New York City's Office of Management and

Budget, said they would likely have longer maturities.

"A lot of the authority's projects have long [periods of probable usefulness], so generally speaking, the authority's debt tends to be on the longer end," Orlando said. "Water and sewer facilities tend to have long periods of probable use."

Barclays Capital and Jefferies & Co. will be co-book-runners on the BABs.

Lamont Financial Services Inc. and MFR Securities Inc. are financial advisers on the deals, and Orrick Herrington & Sutcliffe LLP is bond counsel.

The MWFA finances the city's water and sewer capital program, including projects mandated by the state and federal governments, is projected to total \$11.25 billion from fiscal 2011 through fiscal 2019. On average, officials expect to sell \$1.8 billion of new-money bonds annually through fiscal 2014, according to the preliminary official statement.

The system supplies water to nine million people in New York City and surrounding areas. Water usage fees, which back the bonds, are established by the city's water board, which is separate from the authority board.

This separation is one of the credit's strengths, said Moody's Investors Service analyst Nicholas Samuels.

"The board's duty is to set the rates that the system needs to pay its debt service and to finance its operations," he said. "There's not some sort of public utility commission like you have in other areas where it needs to send its rates for approval, so this structure is much stronger."

Moody's rates the deal Aa2. Fitch Ratings and Standard & Poor's rate it AA-plus. All three agencies assign a stable outlook.

The MWFA has \$10.4 billion of first-lien and \$13.6 billion of subordinate-lien debt outstanding. □