

**CITY OF HOUSTON, TEXAS
WATER AND SEWER SYSTEM STATISTICS**

Funding of Proposed System Improvements

It is anticipated that the system improvements contemplated in the Department's Fiscal Year 2001 - 2005 CIP will be financed approximately as follows:

Proposed Source of Funding	Amount (in millions)
System Revenue Bonds (Net Proceeds and interest earnings)	\$ 1,357 (*)
Total	\$ 1,357

(*) The department's fiscal year 2001 - 2005 CIP anticipates the periodic issuance of additional Prior Lien Bonds, Junior Lien Bonds and Subordinate Lien Commercial Paper. City Council must approve each issuance of bonds.

Obligations Payable from System Revenues

The following sets forth the total outstanding principal amount of the system obligations payable from revenues of the system as of June 30, 2000:

Contract Revenue Bonds Payable from System Gross Revenues	Amount
CWA Bonds (1)	\$ 266,014,026
TRA Bonds (2)	14,500,000
	280,514,026
System Revenue Bonds Payable from System Net Revenues (3)	
Prior Lien Bonds	270,490,000
Junior Lien Bonds	2,615,916,000
Subordinate Lien Obligations (4)	292,700,000
	3,179,106,000
Total - All Bonds Payable from System Revenues	\$ 3,459,620,026

(1) Under a 1968 agreement, as amended and superseded in part, and a 1995 agreement, CWA agreed to construct the CWA conveyance system and certain other projects and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover maintenance and operation expenses of the CWA Conveyance System plus debt service of the CWA Bonds. CWA has reserved the right to issue an unlimited amount of additional bonds on parity with those currently outstanding, however, such issuances are subject to the approval of the City.

(2) Under the 1964 agreement, as supplemented, the City and TRA agreed to construct Lake Livingston, and the City agreed to pay, as a maintenance and operation expense of the System, amounts calculated to be sufficient to cover the maintenance and operation expenses of Lake Livingston, plus debt service on the TRA (Livingston Project) Bonds, less recoupment of a maximum of 30 percent of such cost.

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Discretionary Debt Service Paid by the System

The total amount of Discretionary Debt Service paid from Net Revenues of the System of the past five Fiscal Years and the amount budgeted for Fiscal year 2001 is set forth below:

<u>Fiscal Year</u>	<u>Discretionary Debt Service (in millions)</u>
2001 (budgeted)	\$ 39.4
2000	34.0
1999	37.9
1998	34.5
1997	36.1
1996	32.4

Indirect Charges Paid by the System

In October 1992, the City enacted an ordinance imposing a charge against the System equal to 2% of its net (after adjustments) water and sewer service charge revenues to compensate the City's General Fund for costs incurred in ditch and storm sewer maintenance as a result of operations of the System. Beginning in fiscal year 1997, the charge was increased to 4%. For Fiscal Year 1996, such charge was \$10.2 million; Fiscal Year 1997, \$19.8 million; Fiscal Year 1998, \$20.6 million; Fiscal Year 1999, \$20.9 million and Fiscal Year 2000, \$23.3 million.

The total amounts of such indirect charges, excluding the annual 4% service charge, for the past five Fiscal Years and the amount budgeted for Fiscal Year 2001 are set forth below:

<u>Fiscal Year</u>	<u>Indirect Charges (in thousands)</u>
2001 (budgeted)	\$ 7,400
2000	7,463
1999	7,963
1998	5,651
1997	5,651
1996	5,831

(3) Excludes the principal amount of bonds payable from Discretionary Debt Service Transfers of the City Debt Service Fund.

(4) The City currently issues water and sewer system commercial paper notes pursuant to an ordinance authorizing the issuance of Water and Sewer System Commercial Paper Notes, Series A (the "Series A Notes") in an aggregate amount not to exceed \$300,000,000. The program is structured as a revolving commercial paper program. An ordinance authorizing the Water and Sewer Commercial Paper Notes, Series B (the "Series B Notes"), in the aggregate principal amount of \$200,000,000 (the Series A Notes and the Series B Notes, collectively the "Commercial Paper Notes"), was adopted by the City Council on March 1, 1995. The City has no current plans to issue more than \$300,000,000 in the aggregate of the Commercial Paper Notes. The Commercial Paper Notes are secured by lines of credit from Wesdeutsche Landesbank Gironzentrale, New York Branch, and Bayerische Landesbank Gironzentrale, New York Branch.