

AGENDA



Thursday, April 12, 2007

Treasury Office
RECOMMENDATION FOR COUNCIL ACTION

Item No. 11

Subject: Approve an ordinance authorizing the issuance of City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2007A (Forward Refunding), in an amount not to exceed \$70,000,000 and authorizing and approving related documents; and repealing Ordinance No. 20070322-028 and any accompanying documents.

Amount and Source of Funding: There is no debt service requirement in FY 2007. The FY 2008 debt service requirement will be included in the 2007-2008 proposed Budget of the Utility Revenue Bond Redemption Fund.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Art Alfaro, Treasurer 974-7882

Prior Council Action: On March 22, 2007, the City Council approved an ordinance authorizing the issuance of City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2007 A and B in the approximate amount of \$220,000,000 and authorizing and approving related documents. (Ordinance No. 20070322-028).

Due to current favorable conditions in the municipal bond market, the City's financial advisor, Public Financial Management, Inc., has advised that a refunding of Combined Utility System Revenue Refunding Bonds, Series 1997, may be accomplished at a present value savings exceeding the City's target guideline of 4.25% of the refunded bonds. As of April 3, 2007, the transaction produced \$3,467,042 in present value savings or 5.2356%.

The Series 1997 Bonds are not subject to optional redemption until November 15, 2007. In order to issue the refunding bonds on a tax-exempt basis, such refunding bonds must be issued and delivered on a date no earlier than 90 days prior to November 15, 2007. This type of transaction is referred to as either a "Delayed Delivery" or "Forward Refunding". In order to provide the City with the flexibility to quickly respond to changing market conditions, the proposed ordinance delegates the authority to the City Manager or Chief Financial Officer (the "Pricing Officer") to effect the execution of the sale of the refunding bond transaction in accordance with the parameters set forth in the ordinance. The parameters set forth in the ordinance stipulate that the Pricing Officer will only execute the sale of the bonds if the City can achieve a present value debt service savings of not less than 4.25%. In addition, the authority of the Pricing Officer to exercise the authority delegated thereto by the City Council under the ordinance expires on October 12, 2007.

The transaction will be sold through Goldman Sachs because the firm provided the transaction to the City.

Fulbright & Jaworski, L.L.P. will serve as bond counsel for this transaction.