

AGENDA



Thursday, February 28, 2008

**Discussion and Possible Action on Bond Sales
RECOMMENDATION FOR COUNCIL ACTION****Item No. 79**

Subject: Approve an ordinance authorizing the issuance of City of Austin, Texas, Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2008 in an amount not to exceed \$175,000,000; providing for payments secured by a lien on and pledge of the net revenues of the City's Water and Wastewater System; authorizing and approving all related documents; and providing for an effective date.

Amount and Source of Funding: No fiscal impact during fiscal year 2007-2008. An amount of \$5,250,000 estimated debt service requirement and any annual administrative fees will be included in the fiscal year 2008-2009 proposed budget of the Utility Revenue Bond Redemption Fund.

For More Information: Art Alfaro, Treasurer 974-7882

Due to current favorable conditions in the municipal bond market, the City's financial advisor, Public Financial Management, Inc., has advised that a synthetic fixed rate refunding of portions of the Combined Utility System Revenue Refunding Bonds, Series 1997, and the Water and Wastewater System Revenue Refunding Bonds, Series 2001A and 2001B, is currently advantageous. The City's financial advisor determined that as of February 7, 2008, a present value savings of 6.31%, exceeding the City's target guideline of 5.25% of the refunded bonds, could be achieved. This would generate \$10,256,267 in present value savings.

The ordinance delegates authority to authorized officials, including the City Manager or Chief Financial Officer (the "Pricing Officer") to determine the initial interest rate for the bonds and the closing date for the transaction. The sale of the bonds will only take place if the City can achieve a present value debt service savings of not less than 5.25%.

If the bonds are refunded the City will enter into a swap transaction with Goldman Sachs, whereby the City will pay Goldman Sachs a fixed rate and in return Goldman Sachs will pay a variable rate to the City substantially equal to the variable rate on the City's variable rate bonds. This transaction, known as an interest rate swap, is the currently most favorable method of refunding the outstanding bonds, and provides the greatest level of debt service savings.

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.