

AGENDA



Thursday, March 6, 2008

**Discussion and Possible Action on Bond Sales
RECOMMENDATION FOR COUNCIL ACTION****Item No. 52**

Subject: Approve an ordinance authorizing an interest rate management agreement with Goldman Sachs, New York, New York, related to 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 & Wastewater System; establishing parameters with respect to the provisions of the interest rate management agreement; delegating to the designated City officials the authority to effect said interest rate management agreement; establishing funds and accounts related to payments under the agreement; approving and authorizing other provisions relating to the subject; and providing for an effective date.

Amount and Source of Funding: No fiscal impact during fiscal year 2007-2008. Any debt service requirement and any annual administrative fees will be included in the 2008-2009 proposed budget of the Utility Revenue Bond Redemption Fund.

For More Information: Art Alfaro, Treasurer 974-7882

Due to current 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, should be advantageous and result in present value savings exceeding the City's target guideline of 5.25% of the refunded bonds.

If the bonds are refunded, the City will enter into an interest rate management agreement, 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 currently the 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.