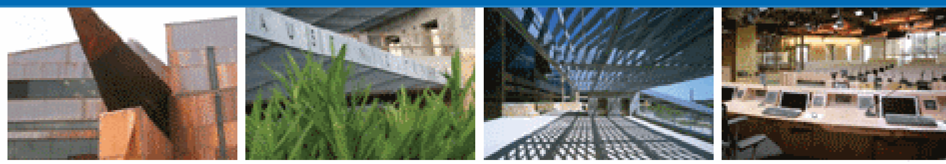
A U S T I N C I T Y C O U N C I L

AGENDA



Thursday, March 6, 2008

Discussion and Possible Action on Bond Sales **Item No. 53**
RECOMMENDATION FOR COUNCIL ACTION

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 & Wastewater System; establishing parameters with respect to the sale of the Bonds; delegating to the designated City officials the authority to effect the sale of the Bonds; authorizing and approving 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 fiscal year 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.

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 5.25%. In addition, the authority of the Pricing Officer to exercise the authority delegated thereto by the City Council under the Ordinance expires on September 6, 2008.

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.