



City of Austin, Texas

Late Backup

\$175,000,000

**Electric Utility System Revenue Refunding Bonds,
Series 2008A**



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

**Pricing Report
July 24, 2008**



Electric Utility System Revenue Refunding Bonds, Series 2008A

Refunding Bonds - The Bonds are being issued to refund approximately \$175,000,000 of the City's outstanding Commercial Paper issued for the Electric Utility System.



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors



Electric Utility System Revenue Refunding Bonds, Series 2008A

ISSUER	City of Austin, Texas
TYPE OF SALE	Competitive
BOND COUNSEL	Fulbright & Jaworski L.L.P.
FINANCIAL ADVISOR	The PFM Group
PURCHASER	Merrill Lynch & Co.



The PFM Group

Public Financial Management Inc.
PFM Asset Management LLC
PFM Advisors



Bond Market Update

07/23 15:42 Close: Tsys Stay Weak During Auctions, Munis Lack Performance

The \$52bln auction supply of tsy 2s and 5s is weighing on the bond market. So are the reports from the beige book that price pressures have elevated as manufacturers plan to raise prices. The Fed's Plosser emphasized again today that the Fed should raise rates sooner than later. Treasuries traded down in the early going and never got much of a lift. The current tsy 2yr languished around technical support in the 2.81%/2.79% area as the WI came about a 1/2 a basis point behind the screens at auction time at 2.82%. Indirect bidding of 36% and a 2.42 times auction coverage seemed adequate. The current tsy 2yr was last at 2.78% when MMD set its curve at 3:00 ET, off 8bps. \$21bln 5yr notes come tomorrow and the current tsy 5yr, last at 3.53% was also off 8bps. The tsy 10yr faded to 4.17% today, pretty close to our technical target of 4.18%. It is around this area that the benchmark note has some technical merit to consider establishing a long position. Perhaps a relief rally following the tsy 5yr auction would not be out of the question. The tsy 10yr note was last at 4.14%, off 4bps and the tsy bond was last at 4.70%, off 4bps. The Dow was buoyant today after rallying 135pts yesterday, last at 11628 (+26). Oil continues to retrench (last at \$124 and off \$4), which is bolstering stocks. As for munis, participants lament that July reinvestment money is just trickling in the market now and that August could be sluggish with summer vacations. Depth in bidding is spotty and the threat to downgrade FSA and AGC by Moody's is still creating a lot of havoc in the longer sector. As some credits trade behind the 5% coupon, this is starting to act as a cushion as retail gets more involved. But, for high-grade yields that are still through 5%, the support is questionable. Perhaps the pricing of the (Aaa/AAA) \$335mln MIT loan tomorrow could put a bottom to the persistent drift that has taken AAA yields from within +5bps over the tsy bond back to spreads of nearly +30bps over the past couple of weeks. (Aaa) Yale Univ bonds in 2042 traded as cheap as 4.98% today. The MMD curve will show cuts of 3-4bps 5yrs and shorter, 5-6bps in the belly of the curve and as much as 8bps on AAA curve beyond 20yrs. The primary market is a big distraction for secondary trading as well. The (Aa3/AA-/AA-) \$625mln Florida Hurricane Catastrophe issue was priced and yields were adjusted 12-13bps higher than yesterday's retail scale, widening spreads to +140-144bps versus price talk at +120bps at the start of the week. A (Aa3/AA-/AA-) \$500mln Port of NY & NJ loan (2018-2038) sold competitively. Talk from competing accounts suggesting order levels for the maximum terms of 5s in 2038 were between 5.05% and 5.10%. When the deal sold last September, long 5% offerings were at spreads in the very low +20's. The only encouragement from the primary came from the negotiated sale of (Aaa/AAA) \$200mln Connecticut State Revolving loan (02/2009-2018). The short dated structure, the rare high-grade name and good demand that has been evident for this state's credits led to the loan seeing some yields pared 1-2bps, reducing spreads that were as wide as +9bps over our early-dated AAA.

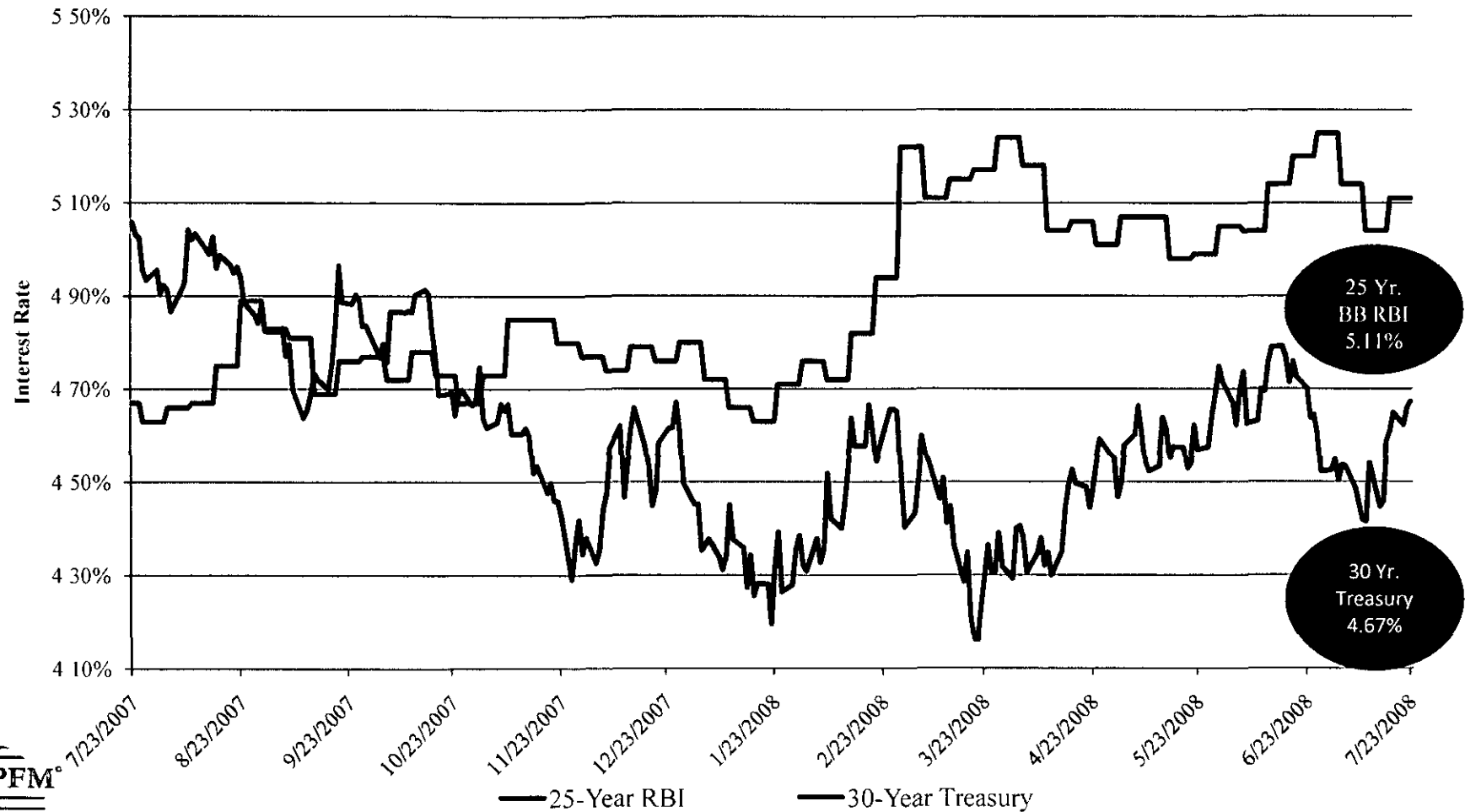


The PFM Group

Public Financial Management Inc
PFM Asset Management LLC
PFM Advisors



25-Yr Revenue Bond Index and 30 -Yr Treasury July 2007 through July 2008



The PFM Group

Public Financial Management Inc
PFM Asset Management LLC
PFM Advisors



Municipal Markets Calendar

COMPETITIVE

<u>Week of</u>	<u>Amount</u>	<u>Issuer</u>	<u>State</u>	<u>Issue</u>	<u>Manager</u>
July 21, 2008	\$ 175,000,000	City of Austin	TX	Rev	N/A
	\$ 120,000,000	Santa Clara USD	CA	GO	N/A
	\$ 38,625,000	Wylie ISD	TX	GO	N/A
	\$ 157,185,000	Minnesota	MN	GO	N/A

NEGOTIATED

<u>Week of</u>	<u>Amount</u>	<u>Issuer</u>	<u>State</u>	<u>Issue</u>	<u>Manager</u>
July 21, 2008	\$ 250,100,000	Los Angeles Airport Rev	CA	Rev	Goldman
	\$ 325,000,000	Harris County	TX	Rev	Goldman
	\$ 169,265,000	Texas Trans Comm	TX	ST Hwy Rev	Morgan Keegan
	\$ 150,000,000	California Statewide Comm	CA	Rev	Banc of America
	\$ 203,665,000	Mich Hosp Auth	MI	Rev	Citigroup



The PFM Group

Public Financial Management Inc
PFM Asset Management LLC
PFM Advisors



Maturity Schedule

Electric Utility System Revenue Refunding Bonds, Series 2008A

<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>	<u>Maturity</u>	<u>Principal</u>	<u>Coupon</u>	<u>Yield</u>
11/15/2010	\$ 200,000	4.00%	2.82%	11/15/2025	\$ 6,510,000	5.25%	5.05%
11/15/2011	200,000	4.00%	3.27%	11/15/2026	6,835,000	5.25%	5.10%
11/15/2012	200,000	4.00%	3.50%	11/15/2027	7,175,000	5.25%	5.19%
11/15/2013	200,000	4.00%	3.70%	11/15/2028	7,535,000	5.25%	5.24%
11/15/2014	200,000	4.00%	3.88%	11/15/2029	7,910,000	5.25%	5.27%
11/15/2015	200,000	4.00%	4.03%	11/15/2030	8,305,000	5.25%	5.33%
11/15/2016	4,195,000	6.00%	4.18%	11/15/2031	8,720,000	5.25%	5.33%
11/15/2017	4,405,000	6.00%	4.32%	11/15/2032	9,155,000	5.25%	5.33%
11/15/2018	4,625,000	6.00%	4.44%	11/15/2033	9,615,000	5.25%	5.33%
11/15/2019	4,855,000	5.50%	4.58%	11/15/2034	10,095,000	5.25%	5.33%
11/15/2020	5,100,000	5.50%	4.71%	11/15/2035	10,600,000	5.25%	5.33%
11/15/2021	5,355,000	5.50%	4.82%	11/15/2036	11,130,000	5.00%	5.37%
11/15/2022	5,620,000	5.25%	4.89%	11/15/2037	11,685,000	5.00%	5.37%
11/15/2023	5,905,000	5.25%	4.96%	11/15/2038	12,270,000	5.00%	5.37%
11/15/2024	6,200,000	5.25%	5.00%				



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

UNDERLYING RATINGS

Fitch AA-
Moody's A1
S&P A+

TIC: 5.2367%



Competitive Bidding List

	Bidder	Bid Price	TIC
1	Merrill Lynch	175,000,000.00	5.236770%
2	Citigroup	175,099,135.75	5.243553%
3	Goldman Sachs	175,271,916.02	5.280634%
4	Robert W. Baird	175,000,000.00	5.314154%
5	Lehman Brothers	175,033,606.10	5.346934%
6	J.P. Morgan Securities	175,124,370.52	5.382326%



The PFM Group

Public Financial Management Inc
PFM Asset Management LLC
PFM Advisors