

AGENDA



Thursday, December 11, 2008

**Discussion and Possible Action on Bond Sales
RECOMMENDATION FOR COUNCIL ACTION**

Item No. 77

Subject: Approve an ordinance authorizing the issuance of City of Austin, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2008A, in an amount not to exceed \$175,000,000 and approving related documents.

Amount and Source of Funding: \$5,181,944 estimated debt service requirement and \$400 annual paying agent/registrar fee was included in the Fiscal Year 2008-2009 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

The Water and Wastewater Utility will refund up to \$175,000,000 of Tax-Exempt Commercial Paper. This transaction was originally scheduled for October 2008. However, as a result of the extreme instability in the financial markets at that time, there was difficulty selling municipal bonds due to lack of investor demand. Investors have since returned to the market enabling this transaction to move forward. The Tax-Exempt Commercial Paper refunding will allow the Water and Wastewater Utility to free a significant portion of their commercial paper credit line for future borrowing needs.

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 to be the Pricing Officer to complete the sale of the refunding bond transaction in accordance with the parameters in the ordinance. The parameters are as follows:

- The bonds must not bear interest at a rate greater than 15%
- The true interest cost for the bonds must not exceed 7%
- The maximum maturity for the bonds must not be later than November 15, 2038.

In addition, the Pricing Officer's authority delegated in the ordinance expires on June 11, 2009.

The transaction will be sold through Merrill Lynch who was selected due to their strong financial position and ability to underwrite bonds, their extensive retail distribution capabilities, and the number of transactions executed in the past 60 days.

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