

AGENDA



Thursday, June 10, 2010

**Discussion and Possible Action on Bond Sales
RECOMMENDATION FOR COUNCIL ACTION****Item No. 49**

Subject: Approve an ordinance authorizing the issuance of City of Austin, Texas, Electric Utility System Revenue Refunding Bonds, Series 2010A and City of Austin, Texas Electric Utility System Revenue Refunding Bonds, Taxable Series 2010B (Direct Subsidy-Build America Bonds), in an amount not to exceed \$240,000,000, and approval of all related documents.

Amount and Source of Funding: \$10,999,443 in the first year debt service requirement and \$250 estimated annual administration fee for the paying agent/registrar for the proposed bond sale is included in the 2010-2011 Proposed 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

Austin Energy will refund up to \$150,000,000 of Tax-Exempt Commercial Paper. The Tax-Exempt Commercial Paper refunding will allow Austin Energy to take advantage of currently favorable market conditions and free a significant portion of the commercial paper credit line for future borrowing needs.

In addition, due to current favorable conditions in the municipal bond market, the City's financial advisor, Public Financial Management, Inc., has advised that a refunding of \$69,200,000 of the City of Austin Electric Revenue Refunding Bonds, Series 2001 and \$5,190,000 of the City of Austin Combined Utility Revenue Refunding Bonds, Series 1993 (Electric Portion) may be accomplished at a present value savings exceeding the City's target guideline of 4.25% of the refunded bonds. As of May 25, 2010, the transaction produced \$4,636,607 in present value savings or 6.232838%.

The structure of the Bonds will incorporate the use of Build America Bonds (BABs), created by the American Recovery and Reinvestment Act signed into law on February 17, 2009, in addition to tax-exempt bonds. The BABs will be issued as taxable bonds with a federal rebate equal to 35% of the interest payment. The use of this hybrid structure will provide a lower financing cost versus the issuance of tax-exempt bonds only.

The transaction will be sold through the following underwriting team:

Senior Manager : Citigroup

Co-Managers: Barclay's
Morgan Stanley
Morgan Keegan (Regional)
Southwest Securities (Regional)
Rice Financial Products Co. (MBE)
Cabrera Capital Markets (MBE)
Siebert Brandford Shank & Co (MBE)

This item has been posted for not later than 2:00 p.m. to allow City Council action prior to the close of financial markets.

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