

A G E N D A



Recommendation for Council Action

Austin City Council

Item ID

10259

Agenda Number

51.

Meeting Date:

11/3/2011

Department:

Treasury

Subject

Approve an ordinance authorizing the issuance of City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2011, in an amount not to exceed \$240,000,000 by May 3, 2012 in accordance with the parameters set out in the ordinance, authorizing related documents, and approving related fees. These funds will be used to refund tax-exempt commercial paper and certain outstanding Water and Wastewater Revenue Refunding Bonds, and Combined Utility System Subordinate Lien Revenue Bonds. Refunding these obligations is intended to free a significant portion of the commercial paper credit line for future borrowing needs as well as result in present value savings exceeding the City's target guideline of 4.25%.

Amount and Source of Funding

\$5,380,354 estimated debt service requirement and \$400 annual paying agent/registrar fee is included in the 2011-2012 Approved Budget of the Utility Revenue Bond Redemption Fund.

Fiscal Note

Purchasing
Language:Prior Council
Action:For More
Information:

Art Alfaro, Treasurer, Finance and Administrative Services 974-7882

Boards and
Commission
Action:

MBE / WBE:

Related Items:

Additional Backup Information

Austin Water Utility will refund up to \$175,000,000 of Tax-Exempt Commercial Paper. The Tax-Exempt Commercial Paper refunding will allow Austin Water Utility to take advantage of currently favorable market conditions and free a significant portion of the commercial paper credit line for future borrowing needs. Additionally, the City's financial advisor, Public Financial Management, Inc., has advised that refunding portions of Water and Wastewater Revenue Refunding Bonds, Series 2001A and 2001B, Subordinate Lien Revenue Refunding Bonds Series 1998A, and Combined Utility System Subordinate Lien Revenue Bonds, Series 1998B may result in present value savings exceeding the City's target guideline of 4.25% of the refunded bonds. As of October 12, 2011, the transaction produced \$2,028,754.82 in present value savings or 5.10%.

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 complete the sale of the refunding bond transaction in accordance with the parameters in the ordinance. The parameters 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 4.25%. In addition, the authority of the Pricing Officer to exercise the authority delegated by Council under the ordinance expires on May 3, 2012.

The transaction will be sold through the following underwriting team:

| | |
|-----------------|--------------------------------|
| Senior Manager: | First Southwest |
| Co-Managers: | BofA/Merrill Lynch |
| | Goldman Sachs |
| | JP Morgan |
| | RBC Capital Markets (Regional) |
| | Ramirez & Co. (MBE) |
| | Estrada Hinojosa (MBE) |

Fulbright & Jaworski L.L.P. will serve as bond counsel and Vinson & Elkins will serve as underwriter's counsel for this transaction.