# City of Austin, Texas

**$341,460,000***

Water and Wastewater System Revenue Refunding Bonds,

Series 2012

**Council Presentation**
**June 28, 2012**

*Preliminary, subject to change.

# $341,460,000* Water and Wastewater System Revenue Refunding Bonds, Series 2012

| | |
|---|---|
| ISSUER | **City of Austin, Texas** |
| TYPE OF SALE | **Negotiated** |
| BOND COUNSEL | **Fulbright & Jaworski L.L.P.** |
| FINANCIAL ADVISOR | **Public Financial Management, Inc.** |
| LEAD UNDERWRITER | **Goldman, Sachs & Co.** |
| UNDERLYING RATINGS | **Aa2/AA/AA-** |

**Purpose** - The Bonds are being issued to refund $190,000,000 of the City's outstanding Tax-Exempt Commercial Paper issued for the Water and Wastewater Utility System. Additionally, Bonds are being issued to refund select maturities of the City's currently outstanding bond indebtedness. The purpose of refunding long-term outstanding bond indebtedness is to effect debt service savings.

*Preliminary, subject to change.

# Issue Objectives

**Commercial Paper Takeout**

- Refund $190MM of the City's outstanding Tax-Exempt Commercial Paper issued for the Water and Wastewater Utility System
- Restore available capacity under the commercial paper program while locking in historically low interest rate levels

**Refunding of Outstanding Series 2003 & Series 2004 Bonds**

- Refinance $175,640,000 of currently outstanding long-term debt
- Estimated debt service savings of $8.21MM* (net present value) or 4.72%, which is in excess of the 4.25% financial policy guideline
- Refinance Series 2004 Bonds from variable rate debt into fixed rate debt, thereby reducing variable rate exposure

*Preliminary, subject to change.

# Rating Agency Highlights

## Standard and Poor's (AA, Stable Outlook)

- Service area, which is not concentrated in revenues derived from its principal customers
- Continued customer growth and very solid overall wealth and income levels
- Long-term water supply agreement
- Sound financial condition with good debt service coverage (DSC)

## Fitch Ratings (AA-, Stable Outlook)

- Competitive rates, long-term water supply agreement, and stable service territory
- Customer base is stable and diverse with limited customer or industry concentration
- Sufficient water supply and infrastructure
- Revenue Stability fee to increase AWU's proportion of fixed revenues

## Moody's (Aa2, Stable Outlook)

- Water supply to meet growing service area
- Improved liquidity position
- Strong and robust local economy

*Moody's has also upgraded the rating on the City's Combined Utility System Revenue bonds to Aa1 from A1 on the prior lien debt and to Aa2 from A2 on the prior subordinate lien debt.

# Timetable – Key Dates

| Date | | Action |
|---|---|---|
| June 4 | - | Rating Agency Meetings |
| June 18 | - | Received Ratings |
| June 28 | - | City Council Action |
| July 2 | - | Distribute Preliminary Official Statement |
| July 10 | - | Bond Pricing* |
| July 31 | - | Closing |

*Preliminary, subject to change.

# Interest Rate Environment

## Historical Comparison of 10-Year Treasury and 30-Year Treasury

*Preliminary, subject to change.