

AGENDA



Recommendation for Council Action

Austin City Council		Item ID	24137	Agenda Number	28.
Meeting Date:	5/9/2013		Department:	Treasury	
Subject					
Approve an ordinance authorizing the issuance of City of Austin Airport System Revenue Bonds, Series 2013, in an amount not to exceed \$60,000,000, providing for the award of the sale of the bonds, authorizing related documents, and approving related fees. The funds will be used for planning, acquiring, establishing, constructing, improving and equipping the airport and for costs associated with bond issuance. Related to Item # 9.					
Amount and Source of Funding					
No fiscal impact in the current fiscal year. First year debt service requirement in the amount of \$1,350,000 will be included in a capitalized interest fund held in trust by the paying agent/registrar. Estimated annual administration fee of \$400 for the paying agent/registrar for the proposed bond sale will be included in the FY2013-14 Proposed Operating Budget of the Airport Revenue Bond Redemption Fund.					
Fiscal Note					
Purchasing Language:					
Prior Council Action:					
For More Information:	Art Alfaro, Treasurer 974-7882				
Boards and Commission Action:	April 9, 2013 - Recommended by the Austin Airport Advisory Commission.				
MBE / WBE:					
Related Items:					
Additional Backup Information					

It is recommended that the City Council approve an ordinance authorizing the issuance of City of Austin Airport System Revenue Bonds, in an amount not to exceed \$60,000,000. The bonds will be used for paying the costs of planning, acquiring, establishing, constructing, improving or equipping the Airport, and for related bond issuance costs.

In the fall of 2012, banks were invited to offer either variable rate financing to provide interim funding for approximately \$40 million for capital projects at the airport until the City's next issue of airport revenue bonds, or fixed rate funding with a maturity of at least ten years that would provide permanent financing for the capital projects. This private placement financing was deemed to be economically advantageous for ABIA due to the attractive terms that could be negotiated for the transaction as well as overall cost of issuance savings by the eliminating the need for ratings, underwriter takedown, Official Statement preparation, and printing. This type of financing also provided an opportunity to work directly with local and Texas-based financial institutions

After analyzing the proposals and discussing them at length with the City's financial advisor and bond counsel, staff selected a proposal for \$45 million fixed rate financing offered by Prosperity Bank, a Houston, TX based regional financial institution with a large presence in Austin. After a further review of its projected funding requirements, the City requested that the bank increase the funding to \$60 million. The interest rate is 2.25% for 15 years, and the bonds can be repaid at any time without penalty. The debt service is payable from airport revenues.

When issued, the loan will be characterized as the City's "2013 Airport Revenue Bonds," and the loan will be on parity with the City's outstanding 2005 Airport Revenue Bonds.

The debt service cost for the \$60,000,000 is as follows:

	<u>2013-14</u>	<u>Total Cost</u>
Principal	\$ 0	\$ 60,000,000
Interest	<u>1,350,000</u>	<u>13,237,650</u>
Total Debt Service	\$ 1,350,000	\$73,237,650

These bonds will be placed directly with Prosperity Bank; an underwriter is not required on the issue. The PFM Group will serve as financial advisor, McCall, Parkhurst & Horton will serve as bond counsel, and Fulbright & Jaworski will serve the bank's counsel for this transaction.