

## A G E N D A



## Recommendation for Council Action

Austin City Council

Item ID

26460

Agenda Number

70.

Meeting Date:

9/26/2013

Department:

Treasury

## Subject

Approve an ordinance authorizing the issuance of City of Austin, Texas, Airport System Revenue Bonds, Series 2013A, in an amount not to exceed \$38,255,000, providing for the award of the sale of the bonds, authorizing related documents, and approving related fees. The funds will be used to refund previously issued Airport System Prior Lien Revenue Refunding Bonds, Series 2003. Refunding these obligations is intended to result in present value savings exceeding the City's target guideline of 4.25%.

## Amount and Source of Funding

No fiscal impact in the current fiscal year. First year debt service requirement in the amount of \$300,057 and an estimated annual administration fee of \$400 for the paying agent/registrar for the proposed bond sale was included in the FY2013-14 Approved 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:

MBE / WBE:

Related Items:

## Additional Backup Information

It is recommended that the City Council approve an ordinance authorizing the issuance of City of Austin, Texas, Airport System Revenue Refunding Bonds, Series 2013A in an amount not to exceed \$38,255,000. The bonds will be used to refund previously issued Airport System Prior Lien Revenue Refunding Bonds, Series 2003 and any related fees. As of September 10, 2013, the transaction produced \$4,442,074 in net present value savings or 12.47%.

In the summer of 2013, banks were asked to offer a direct loan for approximately \$40 million in order to refund the previously issued 2003 bonds. Seven proposals were received, each with unique terms to secure the proposed loan.

After analyzing the proposals and discussing them at length with the City's financial advisor and bond counsel, staff

selected a proposal from Bank of America Merrill Lynch for a non-callable fixed rate that was indicative of 1.51% as of August 30. The pricing formula in the proposal is a spread over average of the H15 four-year swap rate for the prior 30 days, which will be set as a fixed rate for the life of the bonds 48 hours prior to City Council action and locked after City Council approval.

The estimated debt service cost for the \$38,255,000 is as follows:

	<u>2013-14</u>	<u>Total Cost</u>
Principal	\$ 0	\$ 38,255,000
Interest	<u>300,057</u>	<u>2,008,343</u>
Total Debt Service	\$ 300,057	\$ 40,263,343

These bonds will be placed directly with Bank of America Merrill Lynch; 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 Andrews Kurth will serve as bank counsel for this transaction.