Recommendation for Council Action

Austin City Council	**Item ID**	43829	**Agenda Number**	33.

Meeting Date:	4/23/2015	**Department:**	Treasury

Subject

Approve an ordinance authorizing the issuance and sale of City of Austin, Texas, Electric Utility Revenue Refunding Bonds, Taxable Series 2015B, in a par amount not to exceed $85,000,000, in accordance with the parameters set out in the ordinance; authorizing related documents; approving the payment of costs of issuance; and providing that the issuance and sale be accomplished by October 23, 2015.

Amount and Source of Funding

$737,634 in estimated debt service requirements and $1,500 estimated annual administration fee for the paying agent/registrar for the proposed bond sale was included in the 2014-15 Approved Operating Budget of the Utility Revenue Bond Redemption Fund.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	
For More Information:	Art Alfaro, Treasurer 974-7882
Council Committee, Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

Austin Energy uses short term debt, called "commercial paper", to fund many of its purchases. The commercial paper is periodically paid off using bonds that refinance the commercial paper and that are backed solely by the revenues of the utility (instead of property taxes). At times, the market for these types of bonds has interest rates that are favorable to the City. At these times, Council is asked to approve an ordinance that will allow for the refinancing of the debt. The bonds issued to do this are called "revenue refunding bonds." To take advantage of changing market conditions, the ordinance sets parameters so that the City has the authority to enter into the transaction as long as certain thresholds in the ordinance are met. Some of the debt meets certain Internal Revenue Service (I.R.S.) requirements that result in the interest payments to investors being considered taxable income; therefore, some of the debt is issued as "taxable" debt due to I.R.S. requirements.

This transaction will allow Austin Energy to take advantage of currently favorable market conditions and restore the available capacity under its taxable commercial paper program for future borrowing needs by refunding up to

$35,000,000 of taxable commercial paper. 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 certain taxable Electric Utility System Revenue Refunding Bonds from Series 2006A may result in present value savings exceeding the City's target guideline of 4.25% of the refunded bonds. At the interest rates as of March 30, 2015, the transaction produced $2.4 million in present value savings or 5.4%.

In order to provide the City with the flexibility to respond quickly 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 October 23, 2015.

The transaction will be sold through the following underwriting team:

Senior Manager:	Goldman Sachs
Co-Managers:	JPMorgan
	Jefferies
	Mesirow
	Ramirez
	Raymond James
	Stifel Nicolaus

For this transaction, Norton Rose Fulbright US LLP will serve as bond counsel, McCall, Parkhurst & Horton L.L.P will serve as disclosure counsel, and serving as underwriter's counsel will be Haynes and Boone, LLP. Rating agencies include Moody's Investors Service, Inc., Standard & Poor's, and Fitch Ratings, Inc.