

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	63158	Agenda Number	14.
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Meeting Date:	10/6/2016	Department:	Treasury
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Subject

Approve an ordinance authorizing the issuance and sale of tax-exempt City of Austin, Electric Utility System Revenue Refunding Bonds, Series 2016, in an amount not to exceed \$120,000,000, in accordance with the parameters set out in the ordinance, authorizing related documents, approving the payment of the costs of issuance, and providing that the issuance and sale be accomplished by April 6, 2017.

Amount and Source of Funding

Resulting debt service requirements and fees were included in the 2016-17 Approved Operating Budget of the Combined Utility Bond Redemption Fund. A fiscal note is not required.

Fiscal Note

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

Purchasing Language:	
Prior Council Action:	
For More Information:	Art Alfaro, City Treasurer, 512-974-7882
Council Committee, Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

Due to current favorable conditions in the municipal bond market, the City's financial advisor, Public Financial Management, has advised that refinancing, or "refunding" certain maturities from the Electric Utility System Revenue Refunding Bonds Series 2008A may result in present value savings (lower debt service costs) that exceed the City's target guideline of 4.25% of the refunded bonds. Using interest rates as of September 14, 2016, the transaction is estimated to produce present value savings of over 14.6%.

The new bonds being requested to refinance the existing maturities within the Series 2008A bonds of Austin Energy are known as "revenue refunding" bonds, and are backed solely by the revenue of Austin Energy, instead of property taxes.

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. 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 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 April 6, 2017.

The transaction will be sold through the following underwriting team:

Senior Manager: Morgan Stanley.

Co-Managers:

Citigroup

JPMorgan

Loop Capital Markets

Ramirez & Co.

For this transaction, Norton Rose Fulbright US LLP will serve as the City's bond counsel and McCall, Parkhurst & Horton L.L.P will serve as the City's disclosure counsel. Rating agencies will include Moody's Investors Service, Inc., Standard & Poor's, and Fitch Ratings, Inc. and Public Financial Management is the City's Financial Advisor.