



Debt Issuance
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION

AGENDA ITEM NO.: 44
AGENDA DATE: Thu 06/17/2004
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SUBJECT: Approve an ordinance authorizing a forward interest rate swap transaction in connection with a proposed refunding of Airport System Prior Lien Bonds, Series 1995A through the issuance of approximately \$280,360,000 City of Austin, Texas, Airport System Variable Rate Revenue Refunding Bonds, Series 2005, including approval and authorization of all necessary documents relating to the swap transaction, only if the swap transaction is executed not later than September 16, 2004, and in accordance with parameters specified in the ordinance.

AMOUNT & SOURCE OF FUNDING: No fiscal impact during Fiscal Year 2003-2004. No debt service requirement and annual paying agent/registrar fee will be included in the Fiscal Year 2004-2005 Proposed Budget of the Airport Revenue Bond Redemption Fund because the bonds will not be called until November 15, 2005.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Financial and **DIRECTOR'S**
DEPARTMENT: Administrative Services - **AUTHORIZATION:** Vickie Schubert
Treasury

FOR MORE INFORMATION CONTACT: Vickie Schubert, Deputy CFO 974-3344

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

Due to current favorable conditions in the municipal bond market, the City's financial advisor, Public Financial Management, Inc., has advised that a Synthetic Fixed Rate Forward Refunding of the Airport System Prior Lien Revenue Bonds, Series 1995A may be accomplished at a present value savings of 8.777%, exceeding the City's target guideline of 4.25% of the refunded bonds. As of May 11, 2004, the transaction produced \$23,066,981 in present value savings. The Series 1995A Bonds are not subject to optional redemption until November 15, 2005. In order to issue the refunding bonds on a tax-exempt basis, such refunding bonds must be issued and delivered on a date no earlier than 90 days prior to November 15, 2005. In order to take advantage of the current low interest rates and lock-in the economic savings to the City that will result from the issuance of the refunding bonds the City's financial advisor has recommended that the City enter into a forward interest rate swap transaction. In order to provide the City with the flexibility to quickly respond to changing market conditions, the proposed ordinance delegates the authority to the Chief Financial Officer to effect the execution of the forward interest rate swap transaction in accordance with the parameters set forth in the ordinance. The authority of the Chief Financial Officer to exercise the authority delegated thereto by the City Council under the ordinance expires on September 16, 2004.

The City will enter into the swap transaction with Morgan Stanley, whereby the City will pay Morgan Stanley a fixed rate and in return Morgan Stanley will pay a variable rate to the City approximating the variable rate on the City's variable rate bonds, which will be sold in August of 2005. This transaction,



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known as a forward interest rate swap is the most efficient method of refunding the outstanding bonds, and provides the greatest level of debt service savings.

This item has been posted for not later than 2:00 p.m., in order for Council action to occur prior to the close of the financial markets.