

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	56697	Agenda Number	11.
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Meeting Date:	4/21/2016	Department:	Treasury
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Subject

Approve an ordinance authorizing the issuance and sale of tax-exempt City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2016, in a par amount not to exceed \$295,000,000, 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 January 31, 2017. Related to Item # 6 and # 12.

Amount and Source of Funding

Resulting debt service requirements and fees will be included in the 2016-17 Proposed Operating Budget of the Combined Utility 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, City Treasurer, 512-974-7882
Council Committee, Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

Austin Water 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 revenue of the utility, rather than 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 this debt.

Additionally, 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 Water and Wastewater System Revenue Refunding Bonds Series 2006A and 2007 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 March 28, 2016, the transaction produced \$12.1 million in present value savings or 10.94%.

The new bonds being requested to refinance the commercial paper, as well as existing maturities within Series 2006A and 2007 bonds of Austin Water, are known as "revenue refunding" bonds, and are backed solely by the revenue of Austin Water, 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 January 31, 2017.

The transaction will be sold through the following underwriting team:

Senior Manager: Ramirez & Co., Inc.

Co-Managers:

Coastal

Fidelity Capital Markets

Goldman Sachs

Morgan Stanley

Raymond James

For this transaction, McCall, Parkhurst & Horton L.L.P will serve as bond counsel, Fulbright & Jaworski L.L.P will serve as disclosure counsel, and serving as co-underwriter's counsel will be Haynes & Boone and Kassahn & Ortiz, PC. Rating agencies will include Moody's Investors Service, Inc., Standard & Poor's, and Fitch Ratings, Inc.