



Recommendation for Action

File #: 19-1513, Agenda Item #: 18.

4/11/2019

**Posting Language**

Approve an ordinance authorizing the issuance and sale, by December 20, 2019, of City of Austin Airport System Revenue Refunding Bonds, Series 2019 (Alternative Minimum Tax), in an amount not to exceed \$185,000,000, in accordance with the parameters set out in the ordinance, authorizing related documents, and approving related fees.

**Lead Department**

Treasury

**For More Information:**

Belinda Weaver, Interim Treasurer, 512-974-7885

**Council Committee, Boards and Commission Action:**

04/09/2019 Austin Airport Advisory Commission

**Additional Backup Information:**

These bonds are being issued to refund the outstanding \$157,450,000 Airport System Refunding Revenue Bonds, Series 2005. The City's financial advisor, PFM Financial Advisors LLC., has advised that refunding the Airport System Refunding Revenue Bonds, Series 2005 will reduce the short term interest rate risk from the Airport Systems debt portfolio.

The City sold the Airport System Refunding Revenue Bonds, Series 2005, in conjunction with the establishment of an interest rate swap agreement ("swap agreement"). The swap agreement provided the City with fixed payments to a counterparty in exchange for a variable rate receipt, thus reducing the volatility associated with variable rate bonds. In 2005, the issuance of variable rate bonds with a swap agreement enhanced savings because of favorable market conditions. Currently, with tax-exempt bond rates still near all-time lows and increases in the interest rates borne by obligations issued in the short term bond market, the City has the opportunity to terminate the swap agreement and issue fixed rate bonds. The termination of the swap agreement will result in a termination payment to the counterparty in an amount estimated, as of early March, at approximately \$13.1 million. The payment will be funded with a portion of the refunding bond proceeds. The rating agencies will see this transaction as a benefit to the Airport System due to the "de-risking" of its debt portfolio. The refunding bonds do not exceed the life of the bonds being refunded. The refunding bonds are being issued as alternative minimum tax (AMT) bonds.

The debt service cost for the currently proposed \$185,000,000 City of Austin Airport System Revenue Bonds, Series 2019 (AMT) is estimated as follows:

	2019-2020	Average Per Year
Principal	10,900,000	21,528,571
Interest	<u>7,429,944</u>	<u>4,149,599</u>
Total Debt Service	18,329,944	25,678,171

The entire issuance is supported by Airport System revenue.

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 bonds in accordance with the parameters in the ordinance. Additionally, the authority of the Pricing Officer to exercise the authority delegated by Council under this ordinance expires on December 20, 2019.

This transaction will be sold through Morgan Stanley, as Senior Manager, and Ramirez & Co, Siebert, Cisneros, Shank & Co, and Robert W. Baird & Co. as Co-Managers, Bracewell L.L.P 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, L.L.P. PFM Financial Advisors LLC is the City's financial advisor.