



Recommendation for Action

File #: 20-2999, **Agenda Item #:** 57.

9/17/2020

Posting Language

Approve an ordinance authorizing the issuance and sale of tax-exempt City of Austin, Texas, Water and Wastewater System Revenue Refunding Bonds, Series 2020C (Series 2020C Bonds), in a par amount not to exceed \$262,000,000, 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 March 17, 2021.

Lead Department

Treasury

Fiscal Note

The Fiscal Year 2021 debt service requirements and estimated annual administration fees for the paying agent/registrant for the proposed bond sale are included in the 2020-21 Approved Operating Budget of the Combined Utility Bond Redemption Fund.

For More Information:

Belinda Weaver, Treasurer, City of Austin, 512-974-7885

Additional Backup Information:

Austin Water uses short term debt, called “commercial paper,” to fund many of its capital expenditures. 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 this time, 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, PFM Financial Advisors LLC, has advised that refinancing, or “refunding” certain maturities from the Water and Wastewater System Revenue Refunding Bonds, Series 2010A (the “Series 2010A Bonds”) 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 August 11, 2020, the transaction is estimated to produce \$17.5 million in present value savings (or, expressed as a percentage of the refunded bonds, a present value savings of 30.00%).

The new Series 2020C Bonds being requested to refinance commercial paper and refund existing maturities of the Series 2010A Bonds of Austin Water are known as “revenue refunding” bonds and are backed solely by the revenue of Austin Water. Under State law, bondholders do not have a right to seek payment from 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 (each a “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

Wednesday, March 17, 2021.

The transaction will be sold through the following underwriting team:

Senior Manager: Jefferies LLC

Co-Managers: Loop Capital Markets LLC
Ramirez & Co., Inc

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

Strategic Outcome(s):

Government that Works for All.