



## Recommendation for Action

**File #:** 20-3003, **Agenda Item #:** 58.

9/17/2020

### **Posting Language**

Approve an ordinance authorizing the issuance and sale of City of Austin, Texas, Electric Utility System Revenue Refunding and Improvement Bonds, Series 2020A (Series 2020A Bonds), in a par amount not to exceed \$300,000,000, in accordance with the parameters set out in the ordinance; authorizing related documents; approving the payment of 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, 512-974-7885

### **Additional Backup Information:**

Austin Energy uses short term debt, called “commercial paper,” to fund many of its capital projects. The commercial paper is periodically paid off using bonds that refinance the commercial paper into long-term debt to better match the useful life of the capital assets being financed; the issued bonds are backed solely by the net revenue of the utility, rather than property taxes. This transaction will allow Austin Energy to take advantage of currently favorable market conditions and restore the available capacity under its tax exempt commercial paper program for future borrowing needs by refunding up to \$115,000,000 of tax-exempt commercial paper. An additional \$90,000,000 of bonds will be issued to fund the remaining costs associated with the new Austin Energy headquarters (HQ) located in the Mueller Development. Bond proceeds will also be used to pay the costs of issuing the bonds.

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 Electric Utility Revenue System 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 18, 2020, the transaction is estimated to produce \$23.7 million in present value savings if all Series 2010A bonds are refunded (or, expressed as a percentage of the refunded bonds, a present value savings of 26.31%).

The new Series 2020A bonds being requested to fund the remaining costs associated with the HQ building, refinance commercial paper, and refund existing maturities of the Series 2010A Bonds are known as “revenue refunding and improvement” bonds, and are backed solely by the revenue of Austin Energy. Under State law, bondholders do not have a right to seek payment from property taxes.

In order to provide the City with the flexibility to respond quickly to changing market conditions, the proposed

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ordinance delegates the authority to the City Manager or Chief Financial Officer (each a “Pricing Officer”) to complete the sale of the bond transaction in accordance with the parameters in the ordinance. In addition, the authority of the Pricing Officer to exercise the authority delegated by Council under the ordinance expires on March 17, 2021.

The transaction will be sold through the following underwriting team:

Senior Manager: RBC Capital Markets, LLC  
Co-Managers: Hilltop Securities Inc.  
Raymond James & Associates, Inc.

For this bond transaction, PFM Financial Advisors LLC will serve as financial advisor, Norton Rose Fulbright US LLP will serve as bond counsel, and McCall, Parkhurst & Horton L.L.P will serve as disclosure counsel. Orrick, Herrington & Sutcliffe LLP will represent the underwriters as underwriters’ counsel. Rating agencies include Moody’s Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc.

**Strategic Outcome(s):**

Government that Works for All.