



Recommendation for Action

File #: 19-1761, **Agenda Item #:** 37.

5/9/2019

Posting Language

Approve an ordinance authorizing the issuance and sale of City of Austin, Texas, Electric Utility Revenue Bonds, Taxable Series 2019A, in a par amount not to exceed \$470,000,000, 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 December 31, 2019.

Lead Department

Treasury Office

Fiscal Note

This item has no fiscal impact.

For More Information:

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Mark Dombroski, Austin Energy Chief Financial and Risk Office (512) 322-6148

Additional Backup Information:

On April 18, 2019, Austin Energy announced that it reached an agreement with Southern Power Company that would result in the acquisition by Austin Energy of the Nacogdoches Biomass Facility for \$460 million. The acquisition will be funded with proceeds of the Bonds. The Nacogdoches Biomass Facility is a 115 megawatt biomass power plant fueled by wood waste such as forest residue, mill residue, waste pallets and municipal wood waste. The acquisition is expected to enable Austin Energy to avoid approximately \$275 million in additional costs over the remaining term of the power purchase agreement between Southern Power Company and Austin Energy; the existing power purchase agreement extends through 2032. The Nacogdoches Biomass Facility would become part of the Electric Utility System operated by Austin Energy.

This bond transaction will fund the acquisition price, reimburse fees in connection with the acquisition and pay issuance costs of the bond financing.

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 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 December 31, 2019.

The transaction will be sold through the following underwriting team:

Senior Manager: JPMorgan

Co-Managers: Hilltop Securities
Loop Capital Markets LLC
Piper Jaffray & Co.

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