



Recommendation for Action

File #: 20-3005, **Agenda Item #:** 59.

9/17/2020

Posting Language

Approve an ordinance authorizing the issuance and sale of City of Austin, Texas, Electric Utility System Revenue Refunding Bonds, Taxable Series 2020B (Taxable Series 2020B Bonds), in a par amount not to exceed \$55,500,000, 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/registrar 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 taxable commercial paper program for future borrowing needs by refunding up to \$55,000,000 of taxable commercial paper. Austin Energy uses its taxable commercial paper program primarily to construct and improve chiller plants. Bond proceeds will also be used to pay the costs of issuing the bonds. The Taxable Series 2020B Bonds being requested to refinance the taxable commercial paper notes are known as “revenue refunding” 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 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.