



Recommendation for Action

File #: 21-3091, **Agenda Item #:** 9.

10/14/2021

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 2021, in a par amount not to exceed \$298,000,000, 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 April 15, 2022.

Lead Department

Financial Services Department.

Fiscal Note

The Fiscal Year 2022 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the 2021-22 Approved Operating Budget of the Combined Utility Bond Redemption Fund.

For More Information:

Belinda Weaver, Treasurer, 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 into long-term debt to match the useful life of the capital assets being financed. The bonds being issued are backed solely by the revenue of the utility, rather than property taxes. Due to currently favorable market conditions in the municipal bond market, Council is asked to approve an ordinance that will allow for the refinancing of the utility’s outstanding commercial paper notes.

Additionally, 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 2011 (the “Series 2011 Bonds”), which are callable on November 15, 2021, 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 September 14, 2021, the transaction is estimated to produce \$55.4 million in present value savings (or, expressed as a percentage of the refunded bonds, a present value savings of 29.1%).

The new Series 2021 Bonds being requested to refinance commercial paper and refund existing maturities of the Series 2011 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

Friday, April 15, 2022.

The transaction will be sold through the following underwriting team:

Senior Manager: Morgan Stanley

Co-Managers:

R.W. Baird

Piper Sandler & Co.

Raymond James & Assoc.

For this transaction, McCall, Parkhurst & Horton LLP. will serve as bond counsel, Bracewell LLP will serve as disclosure counsel, and Haynes Boone, LLP will serve as underwriter's counsel. 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.