City of Austin

301 W. Second Street
Austin, TX

Recommendation for Action

File #: 23-1421, **Agenda Item #:** 6. 3/23/2023

Posting Language

Approve an ordinance authorizing the issuance and sale of City of Austin, Texas, Electric Utility System Revenue Refunding and Improvement Bonds, Series 2023 (Series 2023 Bonds), in a par amount not to exceed $505,000,000, 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 September 22, 2023.

Lead Department

Financial Services Department.

Fiscal Note

The Fiscal Year 2022-2023 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the 2022-2023 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 Austin Energy, 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 refinancing up to $200,000,000 of tax-exempt commercial paper into long-term 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 System Revenue Refunding Bonds Series 2012A (Series 2012A 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 February 17, 2023, the transaction is estimated to produce $21.6 million in present value savings if all Series 2012A Bonds are refunded (or, expressed as a percentage of the refunded bonds, a present value savings of 9.4%).

Additionally, this transaction will allow the City to issue approximately $70,000,000 of Bonds (improvement bonds) to finance the acquisition of a new Austin Energy field service center and warehouse facility to be constructed on Cameron Road. Bond proceeds will also be used to pay the costs of issuing the Bonds.
The new Series 2023 Bonds being requested to refinance commercial paper, refund existing maturities of the Series 2012A Bonds, and acquire the new facility are known as "revenue refunding and improvement" bonds, and are backed solely by the net revenue of Austin Energy. Under State law, the 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 Interim City Manager), Chief Financial Officer, or City Treasurer (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 September 22, 2023.

The transaction will be sold through the following underwriting team:

Senior Manager:
Barclays Capital

Co-Managers:
Loop Capital
Stifel Nicolaus & Co.
Estrada Hinojosa

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. Haynes and Boone, 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.