City of Austin

Recommendation for Action

File #: 24-6005, **Agenda Item #:** 10. 11/7/2024

Posting Language

Approve an ordinance authorizing the issuance and sale of City of Austin, Texas, Electric Utility System Revenue Refunding Bonds, Series 2024 (Series 2024 Bonds), in a par amount not to exceed $275,000,000 to refinance tax-exempt short term debt into long-term bonds, 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 May 7, 2025.

Lead Department

Financial Services Department

Fiscal Note

The Fiscal Year 2025 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the 2024-25 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 the City’s tax-exempt commercial paper program, which supports both Austin Energy’s and Austin Water’s capital programs, for future borrowing needs by refinancing up to $275,000,000 of tax-exempt commercial paper into long-term bonds.

The new Series 2024 bonds being requested to refinance commercial paper are known as “revenue refunding 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 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 May 7, 2025.

The transaction will be sold through the following underwriting team:

<u>Senior Manager:</u>
JP Morgan Chase

Co-Managers:
RBC Capital Markets and Rice Securities

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.