



City of Austin

Recommendation for Action

File #: 25-2067, Agenda Item #: 7.

10/23/2025

Posting Language

Approve an ordinance authorizing the issuance and sale of City of Austin, Texas Electric Utility System Revenue Refunding Bonds, Series 2025 (Series 2025 Bonds), in a par amount not to exceed \$475,000,000 to refinance up to \$225,000,000 of tax-exempt commercial paper and refinance certain maturities of Series 2015A Electric Utility System Revenue Refunding 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 April 23, 2026. Funding: Fiscal Year 2026 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the Fiscal Year 2026 Operating Budget of the Combined Utility Bond Redemption Fund.

Lead Department

Austin Financial Services

Fiscal Note

Fiscal Year 2026 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the Fiscal Year 2026 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 \$225,000,000 of tax-exempt commercial paper into long-term bonds.

Additionally, due to current favorable conditions in the municipal bond market, the City's municipal advisor, PFM Financial Advisors LLC, has advised that refinancing, or refunding, certain maturities from the Electric Utility System Revenue Refunding Bonds Series 2015A (the Series 2015A Bonds), which are currently callable, 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 August 14, 2025, the transaction is estimated to produce \$13.4 million in present value savings if all Series 2015A Bonds are refunded (or, expressed as a percentage of the refunded bonds, a present value savings of 5.4%).

The new Series 2025 bonds being requested 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, Chief Financial Officer, or Director of Financial Services (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 April 23, 2026.

The transaction will be sold through the following underwriting team:

Senior Manager: Morgan Stanley & Co.

Co-Senior Manager: RBC Capital Markets

Co-Managers: Estrada Hinojosa and Rice Securities

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