

FISCAL NOTE

DATE OF COUNCIL CONSIDERATION:

8/3/17

CONTACT DEPARTMENT(S):

Austin Water

SUBJECT: Authorize negotiation and execution of a financing agreement with the Texas Water Development Board (TWDB) for a 20-year low interest loan in the amount of \$45,175,000 through TWDB's State Water Implementation Fund for Texas (SWIFT) loan program, for the implementation of multiple capital improvement projects associated with Austin Water's wastewater and reclaimed water systems.

ANALYSIS / ADDITIONAL INFORMATION:

The fiscal information outlined below is the result of the City Council April 21, 2016 action approval to submit two loan applications to TWDB. Both loan applications were approved by the TWDB on July 21, 2016 and the TWDB committed to loan Austin a combined total of \$167,175,000. The first loan installment was approved by Council on August 18, 2016 with initial financing of \$20,430,000. This request is for the approval to negotiate and execute a second installment of \$45,175,000. Analysis is based on the second installment of \$45,175,000.

This fiscal note is subject to change based on changing market conditions and/or Council direction during future readings. Assumptions for Austin Water and TWDB are based on recent market transactions for illustrative purposes.

AUSTIN WATER

Assumptions:

- Preliminary Funding is projected based on analysis as of June 12, 2017 and subject to change with market conditions.
- TWDB bond issuance assumes a 20-year term
- Average coupon is projected at 1.917%
- TWDB loan interest rates based on AAA rating and assumes a 35% rate subsidy on this second installment. Rate subsidies on issuances beyond the 5th year installments are contingent on TWDB approval. Austin Water assumes interest rates based on current AA rating.
- TWDB bonds assume funding a debt service reserve at each bond issuance. Austin Water bond issuances do not require funding of a debt service reserve.
- Debt service savings is generated from TWDB's higher bond rating than Austin Water and the 35% interest rate subsidy.

Debt Service Savings:

- Austin Water assumes a gross debt service savings estimated at \$2.2 million for \$45,175,000 in bonds with a projected refunding of the final 10 maturities.