



## Water & Wastewater Commission Review and Recommendation

<b>Commission Meeting Date:</b>	April 11, 2018
<b>Council Meeting Date:</b>	May 10, 2018
<b>Department:</b>	Austin Water
<b>Client:</b>	Joseph Gonzales and David Anders
<b>Agenda Item</b>	
Approve an ordinance amending the Fiscal Year 2017-2018 Austin Water Operating Budget (Ordinance No. 20170913-001) to increase the transfers in from Capital Improvement Program (CIP) by \$6,427,000 and increase the transfer out appropriations by \$26,860,841 for a net reduction to ending balance of \$20,433,841. Approve an ordinance amending the Fiscal Year 2017-2018 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20170913-001) to increase the transfer in from Austin Water by \$64,000,000 and increase the transfer out appropriations by \$64,000,000 for a net impact of \$0 to the ending balance.	
<b>Amount and Source of Funding</b>	
Austin Water Operating transfers of \$34,000,000, and Capital Improvement Program transfers of \$30,000,000 from Austin Water's Fiscal Year 2017-18 Capital Recovery Fee revenue, the sum of which (\$64,000,000) will be used to fund the defeasance of certain outstanding debt of the Water and Wastewater System.	
<b>Purchasing Language:</b>	N/A
<b>Prior Council Action:</b>	September 13, 2017—Council approved an ordinance adopting the Operating Budget for Fiscal Year 2017-2018.
<b>Boards and Commission Action:</b>	April 11, 2018- To be reviewed by the Water and Wastewater Commission.
<b>MBE/WBE:</b>	N/A

A defeasance is a method of using available cash to pay off outstanding debt. The cash is placed in an escrow account held by a trustee to make principal and interest payments on the required payment date for the bonds being defeased. The obligations payable from the escrow are no longer secured by or payable from the revenues initially pledged to their payment.

The proposed action seeks authorization to pay off certain maturities of the Water and Wastewater System Revenue Refunding Bonds. This process allows Austin Water to remove the debt from their books, which improves debt service coverage and the short term burden of debt service payments. Also, this proposed defeasance action is in direct relation to achieving a Water and Wastewater rate reduction, which was approved by Council on March 8, 2018.

The total source of funds for the defeasance is \$64,000,000 which will be provided from a combination of \$34,000,000 in Austin Water Operating Funds and \$30,000,000 in Impact Fee/Capital Recovery Fee (CRF) collections. Impact fee/CRF collections are restricted in use by Texas Local Government Code Chapter 395.012. Allowable uses include paying costs of constructing capital or facility improvements, and pledging for payment of debt service issued to finance capital or facility improvements identified in the Impact Fee Capital Improvements Plan 5-Year Update.

For this transaction, PFM will serve as Financial Advisor, McCall, Parkhurst & Horton L.L.P will serve as bond counsel, and serving as Verification Consultant will be The Arbitrage Group.