

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: May 10, 2018

Item Number: **044**

Treasury Office

Approve a resolution authorizing the defeasance of certain outstanding Water and Wastewater System Revenue Refunding Bonds, including authorizing the execution of an escrow agreement, and related documents. Related to Item #6.

<p>Lead Department</p>	<p>Financial Services - Treasury</p> <p><u>Amount and Source of Funding:</u> Debt service requirements and fees are included in the FY 2017-18 Amended Operating Budget of the Combined Utility Bond Redemption Fund.</p>
<p>Fiscal Note</p>	<p>There is no fiscal impact. Additional information concerning the defeasance is found in the Additional Backup Information section below.</p>
<p>For More Information</p>	<p>Belinda Weaver, Interim Treasurer 512-974-7885</p>

Additional Backup Information:

A defeasance is a method of using available cash to pay off outstanding debt. The cash is placed in an escrow account with 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.

The source of funds for the defeasance is a combination of operating funds and 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.