

AGENDA



Recommendation for Council Action

AUSTIN CITY COUNCIL

Regular Meeting: October 18, 2018

Item Number: **004**

Austin Water

Approve an ordinance authorizing the issuance of City of Austin Water and Wastewater System Revenue Bonds, Series 2018, in a par amount of \$3,000,000, and approving and authorizing related documents.

Lead Department	Austin Water
Fiscal Note	Funding is available in the Combined Utility Revenue Bond Redemption Fund Budget.
Prior Council Action	<p>April 21, 2016 - Council approved resolution 20160416-005, authorizing the City Manager to apply for funding from the Texas Water Development Board (TWDB) for a low-interest, multi-year loan for multiple capital improvement projects associated with Austin Water’s water, wastewater, and reclaimed water systems.</p> <p>December 7, 2017 - Council approved a contract 20171207-041 with West Monroe Partners, LLC for Advanced Metering Infrastructure (AMI) program management.</p> <p>August 9, 2018 - Council approved a financing agreement 20180809-005 with the Texas Water Development Board (TWDB) for a 20-year low-interest loan through TWDB’s State Water Implementation Fund for Texas (SWIFT) loan program, for the implementation of Austin Water’s Advanced Metering Infrastructure (AMI) project.</p>
For More Information	David Anders, 512-972-0323; Joseph Gonzales, 512-972-0131; Daniel Layton, 512-972-1034; Denise Avery, 512-972-0104
Council Committee, Boards and Commission	July 11, 2018 - Recommended by the Water and Wastewater Commission on a 7-0 vote with Chair Moriarty and Commissioners

Action	Turrieta, Michel, and Schmitt absent.
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Additional Backup Information:

On July 21, 2016, the Texas Water Development Board (TWDB) approved the City of Austin’s application for a low-interest, multi-year loan in the amount of \$80,195,000 through the State Water Implementation Fund for Texas (SWIFT) for the implementation of Austin Water’s Advanced Metering Infrastructure (AMI) project. On December 7, 2017, Council authorized Austin Water to negotiate and execute a consulting services agreement with West Monroe Partners, LLC. The consultant is currently producing an AMI assessment report and will assist in the production of AMI system solicitation documents. The report will include a business process needs assessment, will evaluate which AMI technologies are best for Austin Water, and will determine their potential impact on Austin Water’s business processes. It will also assist Austin Water in identifying the best value AMI program options. On August 9, 2018, Council authorized negotiation and execution of the financing agreement with the TWDB for a 20-year low-interest loan in the amount of \$3,000,000 through TWDB’s SWIFT loan program for the implementation of AMI.

Austin Water’s AMI project will replace mechanical customer water meters with water meters connected to a wireless network so that meter readings will no longer be collected manually every month. After AMI implementation, water meter readings will be collected at least daily. This data will be available to customers via electronic devices, so they can better monitor their water usage between billing cycles. The AMI water meters will improve data collection, reduce meter re-reads, and provide more frequent data collection. They will minimize the labor costs and vehicle mileage needed to support meter reading. Other potential benefits include improving customer service and customer satisfaction, enabling customer usage alerts before a bill arrives, or identifying potential customer-side leaks. This data will also enable Austin Water to have better system diagnostic tools, such as semi-real-time leak detection, and a superior metering asset management database, that will better facilitate operations and maintenance activities.

This financing agreement, for an initial \$3,000,000 loan for a 20-year term, will cover Austin Water’s Fiscal Year 2018-2019 CIP spending plan costs, with subsequent loan closings proposed in the chart below. This financing agreement does not obligate the City of Austin to close on additional loan installments with TWDB in future years. Future loan installments will require Council approval to negotiate separate financing agreements. The closing on this initial loan is anticipated to occur in November 2018. The City anticipates receiving up to a 35% reduction on the interest rates that TWDB obtains during their fall 2018 bond sale, based on their AAA bond rating. These reduced interest rates will save ratepayers financing costs for the funding of this

project, as compared to traditional bond financing. Anticipated debt service requirements are included in the 2018-2019 Approved Budget of the Utility Revenue Bond Redemption Fund, and an estimated annual administration fee of \$500 for the paying agent/registrar for the proposed bond sale are included in the 2018-2019 Approved Operating Budget of Austin Water.

TWDB SWIFT Loan for AMI Project - Proposed Multi-Year Financing Schedule

Loan Closing Date	Proposed Closing Amount
November 2018	\$3,000,000
November 2019	\$6,200,000
November 2020	\$16,995,000
November 2021	\$18,000,000
November 2022	\$18,000,000
November 2023	\$18,000,000
Total	\$80,195,000

The ordinance contains the amortization schedule, both principal payments and interest rates, as established by the TWDB prior to the October 18, 2018 meeting.