



Water & Wastewater Commission Review and Recommendation

Commission Meeting Date:	April 10, 2019
Council Meeting Date:	April 25, 2019
Department:	Austin Water
Client:	Joseph Gonzales and David Anders
Agenda Item	
Approve an ordinance amending the Fiscal Year 2018-2019 Austin Water Operating Budget (Ordinance No. 20180913-001) to increase the transfers in from Capital Improvement Program (CIP) by \$1,000,000 and increase the transfer out appropriations by \$11,000,000 for a net impact of \$10,000,000 to the ending balance. Approve an ordinance amending the Fiscal Year 2018-2019 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20180913-001) to increase the transfer in from Austin Water by \$11,000,000 and increase the transfers out appropriations by \$11,000,000 for a net impact of \$0 to the ending balance.	
Amount and Source of Funding	
Austin Water Operating transfer of \$10,000,000, Reclaimed Capital Improvement Program transfer of \$1,000,000, Capital Recovery Fee (CRF) revenue transfer of \$34,200,000, the sum of which (\$45,200,000) will be used to fund the defeasance of certain outstanding debt of the Water, Wastewater, and Reclaimed System.	
Purchasing Language:	N/A
Prior Council Action:	September 13, 2018—Council approved an ordinance adopting the Operating Budget for Fiscal Year 2018-2019.
Boards and Commission Action:	April 10, 2019 – To be reviewed by the Water and Wastewater Commission.
MBE/WBE:	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 City's outstanding Water and Wastewater System Revenue Refunding Bonds. This process allows Austin Water to remove the debt from its books, which reduces debt levels and improves debt service coverage by lowering the burden of debt service payments in the short-term. Also, this proposed defeasance action is in direct relation to achieving a Water and Wastewater system rate stability over the next few years.

The total source of funds for the defeasance of \$45,200,000 will be provided from a combination of \$10,000,000 in Austin Water Operating Funds, \$34,200,000 in Impact Fee/CRF collections, and \$1,000,000 in Reclaimed CIP. The final defeasance transaction and savings amount are dependent upon market conditions.

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 Financial Advisors LLC will serve as Financial Advisor, McCall, Parkhurst & Horton L.L.P will serve as bond counsel and The Arbitrage Group will serve as Verification Agent.