



Recommendation for Action

File #: 19-1553, **Agenda Item #:** 3.

4/25/2019

Posting Language

Approve an ordinance amending the Fiscal Year 2018-2019 Austin Water Operating Budget (Ordinance No. 20180911-001) to increase the transfer in from the Capital Improvements Program by \$1,000,000 and increase the transfer out by \$11,000,000; and amending the Fiscal Year 2018-2019 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20180911-001) to increase the transfer in from Austin Water Operating Budget by \$11,000,000 and increase the other operating requirement expenditures by \$11,000,000 to fund debt defeasance. Related to Item #40

Lead Department

Austin Water

Fiscal Note

Funding is available in the ending balances of the FY 2018-19 Austin Water operating funds. Reduction of these ending balances will maintain Austin Water's compliance with relevant City financial policies. A fiscal note is attached.

Prior Council Action:

September 11, 2018-Council approved an ordinance adopting the Operating Budget for Fiscal Year 2018-2019.

For More Information:

Joseph Gonzalez, 512-972-0131; David Anders, 512-972-0323; Denise Avery, 512-972-0104

Council Committee, Boards and Commission Action:

April 10, 2019- Recommended by the Water & Wastewater on Commissioner Ho's motion and Commissioner Parton's second on a 9-0-0-1 vote with Commissioner Schmitt absent.

Additional Backup Information:

This budget amendment is related to the defeasance item that would authorize Austin Water to pay off certain maturities of the City's outstanding Water and Wastewater System Revenue Refunding Bonds. 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.

This budget amendment will transfer the funds into the correct account to make those funds available for this defeasance.

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.