



Recommendation for Water & Wastewater Commission

Commission Meeting Date:	March 11, 2020	COA Strategic Decision:	Government That Works For All
Council Meeting Date:	March 26, 2020		
Department:	Austin Water		
Client:	Christina Romero, David Anders		
SUBJECT			
Recommend approval of an ordinance amending the Fiscal Year 2019-2020 Austin Water Operating Budget (Ordinance No. 20190910-001) to increase the transfer in from the Capital Improvement Program by \$5,428,000 and increase the transfer out appropriations by \$5,287,000 for a net reduction to the ending balance of \$141,000; and amending the Fiscal Year 2019-2020 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20190910-001) to increase the transfer in from Austin Water Operating Budget by \$15,287,000 and increase other operating requirement expenditures by \$15,287,000 to fund debt defeasance.			
AMOUNT AND SOURCE OF FUNDING			
Austin Water Operating transfer of \$10,000,000 and Capital Recovery Fee (CRF) revenue transfer of \$40,000,000, the sum of which (\$50,000,000) will be used to fund the defeasance of certain outstanding debt of the Water and Wastewater System.			
Purchasing Language:			
Prior Council Action:	September 10, 2019—Council approved an ordinance adopting the Operating Budget for Fiscal Year 2019-2020.		
Boards and Commission Action:	March 11, 2020 – 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 an escrow agent 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 \$50,000,000 will be provided from a combination of \$10,000,000 in Austin Water Operating Funds, and \$40,000,000 in Impact Fee/CRF collections. 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.

OPERATING BUDGET FISCAL NOTE

DATE OF COUNCIL CONSIDERATION:

3/26/20

DEPARTMENT:

Austin Water

FUND:

Water, Wastewater, and Reclaimed Water Operating

SUBJECT: Approve an ordinance amending the Fiscal Year 2019-2020 Austin Water Operating Budget (Ordinance No. 20190910-001) to increase the transfer in from the Capital Improvement Program by \$5,428,000 and increase the transfer out appropriations by \$5,287,000 for a net reduction to ending balance of \$141,000; and amending the Fiscal Year 2019-2020 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20190910-001) to increase the transfers in from the Austin Water Operating Budget by \$15,287,000 and increase other operating requirement expenditures by \$15,287,000 to fund debt defeasance. Related to **Item #**

CURRENT YEAR IMPACT:

	2019-20 Approved	This Action	2019-20 Amended
Beginning Balance	197,908,618	0	197,908,618
Revenue	577,216,450	0	577,216,450
Transfers In			
General Fund	0	0	0
CIP	34,572,000	5,428,000	40,000,000
Austin Water Utility	12,417,313	0	12,417,313
Support Services/Infrastructure Funds	300,582	0	300,582
Austin Resource Recovery Fund	53,334	0	53,334
Total Transfers In	47,343,229	5,428,000	52,771,229
Total Available Funds	624,559,679	5,428,000	629,987,679
Program Requirements	221,918,148	0	221,918,148
Other Requirements	22,409,495	0	22,409,495
Debt Service	186,475,923	0	186,475,923
Transfers Out	110,005,966		110,005,966
Trf to Wastewater CIP Fund	40,000,000	(10,000,000)	30,000,000
Trf CRF to Debt Defeasance	34,713,000	5,287,000	40,000,000
Trf Operating to Debt Defeasance	0	10,000,000	10,000,000
	184,718,966	5,287,000	190,005,966
Total Requirements	615,522,532	5,287,000	620,809,532
Excess (Deficiency) of Total Available	9,037,147	141,000	9,178,147
Ending Balance	206,945,765	141,000	207,086,765

FIVE-YEAR ESTIMATED IMPACT:

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Available Funds	5,428,000	0	0	0	0
Total Requirements	5,287,000	0	0	0	0
Net Budget Impact	141,000	0	0	0	0

ANALYSIS / ADDITIONAL INFORMATION: Capital Improvement Program (CIP) transfers in are from impact fee/capital recovery fee (CRF) collections that 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. The transfers out to CRF to debt defeasance of \$40,000,000 and Operating to debt defeasance of \$10,000,000 for a combined total of \$50,000,000 will be used to reduce Austin Water existing debt service.