



Recommendation for Action

File #: 20-1519, **Agenda Item #:** 4.

3/26/2020

Posting Language

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 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. Related to Item #46.

Lead Department

Austin Water.

Fiscal Note

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.

Prior Council Action:

September 10, 2019-Council approved an ordinance adopting the Operating Budget for Fiscal Year 2019-2020.

For More Information:

David Anders, 512-972-0323 or Christina Romero, 512-972-0122; Denise Avery, 512-972-0104.

Council Committee, Boards and Commission Action:

March 11, 2020 - To be reviewed by the Water and Wastewater Commission.

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 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.

Strategic Outcome(s):

Government that Works for All.