



Recommendation for Action

File #: 20-1512, **Agenda Item #:** 46.

3/26/2020

Posting Language

Approve a resolution authorizing the defeasance of certain outstanding Water and Wastewater System Revenue Refunding Bonds, including authorizing the execution of an escrow agreement, and related documents. Related to Item #4.

Lead Department

Financial Services - Treasury

Fiscal Note

This item has no fiscal impact.

For More Information:

Belinda Weaver, City Treasurer 512-974-7885

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 with 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 Water and Wastewater system rate stability over the next few years.

The source of funds for the defeasance is a combination of operating funds and Impact Fee/Capital Recovery Fee (CRF) collections. Impact fee/CRF collections are restricted in use by Texas Local Government Code Section 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 defeasance 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.