



## Recommendation for Action

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**File #:** 21-3543, **Agenda Item #:** 12.

12/9/2021

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### **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.

### **Lead Department**

Financial Services Department.

### **Fiscal Note**

This item has no fiscal impact.

### **For More Information:**

Belinda Weaver, 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 to the redemption date. Once the escrow is funded, the debt obligations payable from the escrow are no longer secured by or payable from the revenues initially pledged to their payment and the debt is considered to be legally retired.

The proposed action seeks authorization to defease, or 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 primarily Impact Fee/Capital Recovery Fee (CRF) collections as well as restricted debt service reserve funds and operating funds. 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. Debt service reserve funds are restricted in use by the bond authorizing documents and may be used for the prepayment of debt secured by the reserve fund.

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 serving as Verification Agent.

### **Strategic Outcome(s):**

Government that Works for All.

