

Posting Language

Recommend approval of an ordinance amending the Fiscal Year 2022-2023 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20220817-004) to increase the transfer in from the Water and Wastewater Reserve Fund by \$18,000,000 and increase other bond debt service requirement expenditures by \$18,000,000 for the purpose of defeasing and redeeming certain outstanding bonds secured by the Reserve Fund.

Lead Department

Austin Water

Client Department

Austin Water Assistant Director of Financial Services, Joseph Gonzales

Fiscal Note

A fiscal note is attached.

Prior Council Action

August 17, 2022 – Council approved the Fiscal Year 2022-2023 Combined Utility Revenue Bond Redemption Fund

Council Committee, Boards and Commission Action

N/A

Additional Backup Information

Debt Service Reserve funds are restricted funds that are set-aside to provide additional security to Austin Water's revenue bond holders. Because most of Austin Water's Debt Service Reserve funds were funded with proceeds from prior bond issuances, such funds are only permitted to be used towards debt service and are not available for any other purpose. As outstanding revenue bonds mature or are refinanced with new revenue bonds that do not require a Debt Service Reserve fund, the restricted Debt Service Reserve funds will be utilized by contributing the funds as part of a revenue bond refinancing transaction or will be utilized to defease (prepay) outstanding revenue bonds. To utilize the excess reserve funds, the Combined Utility Revenue Bond Redemption Fund's requirements must be increased. There will be a \$0 net impact as the reserve proceeds will serve as "Revenue" to offset the increased requirements. The prepayment of debt with Debt Service Reserve funds will reduce future interest costs to ratepayers. The use of Debt Service Reserve funds is in part contingent upon the issuance of refunding bonds being authorized by City Council under a separate ordinance.

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 until either the optional redemption date or maturity date of the defeased bonds. The obligations payable from the escrow are no longer secured by or payable from the revenues initially pledged to their payment.

Strategic Outcome(s)

Government that Works for All

**OPERATING BUDGET
FISCAL NOTE**

DATE OF COUNCIL CONSIDERATION:
DEPARTMENT:
FUND:

9/29/22
Austin Water
Combined Utility Revenue Bond

SUBJECT: Approve an ordinance amending the Fiscal Year 2022-2023 Combined Utility Revenue Bond Fund (Ordinance No. 20220817-004) to authorize the use of Parity Water/Wastewater Obligation funds held in the Reserve Fund of \$18,000,000 for the purpose of defeasing and redeeming certain outstanding bonds secured by the Reserve Fund for a net impact of \$0 to the ending balance.

CURRENT YEAR IMPACT:

	2022-23 Proposed	This Action	2022-23 Amended
Beginning Balance	81,385,150	0	81,385,150
Revenue			
Interest	92,306		92,306
Other Revenue	1,541,362		1,541,362
Total Revenue	1,633,668	0	1,633,668
Transfers In			
Austin Water Utility	215,496,382		215,496,382
TRF WWW Reserve Fund	0	18,000,000	18,000,000
Total Transfers In	215,496,382	18,000,000	233,496,382
Total Available Funds	217,130,050	18,000,000	235,130,050
Other Requirements			
Interest payment D/S funds	96,660,296	0	96,660,296
Debt defeasance payment D/S funds	47,000,000	18,000,000	65,000,000
Principal payment D/S funds	82,905,000	0	82,905,000
TRF CRF to Debt Defeasance	0	0	0
Total Other Requirements	226,565,296	18,000,000	244,565,296
Total Requirements	226,565,296	18,000,000	244,565,296
Excess (Deficiency) of Total Available	(9,435,246)	0	(9,435,246)
Ending Balance	71,949,904	0	71,949,904

FIVE-YEAR ESTIMATED IMPACT:

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Total Available Funds	18,000,000	0	0	0	0
Total Requirements	18,000,000	0	0	0	0
Net Budget Impact	0	0	0	0	0

ANALYSIS / ADDITIONAL INFORMATION: This item will amend the Combined Utility revenue Bond Fund to increase Transfer In from WWW Reserve Fund by \$18.0 million and increase Transfers Out by \$18.0 million. Released debt service reserve funds will be utilized pay down obligations on future refunding and defeasance transactions.