



Recommendation for Action

File #: 22-2935, Agenda Item #: 8.

9/29/2022

Posting Language

Approve 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.

Fiscal Note

A fiscal note is attached.

For More Information:

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Inquiries should be directed to the City Manager's Agenda Office, at (512) 974-2991, or AgendaOffice@austintexas.gov.

Council Committee, Boards and Commission Action:

September 14, 2022 - Recommended by the Water and Wastewater Commission on an 8-0 vote with one absence and two vacancies.

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 on such bonds 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 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.