

Posting Language

Recommend approval of an ordinance amending the Fiscal Year 2023-2024 Austin Water Operating Budget (Ordinance No. 20230816-008) to increase the transfer in from Capital Improvement Program (CIP) by \$1,000,000, increase the transfer out by \$35,000,000, and decrease the transfers out from Capital Recovery Fee (CRF) to debt defeasance by \$19,000,000 for a net decrease in ending fund balance of \$15,000,000; and amending the Fiscal Year 2023-2024 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20230816-008) to increase the transfer in from Austin Water Operating Budget by \$16,000,000, increase the other operating requirement expenditures by \$16,000,000, and increase the transfer in from the Water and Wastewater Reserve Fund by \$750,000 and increase other bond debt service requirement expenditures by \$750,000 to fund the debt defeasance.

Lead Department

Austin Water

Client Department

Austin Water Assistant Director of Financial Services, Joseph Gonzales

Fiscal Note

Funding is available in the ending balances of the FY 2023-2024 Austin Water operating funds. Reduction of these ending balances will maintain Austin Water's compliance with relevant City financial policies.

Prior Council Action

August 15, 2023 - Council approved an ordinance adopting the Operating Budget for the Fiscal Year 2023-2024.

Council Committee, Boards and Commission Action

November 8, 2023 - To be reviewed by the Water & Wastewater Commission

Additional Backup Information

The budget amendment is related to the defeasance item that would authorize Austin Water to pay off certain maturities of the City's outstanding Water and Wastewater System Revenue Refunding Bonds. 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 redemption or maturity. Once the defeasance is funded, the obligations payable from the escrow are no longer secured by or payable from the revenues initially pledged to their payment.

The proposed related defeasance item 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, reduces interest expense, 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 \$60,750,000 will be provided from a combination of \$20,000,000 in Austin Water Operating Funds, \$20,000,000 in Impact Fee/CRF collections, \$20,000,000 in CIP, and up to \$750,000 of surplus debt service reserve funds in the Reserve Fund. The final defeasance transaction and savings amount are dependent upon market conditions.