

Posting Language

Recommend approval of an ordinance amending the Fiscal Year 2025-2026 Austin Water Operating Fund (Ordinance No. 20250815-005) to increase transfers out to the Combined Utility Revenue Bond Redemption Fund by \$16,633,211; and amending the Fiscal Year 2025-2026 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20250815-005) to increase transfers in by \$16,633,211 and increasing appropriations by \$16,633,211 to defease and redeem outstanding Water and Wastewater System Revenue Refunding Bonds. Funding: Funding is available in the ending balances of the Fiscal Year 2025-2026 Austin Water operating funds.

Lead Department

Austin Water.

Fiscal Note

Funding is available in the ending balances of the Fiscal Year 2025-2026 Austin Water operating funds. Reduction of these ending balance will maintain Austin Water's compliance with relevant City financial policies.

Prior Council Action:

August 15, 2025 – Council approved Ordinance No. 20250815-005 adopting the Austin Water Operating Budget for the Fiscal Year 2025-2026.

Council Committee, Boards and Commission Action:

November 12, 2025 – To be reviewed by the Water and Wastewater Commission.

Additional Backup Information:

This 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 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 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 \$46,633,211 will be provided from a combination of \$30,000,000 in Impact Fee/ Capital Recovery Fee (CRF) collections, 16,633,211 in Austin Water Operating Funds, of which \$13,633,211 was a cash repayment pursuant to the 2007 Cost Reimbursement Agreement with the developers of Indian Hills and Whisper Valley. The final defeasance transaction and savings amount are dependent upon market conditions and the final bonds selected for defeasance.

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.



Item 6

Water & Wastewater Commission: November 12, 2025

Council: December 11, 2025

This budget amendment will transfer the funds into the correct account to make those funds available for this defeasance.

For this transaction, PFM Financial Advisors LLC will serve as Municipal Advisor, McCall, Parkhurst & Horton L.L.P. will serve as bond counsel and The Arbitrage Group will serve as Verification Agent.