

**Posting Language**

Recommend approval of a resolution authorizing the defeasance of certain outstanding Water and Wastewater System Revenue Bonds, including authorizing the execution of an escrow agreement, and related documents. Funding: \$46,633,211 is available in the Fiscal Year 2025-2026 Operating Budget of the Combined Utility Revenue Bond Redemption Fund.

Lead Department

Austin Financial Services.

Fiscal Note

Funding is available in the Fiscal Year 2025-2026 Operating Budget of the Combined Utility Revenue Bond Redemption Fund.

Council Committee, Boards and Commission Action:

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

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 legally and financially retired.

The proposed related defeasance item seeks authorization to defease, or 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, 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 Impact Fee/Capital Recovery Fee (CRF), Austin Water operating funds that includes cash collected from the developers of Indian Hills and Whisper Valley pursuant to the 2007 Cost Reimbursement Agreement. 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.

For this defeasance 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 serving as Verification Agent.