Item 3
Water & Wastewater Commission: November 10, 2026
Council: November 19, 2026

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: $43,200,000 is included in the Fiscal Year 2026-2027 Operating Budget of the Combined Utility Revenue Bond Redemption Fund. Related to Item 2.

Lead Department

Austin Financial Services

Fiscal Note

$43,200,000 is included in the Fiscal Year 2026-2027 Operating Budget of the Combined Utility Revenue Bond Redemption Fund.

Prior Council Action:

August 12, 2026 – Council approved an Ordinance No. 20260812-007 adopting the Austin Water Operating Budget for the Fiscal Year 2026-2027.

Council Committee, Boards and Commission Action:

November 10, 2026 – 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 either 1- redeem currently callable bonds and/or 2- fund the principal and interest payments on the required payment date for the bonds being defeased to the earlier of the redemption or maturity 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 considered to be legally and financially retired.

The proposed related defeasance item seeks authorization to defease 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. This proposed defeasance action is in direct relation to achieving Water and Wastewater System rate stability over the next few years.

The total source of funds for the defeasance of $43,200,000 will be provided from a combination of $30,000,000 in Impact Fee/ Capital Recovery Fee (CRF) collections, and $13,200,000 in Austin Water Operating Funds. 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.

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 escrow Verification Agent.