Item 2
Water & Wastewater Commission: November 10, 2026
Council: November 19, 2026

Posting Language

Recommend approval of an ordinance amending the Fiscal Year 2026-2027 Austin Water Operating Budget (Ordinance No. 20260812-007) to increase $9,200,000 Transfer In from Capital Improvement Plan and increase $9,200,000 transfers out to the Combined Utility Revenue Bond Redemption Fund for a net impact of $0 to the ending fund balance; and amending the Fiscal Year 2026-2027 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20260812-007) to increase $9,200,000 transfers in and increase $9,200,000 appropriations to defease and redeem outstanding Water and Wastewater System Revenue Refunding Bonds. Funding: $9,200,000 is available in the Capital and Operating Budget of Austin Water. Related to Item 3.

Fiscal Note

Funding in the amount of $9,200,000 is available in the Fiscal Year 2026 – 2027 Capital and Operating Budget of Austin Water. Reduction of these ending balances will maintain Austin Water's compliance with relevant City financial policies. Fiscal notes are attached.

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 – To be reviewed by the Water and Wastewater Commission.

Additional Backup Information:

This budget amendment is related to a defeasance item on this same Council agenda that will 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 $43,200,000 will be provided from a combination of $30,000,000 in Impact Fee/ Capital Recovery Fee (CRF) collections, $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.

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 LLP will serve as bond counsel and The Arbitrage Group will serve as Verification Agent.

OPERATING BUDGET
FISCAL NOTE

DATE OF COUNCIL CONSIDERATION: 12/3/26
DEPARTMENT: Austin Water
FUND: Combined Utility Operating Fund

SUBJECT: Approve an ordinance amending the Fiscal Year 2026-2027 Austin Water Operating Budget (Ordinance No. 20260812-007) to increase $9,200,000 Transfer In from Capital Improvement Plan and increase $9,200,000 transfers out to the Combined Utility Revenue Bond Redemption Fund for a net impact of $0 to the Operating Budget to defease and redeem outstanding Water and Wastewater System Revenue Refunding Bonds. Funding: Funding: $9,200,000 is available in the Capital and Operating Budget of Austin Water. Related to Item #_

CURRENT YEAR IMPACT:

	2026-27 Approved	This Action	2026-27 Amended
Beginning Balance	**288,052,888**	**0**	**288,052,888**
Revenue			
Total Revenue	**816,132,503**	**0**	**816,132,503**
Transfers In			
CIP	30,000,000	9,200,000	39,200,000
Austin Water Utility	32,504,444		32,504,444
AW CIP - CPM	4,356,837		4,356,837
Support Services/Infrastructure Funds	0		0
Austin Resource Recovery Fund	74,884		74,884
Total Transfers In	**66,936,165**	**9,200,000**	**76,136,165**
Total Available Funds	**883,068,668**	**9,200,000**	**892,268,668**
Program Requirements	**358,613,591**		**358,613,591**
Other Requirements	**39,317,115**		**39,317,115**
Debt Service	**208,782,066**		**208,782,066**
Transfers Out			
Trf CRF to Debt Defeasance	30,000,000		30,000,000
Trf Operating to Debt Defeasance	4,000,000	9,200,000	13,200,000
Trf WWW Reserve Fund to Debt Defeasance			0
Trf to Reclaimed Water CIP Fund	6,000,000		6,000,000
Other Trf	253,069,890		253,069,890
Total Transfers Out	**293,069,890**	**9,200,000**	**302,269,890**
Total Requirements	**899,782,662**	**9,200,000**	**908,982,662**
Excess (Deficiency) of Total Available	**(16,713,994)**	**0**	**(16,713,994)**
Ending Balance	**271,338,894**	**0**	**271,338,894**

FIVE-YEAR ESTIMATED IMPACT:

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Available Funds	9,200,000	0	0	0	0
Total Requirements	9,200,000	0	0	0	0
Net Budget Impact	0	0	0	0	0

ANALYSIS / ADDITIONAL INFORMATION: Capital Improvement Program (CIP) transfers in are from impact fee/capital recovery fee (CRF) collections that 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 10-Year Update. The total transfers out from CRF to debt defeasance is $30,000,000, Operating to debt defeasance is $13,200,000 for a combined total of up to $43,200,000 will be used to defease debt, which will reduce Austin Water existing debt service requirements. This results in a net change of $0 to Austin Water's Operating Budget.