

2016-2017 BUDGET QUESTION
Response to Request for Information

DEPARTMENT: Austin Water and Financial Services – Treasury

REQUEST NO.: 120

REQUESTED BY: Zimmerman

DATE REQUESTED: 8/2/16

DATE POSTED: 8/31/16

REQUEST: According to FY 2017 Budget Question No. 59, Austin Water (AW) has \$2.4 billion in debt. Assuming no refinancing or accelerated payoff, how much is required to pay off existing debt (with interest)? How much existing debt was approved by voters per Article 7, Sections 10, 11, and 12 of the City Charter? What legal authority is claimed, outside of Article 7, for short or long term borrowing?

RESPONSE:

OUTSTANDING DEBT PAYOFF - Austin Water currently has \$2.3 billion in outstanding debt. The current scheduled payoff amount including principal and interest for all outstanding Austin Water debt is \$3.9 billion (see summary below) based on current payment schedules.

Austin Water Outstanding Debt at August 1, 2016
(in 000s)

Note	Principal	Interest*	Total
1 Combined Utility Prior Lien	26,903	98,649	125,552
1 Combined Utility Subordinate Lien	37,448	23,461	60,909
AW Separate Lien	2,131,895	1,405,818	3,537,713
2 AW Separate Lien - Variable Rate	113,890	39,223	153,113
Commercial Paper	-	-	-
1 Assumed Municipal Utility Debt	5,154	1,758	6,912
1 General Obligation	9,804	2,241	12,045
	<u>2,325,094</u>	<u>1,571,150</u>	<u>3,896,244</u>

* *Currently outstanding interest through final maturity of bonds, as requested*

1 Austin Water portions only

2 Interest is estimated on a synthetically fixed rate of 3.6% over the life of the bonds.

EXISTING VOTER APPROVED DEBT - The last voter authorized capital improvement projects for Austin Water were authorized in November 1998. However, Austin Water started its commercial paper program in 1993. Since that time Austin Water has issued refunding bonds, which are not considered as a use of bond issuance authority, to convert outstanding commercial paper to long-term debt. Consequently, Austin Water no longer has any outstanding debt which was approved by voters per Article 7, Sections 10, 11, and 12 of the City Charter. The attached CAFR schedule provides a listing of Austin Water’s authorized, deauthorized and unissued revenue bonds as of September 30, 2015.

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LEGAL AUTHORITY FOR NON-VOTER AUTHORIZED BORROWINGS – Article 1, Section 3 of the City Charter provides that the City shall have all powers granted to cities by the Constitution and laws of the State of Texas. One of those powers is the authority to issue obligations, which include commercial paper and revenue bonds under Chapter 1371 of the Texas Government Code. The City of Austin’s tax exempt commercial paper program operates pursuant to City of Austin Ordinance No. 20140828-077 and the taxable commercial paper program operates pursuant to Ordinance No. 20140828-076. These ordinances amend prior ordinances that reflect Council’s approval of this program and the legal authority for the program.

The legal authority for the revenue refunding bonds is cited in each ordinance approving the issuance of this debt. See, for example:

[AWU’s April 2016 \(series 2016\) Ordinance No. 20160421-11](#)

<http://www.austintexas.gov/edims/document.cfm?id=257506>

[AWU’s June 2015 \(series 2015\) Ordinance No. 20150604-038](#)

<http://www.austintexas.gov/edims/document.cfm?id=234505>

Article 7, Sections 11 of the City Charter requires that “all revenue bonds issued by the city shall first be authorized by a majority of the qualified electors voting at an election held for such purpose.” However state law allows cities to issue revenue bonds without holding an election. In addition, the Texas constitution provides that neither a city’s charter, nor any ordinance it passes, may be inconsistent with state law and in the case of such an inconsistency, state law controls. The City of Austin’s Charter language requiring voter approval for revenue bonds is inconsistent with state law, which does not require an election. The Secretary of State has written that a city may hold an election only if it has constitutional or statutory authority to do so. There is no such express authority in state law given to the City with respect to revenue bonds. Finally, all water system obligations issued by the City have been approved as to legality by the state attorney general in recognition of the constitutional override of the inconsistency between state law and the charter, with state law controlling.

**Schedule of Revenue Bonds Authorized,
Deauthorized and Unissued
Year ended September 30, 2015
(In thousands)**

**City of Austin, Texas
Exhibit I-5**

Date Authorized	Purpose	Original Authorized	Deauthorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2015
AUSTIN ENERGY						
10-22-83	Hydrogeneration power plant and electric system	\$ 39,000	--	10,620	--	28,380
03-01-84	Electric system, South Texas Nuclear Project	605,000	--	315,232	--	289,768
09-08-84	Electric improvements (gas turbines)	32,775	--	31,237	--	1,538
09-08-84	Electric improvements (western coal plant)	47,725	--	31,199	--	16,526
09-08-84	Electric transmission and reliability improvements	39,945	--	20,040	--	19,905
12-14-85	Transmission lines and substations	175,130	--	96,017	--	79,113
12-14-85	Overhead and underground distribution	76,055	--	46,845	--	29,210
12-14-85	Miscellaneous	25,891	--	10,443	--	15,448
08-10-92	Electrical distribution and street lighting	82,500	--	--	--	82,500
Total Austin Energy		1,124,021	--	561,633	--	562,388
AUSTIN WATER UTILITY (Water)						
09-11-82	Green water treatment plant, water lines and reservoir	40,300	--	28,885	--	11,415
09-11-82	Ullrich water treatment plant, water lines and reservoir	49,100	--	42,210	--	6,890
09-11-82	Davis water treatment plant, water lines and reservoir	40,800	--	32,274	--	8,526
09-11-82	Waterworks system rehabilitation and improvements	12,800	--	9,164	--	3,636
09-08-84	Waterworks north central, northeast, and east service area	39,385	17,000	3,990	--	18,395
09-08-84	Waterworks northwest service area	14,970	--	11,430	--	3,540
09-08-84	Water improvements in north central and northwest service area	14,470	--	2,745	--	11,725
09-08-84	Waterworks system improvements	141,110	--	36,513	--	104,597
09-08-84	Ullrich water treatment plant improvements to South Austin	47,870	--	23,245	--	24,625
09-08-84	Water lines, reservoir improvements to south corridor area	12,570	--	6,585	--	5,985
09-08-84	Water lines, pump station improvements to North Austin area	7,945	--	7,765	--	180
09-08-84	Waterworks system rehabilitation and improvements	26,500	--	3,665	--	22,835
12-14-85	Northeast area improvements	37,950	10,000	7,493	--	20,457
12-14-85	South/southeast area improvements	42,090	14,000	6,035	--	22,055
12-14-85	Improvements/extensions	9,775	--	3,689	--	6,086
08-10-92	Improvements to meet EPA safe drinking water act	23,000	--	--	--	23,000
08-10-92	Improvements and replacement of deteriorated water system facilities	5,000	--	--	--	5,000
08-10-92	General utility relocation	2,000	--	--	--	2,000
05-03-97	Improvements/extensions to City's waterworks and wastewater system	35,000	--	--	--	35,000
05-06-98	Improvements/extensions to City's waterworks and wastewater system	65,000	--	--	--	65,000
11-03-98	Water improvements, upgrade, replace	64,900	--	--	--	64,900
11-03-98	Water expansion and improvement	49,940	--	--	--	49,940
11-03-98	Water improvements and extensions	19,800	--	--	--	19,800
Total Austin Water Utility (Water)		\$ 802,275	41,000	225,688	--	535,587

(Continued)

(1) This schedule displays only those previously issued bonds which relate to bond authorizations included herein. It does not display all debt previously issued and still outstanding, refunding bonds, or commercial paper.

**Schedule of Revenue Bonds Authorized,
Deauthorized and Unissued
Year ended September 30, 2015
(In thousands)**

**City of Austin, Texas
Exhibit I-5**

(Continued)

Date Authorized	Purpose	Original Authorized	Deauthorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2015
AUSTIN WATER UTILITY (Wastewater)						
11-20-76	Sewer system improvements	\$ 46,920	--	38,920	--	8,000
09-11-82	Govalle sewage treatment plant, sewer lines and improvements to Canterbury lift station	28,300	--	24,658	--	3,642
09-11-82	Onion Creek sewage treatment plant and sewer lines	57,000	--	49,345	--	7,655
09-11-82	Sewer lines for north central and northwest Austin	20,700	--	17,975	--	2,725
09-11-82	Walnut Creek sewage treatment plant additions	20,400	--	17,971	--	2,429
09-11-82	Sewer system rehabilitation and improvements	4,800	--	3,930	--	870
09-08-84	Sewer system rehabilitation and improvements	43,515	--	36,950	--	6,565
09-08-84	Onion Creek and Walnut Creek sewage treatment plant improvements	44,795	--	42,284	--	2,511
09-08-84	Sewer system rehabilitation and improvements	46,230	--	14,925	--	31,305
05-06-85	Sewer system improvements	54,000	--	33,106	--	20,894
12-14-85	Advanced wastewater treatment	34,500	--	--	--	34,500
12-14-85	Northeast area improvements	47,035	32,300	1,857	--	12,878
12-14-85	Southeast area improvements	9,200	4,200	757	--	4,243
12-14-85	Improvements/extensions	24,725	--	12,621	--	12,104
12-14-85	Walnut Creek WWTP expansion	46,000	--	13,717	--	32,283
12-14-85	Bear Creek interceptor	1,840	1,511	265	--	64
08-10-92	Improvement to Hornsby Bend beneficial re-use program	11,000	--	--	--	11,000
08-10-92	Replacement and rehabilitation of deteriorated wastewater facilities	3,000	--	--	--	3,000
11-03-98	Wastewater improvements, upgrades and replacements	77,000	--	--	--	77,000
11-03-98	Wastewater improvements and expansion	121,000	--	--	--	121,000
Total Austin Water Utility (Wastewater)		741,960	38,011	309,281	--	394,668
Total Utility		2,668,256	79,011	1,096,602	--	1,492,643
AIRPORT						
11-03-87	Relocation/construction of new airport	728,000	--	30,000	--	698,000
05-01-93	Construction of new municipal airport at Bergstrom AFB site	400,000	--	362,205	--	37,795
Total Airport		1,128,000	--	392,205	--	735,795
CONVENTION CENTER						
07-29-89	New convention center	69,000	--	68,240	--	760
Total Convention Center		69,000	--	68,240	--	760
Total revenue bonds		\$ 3,865,256	79,011	1,557,047	--	2,229,198

Source: Bond sale official statements

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