

### Posting Language

Approve an ordinance amending the Fiscal Year 2017-2018 Austin Water Operating Budget (Ordinance No. 20170913-001) to increase the transfers in from the Capital Improvements Program by \$6,427,000 and increase the transfer out by \$26,860,841; and amending the Fiscal Year 2017-2018 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20170913-001) to increase the transfer in from the Austin Water Operating Budget by \$64,000,000 and increase other operating requirement expenditures by \$64,000,000 to fund debt defeasance. Related to Item #40.

### Lead Department

Austin Water

### Fiscal Note

Funding is available in the ending balances of the FY 2017-18 Austin Water operating funds. Reduction of these ending balances will maintain Austin Water's compliance with relevant City financial policies. A fiscal note is attached.

### Prior Council Action:

September 13, 2017 - Council approved an ordinance adopting the Budget for Fiscal Year 2017-2018.

### For More Information:

David Anders, 512-972-0323; Joseph Gonzales, 512-972-0131; Denise Avery, 512-972-0104

### Council Committee, Boards and Commission Action:

April 11, 2018- Recommended by the Water and Wastewater Commission on a 9-0 vote with Commissioner Ho off the dais and Commissioner Michel absent.

### **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 held by a trustee to make principal and interest payments on the required payment date for the bonds being defeased. The obligations payable from the escrow are no longer secured by or payable from the revenues initially pledged to their payment.

The proposed action seeks authorization to pay off certain maturities of the Water and Wastewater System Revenue Refunding Bonds. This process allows Austin Water to remove the debt from its books, which improves debt service coverage and the short-term burden of debt service payments. Also, this proposed defeasance action is in direct relation to achieving a Water and Wastewater rate reduction, which was approved by Council on March 8, 2018.

The total source of funds for the defeasance is \$64,000,000, which will be provided from a combination of \$34,000,000 in Austin Water Operating Funds and \$30,000,000 in Impact Fee/Capital Recovery Fee (CRF) collections. 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 transaction, PFM will serve as Financial Advisor, McCall, Parkhurst & Horton L.L.P will serve as bond counsel, and serving as Verification Consultant will be The Arbitrage Group.

