

**AGENDA**



**Recommendation for Council Action**

Austin City Council	<b>Item ID</b>	56764	<b>Agenda Number</b>	12.
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<b>Meeting Date:</b>	4/21/2016	<b>Department:</b>	Finance
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**Subject**

Approve a resolution authorizing the defeasance of certain outstanding Combined Utility System Revenue Bonds and Water and Wastewater System Revenue Refunding Bonds, including authorizing the execution of an escrow agreement, and related documents. Related to Item # 6 and # 11.

**Amount and Source of Funding**

Debt service requirements and fees are included in the FY 2015-2016 Amended Operating Budget of the Combined Utility Bond Redemption Fund.

**Fiscal Note**

There is no unanticipated fiscal impact. A fiscal note is not required.

<b>Purchasing Language:</b>	
<b>Prior Council Action:</b>	
<b>For More Information:</b>	Art Alfaro, City Treasurer, 512-974-7882; David Anders, Assistant Director, 512-972-0323
<b>Council Committee, Boards and Commission Action:</b>	
<b>MBE / WBE:</b>	
<b>Related Items:</b>	

**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 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 will pay off certain maturities in Series 1994 Combined Utility System Revenue Bonds, attributable to Austin Water, as well as certain maturities in the Water and Wastewater System Revenue Refunding Bonds, Series 2009. This process allows Austin Water to remove the debt from their books which improves debt service coverage. Approximately \$18 million will be used from Austin Water to effectively pay off outstanding debts that would require payments in excess of approximately \$21.3 million over the next 13 years.

The source of funds for the defeasance is 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.