

## FISCAL NOTE

**DATE OF COUNCIL CONSIDERATION:**

8/18/16

**CONTACT DEPARTMENT(S):**

Austin Water

**SUBJECT:** Authorize negotiation and execution of a financing agreement with the Texas Water Development Board (TWDB) for a 20-year low interest loan in the amount of \$20,430,000 through TWDB's State Water Implementation Fund for Texas (SWIFT) loan program, for the implementation of multiple capital improvement projects associated with Austin Water's wastewater and reclaimed water systems.

### **ANALYSIS / ADDITIONAL INFORMATION:**

The fiscal information outlined below is the result of the City Council April 21, 2016 action approval to submit two loan applications to TWDB. Both loan applications were approved by the TWDB on July 21, 2016 and the TWDB committed to loan Austin a combined total of \$167,175,000. Analysis is based on the Resolution for \$86,980,000 for Direct Reuse Strategy Project Number 51041.

This fiscal note is subject to change based on changing market conditions and/or Council direction during future readings. Assumptions for Austin Water and TWDB are based on recent market transactions for illustrative purposes.

### **AUSTIN WATER**

#### **Assumptions:**

- Funding for these Austin Water capital projects could be from the issuance of Austin Water revenue bonds in our standard process, or through the proposed TWDB bond issuance process.
- Fiscal note provides results of comparison between Austin Water issuing bonds to fund the projects versus Austin Water utilizing the TWDB loan process
- Use of the TWDB bond process for these projects will result in debt service savings as compared to Austin Water's bond issuance.
- Austin Water assumes \$86,980,000 in TWDB bonds estimated to be issued in separate series over the next 7 years as follows:
  - \$20,430,000 Proposed Series 2016A, to expire on December 31, 2016
  - \$22,590,000 Proposed Series 2017, to expire on December 31, 2017
  - \$18,140,000 Proposed Series 2018, to expire on December 31, 2018
  - \$12,560,000 Proposed Series 2019, to expire on December 31, 2019
  - \$ 9,110,000 Proposed Series 2020, to expire on December 31, 2020
  - \$ 1,925,000 Proposed Series 2021, to expire on December 31, 2021
  - \$ 2,225,000 Proposed Series 2022, to expire on December 31, 2022
- Each TWDB bond issuance assumes a 20-year term
- TWDB loan interest rates based on AAA rating and assumes a 35% rate subsidy on first 5 series issues. Rate subsidies on issuances beyond the 5th year are contingent on TWDB approval. Austin Water assumes interest rates based on current AA rating.
- TWDB bonds assume funding a debt service reserve at each bond issuance. Austin Water bond issuances do not require funding of a debt service reserve.
- Debt service savings is generated from TWDB's higher bond rating than Austin Water and the 35% interest rate subsidy.

#### **Debt Service Savings:**

- Austin Water assumes an aggregate debt service savings estimated at \$1.8 million for \$86,980,000 in bonds

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estimated to be issued in separate series over the next 7 years. Estimated savings for the initial issuance in 2016 is \$420,000.