



Recommendation for Action

File #: 21-3097, **Agenda Item #:** 7.

10/14/2021

Posting Language

Approve an ordinance amending the Fiscal Year 2021-2022 Combined Utility Revenue Bond Redemption Fund (Ordinance No. 20210811-001) to increase the transfer in from the Water and Wastewater Reserve Fund by \$20,000,000 and increase other operating requirement expenditures by \$20,000,000 for the purpose of defeasing and redeeming certain outstanding bonds secured by the Reserve Fund.

Lead Department

Austin Water.

Fiscal Note

A fiscal note is attached.

For More Information:

For more information, contact Belinda Weaver, Treasurer, 512-974-7885, Joseph Gonzales, Assistant Director of Financial Services, Austin Water 512-972-0359.

Inquiries should be directed to the City Manager's Agenda Office, at 512-974-2991 or AgendaOffice@austintexas.gov.

Additional Backup Information:

Debt Service Reserve funds are utilized to provide additional security to bond holders. As bonds mature or are refinanced with obligations that do not require a Debt Service Reserve fund, the reserve funds on hand can be utilized for debt service. The funds on hand can be utilized by contributing the funds as part of the refinancing transaction or they can be utilized to defease outstanding obligations. To utilize the excess reserve funds, the Combined Utility Revenue Bond Redemption Fund's requirements must be increased. There will be a \$0 net impact as the reserve proceeds will serve as "Revenue" to offset the increased requirements.

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.

Strategic Outcome(s):

Government that Works for All.