

**THIS IS A DRAFT AND WILL BE REPLACED BY THE FINAL, SIGNED
RESOLUTION ADOPTED BY THE CITY COUNCIL.**

RESOLUTION NO. _____

**A RESOLUTION CALLING FOR REDEMPTION PRIOR TO STATED
MATURITY OF CERTAIN CURRENTLY OUTSTANDING CITY OF SAN
ANTONIO, TEXAS WATER SYSTEM REVENUE OBLIGATIONS USING
LAWFULLY AVAILABLE SYSTEM FUNDS AND PROVIDING AN
EFFECTIVE DATE**

WHEREAS, the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) has heretofore issued, and there are currently outstanding, revenue bonds (the *Senior Lien Obligations*) supported by a first and prior lien on and pledge of the pledged revenues (the *Pledged Revenues*) of the City's combined utility systems (the *System*); and

WHEREAS, the City Council of the City has heretofore issued, and there are currently outstanding, revenue bonds (the *Junior Lien Obligations*, and together with the Senior Lien Obligations, the *Bonds*) supported by a junior lien on and pledge of the net revenues (the *Net Revenues*) of the System; and

WHEREAS, the City Council of the City has heretofore issued, and there are currently outstanding, revenue obligations (the *Subordinate Lien Obligations*) supported by a subordinate lien on and pledge of the Net Revenues of the System; and

WHEREAS, the City has heretofore issued, and there are currently outstanding, multiple series of commercial paper notes (the *Commercial Paper*) that are equally and ratably secured by a lien on and pledge of the Net Revenues of the System subordinate to the lien securing the payment of the Senior Lien Obligations and Junior Lien Obligations but on parity with the lien thereon and pledge thereof securing the Subordinate Lien Obligations; and

WHEREAS, the Board of Trustees of the San Antonio Water System (the *Board*) has, pursuant to a resolution adopted on May 7, 2019 (the *Board Resolution*), a copy of which is attached hereto as Exhibit A, provided that certain maturities of the outstanding Bonds, as selected by an authorized Board representative pursuant to the terms of such Board Resolution (such Bonds, the *Defeased Obligations*), be defeased to their respective dates of stated maturity or prior redemption; and

WHEREAS, pursuant to the terms of the City ordinances authorizing each series of Bonds from which the Defeased Obligations are selected (collectively, the *Defeased Obligations Ordinances*), the decision of the City to exercise the right to optionally redeem any Defeased Obligations prior to their respective dates of stated maturity shall be entered in the minutes of the City Council; and

WHEREAS, the System's realization of maximum financial benefit from the defeasance of the Defeased Obligations is dependent upon the redemption of such Defeased Obligations prior to their dates of stated maturity; and

WHEREAS, in response to the request of the City Council made in the Board resolution, the City hereby finds and determines that it is in its best interests, and in the best interests of the ratepayers of the System, to call for redemption prior to their dates of stated maturity the Defeased Obligations as part and in furtherance of the System's finance plan described in the Board Resolution; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO THAT:

1. The Defeased Obligations will mature or will be redeemed prior to maturity at the price of par, premium, if any, and accrued interest to the redemption date. An "Authorized Official" under the Board Resolution shall give written notice to the Escrow Agent (defined in the Board Resolution) that the Defeased Obligations shall be paid on the redemption dates. The City Council hereby calls for redemption prior to stated maturity the Defeased Obligations and hereby resolves that such obligations are to be defeased and, as applicable, redeemed as specified in the Board Resolution (and any "Approval Certificate" executed pursuant to the terms thereof), and such order to redeem the Defeased Obligations on the dates identified by an Authorized Official shall be irrevocable upon its delivery of notice thereof (which notice shall be in the form specified in and delivered pursuant to the provisions of the applicable Defeased Obligations Ordinance).

2. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

3. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the City Council.

4. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

5. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Resolution would have been enacted without such invalid provision.

6. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

7. The effective date of this Resolution shall be governed by the provisions of Section 1-15 of the City Code of San Antonio, Texas. This Resolution shall take effect immediately if passed by the affirmative vote of at least eight members of the City Council, otherwise the same shall take effect on the tenth day after the date of its passage by the City Council.

* * * *

DRAFT

PASSED AND APPROVED this 16th day of May, 2019.

M A Y O R
Ron Nirenberg

ATTEST:

APPROVED AS TO FORM:

Leticia M. Vacek, City Clerk

Andrew Segovia, City Attorney

(CITY SEAL)

EXHIBIT A

Resolution of Board of Trustees of San Antonio Water System

DRAFT

A RESOLUTION BY THE BOARD OF TRUSTEES OF THE SAN ANTONIO WATER SYSTEM AUTHORIZING AND APPROVING THE DEFEASANCE AND REDEMPTION OF CERTAIN CURRENTLY OUTSTANDING CITY OF SAN ANTONIO, TEXAS WATER SYSTEM REVENUE OBLIGATIONS; RECOMMENDING AND REQUESTING THAT THE SAN ANTONIO CITY COUNCIL TAKE ACTION WITH RESPECT TO THE REDEMPTION OF SUCH OBLIGATIONS; AND AUTHORIZING OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, pursuant to the authority contained in (i) Chapter 1502, as amended, Texas Government Code, (ii) certain ordinances (the *Senior Lien Bond Ordinances*) previously adopted by the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) authorizing the issuance of the currently outstanding senior lien revenue bonds (the *Previously Issued Senior Lien Bonds*), (iii) certain ordinances (the *Junior Lien Bond Ordinances*) authorizing the issuance of the currently outstanding junior lien revenue bonds (the *Previously Issued Junior Lien Bonds*, and together with the *Previously Issued Senior Lien Bonds*, the *Previously Issued Bonds*), (iv) certain ordinances (the *Subordinate Lien Bond Ordinances*) previously adopted by the City Council authorizing the issuance of subordinate lien revenue bonds and obligations arising under a related credit agreement, and (v) an ordinance adopted by the City Council relating to the implementation of a commercial paper program (the *Commercial Paper Ordinances*) under which is issued from time to time subordinate lien commercial paper notes (the *Commercial Paper Notes*), the complete management and control of the water system (the *System*) of the City is vested in a Board of Trustees known as the San Antonio Water System (the *Board*), during the period of time any of such foregoing obligations are outstanding and unpaid; and

WHEREAS, the Board hereby determines that it is in the best interest of the System and its ratepayers to utilize a portion of System funds lawfully available for such purpose (the *Defeasance Proceeds*) to defease and redeem prior to their respective dates of stated maturity certain of the *Previously Issued Bonds* (such *Previously Issued Bonds*, the *Defeased Obligations*) to be selected from those *Previously Issued Bonds* identified in the schedule attached hereto as Exhibit A (such *Previously Issued Bonds*, the *Defeasance Candidates*); and

WHEREAS, the defeasance of the *Defeased Obligations* will result in the termination of the lien on and pledge of the net revenues of the System (the *Net Revenues*) securing their payment, discharging the same as City indebtedness payable from and secured by such *Net Revenues*; and

WHEREAS, the redemption of the *Defeased Obligations* prior to their respective dates of stated maturity requires action and approval by the City Council and it is, therefore, necessary and proper for the Board to formally request the City Council to authorize and approve the redemption of the *Defeased Obligations* pursuant to and in accordance with the provisions and the limitations set forth herein; and now, therefore,

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE SAN ANTONIO WATER SYSTEM THAT:

1. Pursuant to Chapters 1207 and 1371, as amended, Texas Government Code, the Board hereby authorizes and approves the use of Defeasance Proceeds, in an amount not to exceed the Maximum Amount (defined herein), to accomplish the defeasance and redemption of the Defeased Obligations. With respect to such authorization and approval, the Board requests that the City Council, by adoption of a resolution (the *City Resolution*) in substantially the form attached hereto as Exhibit B (which City Resolution is incorporated herein for all purposes as if copied in full), approve the defeasance and redemption prior to stated maturity of the Defeased Obligations.

To accomplish the foregoing, there shall be established with the hereinafter-defined Escrow Agent, using the Defeasance Proceeds, an escrow fund or funds (the *Escrow Fund*) to be funded with cash and certain defeasance securities (as permitted by applicable law) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due by reason of stated maturity or prior redemption the principal of, premium, if any, or interest on the Defeased Obligations. The Board, upon obtaining the advice from PFM Financial Advisors LLC and Estrada Hinojosa & Company, Inc. (the *Co-Financial Advisors*) and legal counsel, shall determine the defeasance securities and any appropriate escrow reinvestment agreements or other similar contractual agreements to effectuate each defeasance, subject in all respects, however, to the laws of the State of Texas and the applicable provisions of the City ordinances authorizing the issuance of the Previously Issued Bonds.

2. The Board hereby authorizes, appoints, and designates the President/Chief Executive Officer of the Board and/or the Senior Vice President/Chief Financial Officer of the Board (each, an *Authorized Official*) as a representative of the Board, to effectuate and implement the purpose and intent of this Resolution, including the selection of the Defeased Obligations from the Defeasance Candidates (which includes completion of Exhibit C evidencing such selection), use of Defeasance Proceeds in an amount not to exceed \$180,000,000 to apply to Defeased Obligations in a principal amount not to exceed \$175,000,000 (the *Maximum Amount*) to fund the Escrow Fund to accomplish the defeasance of the Defeased Obligations, and selection of investments in and manner and method of funding the Escrow Fund. At the time of establishing the manner and method of funding the Escrow Fund and selecting the Defeased Obligations, an Authorized Official shall complete and execute an "Approval Certificate", in substantially the form attached unto as Exhibit C, to evidence the final terms of the defeasment and redemption that is the subject of this Resolution.

3. The Board hereby authorizes the entry into one or more escrow agreements (an *Escrow Agreement*) with the appropriate paying agent/registrar or escrow agent for the Defeased Obligations (the *Escrow Agent*) in connection with the defeasance of the Defeased Obligations. Each Authorized Official is authorized to execute an Escrow Agreement on behalf of the System and as the act and deed of the Board.

4. The Board hereby authorizes each Authorized Official to select and appoint, as determined to be necessary or desirable, a firm of independent certified public accountants to serve as verification agent (the *Verification Agent*) for the purpose of verifying that the initial deposit to any escrow fund will be sufficient to accomplish a legal defeasance of the Defeased Obligations to their respective dates of early redemption or stated maturity.

5. This Resolution shall document the authorization to transfer Defeasance Proceeds in an amount not to exceed the Maximum Amount to effectuate the defeasance of the Defeased Obligations and provide evidence of each transaction to the System's independent auditors.

6. The Board hereby approves payment from lawfully available System funds of professional fees and expenses of Co-Bond Counsel, Co-Financial Advisors, the Escrow Agent, the Verification Agent, the paying agent/registrar for the Defeased Obligations, and any other party whose services have been determined by Board to be necessary to accomplish the purpose and intent of this Resolution.

7. Each Authorized Official is authorized to evidence adoption of this Resolution and to do any and all things necessary or convenient to effect the defeasance of the Defeased Obligations described herein and otherwise give effect to the intent hereof.

8. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

9. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

10. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

11. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

12. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

13. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

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PASSED AND ADOPTED on the 7th day of May, 2019.

BOARD OF TRUSTEES, SAN ANTONIO
WATER SYSTEM

ATTEST

Chairman

Secretary

EXHIBIT A

Defeasance Candidates

Not to exceed \$135,000,000 in lawfully available funds of the System to defease:

- (i) “City of San Antonio, Texas Water System Revenue Bonds, Taxable Series 2009B (Direct Subsidy – Build America Bonds)”, dated November 1, 2009, in the original principal amount of \$102,750,000
- (ii) “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2011A”, dated August 15, 2011, in the original principal amount of \$165,090,000;
- (iii) “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012”, dated February 1, 2012, in the original principal amount of \$225,255,000; and
- (iv) “City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012A”, dated September 1, 2012, in the original principal amount of \$163,435,000.

Identification of Defeased Obligations under a particular Escrow Agreement shall be determined by an Authorized Official.

EXHIBIT B

Resolution by the City Council of the
City of San Antonio, Texas Authorizing the Redemption
of the Defeased Obligations

EXHIBIT C

Approval Certificate