



City of San Antonio

Agenda Memorandum

File Number:20-3634

Agenda Item Number: 15.

Agenda Date: 6/25/2020

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Approval of the following two items relating to the financial matters of the San Antonio Water System.

SUMMARY:

The San Antonio Water System (SAWS) requests City Council approve:

- A. Resolution, for the San Antonio Water System, authorizing redemption prior to stated maturity of certain currently outstanding debt obligations in an amount not to exceed \$45,600,000 par, to reduce future debt service
- B. Ordinance, for the San Antonio Water System, authorizing the issuance of obligations designated as City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2020C (No Reserve Fund) in amount not to exceed \$225,755,000 to fund a portion of the SAWS Capital Improvements Plan (CIP).

The above ordinance (B) includes a delegation of authority by the San Antonio City Council to SAWS' Designated Financial Officers, defined as either the President/Chief Executive Officer or the Senior Vice President/Chief Financial Officer of SAWS, as permitted by Chapter 1371, as amended, of the Texas Government Code.

BACKGROUND INFORMATION:

The San Antonio Water System (SAWS) was created on April 30, 1992 by City Ordinance 75686. SAWS serves more than 500,000 water and 450,000 wastewater customers in and around San Antonio and maintains

over 12,600 miles of water and sewer mains.

The City Council exercises its oversight of SAWS through the approval of rates and charges, authorization of debt issuances, approval of all condemnations, and the appointment of all Trustees except the Mayor who serve as an ex-officio member.

Specifically, Ordinance 75686 requires debt issuances to be reviewed and approved by City Council. Further, the City Charter requires the Supervisor of Public Utilities to provide advice to the City Council regarding utility rate matters to which debt issuances relate.

SAWS' capital financing plan utilizes a variety of sources to fund capital improvements. These include revenues, impact fees, bonds, and tax-exempt commercial paper. SAWS issues bonds periodically to finance capital improvement projects, refinance outstanding debt for debt service savings, and refund outstanding tax-exempt commercial paper notes (converting interim financing to permanent financing).

Cash Defeasance of Outstanding Debt

SAWS has sufficient cash on hand to defease outstanding debt to lower future debt service. SAWS financing plan includes the cash defeasance of up to \$45,600,000 in outstanding par. The Cash Defeasance Resolution authorizes SAWS to deposit cash with an Escrow Agent in an amount necessary to effectuate the legal defeasance of the debt obligations. The identified candidates for the cash defeasance include bonds that are currently callable and have a call date of May 15, 2021. The debt service on the defeased bonds will be paid by the Escrow Agent through the call date. It is currently estimated, that the legal defeasance of the identified candidates of bonds will reduce future debt service by approximately \$51,300,000 in various annual amount from 2021 to 2029. The overall savings generated will be determined at the time of execution.

Revenue Bonds

The Revenue Bond Ordinance authorizes SAWS to issue debt not to exceed \$225,755,000 par to fund necessary capital improvement projects and pay related cost and expenses of issuing the bonds. The projected debt service for the revenue bonds is included in the current rates of SAWS and will not require a rate adjustment.

DELEGATION OF AUTHORITY:

The delegation of authority, pursuant to Chapter 1371, as amended, of the Texas Government Code, allows SAWS' Designated Financial Officers (SAWS' President/CEO and Senior Vice President/CFO) the flexibility to issue and set pricing terms on revenue bonds when market conditions are most favorable to SAWS and the City. This authorization allows the adoption of the Ordinance authorizing the issuance of the bonds without stating the interest rate or sales price in the Ordinance, both of which will be formally set within pricing parameters specified in the Ordinance, upon the execution of the pricing certificate by SAWS' Designated Financial Officers.

TRANSACTION SCHEDULE:

| <u>Date</u> | <u>Transaction</u> |
|---------------|------------------------------------------------------------------|
| June 09, 2020 | SAWS Board of Trustee Approval |
| June 18, 2020 | City Council Authorization |
| TBD | Cash Defeasance - within 12 months of authorizing resolution |
| TBD | Within 12 months Price Revenue Bonds in one or more transactions |

ISSUE:

The San Antonio Water System requests City Council approval of the two items discussed above.

ALTERNATIVES:

Should City Council choose not to approve the resolution and ordinance, SAWS could miss an opportunity to utilize a cash on hand to defease outstanding debt to lower future debt service and issue bonds to fund necessary capital improvement projects at record low interest rates.

FISCAL IMPACT:

The debt service from the proposed resolution and ordinance are within the current rate structure approved by City Council on December 7, 2017 and will have no fiscal impact on the City.

RECOMMENDATION:

The SAWS Board of Trustees, the Supervisor of Public Utilities, and City Staff recommend approval of the resolutions and ordinance.