



City of San Antonio

Agenda Memorandum

File Number: 14-3164

Agenda Item Number: 36A.

Agenda Date: 12/11/2014

In Control: City Council A Session

SUMMARY:

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

- A. An ordinance authorizing the issuance of obligations designated as “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2015A” (Series 2015A Bonds), in an amount not to exceed \$75,920,000 to be sold to the Texas Water Development Board (TWDB) through the Drinking Water State Revolving Fund Program.
- B. An ordinance authorizing the issuance of obligations designated as “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2015B (No Reserve Fund)” (Series 2015B Bonds), in an amount not to exceed \$348,445,000 to fund capital improvements and refund outstanding revenue bonds for debt service savings.

Each of the above ordinances 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, through a delegation authorization permitted by Chapter 1207, as amended, Texas Government Code.

BACKGROUND INFORMATION:

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. SAWS’ 2014 and 2015 budgets included debt service to support the issuance of debt to fund capital improvement projects. The debt service for the bonds authorized in the ordinances is within the debt service approved in the 2014 and 2015 budgets.

Drinking Water State Revolving Fund - Series 2015A Bonds

Under the Drinking Water State Revolving Fund, TWDB provides subsidized interest rate loans to assist local water systems in meeting Safe Drinking Water Act standards. SAWS wishes to issue to TWDB bonds in an amount not to exceed \$75,920,000 for the construction of a portion of the Water Resources Integrated Pipeline Phase I. This project is included in the SAWS 2014 Capital Improvements Program. TWDB makes available to SAWS interest rate assistance in the form of a reduction of 1.25% below market interest rates at the time of issuance. The debt service for the Series 2015A Bonds is included in the 2014 budget.

Series 2015B - New Money and Refunding Bonds

The Series 2015B Bonds will consist of new bond proceeds in an amount not to exceed \$348,445,000 to fund capital improvements and to provide bond proceeds to refund currently outstanding debt for debt service savings.

The SAWS 2015 Capital Improvements Program (CIP) consists of \$216.8 million in capital projects, of which, approximately \$129.5 million will be funded with bond proceeds. Of the \$129.5 million of bond proceeds required to fund the 2015 CIP, SAWS will be requesting financial assistance from the TWDB for \$50.5 million, with the remaining portion, approximately \$80 million, being funded through new money issued under the Series 2015B Bonds.

Approximately \$268,445,000 of the \$348,445,000 in authorized debt will be used to refund the City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2004 and 2004-A (Series 2004 Bonds) and the City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2005 (Series 2005 Bonds), which are currently callable. In the current low interest rate environment, the Series 2004 Bonds and the Series 2005 Bonds could be refunded with a new series of bonds for debt service savings.

The Series 2015B Bonds will be issued as fixed rate debt to lock in current low interest rates.

The issuance of the proposed bonds has no impact on the current rate structure of SAWS.

DELEGATION AUTHORITY:

The delegation of authority, pursuant to Chapter 1207, as amended, 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 each series of these revenue bonds. This authorization allows the adoption of the ordinances authorizing the issuance of the respective series of bonds without stating the interest rate or sales price in the ordinances, both of which will be formally set within pricing parameters specified in the ordinance, upon the execution of the pricing certificate relating to each series of revenue bonds by SAWS' Designated Financial Officers. The respective amounts shown for the transactions discussed herein are preliminary and subject to change based on actual market conditions on the date of sale.

TRANSACTION SCHEDULE:

Series 2015A

| <u>Date</u> | <u>Transaction</u> |
|-------------|------------------------------|
| 12/11/2014 | City Council Authorization |
| 12/12/2014* | TWDB Provides Interest Rates |
| 01/28/2015* | Close Bonds |

Series 2015B

| <u>Date</u> | <u>Transaction</u> |
|-------------|----------------------------|
| 12/11/2014 | City Council Authorization |
| 01/28/2015* | Price and Sell Bonds |
| 02/18/2015* | Close Bonds |

* Specific dates may change as needed to effectuate the actual completion of these transactions.

ISSUE:

In order to take advantage of favorable market conditions to fund capital projects, SAWS is proposing to issue

junior lien bonds in an amount not to exceed \$75,920,000 in Series 2015A Bonds and an amount not to exceed \$348,445,000 in Series 2015B Bonds to fund a portion of the 2014 and 2015 CIP and refund currently outstanding debt for debt service savings.

ALTERNATIVES:

City Council could choose not to approve the proposed ordinances which could result in the delay or elimination of capital projects in the 2014 and 2015 CIP. The issuance of the bonds would also lock in debt service savings by refunding previously issued bonds with the proceeds of a new bond issued at lower interest rates.

FISCAL IMPACT:

The debt service from the issuance of the Series 2015A Bonds and Series 2015B Bonds are within the current rate structure approved by City Council on November 21, 2013 and will have no fiscal impact to the City.

RECOMMENDATION:

The SAWS Board of Trustees and City Staff recommend approval of these ordinances.