City of San Antonio

Legislation Details (With Text)

File #:	18-6931
Type:	Resolution
	In control: City Council A Session
On agenda:	12/13/2018
Title:	Resolution, for the San Antonio Water System, establishing the intent to reimburse itself for the prior lawful capital expenditures of funds from the proceeds of tax-exempt obligations not to exceed $25,285,000.
Sponsors:	
Indexes:	
Code sections:	
Attachments:	1. Attachment A - Clean Water Projects, 2. Attachment B - Drinking Water Projects, 3. A SAWS CWSRF RESOLUTION, 4. B SAWS CWSRF Reimbursement Resolution, 5. C TWDB ORDINANCE Drinking Water, 6. Resolution 2018-12-13-0059R

Date	Ver.	Action By	Action	Result

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT: Texas Water Development Board's (TWDB) Clean Water State Revolving Fund Program

SUMMARY:

This item approves the following items relating to the issuance by the San Antonio Water System of obligations for funding certain qualified wastewater and drinking water projects

A. Resolution, for the San Antonio Water System, authorizing the submittal of an application requesting financial assistance under the Texas Water Development Board's (TWDB) Clean Water State Revolving Fund Program in the amount not to exceed $25,285,000 for funding of certain qualified wastewater projects.

B. Resolution, for the San Antonio Water System, establishing the intent to reimburse itself for the prior lawful capital expenditures of funds from the proceeds of tax-exempt obligations not to exceed $25,285,000.

C. 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 2019B" (Series 2019B

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Bonds), in an amount not to exceed $33,550,000 to be sold to the TWDB through the Drinking Water State Revolving Fund Program.

The above ordinance 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.

This item includes resolutions authorizing submittal of an application for financial assistance and reimbursement of funds, and an ordinance authorizing the issuance of debt through the TWDB at subsidized interest rates.

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).

Clean Water State Revolving Fund Application

TWDB's Clean Water State Revolving Fund (CWSRF) provides loans at below market interest rates for the planning, design, and construction of wastewater infrastructure projects. In March 2018, SAWS submitted a list of projects to TWDB to be qualified under the CWSRF. Projects are qualified for financial assistance through a needs assessment, environmental impact, and engineering review. SAWS received an invitation to apply for financial assistance from TWDB for the qualified projects. SAWS is expected to receive a below market interest rate loan in an amount not to exceed $25,285,000 from the CWSRF. If approved, the funds from the CWSRF will be used for the wastewater projects listed in Attachment A.

The process to receive financial assistance under the CWSRF program consists of the submittal of an application for participation. The acceptance of the application by TWDB is a commitment by TWDB to provide financing for the eligible projects. No financial commitment on SAWS' part is made during the application stage. SAWS will seek additional SAWS Board of Trustees and City Council approval prior to the issuance of any of the bonds relating to this program.

A reimbursement resolution provides SAWS with the flexibility to use revenues to initially fund project costs. Generally, SAWS can reimburse itself for eligible expenditures made in the 60 days prior to the adoption of the resolution through the issuance of the bonds. SAWS is requesting approval of a reimbursement resolution in an amount not to exceed $25,285,000. The reimbursement resolution complies with the requirements of the

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Internal Revenue Service and Texas law.

Drinking Water State Revolving Fund - Series 2019B 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 has benefited from participation in the Drinking Water State Revolving Fund since 2013 and has issued approximately $148 million in junior lien revenue bonds to TWDB under this program. In August 2018, SAWS submitted an application for financial assistance, and in November 2018, TWDB accepted the application and committed to provide funding for the eligible projects. SAWS now wishes to issue TWDB bonds in an amount not to exceed $33,550,000 for the construction of the water projects listed in Attachment B. TWDB makes available to SAWS interest rate assistance in the form of a reduction of 1.35% below market interest rates at the time of issuance.

The submittal of an application for financial assistance and the issuance of the proposed bonds has no impact on the current rate structure of SAWS as the debt service is within the approved budget.

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:

TWDB Drinking Water State Revolving Fund (Series 2019B)

Date	Transaction
December 13, 2018	City Council Authorization
December 2018 *	TWDB Provides Interest Rates
January 2019 *	Close Bonds

* Preliminary, subject to change

ISSUE:

SAWS looks for opportunities to reduce costs including seeking low cost financing of capital projects. SAWS is requesting financial assistance from the Texas Water Development Board in the form of a below market interest rate loan under the Clean Water State Revolving Fund. SAWS is also proposing to issue bonds totaling $33,550,000 through the Drinking Water State Revolving Fund at subsidized interest rates to construct water projects.

ALTERNATIVES:

Should City Council choose not to approve the resolution requesting financial assistance or the issuance of bonds through the Texas Water Development Board, SAWS would miss an opportunity to receive a below market interest rate loans to finance necessary water and wastewater infrastructure projects.

FISCAL IMPACT:

The submittal of an application for financial assistance under the CWSRF will have no fiscal impact to the City and has no impact on the current rate structure of SAWS. The debt service from the proposed bonds issued under the DWSRF are within the current rate structure approved by City Council on December 7, 2017.

RECOMMENDATION:

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