



# City of San Antonio

## Agenda Memorandum

**File Number:**14-1011

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**Agenda Item Number:** 21B.

**Agenda Date:** 5/1/2014

**In Control:** City Council A Session

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**SUBJECT:**

Ordinances authorizing the issuance of “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2014C and 2014D”

**SUMMARY**

The San Antonio Water System (SAWS) requests City Council approval of the following financial items:

- A. An ordinance authorizing the issuance of obligations designated as “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2014C” (the “Series 2014C Bonds”), in an amount not to exceed \$38,260,000 to be sold to the Texas Water Development Board (the “TWDB”) through the Clean Water State Revolving Fund Program; and,
- B. An ordinance authorizing the issuance of obligations designated as “City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2014D” (the “Series 2014D Bonds”), in an amount not to exceed \$22,400,000 to be sold to the TWDB through the Drinking Water State Revolving Fund Program.

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 budget 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 budget.

**Clean Water State Revolving Fund - Series 2014C Bonds**

Under the Clean Water State Revolving Fund, TWDB provides subsidized interest rate loans to assist local water systems in meeting Clean Water Act standards. SAWS has benefited from participation in

the Clean Water State Revolving Fund since 1999 and has issued approximately \$510 million in junior lien revenue bonds to TWDB under this program. SAWS now wishes to issue to TWDB bonds in an amount not to exceed \$38,260,000 for the construction of certain qualified wastewater capital improvement projects. TWDB makes available to SAWS interest rate assistance in the form of a reduction of 1.20% below market interest rates at the time of issuance.

#### **Drinking Water State Revolving Fund - Series 2014D 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 \$22,400,000 for the construction of certain qualified water delivery capital improvement projects. 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 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:**

##### **Clean Water State Revolving Fund - Series 2014C**

<u>Date</u>	<u>Transaction</u>
04/30/2014*	Set rates with TWDB
06/18/2014*	Close Bonds

##### **Drinking Water State Revolving Fund - Series 2014D**

<u>Date</u>	<u>Transaction</u>
05/15/2014*	Set rates with TWDB
06/19/2014*	Close Bonds

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

#### **ISSUE:**

In order to take advantage of a favorable market conditions to fund capital projects, SAWS is proposing to issue junior lien bonds sold to TWDB in an amount not to exceed \$38,260,000 at subsidized rates to fund the construction certain wastewater delivery projects; the issuance of junior lien bonds sold to TWDB in an amount not to exceed \$22,400,000 at subsidized rates to fund the construction of water projects included in the 2014 Capital Improvements Program.

#### **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 Capital Improvements Program and SAWS would forgo the ability to lock in subsidized interest rates for certain water delivery and wastewater projects.

**FISCAL IMPACT:**

The debt service from the issuance of the Series 2014C Bonds and Series 2014D 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.