



# City of San Antonio

## Agenda Memorandum

**File Number:**21-3209

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**Agenda Item Number:** 20.

**Agenda Date:** 5/20/2021

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott, Deputy Chief Financial Officer

**COUNCIL DISTRICTS IMPACTED:** City Wide

### **SUBJECT:**

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

### **SUMMARY:**

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

- A. Ordinance authorizing the issuance of obligations designated as “City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2021A (No Reserve Fund)” (Series 2021A), in an amount not to exceed \$318,230,000 to fund capital improvements of SAWS and refund outstanding debt for savings.

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.

### **BACKGROUND INFORMATION:**

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 serves as an ex-officio member.

The San Antonio Water System (SAWS) was created on April 30, 1992 by City Ordinance 75686. SAWS serves more than 529,000 water and 473,000 wastewater customers in and around San Antonio and maintains

over 13,000 miles of water and sewer mains. Ordinance 75686 requires debt issuances to be reviewed and approved by City Council.

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).

### **Revenue and Refunding Bonds - Series 2021A**

The Revenue and Refunding Bond Ordinance authorizes SAWS to issue debt not to exceed \$318,230,000 to provide new bond proceeds to fund capital improvements; provide bond proceeds to currently refund outstanding debt for debt service savings; and provide funds to pay the cost of issuance.

The SAWS Capital Improvement Program (CIP) budget includes debt proceeds as one of the funding sources. It is expected that the 2021A Bonds will provide i) \$284,453,000 in new money proceeds to fund a portion of the CIP, ii) refund \$13,750,000 of City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Series 2011A (Series 2011A) for debt service savings; and iii) pay the cost of issuance.

Based on current market conditions, the Series 2011A can be refunded for debt service savings. As of April 5, 2021, debt service savings of approximately \$2.8 million can be achieved by refunding the bonds for a savings of approximately 13%. Actual savings will not be established until the time of sale of the Series 2021A Bonds.

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:**

<u>Date</u>	<u>Transaction</u>
May 4, 2021	SAWS Board of Trustee Approval
May 20, 2021	City Council Authorization
July 13, 2021*	Close Series 2021A

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

### **ISSUE:**

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

**ALTERNATIVES:**

Should City Council choose not to approve the ordinance, SAWS may have to postpone or eliminate capital projects, and would miss an opportunity to refund outstanding debt for debt service savings.

**FISCAL IMPACT:**

The debt service from the proposed ordinance is 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.