



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 19

Agenda Date: October 12, 2023

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

The San Antonio Water System (“SAWS”) seeks approval of a new credit agreement for an expiring credit agreement supporting the City of San Antonio, Texas Water System Tax-Exempt Commercial Paper Notes Program, Series B.

SUMMARY:

SAWS requests City Council approve an ordinance authorizing a new credit agreement supporting the City of San Antonio, Texas Water System Commercial Paper Notes Program, Series B.

BACKGROUND INFORMATION:

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

SAWS was created on April 30, 1992 by City Ordinance 75686. SAWS serves more than 556,000 water and 497,000 wastewater customers in and around San Antonio and maintains over 13,500 miles of water and sewer mains. Ordinance 75686 requires debt transactions to be reviewed and approved by City Council.

SAWS' capital financing structure includes an authorized commercial paper program in the amount of \$500,000,000 ("CP Program"). This program provides short-term, variable rate financing for capital improvement projects. Utilization of short-term debt is an integral part of SAWS' overall debt management plan. The CP Program provides interim financing and allows SAWS the flexibility of issuing debt as needed, matching construction funding with construction expenditures.

The current CP Program has authorized notes designated as "City of San Antonio, Texas Water System Commercial Paper Notes, Subseries A-1 and Subseries A-2" ("Series A Notes"), "City of San Antonio, Texas Water System Commercial Paper Notes, Series B" ("Series B Notes"), and "City of San Antonio, Texas Commercial Paper Notes, Series C" ("Series C Notes") with a combined authorization of \$500,000,000. Credit and liquidity support for the CP Program is currently provided through two revolving credit agreements. JPMorgan Chase Bank, N.A. provides credit and liquidity support for the Series A Notes in an amount of \$400,000,000, with Wells Fargo Bank, N.A. providing \$100,000,000 in credit and liquidity support for the Series B Notes. The Series C Notes are currently authorized but unutilized. The revolving credit agreement with JPMorgan Chase Bank, N.A. was recently extended to October 4, 2026, with the agreement with Wells Fargo Bank, N.A. expiring January 15, 2024.

With the upcoming expiration of the existing revolving credit agreement with Wells Fargo Bank, N.A., SAWS staff, working with their co-financial advisors and bond counsel, solicited proposals pursuant to a competitive process from qualified banks to provide replacement liquidity for revolving credit agreement for up to \$100,000,000 for the Series B Notes. Truist Bank was selected as the liquidity provider based upon the pricing and structure of their proposed facility.

The Ordinance authorizes the replacement of the expiring Wells Fargo Bank, N.A. revolving credit agreement with an agreement with Truist Bank.

ISSUE:

The proposed Ordinance authorized replacement revolving credit agreements with Truist Bank to provide credit liquidity support for SAWS CP Program for a five-year term.

ALTERNATIVES:

Should the existing revolving credit agreement expire without a replacement, the remarketing dealers of the commercial paper notes may find it difficult or impossible to remarket the notes in the financial markets, thus limiting the financing options of SAWS in funding necessary capital improvement projects. Also, legal documentation governing the CP Program prohibits the sale of commercial paper notes without liquidity support.

FISCAL IMPACT:

This transaction will have no fiscal impact to the City or on existing SAWS rates. No new debt is being issued. The fees associated with the revolving credit agreements are included in the SAWS annual budget.

RECOMMENDATION:

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