



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 22

Agenda Date: October 21, 2021

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

SAWS seeks authorization to issue revenue bonds not to exceed \$446,800,000 to fund capital improvements and refund outstanding debt for debt service savings.

SUMMARY:

The San Antonio Water System (SAWS) requests City Council approve an ordinance authorizing the issuance of one or more obligations for the San Antonio Water System in an amount not to exceed \$446,800,000 to fund capital improvements of SAWS and refund outstanding debt for savings.

Note: By the terms of the ordinance, the total combined principal will not exceed \$446,800,000.

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 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 539,000 water and 482,000 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 Bonds – Series 2022

The Revenue Bond Ordinance authorizes SAWS to issue one or more series of bonds not to exceed \$446,800,000 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 2022 Bonds will i) refund \$105,280,000 of City of San Antonio, Texas Water System Revenue and Refunding Series 2012A (Series 2012A) Bonds callable on May 15, 2022, for debt service savings; ii) provide \$341,520,000 in new money proceeds to fund a portion of the CIP; and iii) pay the cost of issuance.

Based on current market conditions, the Series 2012A Bonds can be refunded for debt service savings. As of September 8, 2021, debt service savings of approximately \$42.6 million can be achieved by refunding the bonds for a savings of approximately 28%. Actual savings will not be established until the time of sale.

The new money proceeds will fund a portion of the 2022 CIP, budgeted at \$582,787,688. The new money issuance is not anticipated until Mid-2022, but with interest rates near historic lows, SAWS is requesting authorization for the new money bonds now to have the flexibility to execute the bonds and lock in low interest rates should interest rates start to rise.

Based on current market projections, the new money bonds will be issued with a True Interest Costs of 3.265% with level debt service, and a thirty year final maturity. The actual rate will be established at the time of pricing.

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:

| Date | Transaction |
|------------------|---|
| October 5, 2021 | SAWS Board of Trustee Approval |
| October 21, 2021 | City Council Authorization |
| February 2022* | Pricing of Refunding Bond for 2012A Bonds |
| Mid-2022* | Pricing of Bond to Fund CIP |

* 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 Ordinance authorizing the issuance of one or more obligations for the San Antonio Water System in an amount not to exceed \$446,800,000 to fund capital improvements of SAWS and refund outstanding debt for savings.

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 and issue debt at historic low interest rates.

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 Ordinance.