



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 23

**Agenda Date:** October 21, 2021

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

SAWS seeks authorization of a cash redemption/defeasance not to exceed \$70,000,000 for debt service savings.

**SUMMARY:**

The San Antonio Water System (SAWS) requests City Council approval of a resolution authorizing the cash redemption/defeasance of certain outstanding debt obligations in an amount not to exceed \$70,000,000, to reduce future debt service.

**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 transactions to be reviewed and approved by City Council.

## **Cash Redemption/Defeasance of Outstanding Debt**

SAWS has sufficient cash on hand to redeem and/or defease outstanding debt to lower future debt service. SAWS' current financing plan includes the cash redemption/defeasance of up to \$70,000,000 in outstanding par and accrued interest. Due to cash investments yielding historically low interest earnings, SAWS is redeploying cash to redeem and/or defease outstanding bonds with higher interest rates to reduce future debt service. The Cash Redemption/Defeasance Resolution authorizes SAWS to deposit cash with an Escrow Agent and/or Paying Agent in an amount necessary to effectuate the redemption or legal defeasance of certain debt obligations. The potential candidates for the redemption or cash defeasance have a call date of May 15, 2022. The debt service on any redeemed or defeased bonds will be paid by the Escrow Agent and/or Paying Agent on the call date. It is currently estimated that the redemption or legal defeasance of all the identified candidates of bonds would reduce future debt service by approximately \$80.2 million in various annual amounts from 2022 to 2028. The overall savings actually generated will be determined at the time of execution.

### **TRANSACTION SCHEDULE:**

Date	Transaction
October 5, 2021	SAWS Board of Trustee Approval
October 21, 2021	City Council Authorization
January 2022*	Cash Defeasance of Series 2012 and 2012A Bonds

\* 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 a resolution authorizing a cash redemption/defeasance not to exceed \$70,000,000 for debt service savings.

### **ALTERNATIVES:**

Should City Council choose not to approve the resolution, SAWS would miss an opportunity to complete a cash defeasance of outstanding debt for debt service savings.

### **FISCAL IMPACT:**

The cash defeasance of outstanding debt would reduce future debt service reducing the need for future rate adjustments 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 resolution.