



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 32

**Agenda Date:** April 6, 2023

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Ordinance authorizing the issuance of one or more obligations for the San Antonio Water System in an amount not to exceed \$424,345,000.00 to fund capital improvements of SAWS and refund outstanding debt for savings.

**SUMMARY:**

SAWS seeks authorization to issue revenue bonds not to exceed \$424,345,000.00 to fund capital improvements and refund outstanding debt for debt service savings.

**BACKGROUND INFORMATION:**

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 \$424,345,000.00 to fund capital improvements of SAWS and refund outstanding debt for savings.

To provide SAWS flexibility to secure debt service savings in the current volatile interest rate environment, a resolution also under consideration on today's agenda includes the cash redemption/defeasance of the proposed refunding bonds, however, by terms of the resolution and this ordinance, the total combined maximum amount to be redeemed, defeased or refunded will

not exceed \$129,345,000.00 of outstanding par, plus any accrued interest and transaction costs. The remaining portion of the authorized bonds in an amount not to exceed \$295,000,000.00 will be used to fund capital projects and pay the cost of issuance.

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.

The 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 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 2023**

The Revenue Bond Ordinance authorizes SAWS to issue one or more series of bonds not to exceed \$424,345,000.00 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 2023 Bonds could i) refund existing debt of \$129,345,000.00 issued between 2013 and 2014 for present value interest savings; ii) provide up to \$295,000,000.00 in new money proceeds to fund a portion of the CIP; and iii) pay the cost of issuance.

Based on market conditions as of March 8, 2023, total combined debt service savings of approximately \$11.3 million can be achieved by refunding the existing bonds. Actual savings will not be established until the time of sale.

The new money proceeds will fund a portion of the 2023 CIP, budgeted at \$524.7 million. The new money issuance is not anticipated until mid to late 2023, however, with interest rates trending higher, SAWS is requesting authorization for the new money bonds now to have the flexibility to execute the bond and lock in interest rates.

Based on current market projections, the new money bonds will be issued with a True Interest Costs of 4.20% 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 above ordinance includes a delegation of authority, pursuant to Chapter 1371, as amended, of the Texas Government Code, allows SAWS' Designated Financial Officers (SAWS' President/CEO and Executive 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>
March 7, 2023	SAWS Board of Trustee Approval
April 6, 2023	City Council Authorization
Mid to Late 2023*	Pricing of 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 the financial item 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 and issue debt at lower interest rates.

#### **FISCAL IMPACT:**

The debt service from the proposed ordinance is within the current rate structure approved by City Council on November 10, 2022, 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.

