



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 33

Agenda Date: April 6, 2023

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

SAWS seeks authorization to use cash on hand in a maximum amount of \$130,000,000.00 for the redemption/defeasance of outstanding debt, plus pay any accrued interest and transaction costs, for debt service savings.

SUMMARY:

The San Antonio Water System (SAWS) requests City Council approve a Resolution, for the San Antonio Water System, authorizing the use of cash on hand in a maximum amount of \$130,000,000.00 for the cash redemption/defeasance of certain outstanding debt obligations, plus pay any accrued interest and transaction costs, 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.

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 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 potential use of cash on hand in a maximum amount of \$130,000,000.00 for the cash redemption/defeasance of debt totaling \$129,345,000.00 in outstanding par plus accrued interest, and transaction costs up to \$655,000.00. 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 on their call date. The potential candidates for the redemption or cash defeasance were issued between 2013 and 2014. It is currently estimated that the redemption or legal defeasance of the identified candidates of bonds would reduce future debt service by approximately \$158.1 million in various annual amounts between 2023 to 2034. The overall savings actually generated will be determined at the time of execution.

To provide SAWS flexibility to secure debt service savings in the current volatile interest rate environment, a bond ordinance also under consideration on today's agenda includes the refunding of the proposed bonds included in this resolution, however, by terms of this resolution and the bond ordinance, the total combined use of cash on hand to redeemed/defeased the debt obligations, plus pay any accrued interest and transaction costs, will not exceed \$130,000,000.00. Should SAWS select to redeem/defease the bonds with cash, the bonds issued under the bond ordinance will be reduced by the amount of the cash redemption/defeasance.

TRANSACTION SCHEDULE:

<u>Date</u>	<u>Transaction</u>
March 7, 2023	SAWS Board of Trustee Approval
April 6, 2023	City Council Authorization
May 15, 2023 and/or November 15, 2023*	Cash Redemption/Defeasance

* 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 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.