



City of Austin

Recommendation for Action

File #: 26-1193, Agenda Item #: 5.

3/12/2026

Posting Language

Approve an ordinance authorizing the issuance and sale of tax-exempt City of Austin, Texas, Water and Wastewater System Revenue Refunding and Improvement Bonds, Series 2026, in a par amount not to exceed \$575,000,000 to refinance up to \$450,000,000 of short-term commercial paper into long term bonds, refinance up to \$75,000,000 of outstanding Austin Water revenue bonds, and fund up to \$50,000,000 of additional capital improvements related to the Walnut Creek Wastewater Treatment Plant, in accordance with the parameters set out in the ordinance, authorizing related documents, approving the payments of the costs of issuance, and providing that the issuance and sale be accomplished by September 12, 2026. Funding: Fiscal Year 2025-2026 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the Fiscal Year 2025-2026 Approved Budget of the Combined Utility Bond Redemption Fund.

Lead Department

Austin Financial Services

Fiscal Note

The Fiscal Year 2025-2026 debt service requirements and estimated annual administration fees for the paying agent/registrar for the proposed bond sale are included in the Fiscal Year 2025-2026 Approved Budget of the Combined Utility Bond Redemption Fund.

For More Information:

Belinda Weaver, Treasurer, City of Austin, 512-974-7885

Additional Backup Information:

The Water and Wastewater System Revenue Refunding and Improvement Bonds, Series 2026 (Series 2026 Bonds) are being issued to refinance up to \$450 million of short-term commercial paper previously issued by Austin Water to fund capital improvements, refinance up to \$75 million of outstanding Austin Water revenue bonds for debt service savings, and fund up to \$50 million of additional capital improvements related to the Walnut Creek Wastewater Treatment Plant.

Austin Water uses short term debt, called “commercial paper,” to fund many of its capital expenditures. The commercial paper is periodically paid off using bonds that refinance the commercial paper into long-term debt to better match the useful life of the capital assets and that is backed solely by the revenue of the utility. This transaction will allow Austin Water to take advantage of currently favorable market conditions and restore the available capacity under its tax-exempt commercial paper program for future borrowing needs by refinancing up to \$450,000,000 of tax-exempt commercial paper into long-term bonds. Additionally, due to current favorable conditions in the municipal bond market, the City’s municipal advisor, PFM Financial Advisors LLC, has advised that refinancing, or “refunding” certain currently callable maturities from the outstanding Water and Wastewater System Revenue Refunding Bonds, Series 2015A (Series 2015A Bonds), may result in present value savings (lower debt service costs) that exceed the City’s target guideline of 4.25% of the refunded bonds. Using interest rates as of February 2026, the transaction is estimated to produce \$8.7 million in present value savings (or, expressed as a percentage of the refunded bonds, a present value savings of 11.6%). Finally, Austin Water will be seeking up to \$50,000,000 in new money as part of this bond to fund capital

projects related to the Walnut Creek Wastewater Treatment Plant.

The portion of the Series 2026 Bonds being requested to refinance commercial paper and refund existing maturities of the Series 2015A Bonds of Austin Water are known as “revenue refunding” bonds. The portion of the Series 2026 Bonds being issued to raise new money are known as “revenue improvement” bonds. The Series 2026 Bonds are backed solely by the net revenues of Austin Water. Under State law, bondholders do not have a right to seek payment from property taxes. The ordinance sets parameters so that the City has the authority to enter into the transaction, as long as certain thresholds in the ordinance are met.

The proposed ordinance delegates the authority to the City Manager, Chief Financial Officer, Director of Financial Services, or Treasurer, who are each a Pricing Officer, to complete the sale of the Series 2026 Bonds, and to refund the refunded bonds if the City can achieve a present value debt service savings on the refunded bonds of not less than 4.25%. The authority of the Pricing Officer delegated by Council under the ordinance expires on September 12, 2026.

The transaction will be sold through the following underwriting team:

Senior Manager: Raymond James
Co-Senior Manager: Bank of America
Co-Managers: Mesirow
Piper Sandler & Co.

For this transaction, McCall, Parkhurst & Horton, L.L.P. will serve as bond counsel and Orrick, Herrington & Sutcliffe LLP will serve as disclosure counsel, rating agencies will include Moody’s Ratings, Inc., S&P Global Ratings, and Fitch Ratings, Inc.