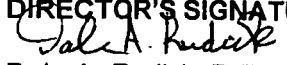



TO: Mayor via City Secretary

REQUEST FOR COUNCIL ACTION

SUBJECT: Ordinance approving Financing Agreement between City of Houston and Texas Water Development Board (TWDB) for the State Water Implementation Revenue Fund for Texas (SWIRFT) Low Interest Loan for the design and construction of Northeast Water Purification Plant Expansion and related water transmission lines.		Page 1 of 1	Agenda Item #
FROM (Department or other point of origin): Department of Public Works and Engineering	Origination Date	Agenda Date	
DIRECTOR'S SIGNATURE:  Dale A. Rudick, P.E., Director	Council District affected: All		
For additional information contact: Susan Bandy, CPA Phone: (832)395-2468 	Date and identification of prior authorizing Council action: Resolution 2015-21 on May 27, 2015		
RECOMMENDATION: (Summary) Approve the agreement			
It is recommended that City Council pass an Ordinance approving the Financing Agreement for the Northeast Water Purification Plant (NEWPP) Expansion & Transmission Lines with TWDB for a SWIRFT Low Interest Loan.			
Amount of Funding: N/A			
SOURCE OF FUNDING: <input type="checkbox"/> General Fund <input type="checkbox"/> Grant Fund <input type="checkbox"/> Enterprise Fund <input type="checkbox"/> Other (Specify)			
SPECIFIC EXPLANATION: On July 23, 2015, TWDB Board approved a multi-year financing loan plan for Houston's Northeast Water Purification Plant Expansion & Transmission Lines. The Northeast Plant will be expanded from the current capacity of 80 million gallons per day (MGD) by the City constructing an additional 320 MGD, for a final treated water capacity of 400 MGD. Additionally, new water transmission lines will be constructed to transport the treated water to Houston customers and two regional water authorities: North Harris County (NHCRWA) and Central Harris County (CHCRWA). City Council approved a resolution on May 27, 2015 for Houston's application to TWDB for a multi-year SWIRFT financing commitment of an estimated \$296 million. The loans will cover Houston's prorated share of the design and construction of the NEWPP expansion and related transmission lines. As discussed at the August 2, 2016 Budget & Fiscal Affairs Committee meeting, the Financing Agreement that is the subject of this RCA relates to the 2016 loan installment of the SWIRFT Low Interest Loans and the authorized amount is \$63,021,847. The Financing Agreement commits each of TWDB and Houston to complete the 2016 loan, and imposes certain penalties on Houston if the Financing Agreement is terminated or Houston does not close the loan timely. The penalties can range up to \$3,151,092 plus a proportionate share of TWDB's issuance costs associated with its 2016 SWIRFT financing (this would be the penalty for a complete failure to close, with no notice to TWDB prior to TWDB's pricing date). The specifics of the loan will be covered in a subsequent ordinance, expected to be considered by City Council in October. That ordinance, like the one covering the existing 2015 loan, will authorize the pledge of City of Houston's Combined Utility System (CUS) revenues on a subordinate lien, and available amounts in the CUS General Purpose Fund, for repayment of the SWIRFT Low Interest Loans. The principal will amortize over a 30 year term (as outlined in the exhibit to the Financing Agreement). Interest will be based on the TWDB borrowing cost on its upcoming bond issue, with an additional 22% subsidy. Houston will close on the loan in November 2016.			
REQUIRED AUTHORIZATION CUIC#20SB54			
Other Authorization:	Other Authorization:	Other Authorization:	