



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 9/7/2016

ALL

Item Creation Date: 8/29/2016

20IPB387 Third Supplement/Luce Bayou Project/Coastal Water Authority

Agenda Item#: 41.

Summary:

Background:

SUBJECT: Third Supplement to the Project Contract between City of Houston, Texas, and the Coastal Water Authority for the Luce Bayou Inter-Basin Project.

RECOMMENDATION: It is recommended that City Council adopt an Ordinance approving the Third Supplement to the Project Contract between City of Houston, Texas and the Coastal Water Authority for the Luce Bayou Inter-Basin Transfer Project.

On January 28, 2009, the City Council approved an ordinance to execute a contract establishing the terms for cooperation between the City of Houston (the City) and the Coastal Water Authority (CWA) to provide for the planning, design, property acquisition, construction and financing of the Luce Bayou Interbasin Transfer Project (Luce Bayou Project) that will bring approximately 400 million gallons of surface water per day from the Trinity River Basin to the San Jacinto River Basin (Lake Houston). The ordinance also authorized the pledge of payments from the Combined Utility System (CUS) General Purpose Fund to CWA for repayment of initial loans entered into in support of Phase I and Phase II of the Luce Bayou Project.

The original contract contemplated that future phases of the Luce Bayou Project would be funded with Texas Water Development Board (TWDB) State Participation loans secured by CWA for the City. In addition, the contract anticipated one or more supplemental agreements would be needed to finance the remaining phases of the Luce Bayou Project. Currently, Phase I preliminary design and land purchases and mitigation are complete. The Second Supplement agreement provides the plan for financing the completion of a portion of Phase II construction of the Luce Bayou Project.

This Third Supplement agreement between CWA and the City provides for the continuation of construction of the Luce Bayou Project. The most financially advantageous way of financing these costs is through TWDB State Water Implementation Revenue Fund for Texas (SWIRFT) Board Participation program and Low-Interest Loan program. Under this TWDB SWIRFT Board Participation program, TWDB will own up to 80% of the Luce Bayou Project based on their percentage of payments toward the overall cost of the Luce Bayou Project. With financial support from the CUS and the regional water authorities, CWA will buy back TWDB's ownership interest over time as the City's need for the capacity in the Luce Bayou Project increases.

CWA and TWDB will enter into two agreements: Amendment No. 1 to the Master Agreement under which TWDB will provide CWA with SWIRFT funds of \$136,460,000 from the SWIRFT Board Participation program for completion of construction the Luce Bayou Project. In approximately 2018, CWA and TWDB will enter a Financing Agreement for a SWIRFT low Interest loan program for approximately \$25 million.

This Third Supplement will provide CWA the authorization to enter into Amendment No. 1 to the TWDB Master Agreement to provide CWA with assurance of pledged revenues from the CUS sufficient to execute the timely repurchase of TWDB's ownership interest in the Luce Bayou Project in the coming years.

Dale A. Rudick, P.E., Director
Director of Public Works and Engineering

Prior Council Action:

(O) 2009-53; Date: 01/28/2009

(O) 2013-30; Date: 01/13/2013

(O) 2015-851; Date: 09/9/2015

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ATTACHMENTS:**Description**

20JZC505 RCA Original Contract
Ordinance 2009-53 Original Contract
Contract No. C73168 Original Contract
20IPB43 RCA First Supplement
Ordinance 2013-30 First Supplement
Contract No. C73168 First Supplement
20MLL69 RCA Second Supplement
Ordinance 2015-851 Second Supplement
Contract No. C76429 Second Supplement
(CWA) - Ordinance

Type

Backup Material
Backup Material
Backup Material
Backup Material
Backup Material
Backup Material
Backup Material
Backup Material
Backup Material
Ordinance/Resolution/Motion