



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 3/20/2018

ALL

Item Creation Date:

20FMS02 Financing Agreement (SWIRFT) - TWDB

Agenda Item#: 95.

Summary:

ORDINANCE approving and authorizing Financing Agreement between the City of Houston and the TEXAS WATER DEVELOPMENT BOARD

Background:

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.

RECOMMENDATION:

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.

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 (of which \$124.020 million remains presently unissued). The loans will cover a portion of Houston's prorated share of the design and construction of the NEWPP expansion and related transmission lines.

As discussed at the March 6, 2018 Budget & Fiscal Affairs Committee meeting, the Financing Agreement that is the subject of this RCA relates to the 2018 loan installment of the SWIRFT Low Interest Loans and the authorized amount is \$106,910,000. The Financing Agreement commits 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 \$5,439,807 plus a proportionate share of TWDB's issuance costs associated with its 2018 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 May. That ordinance, like the one covering the existing 2015, 2016, and 2017 loans, 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 rates will be based on the TWDB's borrowing cost on its upcoming bond issue, with an additional 22% subsidy. Houston will close on the loan in late May or early June 2018.

A handwritten signature in cursive script, reading "Carol Ellinger Haddock".

Carol Ellinger Haddock, P.E.
Director
Houston Public Works

Prior Council Action:

Resolution 2015-21 on May 27, 2015

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ATTACHMENTS:

Description

Prior Council Action

BFA Agenda

Type

Backup Material

Backup Material