

Meeting Date (?) 08/23/2016

Subject Matter* (?) SWIRFT Financing Agreement with Texas Water Development Board (TWBD)
This must match rolling agenda entry

Department of Origin* WATER SERVICES

Submitted By* Jayson E. Barfknecht

Type of Meeting* BCD Special Regular

Classification* Public Hearing Consent Statutory Regular

Ordinance* None First Read Second Read First & Only Read

Strategic Initiative* Public Safety Service
 Economic Development Infrastructure
 Quality of Life

Agenda Item Description* Consider authorizing the Mayor to sign a Financing Agreement with the Texas Water Development Board (TWDB) for State Water Implementation Revenue Fund for Texas (SWIRFT) funding for an amount of \$2,345,000.

Summary Statement* In the Spring of 2016, the City of Bryan submitted an application to the TWDB for SWIRFT funding for an Aquifer Storage and Recovery (ASR) project. This project is part of the 2017 State of Texas Regional Water Plan as a strategy to meet Bryan's future water demands. The SWIRFT is funded in part from bonds issued by the TWDB under authority of Texas Water Code 15.472 and 15.475 and Texas Constitution, Article III, Section 49-d-13.

This financing agreement is for the preliminary study phase of the project. This phase will include a preliminary engineering study on the formation with which to store the water, what wells exist surrounding the proposed wellfield, and an engineering study on the amount of water that can be stored and recovered. In addition to the preliminary engineering, the first phase will involve a pilot study of converting an existing well to an injection well and the design for the piping to and the construction of two additional injection and recovery wells.

The Financing agreement has a schedule outlined in Attachment C of the attached documents. The last date to execute the agreement is September 6, 2016. The City does have several opportunities to withdraw from the funding process as outlined in the attachment. The first date, September 12, 2016, is without penalty. The subsequent opportunities include a financial penalty that increases with time. The proposed loan is a 25 year loan. The interest rate subsidy for a loan with a term of 25 years is a 25% discount.

If the preliminary engineering and study proves successful, additional funding through SWIRFT will become available in the fall of 2017 with the same subsidy rate.

Part of this agreement includes Pledge Conditions for the Loan. These conditions require net system revenues be at least 1.25 times the average annual debt service requirement. If this agreement is executed and closed, the first principle payment will be due in August 2017.

If the City of Bryan is going to move forward with the ASR project, staff recommends authorizing the Mayor to execute this financing agreement with TWDB. If the City Council wishes to not move forward at this time, the City could move forward at a later date by issuing its own debt through conventional funding mechanisms but the interest rate could be higher and could result in high costs to the rate payers over the life of the debt.

Staff Analysis & Recommendation *

Staff has worked to include the ASR project into the 2017 State Water Plan. The ASR project is a water management strategy staff believes will help the City meet its future water demands. SWIRFT financing is a funding option that offers a subsidized interest rate on the debt, which will result in a cost savings to the rate payers over the life of the debt. Staff recommends authorizing the Mayor to sign the financing agreement so the first phase of the project can begin.

Options *

(In Suggested Order of Staff Preference)

1. Authorize the Mayor to sign the financing agreement.
2. Do not approve the financing agreement and issue conventional debt.
3. Do not issue debt for the ASR project and do not pursue ASR as a project.

Funding Source *

Water Revenues

Attachments

Bryan SWIRFT 2016 Financing Agreement.pdf

866.83KB

Please detail attachments and note attachments available for viewing in City Secretary's Office:

1. SWIRFT Financing Agreement with Attachments

Dept. Head Signature

JAYSON E. PARFENECHT 08/11/16

Deputy City Manager Signature

Hugh R. Walker

City Manager Signature



City Attorney Signature

Janis K. Hampton