



City of Austin

Recommendation for Action

File #: 26-2029, **Agenda Item #:** 80.

7/23/2026

Posting Language

Authorize negotiation and execution of a financing agreement with the Texas Water Development Board for a 20-year, low-interest loan in an amount not to exceed \$5,000,000 for Austin Water's polybutylene pipe replacement project, also known as the Municipal Conservation Project. Funding: Contingent upon available funding in future Austin Water budgets.

Lead Department

Austin Water.

Fiscal Note

Funding is contingent upon available funding in future Austin Water budgets.

Prior Council Action:

May 8, 2025 - Council authorized the City Manager to apply for funding from the Texas Water Development Board (TWDB) for a low-interest State Water Implementation for Texas (SWIFT) loan in an amount not to exceed \$45,000,000 for Austin Water's polybutylene pipe replacement project.

August 28, 2025 - Council authorized negotiation and execution of a financing agreement with TWDB for \$3,000,000 for the polybutylene pipe replacement project.

For More Information:

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Council Committee, Boards and Commission Action:

July 15, 2026 - Recommended by the Water and Wastewater Commission on an 8-0 vote, with three absences.

Additional Backup Information:

On July 24, 2025, the Texas Water Development Board (TWDB) approved the City of Austin's application for a low interest, multi-year loan in the amount of \$45,000,000 through the SWIFT loan program for the implementation of Austin Water's polybutylene pipe replacement project. This multi-year loan process involves several annual loan closings with potential adjustments to loan terms. This allows Austin Water to receive a funding commitment for the capital improvement project but to close on portions of the funding over a multi-year schedule.

Austin Water's waterline services replacement program was established to systematically replace water service lines (the small-diameter lines that connect water mains to customer meters) in order to reduce water loss throughout Austin's distribution system. Polybutylene pipes tend to fail at a disproportionately high rate compared to other materials such as copper and high-density polyethylene (HDPE). This initiative is part of Austin Water's conservation strategy, which seeks to minimize water loss through the replacement of outdated service lines.

This proposed loan installment will cover a portion of the ongoing costs for this multi-year project to replace polybutylene service lines in multiple Council districts. Across the City, Austin Water has replaced a total of 37 percent (11,627) lines with another 63 percent (19,000) lines identified so far for replacement over the next ten years. Additional polybutylene service lines may also be identified for future replacement as additional line breakage data is obtained.

This financing agreement does not obligate the City to close on additional loan installments with TWDB in future years. Future loan installments will require Council approval to negotiate separate financing agreements.

The initial loan closing of \$3,000,000 occurred in November 2025, as noted in the chart below. The second closing on this loan is anticipated to occur in November 2026 for \$5,000,000. The City anticipates receiving up to a 25 percent reduction in the interest rates that TWDB obtains during their Fall 2026 bond sale, based on its AAA bond rating. These reduced interest rates will save ratepayers financing costs for the funding of this project as compared to traditional bond financing.

TWDB SWIFT Loan for Polybutylene Project - Multi-Year Financing Schedule

Loan Closing Date	Closing Amount
November 2025	\$3,000,000 (Actual)
November 2026	\$5,000,000 (Proposed)
November 2027	\$5,000,000 (Proposed)
November 2028	\$5,000,000 (Proposed)
November 2029	\$27,000,000 (Proposed)
Total	\$45,000,000