



City of Austin

Recommendation for Action

File #: 25-1635, **Agenda Item #:** 5.

8/28/2025

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 \$3,000,000 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:

April 16, 2025 - Water and Wastewater Commission recommended that Council authorize the City Manager to apply from funding from the TWDB for a low-interest SWIFT loan in an amount not to exceed \$45,000,000 for Austin Water's polybutylene pipe replacement project.

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

For More Information:

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Council Committee, Boards and Commission Action:

August 20, 2025 - To be reviewed by the Water and Wastewater Commission.

Additional Backup Information:

On July 24, 2025, the 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 (CIP) 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is part of Austin Water's conservation strategy, which seeks to minimize water loss through the replacement of outdated service lines.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 from the TWDB will be used to fund an additional phase, which will replace 6,000 polybutylene service lines across multiple Council districts. The design contract for this next phase will be

brought to Council for consideration at a future meeting.

This financing agreement will cover Austin Water's Fiscal Year 2025-2026 CIP spending plan costs for the project. 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 first closing on this loan is anticipated to occur in November 2025 for \$3,000,000. The City anticipates receiving up to a 25 percent reduction in the interest rates that TWDB obtains during their Fall 2025 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.