



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 18

**Agenda Date:** November 7, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Resolution authorizing submittal of an application to the Texas Water Development Board (TWDB) for financial assistance.

**SUMMARY:**

Resolution authorizing the submittal of an application requesting financial assistance under the Texas Water Development Board's Drinking Water State Revolving Fund (DWSRF) Lead Service Line Replacement Program (LSLR) in an amount not to exceed \$11,756,000.

**BACKGROUND INFORMATION:**

The San Antonio Water System (SAWS) requests City Council approve a resolution authorizing SAWS to submit an application for financial assistance to the TWDB under the DWSRF LSLR Program in an amount not to exceed \$11,756,000 to fund certain qualified projects.

The City Council exercises its oversight of SAWS through the approval of rates and charges, authorization of debt transactions, approval of all condemnations, and the appointment of all Trustees except the Mayor who serves as an ex-officio member.

The SAWS was created on April 30, 1992 by City Ordinance 75686. SAWS serves more than

565,000 water and 505,000 wastewater customers in and around San Antonio and maintains over 13,700 miles of water and sewer mains. Ordinance 75686 requires debt issuances to be reviewed and approved by City Council.

SAWS' capital financing plan utilizes a variety of sources to fund capital improvements. These include revenues, impact fees, bonds, and tax-exempt commercial paper. SAWS issues bonds periodically to finance capital improvement projects, refinance outstanding debt for debt service savings, and refund outstanding tax-exempt commercial paper notes (converting interim financing to permanent financing).

### **Drinking Water State Revolving Fund Lead Service Line Replacement Program**

TWDB's DWSRF LSLR Program provides principal forgiveness and subsidized loans for qualified activity directly connected to the identification, planning, design, and replacement of lead service lines.

The financial assistance being requested is for the development of an inventory of service lines, both on SAWS side of the meter and the customer's side of the meter. This will be accomplished using various techniques to identify the service line material, including historical documentation, identification of service line material at the meter box, inspection of internal plumbing at the location, and pot holing.

The process to receive financial assistance under the DWSRF LSLR Program consists of a submittal of an application for participation. No financial commitment on SAWS part is made at the application stage. A financial commitment by SAWS is made at a later date when bond proceeds are received to finance the project. SAWS will seek additional SAWS Board of Trustee and City Council approval prior to the issuance of any bonds under this program.

The submittal of an application for financial assistance has no impact on the current rate structure of SAWS.

### **ISSUE:**

SAWS looks for opportunities to reduce costs including seeking below market financing of projects. SAWS is requesting financial assistance from the Texas Water Development Board in the form of a principal forgiveness and below market interest rate loans under the Drinking Water State Revolving Fund Lead Service Line Replacement Program.

### **ALTERNATIVES:**

Should City Council choose not to approve the resolution requesting financial assistance, SAWS would miss an opportunity to receive a loan with principal forgiveness and below market interest rates to finance the identification of lead service lines within the system.

**FISCAL IMPACT:**

The submittal of an application for financial assistance will have no fiscal impact to the City and has no impact on the current rate structure of SAWS.

**RECOMMENDATION:**

The SAWS Board of Trustees, the Supervisor of Public Utilities, and City Staff recommend approval of the resolution authorizing SAWS to submit an application for financial assistance to the TWDB under the DWSRF LSLR Program in an amount not to exceed \$11,756,000 to fund certain qualified projects.