
CITY OF PORT LAVACA

MEETING: MARCH 9, 2026 **AGENDA ITEM** _____

DATE: 3.09.2026

TO: HONORABLE MAYOR AND CITY COUNCIL MEMBERS

FROM: JODY WEAVER, INTERIM CITY MANAGER

SUBJECT: **CONSIDER AUTHORIZATION TO PUBLISH A NOI TO ISSUE BONDS FOR THE WWTP EXPANSION.**

NOI TO ISSUE BONDS FOR WWTP EXPANSION

As you recall, the Texas Water Development Board approved a Clean Water State Revolving Fund Loan in the amount of **\$39.15M** to fund an expansion of our Wastewater Treatment Plant from 2.0 MGD to 4.0 MGD. **The deadline to close the CO's is May 31, 2026.** In order to proceed with this loan opportunity, Council must authorize publication of the Notice of Intent (NOI) to issue the Certificates of Obligation (C/O) at least 45 days prior to the date tentatively set for passage of the ordinance authorizing the issuance of such certificates of obligation. This date is set for the regular meeting on May 11, 2026, in order to meet the May 31st closing date deadline.

If you recall, on May 27, 2025, Council authorized the publication of a NOI to issue CO's for this project, however the ordinance to authorize the issuance of the COs was not voted on because staff received an extension from the TWDB on the loan offer to May 31, 2026. This extension was approved to provide us with additional time to establish a tighter cost estimate based upon 90% complete construction plans and for TCEQ to consider a waiver to the requirement to begin construction at this time.

To briefly review background information: the Wastewater discharge between November 2020 and April 2022 exceeded 90% of the permitted flow and triggered the requirement of 30TAC Chapter 305.126 (a), which basically requires that 1) once you exceed 75% capacity for 3 months in a row you must begin engineering and 2) once you exceed 90% capacity for 3 months in a row, you must begin construction. As has been discussed previously, these exceedances occurred for 18 consecutive months in 2020, 2021 and 2022, during periods of COVID and Formosa's plant expansion.

We are currently back to normal flows hovering at or below 75% capacity. Because we did trigger this engineering requirement (75%) during 2020-2022, Council authorized engaging AECOM to prepare the design of an expansion to the WWTP. The 30% complete design resulted in an estimated cost of \$39.15M. Council authorized completion of the design to 90%

CITY OF PORT LAVACA

in order to tighten up the construction estimate. As of the present time, we have a “shelf-ready expansion project” and the engineering construction estimate as of September 2025 is \$36.5M construction cost, which unfortunately is not significantly less than the original estimated cost. It is projected that the construction cost will increase each year around 5%. So, the cost in 5 years could be around \$50M.

Last year, understanding the significant burden this will cause on our current rate payers, staff appealed to TCEQ for a waiver to the requirement to begin construction at this time since 1) we have a shelf-ready project and 2) we have not had 3 consecutive months above 75% in quite a while. Last fall, the person assigned this request in TCEQ enforcement division did recommend approval of our request to begin construction on an expansion until we are closer to the 90% trigger. We were told to expect this written approval in February, but we still have not received it.

As discussed at the recent Council workshop, it is anticipated that there may be more stringent requirements for the **QUALITY** of the wastewater discharge in the new permit which will become effective later this year. Construction components needed to address these increased treatment parameters, as well as improvements needed to meet current requirements, are included in the expansion project. If we do not proceed with the expansion project, then consideration must be given to these improvements needed to meet the discharge **quality** requirements (apart from flow quantity).

I did reach out to TWDB on Feb 27 asking whether this current \$39.15M loan offer could be reduced to include a reduced scope of only improvements needed to meet the quality of discharge – apart from the expansion. TWDB is currently considering this request.

Authorization to publish the Notice of Intent tonight, does not commit Council to the loan, but keeps all of our options open. The vote to decide whether to move forward with the loan commitment will be taken on May 11. Between now and then, we hope to have written approval from TCEQ regarding the requirement to construct, a response from TWDB regarding a possible reduced scope project, and options for sewer rate increases to generate revenue to pay the debt service.