

**TO:** Board Members

**THROUGH:** Kevin Patteson, Executive Administrator  
Les Trobman, General Counsel  
Jeff Walker, Deputy Executive Administrator

**FROM:** Jessica Zuba, Director, Regional Water Planning & Development  
Nancy Richards, Team Manager, Team 4 – East Texas Region  
Annette Mass, Staff Attorney

**DATE:** April 30, 2015

**SUBJECT:** Request by the San Jacinto River Authority for an extension of a loan commitment made in Resolution No.12-56 and further amended by Resolution Nos.14-32 and 14-81.  
TWDB Project No. 21639

**ACTION REQUESTED**

Approve, by resolution, a request from the San Jacinto River Authority (Montgomery County) for an extension to close the loan commitment under Resolution No. 12-56 and further amended by Resolution Nos. 14-32 and 14-81 from the Texas Water Development Fund to finance water system improvements.

**BACKGROUND**

The San Jacinto River Authority (Authority) has received four commitments totaling \$494,500,000 for the planning, acquisition, design, and construction phases of their Alternative Water Supply project. The project, to develop a surface water supply, is in response to the Lone Star Groundwater Conservation District’s mandate to reduce groundwater usage within Montgomery County by 30% by 2016. To achieve the necessary reduction, the Authority has developed a Groundwater Reduction Plan (GRP) to supply surface water to the majority of the large volume groundwater users in the county. The Authority is developing the first phase of the project, consisting of a 30.0 million gallon per day membrane filtration water treatment facility adjacent to the Lake Conroe impoundment of the west fork of the San Jacinto River. The water will be withdrawn from the lake through an intake and pumping facility, treated, and stored within two five-million gallon clearwells before being transported to the wholesale customers through approximately 55 miles of new transmission lines.

**KEY ISSUES**

The Authority has closed on \$468,820,000 of the total \$494,500,000 in funds committed by the Texas Water Development Board (TWDB). As part of the total commitment the Board made a commitment of \$230,530,000 in June 2012 through TWDB Resolution No. 12-56. The commitment made in TWDB Resolution 12-56 is the subject of this request. In April 2014, the Board approved an extension of the 12-56 commitment to September 30, 2014 in order to close on \$25,680,000 that was remaining from the \$230,530,000 commitment. At its September 18, 2014 meeting, the Board approved the Authority to reduce the remaining commitment amount to \$12,500,000 since the Authority had awarded substantially all of the major construction contracts for the project being financed with TWDB assistance. The Board also extended the closing deadline until June 30, 2015.

To date, the Authority is approximately 90% complete with construction of the project being financed with TWDB assistance, which includes approximately 25 construction contracts. The Authority believes that if any additional financial assistance is required for the project, it will not be required before August 31, 2015. Extending this commitment does not harm the Texas Water Development Board as no bonds have been sold or no other project's funds are being held because of this extension. The Authority has sold bonds in the amount of \$83,155,000 in open-market bonds to supply additional funds for the project.

**RECOMMENDATION**

The Executive Administrator recommends approving an extension to close the remaining funds in Resolution No. 12-56 until February 29, 2016. The extension would allow the Authority time to close on the funds needed and avoid the need for submitting an additional application by utilizing the remaining commitment if additional financial assistance is required to complete the first phase of the GRP project.

- Attachments:
1. Resolution (15- )
  2. Resolution (14-81)
  3. Resolution (14-32)
  4. Resolution (12-56)
  5. SJRA Letter of Request, dated March 12, 2015

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD AMENDING TWDB  
RESOLUTION NOS. 12-56, 14-32, AND 14-81  
TO EXTEND THE LOAN COMMITMENT PERIOD CLOSING OF \$12,500,000  
REMAINING OF THE \$230,530,000 SAN JACINTO RIVER AUTHORITY SPECIAL  
PROJECT REVENUE BONDS (GRP PROJECT) SERIES 2012  
TO BE ISSUED BY THE SAN JACINTO RIVER AUTHORITY

(15- )

WHEREAS, at its June 21, 2012 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 12-56, made a commitment to provide financial assistance in the amount of \$230,530,000 to San Jacinto River Authority located in Montgomery County, Texas, (Authority) from the Financial Assistance Account of the Texas Water Development Fund II to finance improvements to its water supply system to be secured by the TWDB's purchase of \$230,530,000 San Jacinto River Authority Special Project Revenue Bonds (GRP Project) Series 2012, for Project No. 21639; and

WHEREAS, at its September 18, 2014 meeting, the TWDB, by Resolution 14-81, extended its commitment to the Authority for an additional nine months and reduced to \$12,500,000 the amount remaining to be closed; and

WHEREAS, at its April 17, 2014 meeting, the TWDB, by Resolution 14-32, extended its commitment to the Authority for an additional three months; and

WHEREAS, pursuant to TWDB Resolution No. 14-81, the commitment period will expire on June 30, 2015; and

WHEREAS, the Authority has closed on \$204,850,000 of the commitment made in TWDB Resolution 12-56; and

WHEREAS, the Authority has submitted a request to extend the TWDB's commitment until February 29, 2016; and

WHEREAS, the extension of time will allow the Authority time to evaluate the progress of the project and analyze the remaining needs and resources available to the Authority; and

WHEREAS, the TWDB hereby finds that granting an extension until February 29, 2016, is in the public interest.

NOW THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

1. the commitment of the TWDB to provide financial assistance as authorized in TWDB Resolution No. 12-56 as amended by Resolution No. 14-32 and Resolution No. 14-81, is further amended to extend the commitment to February 29, 2016; and

2. all other terms and conditions of TWDB Resolution No. 12-56 and Resolution No. 14-81 shall remain in full force and effect.

APPROVED and ordered of record this the 16<sup>th</sup> day of June, 2015.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Carlos Rubinstein, Chairman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Kevin Patteson  
Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD AMENDING TWDB  
RESOLUTION NOS 12-56 AND 14-32  
TO EXTEND THE LOAN COMMITMENT PERIOD AND TO REDUCE TO \$12,500,000  
THE AMOUNT REMAINING TO BE CLOSED OF THE \$230,530,000 SAN JACINTO  
RIVER AUTHORITY SPECIAL PROJECT REVENUE BONDS (GRP PROJECT) SERIES  
2012  
TO BE ISSUED BY THE SAN JACINTO RIVER AUTHORITY**

**(14-81)**

WHEREAS, at its June 21, 2012 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 12-56, made a commitment to provide financial assistance in the amount of \$230,530,000 to San Jacinto River Authority, located in Montgomery County, Texas, (Authority) from the Financial Assistance Account of the Texas Water Development Fund II to finance improvements to its water supply system to be secured by the TWDB's purchase of \$230,530,000 San Jacinto River Authority Special Project Revenue Bonds (GRP Project) Series 2012, for Project No. 21639; and

WHEREAS, at its April 17, 2014 meeting, the TWDB, by Resolution 14-32, extended its commitment to the Authority for an additional three months; and

WHEREAS, pursuant to TWDB Resolution No. 14-32, the commitment period will expire on September 30, 2014; and

WHEREAS, the Authority has closed on \$204,850,000 of the commitment made in TWDB Resolution 12-56; and

WHEREAS, the Authority has submitted a request to reduce the unclosed commitment amount from \$25,680,000 to \$12,500,000 and to extend the TWDB's commitment expiration period for an additional nine months; and

WHEREAS, the additional nine months will allow the Authority time to evaluate the progress of the project and analyze the remaining needs and resources available to the Authority; and

WHEREAS, the Authority has represented that it has awarded substantially all major construction contracts for the project and anticipates that the amount of additional financial assistance required for the project will not exceed \$12,500,000; and

WHEREAS, the TWDB hereby finds that the amendments requested by the Authority are in the public interest.

NOW THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

1. the commitment of the TWDB to provide financial assistance as authorized in TWDB Resolution No. 12-56 as amended by Resolution No. 14-32, is further amended as follows:
  - a. The commitment period is extended to June 30, 2015; and
  - b. The commitment amount is reduced from \$230,530,000 to \$217,350,000; and
2. all other terms and conditions of TWDB Resolution No. 12-56 shall remain in full force and effect.

APPROVED and ordered of record this the 18<sup>th</sup> day of September, 2014.

TEXAS WATER DEVELOPMENT BOARD



\_\_\_\_\_  
Carlos Rubinstein, Chairman

DATE SIGNED: 9-18-14

ATTEST:



\_\_\_\_\_  
Kevin Patteson,  
Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AMENDING TWDB RESOLUTION NO. 12-56  
TO EXTEND THE LOAN COMMITMENT PERIOD FOR CLOSING ON THE \$25,680,000  
REMAINING OF THE \$230,530,000 SAN JACINTO RIVER AUTHORITY SPECIAL  
PROJECT REVENUE BONDS (GRP PROJECT) SERIES 2012  
TO BE ISSUED BY THE SAN JACINTO RIVER AUTHORITY

(14-32)

WHEREAS, at its June 21, 2012 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 12-56, made a commitment to provide financial assistance in the amount of \$230,530,000 to San Jacinto River Authority located in Montgomery County, Texas, (Authority) from the Financial Assistance Account of the Texas Water Development Fund II to finance improvements to its water supply system to be secured by the TWDB's purchase of \$230,530,000 San Jacinto River Authority Special Project Revenue Bonds (GRP Project) Series 2012, for Project No. 21639; and

WHEREAS, the Authority has closed on \$204,850,000 of the total commitment; and

WHEREAS, pursuant to TWDB Resolution No. 12-56, the commitment period will expire June 30, 2014; and

WHEREAS, the Authority has submitted a request to extend the TWDB's commitment for an additional three months to allow the Authority additional time to monitor the project of construction, evaluate available resources, and assess how much additional financial assistance, if any, is needed, all as is more specifically set forth in the recommendations of the TWDB's staff, to which documents express reference is made; and

WHEREAS, the TWDB hereby finds that granting an extension of three months is in the public interest.

NOW THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

1. the commitment of the TWDB to provide financial assistance as authorized in TWDB Resolution No. 12-56, is amended to extend the commitment to September 30, 2014; and
2. all other terms and conditions of TWDB Resolution No. 12-56 shall remain in full force and effect.

APPROVED and ordered of record this the 17<sup>th</sup> day of April, 2014.

TEXAS WATER DEVELOPMENT BOARD

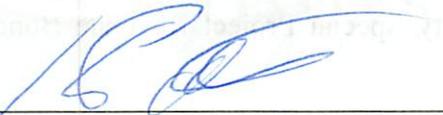


\_\_\_\_\_  
Carlos Rubinstein, Chairman

DATE SIGNED: \_\_\_\_\_

4/17/2014

ATTEST:



\_\_\_\_\_  
Kevin Patteson  
Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO  
SAN JACINTO RIVER AUTHORITY  
FROM THE FINANCIAL ASSISTANCE ACCOUNT OF  
THE TEXAS WATER DEVELOPMENT FUND II  
THROUGH THE PROPOSED PURCHASE OF  
\$230,530,000 SPECIAL PROJECT REVENUE BONDS (GRP PROJECT)  
PROPOSED SERIES 2012 A

(12-56)

WHEREAS, the SAN JACINTO RIVER AUTHORITY, located in Montgomery County, Texas, (the "AUTHORITY"), has filed an application for financial assistance seeking \$230,530,000 from the Financial Assistance Account of the Texas Water Development Fund II, established pursuant to Texas Water Code §17.959, to finance certain water supply system improvements for the project identified as Project No. 21639; and

WHEREAS, the AUTHORITY seeks financial assistance from the Texas Water Development Board (the "TWDB") through the TWDB's proposed purchase of \$230,530,000 SAN JACINTO RIVER AUTHORITY SPECIAL PROJECT REVENUE BONDS (GRP PROJECT) Proposed Series 2012 A (together with all authorizing documents, the "Obligations"), all as is more specifically set forth in the application and in the recommendations of the TWDB's staff, to which documents express reference is made; and

WHEREAS, the AUTHORITY has offered a pledge of SPECIAL PROJECT REVENUES (GRP PROJECT) as sufficient security for the repayment of the Obligations; and

WHEREAS, in accordance with Texas Water Code §17.124, the TWDB has considered all matters required by law and in particular the following:

1. the needs of the area to be served by the water supply project, the benefit of the water supply project to the area, the relationship of the water supply project to the overall, statewide water needs, and the relationship of the water supply project to the approved regional and state water plans; and
2. the availability of revenue to the AUTHORITY, from all sources, for the ultimate repayment of the cost of the water supply project, including interest.

WHEREAS, the TWDB hereby finds:

1. that the public interest requires state assistance in the water supply project, in accordance with Texas Water Code §17.125(a)(1);
2. that in its opinion the tax and/or revenue pledged by the AUTHORITY will be sufficient to meet all the Obligations assumed by the AUTHORITY during the succeeding period of not more than 50 years, in accordance with Texas Water Code §17.125(a)(2);

3. that the AUTHORITY has adopted and is implementing a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and the TWDB's rules, in accordance with Texas Water Code §17.125(b);
4. that the application and financial assistance requested meet the requirements of Chapter 17, Subchapters D, E, and L, Water Code, and the TWDB's rules set forth in 31 Tex. Admin. Code ("TAC") Chapter 363, Subchapter A;
5. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code §16.053(j).

NOW THEREFORE, based on these considerations and findings, the Texas Water Development Board resolves as follows:

A commitment is made by the TWDB to the SAN JACINTO RIVER AUTHORITY for financial assistance in the amount of \$230,530,000 from the Financial Assistance Account, to be evidenced by the Board's purchase of \$230,530,000 SPECIAL PROJECT REVENUE BONDS (GRP PROJECT), Proposed Series 2012 A. This commitment will expire on June 30, 2014.

Such commitment is conditioned as follows:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the AUTHORITY;
3. this commitment is contingent upon the AUTHORITY's compliance with all applicable requirements contained in the rules and policies of the TWDB;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. the AUTHORITY, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the AUTHORITY's Obligations or obligated persons, will, at a minimum, covenant to comply with requirements for continuing disclosure on

an ongoing basis substantially in the manner required by Securities and Exchange Commission (“SEC”) Rule 15c2-12 and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the AUTHORITY’s Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB’s bonds if the AUTHORITY is an obligated person with respect to such bonds under SEC Rule 15c2-12;

6. the Obligations must contain a provision requiring the AUTHORITY to maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
7. the Obligations must include a provision requiring the AUTHORITY to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the obligations owned by the TWDB; or (3) eligible project costs as authorized by the Executive Administrator;
8. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
9. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Chapter 2256, Government Code, (the “PFI”), and the Public Funds Collateral Act, Chapter 2257, Government Code, (the “PFCA”);
10. loan proceeds shall not be used by the AUTHORITY when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the AUTHORITY agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the AUTHORITY, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
11. the Obligations must include a provision requiring that, prior to any action by the AUTHORITY to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB. The AUTHORITY must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with a retail public utility;

12. prior to closing, the AUTHORITY shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
13. prior to closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the AUTHORITY shall submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance that are satisfactory to the TWDB's Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator;
14. if a bond insurance policy or a surety policy in lieu of a cash reserve is utilized:
  - a. thirty (30) days before closing, the AUTHORITY shall submit a draft of the policy to the TWDB's Executive Administrator for a determination on whether the policy provides appropriate security in accordance with TWDB policies;
  - b. prior to closing, the AUTHORITY shall provide the executed underlying documents of the policy (e.g. commitment letter, specimen policy) in a form and substance that is satisfactory to the TWDB's Executive Administrator;
  - c. prior to closing, the Attorney General of the State of Texas must have considered the use of said policy as a part of its approval of the proposed bond issue; and
  - d. after loan closing, the AUTHORITY shall notify the Executive Administrator no less than 30 days prior to converting from a cash reserve fund to a surety policy. Such a conversion may only be made if the proposed insurer or surety meets the financial guarantees established in the TWDB's rules and has satisfied the above requirements;
15. prior to closing, when any portion of loan proceeds are to be held in escrow or in trust, the AUTHORITY shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
16. the Executive Administrator of the TWDB may require that the AUTHORITY execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
17. should one or more of the provisions in this resolution be held to be null, void, voidable or, for any reason whatsoever, of no force and effect, such provision(s) shall be construed as severable from the remainder of this resolution and shall not affect the validity of all other provisions of this resolution which shall remain in full force and effect;

### Conditions Related To Tax-Exempt Status

18. the AUTHORITY's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the AUTHORITY when rendering this opinion;
19. the AUTHORITY's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the AUTHORITY when rendering this opinion;
20. the Obligations must include a provision prohibiting the AUTHORITY from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds";
21. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan ("*Source Series Bonds*"), other than Nonpurpose Investments acquired with:
  - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the TWDB) until such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of §1.148-1(b) of the IRS Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Loan, 125% of average annual debt service on the Loan, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Loan;
22. the Obligations must include a provision requiring the AUTHORITY to restrict the use of the proceeds of the Loan (or amounts within the control of the AUTHORITY that are treated as funds from the Bonds) or to pay rebate to the United States in order to satisfy the requirements of §148 of the Internal Revenue Code of 1986 (relating to arbitrage). The Obligations must provide that the AUTHORITY shall:
  - a. account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The AUTHORITY may, however, to the extent permitted by law, commingle Gross Proceeds of its Loan with other money of the AUTHORITY, provided that the AUTHORITY separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;

- b. calculate the Rebate Amount with respect to its Loan, not less frequently than each Computation Date, in accordance with rules set forth in §148(f) of the Code, §1.148-3 of the Regulations, and the rulings thereunder. The AUTHORITY shall maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of the Loan, and in order to induce the making of the Loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
23. the Obligations must include a provision prohibiting the AUTHORITY from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
24. the Obligations must provide that the AUTHORITY will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of §149(b) of the Internal Revenue Code;
25. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the AUTHORITY's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
26. the transcript must include evidence that the information reporting requirements of Section 149(e) of the Internal Revenue Code of 1986 will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, a completed IRS form 8038 or other evidence that the information reporting requirements of Section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen days of closing; the Executive Administrator may withhold the release of funds for failure to comply;
27. the Obligations must provide that the AUTHORITY will not acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from such AUTHORITY by the TWDB;
28. upon request by the Executive Administrator, the AUTHORITY shall submit annual audits of contracting parties for the Executive Administrator's review;
29. the Obligations must contain a provision requiring the AUTHORITY to maintain rates and charges sufficient to meet the debt service requirements on the outstanding debt

Obligations that are being supported by the pledged contract revenues and will further require its customers to maintain rates and charges sufficient to pay all of their revenue obligations arising from the operation of the water and sewer system;

30. the Authority shall provide the TWDB with a copy of each Rate Order issued for the Large Volume Groundwater User contracts. The Rate Order shall be submitted to TWDB within thirty (30) days of its authorization by the Authority.
31. the Authority shall not amend or revise and Large Volume Groundwater User contracts, which are the revenue source for the pledge, if the revision or amendment affects the financial condition of the Authority or its' ability to repay the loan described in this Commitment without receiving the written approval of the TWDB's Executive Administrator.
32. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the AUTHORITY has the right to use the water that the project financed by the TWDB will provide;
33. the Authority agrees to notify the TWDB in the event there are any increases or decreases in the quantity of water available for Project implementation.
34. this loan is approved for funding under the TWDB's pre-design funding option, as specified in 31 TAC §363.16, and initial and future releases of funds are subject to all rules of the TWDB relating to such funding option;

APPROVED and ordered of record this, the 21<sup>st</sup> day of June, 2012.

TEXAS WATER DEVELOPMENT BOARD

  
\_\_\_\_\_  
Billy R. Bradford, Jr., Chairman

ATTEST:

  
  
\_\_\_\_\_  
Melanie Callahan  
Executive Administrator



## San Jacinto River Authority

ADMINISTRATIVE OFFICE  
 P.O. Box 329 • Conroe, Texas 77305  
 (T) 936.588.3111 • (F) 936.588.3043

March 12, 2015

### VIA E-MAIL AND U.S. MAIL

Texas Water Development Board  
 c/o Mr. Darrell Nichols  
 Director, Regional Water Planning & Development  
 P.O. Box 13231  
 Austin, Texas 78711-3231  
 E-Mail: [darrell.nichols@twdb.texas.gov](mailto:darrell.nichols@twdb.texas.gov)

Re: San Jacinto River Authority - Request for Extension of Commitment for Financial Assistance (TWDB Resolution Nos. 12-56, 14-32, 14-81; SJRA Alternative Water Supply Project – TWDB Project No. 21639

Ladies and Gentlemen:

The Texas Water Development Board ("TWDB") adopted Resolution No. 12-56 on June 21, 2012, making a commitment to the San Jacinto River Authority (the "Authority") for financial assistance in the amount of \$230,530,000 from the Financial Assistance Account of the Development Fund II (DFund II) administered by the TWDB. Pursuant to Resolution No. 12-56, the Authority has heretofore sold to the TWDB its \$165,000,000 Special Project Revenue Bonds, Series 2012A, and its \$39,850,000 Special Project Revenue Bonds, Series 2013. The commitment under Resolution No. 12-56 was originally to expire on June 21, 2014. By TWDB Resolution No. 14-32, the expiration date of the commitment was extended to September 30, 2014. By TWDB Resolution No. 14-81, the remaining commitment for financial assistance was reduced to \$12,500,000 and the expiration date of the commitment was further extended to June 30, 2015.

At this point in time, the Authority is approximately ninety percent (90%) complete with construction of the project being financed with TWDB assistance -- the Authority's "GRP Project." The TWDB has supported the GRP Project with \$468,820,000 in financial assistance thus far. The Authority's staff and consulting engineers are now of the opinion that, if any additional financial assistance is required for the GRP Project, it will not be required before August 31, 2015.

The purpose of this letter is to formally request that the TWDB extend the expiration date of the TWDB's commitment to the Authority under TWDB Resolution No. 12-56, as amended by TWDB Resolution Nos. 14-32 and 14-81, to February 29, 2016. We hope that such an extension would avoid the need for the re-filing of another application with the TWDB if a relatively small amount of additional financial assistance is required for completion of the first phase of the GRP Project.

LAKE CONROE DIVISION  
 P.O. Box 329  
 Conroe, Texas 77305  
 (T) 936.588.1111  
 (F) 936.588.1114

GRP DIVISION  
 P.O. Box 329  
 Conroe, Texas 77305  
 (T) 936.588.1662  
 (F) 936.588.7182

WOODLANDS DIVISION  
 P.O. Box 7537  
 The Woodlands, Texas 77387  
 (T) 281.367.9511  
 (F) 281.362.4385

HIGHLANDS DIVISION  
 P.O. Box 861  
 Highlands, Texas 77562  
 (T) 281.843.3300  
 (F) 281.426.2877

Mr. Darrell Nichols  
March 26, 2015  
Page 2

Please feel free to contact me if you require any additional information regarding this request. Thank you again for your continued support of the Authority's GRP Project.

Very truly yours,



Jace A. Houston  
General Manager

cc:

Mitchell G. Page (via e-mail)  
Schwartz, Page & Harding, L.L.P.

Jan Bartholomew (via e-mail)  
Ryan Nesmith (via e-mail)  
Robert W. Baird & Co. Incorporated