

# Texas Water Development Board

P.O. Box 13231, 1700 N. Congress Ave.  
Austin, TX 78711-3231, [www.twdb.texas.gov](http://www.twdb.texas.gov)  
Phone (512) 463-7847, Fax (512) 475-2053

**TO:** Board Members

**THROUGH:** Jeff Walker, Executive Administrator  
Rebecca Trevino, Chief Financial Officer  
Les Trobman, General Counsel

**FROM:** David Duran, Manager, Debt & Portfolio Management

**DATE:** August 8, 2016

**SUBJECT:** Clean Water State Revolving Fund Match Transfer and Repayment

## **ACTION REQUESTED**

Approve by resolution: (a) authorize the transfer of \$12,129,800 from the Texas Water Development Fund II Water Financial Assistance Account (DFund) to the Clean Water State Revolving Fund (CWSRF) to meet state match requirements of the 2016 federal grant; and (b) authorize the repayment of the match provided.

## **BACKGROUND**

Pursuant to the Water Quality Act of 1987 (Act), the United States Environmental Protection Agency (EPA) provides federal capitalization grants through the State Water Pollution Control Revolving Fund to the Texas Water Development Board (TWDB) for the purpose of capitalizing the CWSRF. The TWDB is required to contribute at least a 20 percent match to the CWSRF. Historically, the TWDB has transferred proceeds from the sale of DFund Bonds in order to meet the 20 percent match. Monies in the CWSRF are used by the TWDB to provide financial assistance, primarily to political subdivisions, for wastewater and nonpoint source pollution control projects that further the goals of the Act.

As required by EPA regulations, the debt service to be paid by the CWSRF to DFund will be from the CWSRF interest repayments of the loans that are made to the political subdivisions and from the CWSRF interest earnings of the fund.

Attachment 2 identifies the cumulative and projected amount of federal grants and state match since the inception of the CWSRF program in 1988.

### **Our Mission** : **Board Members**

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas

: Bech Bruun, Chairman | Kathleen Jackson, Board Member | Peter Lake, Board Member  
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: Jeff Walker, Executive Administrator

**KEY ISSUES**

Staff anticipates receiving the 2016 federal CWSRF grant from EPA in the amount of \$61,068,000. The required 20 percent state match on the grant would be \$12,213,600. The bond proceeds from the Water Financial Assistance Bonds, Series 2015F, which included the state match, exceeded the match requirement for the FY2016 grant by \$83,800, as the grant amount was an estimate at the time of the bond issuance. This resulting overmatch is being applied towards this year's match requirement and as a result the amount recommended to be transferred is \$12,129,800.

As shown in Attachment 3, the match repayment principal structure was set to ensure that cash flows in each were positive and the interest rates were set using the TWDB's Tax-Exempt Lending Rate Scale plus an additional 15 basis points to help DFund maintain healthy minimum coverage ratios.

**RECOMMENDATION**

The Executive Administrator recommends approving, in substantially the form attached:

- a) Resolution authorizing the transfer of \$12,129,800 in bond proceeds from DFund to the CWSRF; and
- b) Authorization to repay the match funds from the CWSRF to DFund.

Attachments: 1 – Resolution No. (16- )  
2 – CWSRF Grants and State Match  
3 – Projected Debt Service Schedule

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AUTHORIZING THE TRANSFER OF \$12,129,800 IN PROCEEDS OF  
STATE OF TEXAS WATER FINANCIAL ASSISTANCE BONDS  
TO THE CLEAN WATER STATE REVOLVING FUND

(16- )

WHEREAS, the State of Texas (State) has created the Clean Water State Revolving Fund (CWSRF) pursuant to Chapter 15, Subchapter J of the Texas Water Code, to be administered by the Texas Water Development Board (TWDB) to provide financial assistance to political subdivisions for the construction of treatment works and to provide financial assistance to political subdivisions and persons for nonpoint source pollution control in accordance with the capitalization grant program established under Title VI of the Federal Water Pollution Control Act, as amended (33 U.S.C. § 1251 et seq.) (Federal Act); and

WHEREAS, pursuant to the Federal Act requirements, the TWDB and the U.S. Environmental Protection Agency will enter into a capitalization grant agreement (Agreement) which provides for the TWDB, on behalf of the State, to receive federal capitalization grant funds for the CWSRF program; and

WHEREAS, pursuant to 33 U.S.C. § 1382(b)(2) and the terms of the Agreement, the TWDB will be required to deposit into the CWSRF a State match of at least 20 percent of the federal dollars provided to the State (State Match); and

WHEREAS, the Executive Administrator has determined that a State Match of \$12,129,800 will be required to complete the necessary match requirements for federal funds; and

WHEREAS, pursuant to Texas Water Code § 17.959, the water financial assistance account (Water Financial Assistance Account) is an account established within the Texas Water Development Fund II in the State Treasury and into which water financial assistance bond proceeds are deposited; and

WHEREAS, to meet the requirement that the State provide matching funds to the CWSRF, the TWDB, pursuant to Texas Water Code § 17.961(a), may direct the Comptroller of Public Accounts to transfer amounts from the Water Financial Assistance Account to the CWSRF to provide financial assistance as authorized by Texas Water Code, Chapter 17, Subchapter L; and

WHEREAS, the TWDB is directed by Texas Water Code § 17.961(c) to use the CWSRF as a source of revenue for the repayment of Water Financial Assistance Bonds issued by the TWDB, the proceeds of which are deposited into the CWSRF; and

WHEREAS, repayment of principal and interest of such State Match for the Federal Fiscal Year 2016 (FFY2016) is expected to be repaid from the CWSRF to the Water Financial Assistance Account over a period of 10 years with semi-annual payments and;

WHEREAS, the TWDB finds that the transfer of \$12,129,800 to the CWSRF to provide the required State Match for federal funds for the State Water Pollution Control Revolving Fund program is in the public interest.

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

1. The Executive Administrator or his designee is authorized to direct the Comptroller of Public Accounts to transfer from the Texas Water Development Fund II Water Financial Assistance Account into the Clean Water State Revolving Fund an amount of \$12,129,800 for the purpose of providing the State portion of financial assistance to applicants of the Clean Water State Revolving Fund program, such transfer being contingent upon the receipt of the federal grant award.
2. The Executive Administrator or his designee is further directed to take such steps as necessary to ensure the repayment by the Clean Water State Revolving Fund program to the Texas Water Development Fund II Water Financial Assistance Account, consistent with the Debt Service Schedule which includes the FFY2016 state match requirements, such schedule to be effective at the time of the receipt of the federal grant and the transfer authorized in paragraph No. 1 above.

APPROVED and ordered of record this the 25th day of August, 2016.

TEXAS WATER DEVELOPMENT BOARD

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Bech K. Bruun, Chairman

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

ATTEST:

\_\_\_\_\_  
Jeff Walker  
Executive Administrator

Texas Water Development Board  
Clean Water State Revolving Fund  
Federal Grants and State Match

Attachment 2

State Fiscal Year	Fed Fiscal Year	EPA Grant #	Grant Amount	State Match Required	State Match Provided
1988	1987	N-480001-88	\$105,190,250.00	\$21,038,050.00	\$21,037,500.00
1989	1988	CS-480001-89	\$82,691,538.00	\$16,538,307.60	\$32,452,673.00
1990	1990	CS-480001-90	\$72,843,855.00	\$14,568,771.00	\$28,760,000.00
1990	1989	CS-480001-90	\$1,466,749.00	\$293,349.80	\$0.00
1991	1991	CS48001-91	\$96,302,005.00	\$19,260,401.00	\$0.00
1991	1990	CS48001-91	\$1,900,000.00	\$380,000.00	\$0.00
1992	1991	CS48001-92	\$92,254,341.00	\$18,450,868.20	\$0.00
1993	1992	CS48001-93	\$98,743,594.00	\$19,748,718.80	\$10,000,000.00
1994	1993	CS48001-94	\$57,750,000.00	\$11,550,000.00	\$18,030,000.00
1995	1994	CS48001-95	\$56,296,944.00	\$11,259,388.80	\$20,552,574.00
1996	1995	CS48001-96	\$97,216,124.00	\$19,443,224.80	\$12,000,000.00
1997	1996	CS48001-97	\$28,485,864.00	\$5,697,172.80	\$17,000,000.00
1998	1997	CS48001-98	\$61,546,617.00	\$12,309,323.40	\$25,000,000.00
1999	1998	CS48001-99	\$61,551,864.00	\$12,310,372.80	\$0.00
2000	1999	CS-48000201	\$63,343,000.00	\$12,668,600.00	\$25,000,000.00
2001	2000	CS-48000201	\$60,797,781.00	\$12,159,556.20	\$0.00
2002	2001	CS-48000202	\$60,933,213.00	\$12,186,642.60	\$13,000,000.00
2003	2002	CS-48000203	\$60,537,213.00	\$12,107,442.60	\$13,000,000.00
2004	2003	CS-48000204	\$61,080,444.00	\$12,216,088.80	\$12,500,000.00
2005	2004	CS-48000205	\$49,252,104.00	\$9,850,420.80	\$10,000,000.00
2006	2005	CS-48000206	\$40,024,512.00	\$8,004,902.40	\$4,000,000.00
2007	2006	CS-48000208	\$61,564,429.00	\$12,312,885.80	\$11,988,141.00
2008	2007	CS-48000209	\$31,103,000.00	\$6,220,600.00	\$6,240,246.90
2009	2008	2W-96692401	\$179,121,900.00	\$0.00	\$0.00
2009	2008	CS-48000210	\$31,101,800.00	\$6,220,368.00	\$6,220,360.00
2011	2010	CS-48000210	\$93,126,000.00	\$18,625,200.00	\$18,625,208.00
2012	2011	CS-48000211	\$67,492,000.00	\$13,498,400.00	\$13,498,400.00
-	-	Toward Prior Grants	\$0.00	\$0.00	\$13,953.30
2013	2012	CS-48000212	\$64,597,000.00	\$12,919,400.00	\$12,919,400.00
2014	2013	CS-48000213	\$61,021,000.00	\$12,204,200.00	\$12,204,200.00
2014	2013	CS-48000213	\$100,000,000.00	\$0.00	
2015	2014	CS-48000214	\$64,084,000.00	\$12,816,800.00	\$12,816,800.00
2016	2015	CS-48000215	\$63,756,000.00	\$12,751,200.00	\$12,835,000.00
2017	2016	CS-48000216	\$61,068,000.00	\$12,213,600.00	\$12,129,800.00
<b>Total</b>			<b>\$2,188,243,141.00</b>	<b>\$381,824,256.20</b>	<b>\$381,824,256.20</b>

Clean Water Debt Service Schedule					
FFY 2016 State Match					
Period					Annual Debt
Ending	Principal	Coupon	Interest	Debt Service	Service
1/15/2017			\$ 103,730.61	\$ 103,730.61	
7/15/2017	\$ 1,125,000.00	1.070%	\$ 94,779.24	\$ 1,219,779.24	\$ 1,323,509.85
1/15/2018			\$ 88,760.49	\$ 88,760.49	
7/15/2018	\$ 1,155,000.00	1.170%	\$ 88,760.49	\$ 1,243,760.49	\$ 1,332,520.98
1/15/2019			\$ 82,003.74	\$ 82,003.74	
7/15/2019	\$ 1,170,000.00	1.260%	\$ 82,003.74	\$ 1,252,003.74	\$ 1,334,007.48
1/15/2020			\$ 74,632.74	\$ 74,632.74	
7/15/2020	\$ 1,180,000.00	1.390%	\$ 74,632.74	\$ 1,254,632.74	\$ 1,329,265.48
1/15/2021			\$ 66,431.74	\$ 66,431.74	
7/15/2021	\$ 1,200,000.00	1.510%	\$ 66,431.74	\$ 1,266,431.74	\$ 1,332,863.48
1/15/2022			\$ 57,371.74	\$ 57,371.74	
7/15/2022	\$ 1,215,000.00	1.630%	\$ 57,371.74	\$ 1,272,371.74	\$ 1,329,743.48
1/15/2023			\$ 47,469.49	\$ 47,469.49	
7/15/2023	\$ 1,240,000.00	1.720%	\$ 47,469.49	\$ 1,287,469.49	\$ 1,334,938.98
1/15/2024			\$ 36,805.49	\$ 36,805.49	
7/15/2024	\$ 1,255,000.00	1.820%	\$ 36,805.49	\$ 1,291,805.49	\$ 1,328,610.98
1/15/2025			\$ 25,384.99	\$ 25,384.99	
7/15/2025	\$ 1,285,000.00	1.910%	\$ 25,384.99	\$ 1,310,384.99	\$ 1,335,769.98
1/15/2026			\$ 13,113.24	\$ 13,113.24	
7/15/2026	\$ 1,304,800.00	2.010%	\$ 13,113.24	\$ 1,317,913.24	\$ 1,331,026.48
	\$ 12,129,800.00		\$ 1,182,457.17	\$ 13,312,257.17	\$ 13,312,257.17