

The True Interest Cost on Series 2019A, which has a 20-year term, is 2.93%. No additional basis points were added to cover program risks, and only the Board's direct costs are covered, in recognition of the small portion of the funds used to make loans and the appropriation of general revenue to pay debt service on TWDB's bonds. Since bond proceeds still remain from the Series 2016A Bonds, the new lending rate scale must be blended to incorporate the previously adopted scale.

RECOMMENDATION

In order to set a rate scale for EDAP which meets market conditions and covers cost of funds, the Executive Administrator recommends approval by resolution of the new EDAP Tax-Exempt lending rate scale in Exhibit A to the resolution to be effective as of February 25, 2019.

Attachment: Resolution

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING THE ESTABLISHMENT OF A
NEW TAX-EXEMPT LENDING RATE SCALE
FOR THE ECONOMICALLY DISTRESSED AREAS PROGRAM ACCOUNT
OF THE TEXAS WATER DEVELOPMENT FUND II

(19 -)

WHEREAS, on February 20, 2019, the Texas Water Development Board (TWDB) will sell and deliver \$41,325,000 State of Texas, Water Financial Assistance Bonds, (EDAP), Series 2019A resulting in the delivery of \$44,901,527.37 in proceeds to the Board; and

WHEREAS, 31 Texas Administrative Code (TAC) § 363.33(b) provides that after each bond sale, or as necessary to meet changing market conditions, the Board will set the lending rate scales for loans and state participation projects based upon cost of funds, risk factors in managing the loan portfolio, and market rate scales; and

WHEREAS, subsection (4) in 31 TAC § 363.33(b) provides that the Board will establish separate lending rate scales for tax-exempt and taxable projects from loans made from the EDAP Program Account; and

WHEREAS, in conjunction with the February 20, 2019 sale of State of Texas Water Financial Assistance Bonds (EDAP), Series 2019A, Board staff has prepared a new tax-exempt lending rate scale which will apply to financial assistance from the Economically Distressed Areas Program (EDAP) as set forth in Exhibit A to this Resolution, and staff's January 28, 2019 Memorandum to the Board, to which documents express reference is made; and

WHEREAS, the Board finds that the establishment of a new tax-exempt lending rate scale for EDAP is necessary due to the sale of the State of Texas Water Financial Assistance Bonds (EDAP), Series 2019A; and

WHEREAS, the Board finds that the new lending rate scale for the EDAP is based upon cost of funds, as appropriate.

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

The Board approves the new lending rate scale in Exhibit A to this Resolution, to be effective February 25, 2019 for the tax-exempt lending rates which apply to financial assistance provided from the Economically Distressed Areas Program Account.

APPROVED and ordered of record this the 25th day of February, 2019.

TEXAS WATER DEVELOPMENT BOARD

Peter Lake, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker Executive Administrator

LENDING RATE SCALE FOR EDAP
Tax-Exempt Rate Effective February 25, 2019

| Year | New Rate |
|-------------|-----------------|
| Year 1 | 1.78% |
| Year 2 | 1.80% |
| Year 3 | 1.82% |
| Year 4 | 1.85% |
| Year 5 | 1.92% |
| Year 6 | 2.00% |
| Year 7 | 2.08% |
| Year 8 | 2.18% |
| Year 9 | 2.28% |
| Year 10 | 2.37% |
| Year 11 | 2.68% |
| Year 12 | 2.95% |
| Year 13 | 2.98% |
| Year 14 | 3.10% |
| Year 15 | 3.20% |
| Year 16 | 3.31% |
| Year 17 | 3.39% |
| Year 18 | 3.46% |
| Year 19 | 3.53% |
| Year 20 | 3.60% |
