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AGENDA ITEM MEMO

BOARD MEETING DATE: July 24, 2025

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Jessica Peña, Deputy Executive Administrator, Water Supply and Infrastructure
Georgia Sanchez, CFO, Development Fund Manager, Interim Financial
Compliance Director

FROM: T. Clay Schultz, Ph.D., Director, Regional Water Project Development
David Duran, Director, Debt & Portfolio Management

SUBJECT: Amendment to the Brazosport Water Supply Corporation Closing Source

ACTION REQUESTED

Amend by resolution the previously adopted Texas Water Development Board Resolution No. 24-054, as amended, to modify the Brazosport Water Supply Corporation's State Water Implementation Revenue Fund for Texas closing source account.

BACKGROUND

In July 2024, the Texas Water Development Board (TWDB), approved a \$747,500,000 multi-year commitment to the Brazosport Water Supply Corporation (Corporation) from the State Water Implementation Revenue Fund for Texas (SWIRFT) for the Brazosport WSC Reservoir project, Project No. 21818.

KEY ISSUES

The closing source account identified at the time of commitment and approval of the TWDB Resolution No. 24-054, as amended, has changed. For the 2025 SWIFT Program funding cycle, the TWDB will incorporate the use of general obligation bonds as a part of the plan of finance to purchase each political subdivision obligation.

The multi-year commitment for this project was pledged and previously closed under the State Water Implementation Revenue Fund for Texas. For this and future funding cycles, the project will be financed from proceeds from the general obligation bonds issued for the Financial Assistance Account of the Texas Water Development Fund II.

Our Mission

Leading the state's efforts
in ensuring a secure
water future for Texas

Board Members

L'Oreal Stepney, P.E., Chairwoman | Tonya R. Miller, Board Member
Bryan McMath, Executive Administrator

RECOMMENDATION

The requested amendment does not change the total amount of financing, the financing timeline, or the financing terms. The Executive Administrator recommends that TWDB Resolution No. 24-054, as amended, be amended to reflect the change in closing source account.

Attachments:

1. Proposed Resolution (25-)
2. Resolution (24-054)

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD
RESOLUTION NO. 24-054
TO PROVIDE FINANCIAL ASSISTANCE
TO THE BRAZOSPORT WATER SUPPLY CORPORATION

(25 -)

Recitals:

At its July 23, 2024 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 24-054, made a multi-year commitment to the Brazosport Water Supply Corporation (Corporation) for financial assistance in the amount of \$747,500,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), through the purchase of \$747,500,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds Taxable Series 2024B through 2027, all as is more specifically set forth in the TWDB's Resolution No. 24-054 (Resolution) and accompanying documentation, to which documents express reference is made; and

On November 13, 2024 the Corporation closed on Brazosport Water Supply Corporation Combined Fee Revenue Bonds Taxable Series 2024B in the amount of \$335,890,000.

In 2025 the Corporation sought an amendment to TWDB Resolution No. 24-054 to modify the Corporation's State Water Implementation Revenue Fund for Texas annual loan closing schedule.

On June 25, 2025 the Board amended the commitment made through TWDB Resolution No. 24-054 to provide for the annual closing schedule:

- a. \$262,580,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) Taxable Series 2025;
- b. \$79,770,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) Taxable Series 2026; and
- c. \$69,260,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) Taxable Series 2027.

To extend the financing options for the Corporation, the TWDB intends to amend TWDB Resolution No. 24-054 as amended to allow the Authority to close on the 2025 series of its multi-year commitment through the Financial Assistance Account of the Texas Water Development Fund II.

Subject to the Authority's use of an approved debt service structure, the interest rate subsidy applicable to each subsequent proposed series may be different than the interest rate subsidy available for State Fiscal Year 2025 and will be set through each financing

agreement executed between the TWDB and the Authority. The subsidies will be available to the Authority without regard to the source of funds.

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.
2. And the availability of revenue to the Corporation, from all sources, for the ultimate repayment of the cost of the water supply project, including interest.

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M; or the requirements of Chapter 17, Subchapters D, E, and L, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A.
2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The public interest requires state assistance in the financing of this project, in accordance with Texas Water Code § 17.125(a)(1).
4. The proposed amendment to TWDB Resolution No. 24-054 are reasonable and will serve a public purpose.
5. In accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law.

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

1. The commitment made through the Resolution to the Brazosport Water Supply Corporation for financial assistance from the State Water Implementation Revenue Fund for Texas is amended and shall be evidenced by the TWDB's proposed purchase of \$262,580,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) Taxable Series 2025 from the Financial Assistance Account of the Texas Water Development Fund II.
2. The Executive Administrator is authorized to determine the source account, whether the State Water Implementation Revenue Fund for Texas or the Financial Assistance Account of the Texas Water Development Fund II for each subsequent series.
3. All other terms and conditions of TWDB Resolution No. 24-054 as amended shall

remain in full force and effect.

APPROVED and ordered of record this the 24th day of July, 2025.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
BRAZOSPORT WATER SUPPLY CORPORATION
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$747,500,000
BRAZOSPORT WATER SUPPLY CORPORATION BRAZOSPORT WATER SUPPLY
CORPORATION COMBINED FEE REVENUE BONDS
(BWSC RESERVOIR PROJECT),
PROPOSED TAXABLE SERIES 2024B,
PROPOSED TAXABLE SERIES 2025,
PROPOSED TAXABLE SERIES 2026
AND
PROPOSED TAXABLE SERIES 2027

(24-054)

Recitals:

The Brazosport Water Supply Corporation (Corporation), located in Brazoria and Fort Bend Counties, has filed an application for financial assistance in the amount of \$747,500,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design, and construction of a water supply project identified as Project No. 21818 (Project).

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$747,500,000 in the form of a multi-year commitment through the TWDB's proposed purchase of \$747,500,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project), Proposed Taxable Series 2024B, through 2027 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The Corporation has offered a pledge of contract revenue as sufficient security for the repayment of the Obligations.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307.

Subject to the Corporation's use of an approved debt service structure, interest rate subsidies are available to the Corporation for State Fiscal Year 2024 at up to the following levels: 20% for financial assistance for a term of 20 years, 14% for financial assistance for a term of 21 to 25 years, and 10% for financial assistance for a term of 26 to 30 years. The interest rate subsidy applicable to each subsequent proposed series may be different than the interest rate subsidy available for State Fiscal Year 2024 and will be set through each financing agreement executed between the TWDB and the Corporation.

The interest rate subsidies provided above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond

issuance and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program.

At its June 12, 2024 meeting, TWDB, by TWDB Resolution No. 24-037, made a commitment to provide financial assistance in the amount of \$2,500,000 to the Corporation from the Financial Assistance Account of the Texas Water Development Fund II to finance water system improvements, to be secured by the TWDB's purchase of \$2,500,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project), Proposed Taxable Series 2024A for Project No. 21818, all as is more specifically set forth in the TWDB's Resolution and accompanying documentation, to which documents express reference is made.

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.
2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The Corporation has adopted and implemented 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 TWDB's rules.
4. The Corporation acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

NOW THEREFORE, based on these findings, the TWDB commits to the following:

The TWDB will provide financial assistance to Brazosport Water Supply Corporation in the amount of \$747,500,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) as follows:

- a. \$335,890,000, Proposed Taxable Series 2024B, to expire on December 31, 2024;
- b. \$237,580,000, Proposed Taxable Series 2025, to expire on December 31, 2025;
- c. \$94,770,000, Proposed Taxable Series 2026, to expire on December 31, 2026;
and

d. \$79,260,000, Proposed Taxable Series 2027, to expire on December 31, 2027.

The commitment is subject to the following:

Standard Conditions:

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 the Corporation has complied with all of the requirements of the laws under which the Obligations were issued, that the Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that the Obligations are valid and binding obligations of the Corporation.
3. This commitment is contingent upon the Corporation's continued compliance with all applicable laws, rules, policies, and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement.
4. This commitment is contingent upon the Corporation executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting the executed agreement to the TWDB consistent with the terms and conditions described in it.
5. Interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator.
6. The Corporation shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

Required Obligation Conditions:

7. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that 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.
8. The Obligations must provide that the Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. The Obligations must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.

10. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein the Corporation, 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 Corporation's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of SEC rule 15c2-12, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Corporation's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to the bonds under SEC Rule 15c2-12.
12. The Obligations must include a provision requiring the Corporation to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
13. 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.
14. Financial assistance 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, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
15. Financial assistance proceeds shall not be used by the Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall include a provision that states the Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
16. The Obligations must include a provision stating that the Corporation shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.

17. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).
18. The Obligations must contain a provision stating that the Corporation shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.
19. The Obligations must provide that the Corporation will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
20. The Obligations must include a provision that if the collateral or credit pledged by the Corporation securing the Obligations is rated by a nationally-recognized statistical rating agency, the Corporation, or other obligated person, will not discontinue the rating issued by a nationally-recognized statistical rating agency until the underlying Obligations are retired or no longer held by TWDB.

Water Supply Corporation Conditions:

21. The Obligations must include a provision stating that the Corporation's indebtedness to the TWDB shall be secured by:
 - a. a first or parity lien on the gross revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System.
22. The Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging, or otherwise impairing the revenues of the System in any manner with respect to the payment of any obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt; and that the Corporation shall in no way encumber, pledge, or otherwise impair its title to the land used by or for the System or any interests in the System, including improvements and facilities of the System, without prior TWDB approval.

Pledge Conditions:

23. The Obligations must require the accumulation of a reserve fund of no less than maximum annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations.

24. The Obligations must contain a provision requiring that, upon request by the Executive Administrator, the Corporation shall submit annual audits of contracting parties for the Executive Administrator's review.
25. The Obligations must contain a provision requiring the Corporation to maintain and enforce the contracts with its customers so that the revenues paid to the Corporation by its customers are sufficient to meet the revenue requirements of the Corporation's obligations arising from the operation of the water system.
26. The Obligations must contain a provision that the pledged contract revenues from the Corporation may not be pledged to the payment of any additional parity obligations of the Corporation secured by a pledge of the same contract revenues unless the Corporation demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations.

Conditions To Close Or For Release Of Funds:

27. Before closing, if not previously provided with the application, the Corporation shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
28. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the Corporation 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.
29. Before closing, the Corporation shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.
30. Before closing, the Corporation must submit to the Executive Administrator an attorney's opinion acceptable to the Executive Administrator confirming the legal authority for the Corporation to encumber its system.
31. Within 20 days after closing, the Corporation must file a Deed of Trust with the county clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the county clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB.
32. Within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property

directly related to water supply owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office.

33. Before closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgage title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgage title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution.
34. Before closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary.
35. Before closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted to the TWDB, the bylaws shall not be altered, amended, or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation is a nonprofit Corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.
36. Before closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's financial assistance, then the Corporation must execute a Parity Agreement with each entity that holds the debt acceptable in form and substance to the Executive Administrator.
37. Before closing, the Corporation must submit executed contracts between the Corporation and the contracting parties regarding the contract revenues pledged to the payment of the Corporation's Obligations, in form and substance acceptable to the Executive Administrator. The contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Corporation's debt service obligations and additional parity obligations.

Special Conditions:

38. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the Corporation has the right to use the water that the Project financed by the TWDB will provide or a written

determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction.

39. Before 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 Corporation has the right to use the water that the Project financed by the TWDB will provide.
40. The Corporation must notify the Executive Administrator before 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 another retail public utility.
41. The Obligations must include a provision requiring that, before any action by the Corporation 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.

APPROVED and ordered of record this the 23rd day of July 2024.

TEXAS WATER DEVELOPMENT BOARD


Brooke T. Paup
Brooke T. Paup, Chairwoman

DATE SIGNED:

July 25, 2024

ATTEST:


Bryan McMath, Interim Executive Administrator