

**TO:** Board Members

**THROUGH:** Kevin Patteson, Executive Administrator  
Amanda Landry, Chief Financial Officer

**FROM:** David Duran, Financial Analyst

**DATE:** June 15, 2015

**SUBJECT:** The establishment of a taxable lending rate scale for the San Jacinto River Authority Highlands System Improvements project

### **ACTION REQUESTED**

Approve by resolution the establishment of a taxable lending rate scale for the Development Fund II (DFund II) Water Financial Assistance Program to be used for the sole purpose of financing a loan for the San Jacinto River Authority (SJRA) Highlands System Improvements project (Project) to be effective July 2, 2015.

### **BACKGROUND**

The Water Development Board (TWDB) has made a commitment to the SJRA to provide financial assistance in the form of a \$29,000,000 loan. The TWDB will fund this loan through a combination of approximately \$21,000,000 of funds previously on hand, and \$8,000,000 of funds delivered through the sale of new taxable bonds. The lending rate for the Project will be a blended rate utilizing the existing taxable rate for DFund II and the rate for the new bonds.

### **KEY ISSUES**

On June 18, 2015, TWDB will close on State of Texas Water Financial Assistance Bonds, Series 2015G for a total of \$11,370,342.82 (par plus net premium minus underwriter's discount) in new money taxable proceeds, the majority of which will finance a portion of the loan to SJRA for the Project. The True Interest Cost on Series 2015G is 3.1131%. The term of the Series 2015G bonds was less than that of the SJRA loan, so an estimate was used of what the TWDB's rate would have been for the full 24 year term of the SJRA loan. Approximately ten (10) basis points were added to the interest cost for the Series 2015G bonds to cover costs of issuance, costs of payment timing mismatch, default risk and prepayment risk.

**Based upon the blending of the previously adopted DFund II taxable lending rate and the new rate of the 2015G bonds, the proposed lending rate for the SJRA loan is 3.93%.**

**RECOMMENDATION**

The Executive Administrator recommends approval by resolution of the taxable lending rate scale for the Project in Attachment A to the Resolution to be effective as of July 2, 2015.

**Attachment 1:** Resolution (15- )

**CERTIFICATION**

This recommendation has been reviewed by legal counsel and is within the TWDB's legal authority.

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Les Trobman, General Counsel

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING THE ESTABLISHMENT OF A  
LENDING RATE SCALE  
FOR THE SAN JACINTO RIVER AUTHORITY'S HIGHLANDS SYSTEM  
IMPROVEMENTS PROJECT  
OF THE TEXAS WATER DEVELOPMENT FUND II

(15 - )

WHEREAS, on June 18, 2015, the Texas Water Development Board (TWDB) sold and delivered \$11,415,000 State of Texas, Water Financial Assistance Bonds, Taxable Series 2015G resulting in the delivery of \$11,370,342.82 to the Board; and

WHEREAS, 31 Texas Administrative Code §363.33(b) provides that after each bond sale or as necessary to meet changing market conditions, the Board will set the lending rate(s) 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, in conjunction with the June 18, 2015 sale of State of Texas Water Financial Assistance Bonds, Taxable Series 2015G, Board staff has prepared a new taxable lending rate scale which will apply solely to financial assistance from the Development Fund II (DFund II) to the San Jacinto River Authority's Highlands System Improvements project (Project), as set forth in Attachment A to this Resolution and staff's June 15, 2015 Memorandum to the Board, to which documents express reference is made; and

WHEREAS, the Board finds that the establishment of a new taxable lending rate scale for the Project is necessary due to the sale of the State of Texas Water Financial Assistance Bonds, Taxable Series 2015G; and

WHEREAS, the Board finds that the new taxable lending rate scale for the Project is based upon cost of funds, risk factors in managing the loan, and market rate scales, 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 Attachment A to this Resolution, to be effective July 2, 2015 for the Taxable lending rate which will apply solely to financial assistance provided from the DFund II for the Project.

APPROVED and ordered of record this the 2nd day of July 2015.

**TEXAS WATER DEVELOPMENT BOARD**

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Bech K. Bruun, Chairman

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

ATTEST:

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Kevin Patteson  
Executive Administrator

**LENDING RATE SCALE FOR DFUND II**  
**Taxable Rate for SJRA Highlands System Improvements Project**  
**Effective July 2, 2015**

<b>Year</b>	<b>New Rate</b>
Year 1	0.89%
Year 2	1.39%
Year 3	1.83%
Year 4	2.18%
Year 5	2.41%
Year 6	2.72%
Year 7	2.89%
Year 8	3.06%
Year 9	3.16%
Year 10	3.34%
Year 11	3.50%
Year 12	3.68%
Year 13	3.83%
Year 14	3.86%
Year 15	4.05%
Year 16	4.19%
Year 17	4.19%
Year 18	4.19%
Year 19	4.19%
Year 20	4.27%
Year 21	4.28%
Year 22	4.28%
Year 23	4.28%
Year 24	4.28%

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<b>Borrowing Cost for SJRA Loan</b>	<b>3.93%</b>
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