

TO: Board Members

THROUGH: Kevin Patteson, Executive Administrator
 Chris Hayden, Interim Chief Financial Officer

FROM: David Duran, Team Lead, Debt Management

DATE: August 12, 2015

SUBJECT: Consider approving by resolution the reimbursement of the costs of loans through the issuance, sale and delivery of up to \$147,479,205 of Clean Water State Revolving Fund Revenue Bonds.

ACTION REQUESTED

Consider approving by resolution the reimbursement of the costs of loans through the issuance, sale and delivery of up to \$147,479,205 of Clean Water State Revolving Fund Revenue Bonds.

BACKGROUND

Under the Clean Water State Revolving Fund (CWSRF), the agency funds loans with program cash on hand and sells bonds to reimburse the program as needed. This allows the agency to avoid the additional interest rate costs and compliance monitoring associated with issuing bonds with Tax Increase Prevention and Reconciliation Act provisions.

The Tax Increase Prevention and Reconciliation Act requires that 30% of bonds issued be lent to eligible borrowers within the first year and 95% be lent within three years. If not met, the unmet portion of the bonds must be called which requires the bonds to be issued with extraordinary redemption language and historically has required a call premium in the bond structure.

In order to reimburse itself under federal regulations, the agency must provide notice through the adoption of a Reimbursement Resolution of loans that it may fund with cash and may at a later date seek to reimburse itself for. The Board has eighteen (18) months from the date loans are closed to sell bonds and reimburse the CWSRF Program Account. To date, the Board has adopted eight (8) Reimbursement Resolutions. The chart below outlines when the resolutions were adopted; the amount authorized to be reimbursed; and the amounts reimbursed to date.

<p>Our Mission</p> <p>To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas</p>	<p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p> <p>⋮</p>	<p>Board Members</p> <p>Bech Bruun, Chairman Carlos Rubinstein, Member Kathleen Jackson, Member</p> <p>Kevin Patteson, Executive Administrator</p>
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Date Resolution Adopted	Amount Authorized	Reimbursed to Date
September 24, 2007	\$660,000,000	\$562,609,612
October 28, 2008	\$442,000,000	\$160,235,000
September 17, 2009	\$340,000,000	\$3,510,000
October 14, 2010	\$368,200,000	\$0
October 20, 2011	\$189,600,000	\$0
October 17, 2012	\$70,495,000	\$0
October 17, 2013	\$136,069,530	\$0
September 18, 2014	\$105,175,000	\$0

KEY ISSUES

It has not been necessary to sell bonds to reimburse the CWSRF program during Fiscal Years 2011-2015 as the repayments received have provided sufficient program funds to close loans. Staff continues to monitor all outstanding commitments and subsequent loan closings identified in the Reimbursement Resolutions as well as program fund balances.

SUMMARY

The formal adoption of a Reimbursement Resolution (Attachment 1) is necessary under IRS regulations to provide notice of the Board's intent to reimburse the costs of closing program loans. This allows the Board to maintain program liquidity and cash availability for loan closings while eliminating the potential compliance issues and costs of bonds issued with the Tax Increase Prevention and Reconciliation Act provisions. Exhibit A identifies thirteen (13) commitments made since August of 2014 and identified for possible future reimbursements for a total of \$147,479,205.

RECOMMENDATION

The Executive Administrator recommends adoption of a Resolution expressing official intent to reimburse costs of loans and funds transfers through the issuance, sale and delivery of up to \$147,479,205 of CWSRF Revenue Bonds.

Attachment: Attachment 1 - Reimbursement Resolution (15-)
Exhibit A – Commitments

CERTIFICATION

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

Les Trobman, General Counsel

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD TO REIMBURSE COSTS OF LOANS THROUGH THE ISSUANCE, SALE, AND DELIVERY OF UP TO \$147,479,205 IN CLEAN WATER STATE REVOLVING FUND REVENUE BONDS

(15-)

WHEREAS, the Texas Water Development Board (the "TWDB") expects prior to the issuance of Clean Water State Revolving Fund Revenue Bonds (the "Obligations") to finance from available revenues other than bond proceeds one or more loans attached hereto in **Exhibit A** ("Loans") in connection with the design, planning, acquisition and construction of clean water projects (the "Projects"); and

WHEREAS, the TWDB must comply with the Tax Increase Prevention and Reconciliation Act Provisions related to issuing bonds; and

WHEREAS, pursuant to Internal Revenue Service regulations, when the TWDB intends to reimburse itself for the costs of loans and funds transfers, it must first provide notice of said intent in accordance with Section 1.150-2 of the U.S. Treasury Regulations; and

WHEREAS, the TWDB declares said intent to reimburse itself for such loans at such time as it issues Obligations to finance the Loans; and

WHEREAS, the TWDB finds, considers, and declares that the reimbursement of the TWDB for the payment of such expenditures are in the public interest, appropriate, and consistent with the lawful objectives of the TWDB; and,

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

1. The TWDB reasonably expects to incur Obligations, as one or more series, with an aggregate maximum principal amount estimated not to exceed \$147,479,205 for the purpose of paying the costs of the Loans.
2. All costs to be reimbursed pursuant to this Resolution will be solely for the purpose of reimbursement of the Loans for the Projects set forth in Exhibit A.
3. No tax exempt Obligations will be issued by the TWDB in furtherance of this Resolution after a date which is later than 18 months after the date the Loans are made.
4. The foregoing notwithstanding, no tax exempt Obligations will be issued pursuant to this Resolution more than three (3) years after the date any expenditure which is to be reimbursed is paid.
5. No proceeds of Obligations will be used pursuant hereto to reimburse costs previously paid with the proceeds of other Obligations issued by the TWDB or any related entity.

APPROVED and ordered of record this the 26th day of August, 2015.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

Texas Water Development Board
 Clean Water State Revolving Fund
 Loans Authorized for Reimbursement in August 2015
 For Fiscal Year 2016

Exhibit A

Recipient Name	Loan Number	Commitment Date	Estimated Closing Date	Commitment Amount
Mission	L1000356	3/26/2015	9/15/2015	\$ 19,640,000
Castroville	L1000393	3/26/2015	9/16/2015	\$ 3,050,000
San Marcos	L1000413	2/25/2015	9/16/2015	\$ 4,275,000
San Marcos	LF1000412	2/25/2015	9/16/2015	\$ 342,955
Angelina & Neches RA	L1000396	1/8/2015	10/21/2015	\$ 1,820,000
Angelina & Neches RA	LF1000397	1/8/2015	10/21/2015	\$ 3,176,250
Hudson	L1000446	7/23/2015	10/28/2015	\$ 410,000
Houston	L1000382	1/29/2015	11/1/2015	\$ 63,435,000
Laredo	L1000357	3/26/2015	11/15/2015	\$ 22,075,000
Laredo	L1000329	8/13/2014	11/20/2015	\$ 18,000,000
Greater Texoma UA	L1000447	7/23/2015	12/1/2015	\$ 640,000
Castroville	L1000391	3/26/2015	12/15/2015	\$ 9,050,000
Orangefield WSC	L1000355	12/11/2014	1/15/2016	\$ 1,565,000
TOTAL				\$ 147,479,205