

TO: Board Members

THROUGH: Kevin Patteson, Executive Administrator
Cindy Demers, Chief Financial Officer

FROM: David Duran, Team Lead - Debt Management

DATE: November 6, 2015

SUBJECT: Consider amending TWDB resolution No. 15-104 for the reimbursement of the costs of additional loans through the issuance, sale and delivery of up to \$18,300,000 of Water Financial Assistance General Obligation Bonds.

ACTION REQUESTED

Consider amending TWDB resolution No. 15-104 for the reimbursement of the costs of additional loans through the issuance, sale and delivery of up to \$18,300,000 of Water Financial Assistance General Obligation Bonds.

BACKGROUND

Under the Development Fund II (DFund) program, 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 102% 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 DFund.

KEY ISSUES

Bonds will be sold to reimburse the DFund during Fiscal Year 2016 as the Board’s equity will be used to initially fund loans. This proposed resolution amends the TWDB Resolution No. 15-104 adopted on August 26, 2015 which identified four loans and two required state match contributions for reimbursement totaling \$51,942,600. The Board has since made additional commitments which are proposed to be added to the list of commitments for reimbursement.

<p style="color: #0070C0;">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 style="color: #0070C0;">Board Members</p> <p>Bech Bruun, Chairman Kathleen Jackson, Member</p> <p>Kevin Patteson, Executive Administrator</p>
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Staff will continue to monitor all outstanding commitments and subsequent loan closings identified in the Reimbursement Resolution.

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 six (6) loans either committed or proposed to be committed since July 2015 totaling \$18,300,000 for possible future reimbursement.

RECOMMENDATION

The Executive Administrator recommends amending TWDB resolution No. 15-104 to reimburse the costs of additional loans through the issuance, sale and delivery of up to \$18,300,000 of Water Financial Assistance General Obligation Bonds.

CERTIFICATION

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

Les Trobman, General Counsel

Attachments: Attachment 1 - Reimbursement Resolution
Exhibit A – Loan Commitments

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD AMENDING TWDB RESOLUTION NO. 15-104 TO REIMBURSE COSTS OF ADDITIONAL LOANS THROUGH THE ISSUANCE, SALE, AND DELIVERY OF UP TO \$18,300,000 IN ADDITIONAL WATER FINANCIAL ASSISTANCE GENERAL OBLIGATION BONDS

(15-)

WHEREAS, at its August 26, 2015 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-104, approved the reimbursement of costs of loans and funds transfers through the issuance, sale and delivery of up to \$51,942,600 in Water Financial Assistance General Obligation Bonds; and

WHEREAS, the Executive Administrator's staff recommends the reimbursement of costs of additional loans through the issuance, sale and delivery of up to \$18,300,000 in additional Water Financial Assistance General Obligation Bonds; and

WHEREAS, an amendment to TWDB Resolution No. 15-104 is therefore necessary to reflect the TWDB's intent to reimburse itself for the costs of loans and funds transfers in accordance with Section 1.150-2 of the U.S. Treasury Regulations; and

WHEREAS, the TWDB hereby finds that the amendment(s) to TWDB Resolution No. 15-104 are in the public interest and will serve a public purpose.

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

1. The recitals set forth in the preamble hereto are hereby incorporated herein as set forth in full at this place.
2. TWDB Resolution No. 15-104 is amended to reflect the TWDB's express official intent to reimburse the costs of additional loans through the issuance, sale and delivery of up to \$18,300,000 in additional Water Financial Assistance General Obligation Bonds, for an aggregate total of up to \$70,242,600 in Water Financial Assistance General Obligation Bonds.
3. All costs to be reimbursed pursuant to TWDB Resolution No. 15-104 and this Amendment Resolution will be solely for the purpose of reimbursement of the loans as set forth in Exhibit A, as amended and attached hereto.
4. All other terms and conditions of TWDB Resolution No. 15-104 shall remain in full force and effect.

APPROVED and ordered of record this 1st day of December, 2015.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

Texas Water Development Board
Water Development Fund
Loans Authorized for Reimbursement

Exhibit A

Loan Commitments Authorized under the Amending Resolution

Recipients	Loan Number	Commitment Date	Estimated Closing Date	Commitment Amount
Fort Bend	L1000450	7/23/2015	10/7/2015	\$ 8,000,000
Alba	L1000452	8/26/2015	12/1/2015	\$ 840,000
Port O'Connor ID	L1000440	8/26/2015	12/1/2015	\$ 2,815,000
Caddo Lake WSC	L1000451	9/22/2015	1/15/2016	\$ 430,000
Ables Springs WSC*	L1000442		3/1/2016	\$ 1,215,000
Riverbend Water Resources*	L1000458		1/15/2016	\$ 5,000,000

Total Costs for Reimbursement as Authorized on 12/1/2015 \$ 18,300,000

Loan Commitments Authorized under Original Resolution 15-104

Recipients	Loan Number	Commitment Date	Estimated Closing Date	Commitment Amount
San Jacinto RA	L1000208	6/21/2012	9/15/2015	\$ 12,500,000
Brushy Creek MUD	L1000350	11/20/2014	9/21/2015	\$ 2,425,000
Anton	L1000448	7/2/2015	9/24/2015	\$ 3,000,000
Brownwood	L1000076	9/20/2012	9/30/2015	\$ 8,560,000

State Match Requirements**

Drinking Water State Revolving Fund - 2016 12,706,400
Clean Water State Revolving Fund - 2016 12,751,200

Total Costs for Reimbursement as Authorized on 8/26/2015 \$ 51,942,600

Total Combined Costs for Reimbursement as Amended \$ 70,242,600

*These projects are expected to go before the Board for approval on December 14, 2015.

**Amounts estimated, assumed to be the same as 2015 state match.