

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Amanda Lavin, Assistant Executive Administrator and Development Fund Manager
Rebecca Trevino, Chief Financial Officer
Les Trobman, General Counsel

FROM: David Duran, Manager, Debt & Portfolio Management

DATE: August 16, 2016

SUBJECT: Drinking Water State Revolving Fund Reimbursement Resolution

ACTION REQUESTED

Consider approving by resolution the reimbursement of the costs of providing financial assistance to borrowers through the issuance, sale and delivery of up to \$96,090,000 of Drinking Water State Revolving Fund Revenue Bonds.

BACKGROUND

Under the Drinking Water State Revolving Fund (DWSRF), the agency provides financial assistance to borrowers in the form of loans and principal forgiveness, which has historically been funded from federal capitalization grants, state appropriations, transfers of bond proceeds from the Water Development Fund (DFund), and loan repayments from borrowers. The Texas Water Development Board (TWDB) has the ability to issue revenue bonds secured by funds in the DWSRF, and anticipates issuing the first series of revenue bonds next year for the purpose of reimbursing the DWSRF from bond proceeds, and to generate proceeds for new applications for financial assistance that may be received.

The Tax Increase Prevention and Reconciliation Act (TIPRA) requires that 30% of tax-exempt 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. By adopting this resolution, the TWDB can issue bonds for the DWSRF and shortly thereafter use the proceeds of that issuance to reimburse itself for costs previously paid from funds other than bond proceeds transferred from the DFund. This not only assists with meeting TIPRA requirements, but also provides the opportunity to more efficiently plan each bond issuance.

Our Mission : **Board Members**

To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas :

Bech Bruun, Chairman | Kathleen Jackson, Board Member | Peter Lake, Board Member

Jeff Walker, Executive Administrator

In order to reimburse itself under federal regulations, the agency must provide notice through the adoption of a Reimbursement Resolution regarding financial assistance that it may fund with cash and for which it may seek reimbursement at a later date. The Resolution allows for the issuance of bonds to reimburse the TWDB for financial assistance provided pursuant to the Resolution for up to eighteen (18) months from the date the funds are provided, and such date may be up to 60 days prior to the adoption of the Resolution.

KEY ISSUES

It has not been necessary to sell bonds to reimburse the DWSRF program as capitalization grants received from the Environmental Protection Agency have provided sufficient program funds to close on financial assistance for borrowers. However, DWSRF demand has increased recently, and it is expected that additional sources of funding will be required going forward.

Staff continues to monitor all outstanding commitments and applications identified in the Reimbursement Resolution as well as program fund balances. Exhibit A to the Resolution identifies four commitments that have closed within 60 days prior to the proposed August 25, 2016 adoption of the Resolution, as well as twelve commitments and nine applications for financial assistance, all of which are expected to be reimbursed.

RECOMMENDATION

The Executive Administrator recommends adoption of a resolution authorizing the reimbursement of the costs of providing financial assistance to borrowers through the issuance, sale and delivery of up to \$96,090,000 of DWSRF Revenue Bonds.

Attachment: Attachment 1 - Reimbursement Resolution (16-)

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD TO REIMBURSE COSTS OF FINANCIAL ASSISTANCE THROUGH THE ISSUANCE, SALE, AND DELIVERY OF UP TO \$96,090,000 IN DRINKING WATER STATE REVOLVING FUND REVENUE BONDS

(16-)

WHEREAS, the Texas Water Development Board (the "TWDB") expects prior to the issuance of Drinking Water State Revolving Fund Revenue Bonds (the "Obligations") to provide financial assistance in the form of loans and/or principal forgiveness, including but not limited to the financial assistance attached hereto in **Exhibit A** ("Financial Assistance"), from available revenues other than bond proceeds in connection with the design, planning, acquisition and construction of Safe Drinking Water Act projects (the "Projects"); and

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

WHEREAS, when the TWDB intends to reimburse itself for the costs of Financial Assistance, 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 Financial Assistance at such time as it issues the Obligations to finance such Financial Assistance; 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.

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

1. The TWDB reasonably expects to issue the Obligations, as one or more series, with an aggregate maximum principal amount estimated not to exceed \$96,090,000 for the purpose of paying the costs of the Financial Assistance allocated to the Drinking Water State Revolving Fund for the purposes of financing the projects.
2. Any reimbursement allocation made pursuant to this Resolution will be made not later than 18 months after the date that the Loan related to such allocation is made.
3. 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.
4. The Board authorizes the Executive Administrator to amend **Exhibit A** if such amendments do not exceed the aggregate maximum principal amount of \$96,090,000.

APPROVED and ordered of record this the 25th day of August, 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

Texas Water Development Board
 Drinking Water State Revolving Fund
 Financial Assistance Planned for Reimbursement
 For Fiscal Year 2017

Exhibit A

Loans Closed since 6/26/2016

Recipient Name	Loan Number	Commitment Date	Actual Closing Date	Amount Disbursed
Harris Co MUD # 50	L1000471	12/14/2015	7/14/2016	\$ 2,470,000
Harris Co MUD # 50	LF1000492	12/14/2015	7/14/2016	\$ 1,034,409
Granbury	L1000512	3/21/2016	7/6/2016	\$ 2,720,000
Jefferson	L1000527	6/14/2016	7/25/2016	\$ 2,600,000
TOTAL				\$ 8,824,409

Board Commitments

Recipient Name	Loan Number	Commitment Date	Estimated Closing Date	Commitment Amount
Harris Co MUD # 148	L1000457	9/22/2015	9/15/2016	\$ 1,100,000
Strawn	L1000499	1/19/2016	9/22/2016	\$ 1,645,000
Seymour	L1000514	4/11/2016	9/16/2016	\$ 1,060,000
Seymour	L1000531	4/11/2016	9/16/2016	\$ 1,055,000
Seymour	LF1000530	4/11/2016	9/16/2016	\$ 885,476
Cameron	L1000517	5/5/2016	8/24/2016	\$ 9,305,000
Cameron	LF1000534	5/5/2016	8/24/2016	\$ 2,680,175
Wellman	L1000525	5/5/2016	8/16/2016	\$ 140,000
Wellman	LF1000481	5/5/2016	8/16/2016	\$ 982,654
Bluegrove WSC	LF1000535	5/19/2016	9/16/2016	\$ 90,000
New Ulm WSC	LF1000532	5/19/2016	8/17/2016	\$ 200,000
Sweetwater	L1000537	5/19/2016	8/19/2016	\$ 5,000,000
TOTAL				\$ 24,143,305

Applications to the Board

Recipient Name	Project ID	Application Received Date	Scheduled Board Date	Requested Commitment
West Tawakoni	62698	3/7/2016	9/22/2016	\$ 1,125,000
Troy	62701	3/15/2016	9/8/2016	\$ 2,100,000
San Antonio Water System	62703	4/27/2016	8/25/2016	\$ 12,500,000
Coryell City WSD	62705	5/20/2016	9/8/2016	\$ 2,000,000
Edinburg	62597	5/24/2016	9/8/2016	\$ 5,291,845
Barton WSC	62708	8/1/2016	9/22/2016	\$ 2,500,000
Greater Texoma UA	62709	8/3/2016	11/17/2016	\$ 2,125,000
Anthony	62611	8/14/2016	9/22/2016	\$ 980,000
Pearland	62712	8/16/2016	11/17/2016	\$ 34,500,000
TOTAL				\$ 63,121,845

Combined Total for Reimbursement¹ **\$ 96,090,000**

¹Rounded to the nearest \$5,000 increment