

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: July 26, 2018

TEAM MANAGER: Nancy Richards

<b>APPLICANT</b>	Central Harris County Regional Water Authority
<b>TYPE OF ASSISTANCE</b>	\$7,585,000 Northeast Water Purification Plant Expansion and \$1,500,000 Luce Bayou Interbasin Transfer
<b>LEGAL PLEDGE</b>	Senior Lien on the Net Revenues of the System

**STAFF RECOMMENDATION**

Approve       No Action

**ACTION REQUESTED**

Approve by resolution a request from Central Harris County Regional Water Authority (Harris County) to amend Texas Water Development Board Resolution No. 15-078, as amended by TWDB Resolution Nos. 16-081 and 17-081, to authorize \$9,085,000 in financial assistance from the State Water Implementation Revenue Fund for Texas to finance the Luce Bayou Interbasin Transfer and an increase in the Northeast Water Purification Plant Expansion projects.

**BACKGROUND**

Passed by the 83rd Texas Legislature and approved by Texas voters through a constitutional amendment, the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT) were created to provide affordable, alternative financing options to develop projects that are recommended water management strategies in the State Water Plan. The program, referred to as SWIFT, provides financing through low interest loans, deferral of loan repayments, and incremental repurchase terms for projects with state ownership aspects. SWIFT projects presented for consideration have been scored and ranked utilizing prioritization criteria outlined in Texas Administrative Code Title 31 § 363.1304 and are included on the prioritized list of project approved by the Board on April 5, 2018.

**Project Background: Northeast Water Purification Plant Expansion**

The Central Harris County Regional Water Authority (Authority) was created in 2003 to negotiate a secure, long-term, reliable, quality supply of wholesale drinking water for all the utility districts and permitted well owners within its boundaries.

Multi-Year-Commitment (Including New & Previous Commitments)	Expiration Date
\$7,735,000 Series 2018	December 1, 2018
\$13,185,000 Series 2019	December 1, 2019
\$3,560,000 Series 2020	December 1, 2020

The Authority and its four regional partners are co-funding the expansion of the Northeast Water Purification Plant to increase the plant's water treatment capacity from the current 80 million gallons per day (MGD) to 400 MGD. The need for surface water treatment facility infrastructure improvements follows the passage of rules and regulations issued by the Harris-Galveston Subsidence District to decrease groundwater usage and consequently increase surface water usage. The Authority will have 2 percent capacity ownership in the plant. The Authority is requesting additional funds for its portion of the increased costs of the plant.

### **Project Background: Luce Bayou Interbasin Transfer**

The Authority is requesting financial assistance to fund its portion of the raw water demand allocation that is to be provided by the Luce Bayou Interbasin Transfer project, and ultimately treated at the Northeast Water Purification Plant. The agreement between the City of Houston and the regional water authorities stipulates that the authorities must pay the costs for additional facilities that would be required to provide increased raw water demands beyond their original agreement from 2002. The Luce Bayou Interbasin Transfer project is being constructed to provide such increased raw water, and thus the regional water authorities are contractually required to pay for their proportional share of project costs.

## **FINANCIAL**

### Key Issues

The Authority received commitments for \$22,655,000 in 2015 and \$4,900,000 in 2017 SWIFT funding to finance its portion of the Northeast Water Purification Plant expansion. The Authority is requesting an additional \$7,585,000 in 2018, for a total of \$35,140,000 in SWIFT financing for the plant due to progressions in the design stage as cost estimates are refined. The Authority has also requested new funding for its raw water allocation within the Luce Bayou Interbasin Transfer project. The Authority intends to close on \$7,735,000 in 2018, which includes portions of the previous SWIFT commitments. The Authority has requested a financial structure that allows for smaller principal payments through 2027. By modifying its principal payments, the Authority expects to reduce the required water and pumpage fees impact.

Prior to closing, the Authority will also need to have a corrective action plan in place to address an audit finding for a material weakness in its Internal Controls over financial reporting.

### Multi-year Commitment

The Authority has requested a multi-year commitment through 2019.

### Pledge and Repayment

The Authority is pledging a senior lien on the net revenues of the water system for repayment of the proposed financing. The Authority recently implemented a rate increase of \$0.50 per 1,000 gallons of Surface Water and \$0.50 per 1,000 gallons Ground Water in 2018. With the increase, the Authority now charges \$3.35 per 1,000 gallons of Surface

Water and \$3.01 per 1,000 gallons of Ground Water. Based on a no growth scenario, the Authority may need to implement a similarly sized rate increase to meet all debt service requirements in the first year of principal repayment. The Authority may then need smaller incremental increases through year 2029. The Authority reviews its revenues on an annual basis to ensure the necessary rates and charges are in place to repay the proposed debt service.

#### Cost Savings

Based on a 30-year maturity and current interest rates, the Authority could save approximately \$1,761,288 over the life of the \$7,735,000 Series 2018 closing.

#### Internal Risk Score

TWDB assigns a 2B to the Authority and the proposed project to be funded by the TWDB. This means that the Authority's repayment capacity is adequate.

The financial sustainability indicators for the Authority are adequate. These indicators are more heavily weighted than the other internal risk score factors and show the Authority's short-term and long-term ability to repay the debt. Overall, the Authority is financially sound. Net revenues of the water system have steadily increased each of the last five years. Additionally, the long-term condition of the system is sound with an asset condition ratio of 42 years. An asset condition ratio of 12 to 24 years is considered typical.

The Authority also scored well on other indicators showing the overall health of the Authority. The Authority has been able to retain its revenues, as evidenced by an increase in the fund balance over the last five years relative to revenues. The Authority maintains a liquidity position with cash and short-term investments equal to 12,991 days of operating expenses. An amount greater than 250 days is considered to be a strong level of liquidity, which provides stability to the Authority by providing the resources needed to cover short-term, unplanned needs.

The Authority's service area socioeconomic indicators are on par with the state's median overall. The median household income (MHI) of \$55,584 is 102 percent of the state's median income of \$54,727. The Authority's unemployment rate of 4.3 percent (County level data) is above the state average of 3.8 percent. However, property growth in the service area has been stable over the last five years, and the service area customer base is quickly growing. The Authority is the third largest water provider in Harris County.

Although the Authority's debt is increasing and rate increases may be needed, the financial sustainability of the system is solid due to the strong liquidity and positive operating trends. Additionally, the system serves a growing customer base in an economically robust area of the state. The Authority is assigned a risk score of 2B.

**LEGAL**

Key Issues

None.

Conditions

Standard SWIFT, tax-exempt, net revenue conditions, and special conditions as follows:

- Corrective action plan to address material weakness.

- Attachments:
1. Project Data Summary
  2. Debt Service Schedule
  3. Engineering/Environmental Reviews
  4. Total Budget/51003 Budget/51023 Budget
  5. Resolution (18- )
  6. Resolution (15-078)
  7. Resolution (16-081)
  8. Resolution (17-081)
  9. Water Conservation Review
  10. Location Map

**Project Data Summary**

<b>Responsible Authority</b>	Central Harris County Regional Water Authority
<b>Program</b>	State Water Implementation Fund for Texas
<b>Commitment Codes</b>	LM188861-Project # 51023 L18860-Project #51008
<b>Project Number</b>	51023- Northeast Water Purification Plant Expansion 51008-Luce Bayou Interbasin Transfer
<b>Intended Use Plan Year</b>	N/A
<b>Type of Pledge</b>	2-Revenue
<b>Revenue Pledge Level</b>	First
<b>Legal Description</b>	\$7,735,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018 \$16,745,000 for Series 2019 and 2020
<b>Tax-Exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	No
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	N/A
<b>Population</b>	28,350
<b>Rural</b>	No
<b>Water Connections</b>	Wholesale Provider
<b>Wastewater Connections</b>	N/A
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9
<b>Clean Water State Revolving Fund Type</b>	N/A
<b>Financial, Managerial and Technical Review Complete?</b>	N/A
<b>SWIFT Financing Type</b>	Low-Interest Loan
<b>SWIFT Characteristic</b>	N/A
<b>Phase Committing</b>	Acquisition, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	N/A
<b>Water Rights Certification Required</b>	N/A
<b>Internal Risk Score</b>	2B
<b>External Ratings</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None.

**Project Team**

Team Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	James Bronikowski
Environmental Reviewer	Sara Sopczynski
Attorney	Annette Mass

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Central Harris County Regional Water Authority

**\$7,735,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018**

Dated Date: 11/15/2018	Source: SWIFT-LOW-30YR
Delivery Date: 11/15/2018	Rate: 3.20%
First Interest: 2/1/2019	Insurance: No
First Principal: 8/1/2020	Case: Revenue
Last Principal: 8/1/2048	Admin.Fee: \$0
Fiscal Year End: 12/31	Admin. Fee Payment Date: N/A
Required Coverage: 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$7,735,000 ISSUE				\$16,745,000 ISSUE SERIES 2019-2020		TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL PAYMENT	TOTAL PAYMENT		
2019	\$3,956,284	\$3,720,372	-	-	\$169,610	\$169,610	-	\$3,889,982	1.02	
2020	4,892,336	3,723,337	\$25,000	1.60%	238,515	263,515	\$349,676	4,336,528	1.13	
2021	4,892,336	3,716,842	25,000	1.69%	238,115	263,115	882,317	4,862,273	1.01	
2022	5,240,943	3,717,046	25,000	1.74%	237,692	262,692	996,356	4,976,094	1.05	
2023	5,240,943	3,723,857	25,000	1.81%	237,257	262,257	992,845	4,978,959	1.05	
2024	5,240,943	3,727,069	25,000	1.93%	236,805	261,805	993,955	4,982,829	1.05	
2025	5,240,943	3,737,105	25,000	2.04%	236,322	261,322	994,510	4,992,937	1.05	
2026	5,240,943	3,733,825	25,000	2.11%	235,812	260,812	994,305	4,988,942	1.05	
2027	5,240,943	3,732,282	25,000	2.16%	235,285	260,285	993,308	4,985,875	1.05	
2028	5,240,943	3,742,091	270,000	2.24%	234,745	504,745	991,627	5,238,463	1.00	
2029	5,240,943	3,747,365	275,000	2.40%	228,697	503,697	994,386	5,245,448	1.00	
2030	5,240,943	2,342,235	280,000	2.55%	222,097	502,097	991,342	3,835,674	1.37	
2031	5,240,943	2,344,055	290,000	2.67%	214,957	504,957	992,210	3,841,221	1.36	
2032	5,240,943	2,342,903	295,000	2.78%	207,214	502,214	996,748	3,841,865	1.36	
2033	5,240,943	2,349,732	305,000	2.87%	199,013	504,013	989,900	3,843,645	1.36	
2034	5,240,943	2,354,330	310,000	2.95%	190,259	500,259	992,053	3,846,642	1.36	
2035	5,240,943	2,356,700	320,000	3.03%	181,114	501,114	992,896	3,850,710	1.36	
2036	5,240,943	2,362,387	330,000	3.09%	171,418	501,418	992,447	3,856,252	1.36	
2037	5,240,943	2,365,288	340,000	3.14%	161,221	501,221	995,721	3,862,230	1.36	
2038	5,240,943	2,365,892	350,000	3.18%	150,545	500,545	992,586	3,859,023	1.36	
2039	5,240,943	2,374,581	360,000	3.22%	139,415	499,415	993,279	3,867,275	1.36	
2040	5,240,943	2,370,133	370,000	3.25%	127,823	497,823	992,634	3,860,590	1.36	
2041	5,240,943	2,384,004	385,000	3.28%	115,798	500,798	990,639	3,875,441	1.35	
2042	5,240,943	2,380,420	395,000	3.30%	103,170	498,170	997,322	3,875,912	1.35	
2043	5,240,943	2,388,905	410,000	3.33%	90,135	500,135	992,303	3,881,343	1.35	
2044	5,240,943	2,389,261	420,000	3.36%	76,482	496,482	995,950	3,881,693	1.35	
2045	5,240,943	2,402,621	435,000	3.38%	62,370	497,370	992,911	3,892,902	1.35	
2046	5,240,943	1,838,629	450,000	3.40%	47,667	497,667	998,303	3,334,599	1.57	
2047	5,240,943	1,385,619	465,000	3.42%	32,367	497,367	991,692	2,874,678	1.82	
2048	5,240,943	-	480,000	3.43%	16,464	496,464	993,584	1,490,048	3.52	
2049	5,240,943	-	-	-	-	-	1,028,539	1,028,539	5.10	
2050	15,656,842	-	-	-	-	-	-	\$0	0.00	
		\$82,118,886	\$7,735,000		\$5,038,379	\$12,773,379	\$29,086,337	\$123,978,602		

AVERAGE (MATURITY) LIFE	<b>20.38 YEARS</b>
NET INTEREST RATE	<b>3.196%</b>
COST SAVINGS	<b>\$1,761,288</b>
AVERAGE ANNUAL REQUIREMENT	<b>\$3,874,331</b>

*Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.*

**Central Harris County Regional Water Authority  
51008 Luce Bayou Interbasin Transfer  
Engineering and Environmental Review**

**Engineering:**

Key Issues:

Central Harris County Regional Water Authority is requesting financial assistance to fund its portion of raw water allocation that is to be provided by the Luce Bayou Interbasin Transfer project. The agreement between the City of Houston and the regional water authorities stipulates that the authorities must pay the costs for additional facilities that would be required to provide increased raw water demands beyond their original agreement from 2002. The Luce Bayou Interbasin Transfer project is being constructed to provide such increased raw water demands, and thus the regional water authorities are contractually required to pay for their proportional share of project costs.

Project Need/Description

**Need:** The Harris-Galveston Subsidence District (District) has mandated that water users in Harris and Galveston counties reduce groundwater withdrawals to no more than 20% of total water demand. The Coastal Water Authority's (Authority) service area includes Harris, Liberty, and Chambers counties. The Authority must meet the District's mandate for the Harris County area while continuing to meet the water demands for its service area.

**Project Description:** To meet the surface water demand for its service area, the Authority will construct the Luce Bayou Interbasin Transfer project. The project will transport surface water from the Trinity River to Lake Houston. The City of Houston (City) is the owner of these surface water rights. The project consists of three components: a pump station with a capacity of 230 million gallons per day (MGD) with a 500 MGD ultimate build-out (2040+), approximately 3 miles of twin, 96-inch transmission main, and approximately 23 miles of clay-lined open canal with final discharge into Lake Houston. Upon completion of the construction of the project, water discharged into Lake Houston will be available for treatment and transport to the City, CHRWA, and other regional water authorities.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	11/15/2018
Design Phase Complete	7/31/2017
Construction Completion	6/30/2019

**Environmental Section:**

Key Issues:

None.

Environmental Summary:

As required by 31 Texas Administrative Code § 363.14, the environmental review of the proposed project has been completed. A favorable Environmental Determination was issued on February 24, 2014, adopting a previous Record of Decision issued by the United States Army Corps of Engineers on January 16, 2014. In addition, the Authority must comply with the special conditions included in this finding.



**Central Harris County Regional Water Authority  
51023 Houston - NEWPP Expansion  
Engineering and Environmental Review**

**Engineering:**

Key Issues:

Central Harris County Regional Water Authority is requesting additional financial assistance to cover its share of increased project costs.

Project Need/Description

Need: The need for surface water treatment facility infrastructure improvements follows the passage of rules and regulations issued by the Harris-Galveston Subsidence District (Subsidence District) to decrease groundwater usage and consequently increase surface water usage in the Subsidence District. Groundwater subsidence in the greater Houston area coupled with increasing water demands requires that the City of Houston (City) and regional partners expand the existing Northeast Water Purification Plant (NEWPP).

Project Description: The City along with the North Harris County Regional Water Authority, West Harris County Regional Water Authority, Central Harris County Regional Water Authority, and North Fort Bend Water Authority (Authorities) is seeking financial assistance for the planning, design, and construction of an expansion to the existing NEWPP that will increase the surface water intake and treated water production capacity from 80 million gallons per day (MGD) to 400 MGD. The expansion will provide the project participants with an additional surface water supply to help achieve the regulatory requirements of the Harris-Galveston Subsidence District and the Fort Bend Subsidence District that restrict groundwater usage.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	11/15/2018
Start of Construction	12/31/2017
Design Phase Complete	12/31/2019
Construction Completion	1/31/2025

**Environmental Section:**

Key Issues:

None.

Environmental Summary:

As required by 31 Texas Administrative Code § 363.14, the environmental review of the proposed project has been completed. A favorable Environmental Determination was issued on November 14, 2016. In addition, the Authority must comply with the special conditions included in this finding.

**Central Harris County Regional Water Authority  
Total Funding**

<b>Budget Items</b>	<b>Previous SWIFT Commitment</b>	<b>Current SWIFT Request</b>	<b>Total SWIFT Funding</b>
<b>Construction</b>			
Construction	\$7,990,700	\$0	\$7,990,700
<b>Construction Total</b>	<b>\$7,990,700</b>	<b>\$0</b>	<b>\$7,990,700</b>
<b>Basic Engineering Services</b>			
Planning	\$50,000	\$0	\$50,000
Design	\$50,000	\$0	\$50,000
Construction Engineering	\$200,000	\$0	\$200,000
<b>Basic Engineering Services Total</b>	<b>\$300,000</b>	<b>\$0</b>	<b>\$300,000</b>
<b>Special Services</b>			
Environmental	\$50,000	\$0	\$50,000
Project Management	\$328,319	\$284,500	\$612,819
<b>Special Services Total</b>	<b>\$378,319</b>	<b>\$284,500</b>	<b>\$662,819</b>
<b>Contingency</b>			
Contingency	\$1,677,500	\$0	\$1,677,500
<b>Contingency Total</b>	<b>\$1,677,500</b>	<b>\$0</b>	<b>\$1,677,500</b>
<b>Other</b>			
Land/Easements Acquisition	\$296,000	\$0	\$296,000
Capacity Buy-In	\$41,384,328	\$7,243,760	\$48,628,088
<b>Other Total</b>	<b>\$41,680,328</b>	<b>\$7,243,760</b>	<b>\$48,924,088</b>
<b>Fiscal Services</b>			
Fiscal/Legal	\$9,165,110	\$1,556,740	\$10,721,850
Financial Advisor	\$85,626	\$0	\$85,626
Bond Counsel	\$194,670	\$0	\$194,670
Capitalized Interest	\$382,734	\$0	\$382,734
Bond Reserve Fund	\$165,013	\$0	\$165,013
<b>Fiscal Services Total</b>	<b>\$9,993,153</b>	<b>\$1,556,740</b>	<b>\$11,549,893</b>
<b>Grand Total</b>	<b>\$62,020,000</b>	<b>\$9,085,000</b>	<b>\$71,105,000</b>

**51008 - Luce Bayou Interbasin Transfer**

<b>Budget Items</b>	<b>Coastal Water Authority</b>	<b>Central Harris County Regional Water Authority</b>	<b>TWDB Total Funds</b>
<b>Construction</b>			
Construction	\$271,990,029	\$0	\$271,990,029
<b>Construction Total</b>	<b>\$271,990,029</b>	<b>\$0</b>	<b>\$271,990,029</b>
<b>Basic Engineering Services</b>			
Design	\$84,696	\$0	\$84,696
Construciton			
Engineering	\$18,220,627	\$0	\$18,220,627
<b>Basic Engineering Services Total</b>	<b>\$18,305,323</b>	<b>\$0</b>	<b>\$18,305,323</b>
<b>Special Services</b>			
Environmental	\$6,263,175	\$0	\$6,263,175
Testing	\$2,420,000	\$0	\$2,420,000
Inspection	\$172,227	\$0	\$172,227
Project Management (by engineer)	\$0	\$59,500	\$59,500
<b>Special Services Total</b>	<b>\$8,855,402</b>	<b>\$59,500</b>	<b>\$8,914,902</b>
<b>Contingency</b>			
Contingency	\$0	\$0	\$0
<b>Contingency Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other</b>			
Capacity Buy-In	\$0	\$1,156,700	\$1,156,700
<b>Other Total</b>	<b>\$0</b>	<b>\$1,156,700</b>	<b>\$1,156,700</b>
<b>Fiscal Services</b>			
Financial Advisor	\$377,846	\$0	\$377,846
Bond Counsel	\$469,500	\$0	\$469,500
Fiscal/Legal	\$0	\$283,800	\$283,800
Issuance Costs	\$1,900	\$0	\$1,900
<b>Fiscal Services Total</b>	<b>\$849,246</b>	<b>\$283,800</b>	<b>\$1,133,046</b>
<b>Grand Total</b>	<b>\$300,000,000</b>	<b>\$1,500,000</b>	<b>\$301,500,000</b>

\*Central Harris County Regional Water Authority's current funding request is allocated towards Capacity Buy-In for their share of total project costs. The Fiscal/Legal line item is comprised of the costs and professional services fees associated with Financial Advisor, Bond Counsel, and other Issuance Costs that will be broken down and re-allocated prior to loan closing.

**Houston**  
**51023 - Northeast Water Purification Plant Expansion**

<b>Budget Items</b>	<b>Houston</b>	<b>North Fort Bend Water Authority</b>	<b>Central Harris County Regional Water Authority</b>	<b>North Harris County Regional Water Authority</b>	<b>West Harris County Regional Water Authority</b>	<b>TWDB Total Funds</b>
<b>Construction</b>						
Construction	\$271,607,327	\$0	\$0	\$336,094,399	\$0	\$607,701,726
<b>Construction Total</b>	<b>\$271,607,327</b>	<b>\$0</b>	<b>\$0</b>	<b>\$336,094,399</b>	<b>\$0</b>	<b>\$607,701,726</b>
<b>Basic Engineering Services</b>						
Planning	\$1,502,421	\$0	\$0	\$36,387,839	\$0	\$37,890,260
Design	\$12,423,339	\$0	\$0	\$45,490,784	\$0	\$57,914,123
Construction Engineering	\$4,177,947	\$0	\$0	\$0	\$0	\$4,177,947
Project Management	\$0	\$0	\$347,203	\$28,817	\$0	\$376,020
<b>Basic Engineering Services Total</b>	<b>\$18,103,707</b>	<b>\$0</b>	<b>\$347,203</b>	<b>\$81,907,440</b>	<b>\$0</b>	<b>\$100,358,350</b>
<b>Contingency</b>						
Contingency	\$0	\$0	\$0	\$70,150,890	\$0	\$70,150,890
<b>Contingency Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$70,150,890</b>	<b>\$0</b>	<b>\$70,150,890</b>
<b>Other</b>						
Capacity Buy-In	\$0	\$370,283,978	\$29,169,242	\$187,626,758	\$397,700,000	\$984,779,978
<b>Other Total</b>	<b>\$0</b>	<b>\$370,283,978</b>	<b>\$29,169,242</b>	<b>\$187,626,758</b>	<b>\$397,700,000</b>	<b>\$984,779,978</b>
<b>Fiscal Services</b>						
Financial Advisor	\$0	\$645,886	\$0	\$2,772,842	\$0	\$3,418,728
Bond Counsel	\$0	\$399,498	\$0	\$3,822,770	\$0	\$4,222,268
Capitalized Interest	\$0	\$0	\$0	\$49,263,070	\$0	\$49,263,070
Fiscal/Legal	\$0	\$0	\$5,623,555	\$450,000	\$8,500,000	\$14,573,555
Bond Reserve Fund	\$0	\$0	\$0	\$40,841,831	\$0	\$40,841,831
Issuance Costs	\$4,743,966	\$0	\$0	\$900,000	\$0	\$5,643,966
<b>Fiscal Services Total</b>	<b>\$4,743,966</b>	<b>\$1,045,384</b>	<b>\$5,623,555</b>	<b>\$98,050,513</b>	<b>\$8,500,000</b>	<b>\$117,963,418</b>
<b>Grand Total</b>	<b>\$294,455,000</b>	<b>\$371,329,362</b>	<b>\$35,140,000</b>	<b>\$773,830,000</b>	<b>\$406,200,000</b>	<b>\$1,880,954,362</b>

\*Central Harris County Regional Water Authority's current funding request is allocated towards Project Management, Fiscal/Legal expenses, and Capacity Buy-In for their share of total project costs.

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION 15-078 AS AMENDED BY  
RESOLUTION NOS. 16-081 AND 17-081 TO PROVIDE ADDITIONAL FINANCIAL  
ASSISTANCE TO THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY IN THE  
AMOUNT OF \$7,585,000

AND

APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO CENTRAL HARRIS  
COUNTY REGIONAL WATER AUTHORITY  
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS  
THROUGH THE PROPOSED PURCHASE OF \$1,500,000 CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY REVENUE BONDS,  
PROPOSED SERIES 2018

(18- )

WHEREAS, at its July 23, 2015 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-078, made a multi-year commitment to provide financial assistance to Central Harris County Regional Water Authority (Authority) from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the TWDB's proposed purchase of \$41,630,000 Central Harris County Regional Water Authority Revenue Bonds Proposed Series 2015 through 2020 for Project Nos. 51023, 51021, and 51009; and

WHEREAS, at its July 21, 2016 meeting, the TWDB, through TWDB Resolution No. 16-081 amended TWDB Resolution No. 15-078 to increase the financial assistance commitment in the amount of \$2,905,000 for Project No. 51021 and made a further commitment to finance Project No. 51043 through the purchase an additional \$12,585,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 through 2020 through the SWIRFT;

WHEREAS, at its July 20, 2017 meeting, the TWDB, through TWDB Resolution No. 17-081 amended TWDB Resolution No. 15-078 as amended by TWDB Resolution No. 16-081, to increase the financial assistance in the amount of \$4,900,000 for Project No. 51023, all as is more specifically set forth in the TWDB's Resolution Nos. 15-078, and 16-081, and 17-081 (Resolutions) and accompanying documentation, to which documents express reference is made;

WHEREAS, the Authority seeks an amendment to TWDB Resolution No. 15-078 as amended by TWDB Resolution Nos. 16-081 and 17-081, for additional financial assistance for Project No. 51023 through the TWDB's proposed purchase of \$7,585,000 Central Harris County Regional Water Authority Revenue Bonds Proposed Series 2018 through 2019; and

WHEREAS, the Authority has filed an application for financial assistance in the amount of \$1,500,000 from SWIRFT to finance the construction of Project No. 51008; and

WHEREAS the Authority seeks financial assistance for Project No. 51008 through the TWDB's proposed purchase of \$1,500,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018 (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; and

WHEREAS, the Authority has offered a pledge of system revenue as sufficient security for the repayment of the Obligations; and

WHEREAS, 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; and

WHEREAS, subject to the Authority's use of an approved debt service structure, interest rate subsidies are available to the Authority at up to the following levels: 35% for financial assistance for a term of 20 years, 25% for financial assistance for a term of 21 to 25 years, and 20% for financial assistance for a term of 26 to 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the Authority, pursuant to this Resolution; and

WHEREAS, the TWDB hereby finds that the amendment to increase the commitment in the amount of \$7,585,000 for Project No. 51023, is reasonable and that the request is in the public interest and will serve a public purpose; and

WHEREAS, the TWDB hereby finds:

1. that TWDB Resolution No. 15-078, as amended by TWDB Resolution Nos. 16-081 and 17-081, is amended as described above to reflect commitments totaling \$35,140,000 for Project No. 51023;
2. that all other terms and conditions of TWDB Resolution No. 15-078 shall remain in full force and effect as related to Project No. 51023;
3. that 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;
4. that Project No. 51008 is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
5. that the Authority satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the Project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);

6. that the Authority has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3); and
7. that the amendment to TWDB Resolution No. 15-078, as amended by TWDB Resolution Nos. 16-081 and 17-081, to increase the commitment by \$7,585,000 is reasonable, is in the public interest and will serve a public purpose and the commitment will be made in accordance with the annual loan closing schedule as proposed below.

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

1. The commitment made through TWDB Resolution No. 15-078, as amended by TWDB Resolution Nos. 16-081 and 17-081, is amended to include an additional \$7,585,000 for Project No. 51023.
2. All other terms and conditions of TWDB Resolution No. 15-078, as amended by TWDB Resolution Nos. 16-081 and 17-081, shall remain in full force and effect; and
3. The commitment made through TWDB Resolution No. 15-078, as amended by TWDB Resolution Nos. 16-081 and 17-081, is amended to include a commitment made by the TWDB to the Central Harris County Regional Water Authority for financial assistance in the amount of \$71,105,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of Central Harris County Regional Water Authority Revenue Bonds as follows:
  - a. \$7,735,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018, to expire on December 31, 2018;
  - b. \$13,185,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2019, to expire on December 31, 2019; and
  - c. \$3,560,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2020, to expire on December 31, 2020.

Further, the commitment made through TWDB Resolution No. 15-078 as hereby amended and described above consists of the following Projects:

- a. Project No. 51023 (Northeast Water Purification Plant Expansion) in the amount of \$35,140,000;
- b. Project No. 51021 (Second Source Transmission Line Phase I) in the amount of \$12,365,000;

- c. Project No. 51009 (Second Source Transmission Line Phase II) in the amount of \$9,515,000; and
- d. Project No. 51043 (Internal Transmission and Distribution Line Expansion) in the amount of \$12,585,000
- e. Project No. 51008 (Luce Bayou Interbasin Transfer) in the amount of \$1,500,000

Such commitment as it relates to Project No. 51008 is conditioned as follows:

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 Authority has complied with all of the requirements of the laws under which said Obligations were issued; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the Authority;
3. this commitment is contingent upon the Authority'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 Authority executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;
5. interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator;
6. the Authority 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;

The Following Conditions Must Be Included in the Obligations:

7. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which 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 include a provision wherein the Authority, 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 Authority'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 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 such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;
9. the Obligations must contain a provision requiring the Authority to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
10. the Obligations must include a provision requiring the Authority to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the Project as authorized by the Executive Administrator;
11. 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;
12. 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;
13. proceeds shall not be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. The Obligations shall include an environmental indemnification provision wherein the Authority agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling and disposition of any

contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project to the extent permitted by law;

14. the Obligations must include a provision stating that the Authority 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;
15. 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 form in accordance with 31 TAC § 363.42(c)(1);
16. the Obligations must include a provision prohibiting the Authority from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
17. the Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) that produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with:
  - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
18. the Obligations must include a provision requiring the Authority take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to

satisfy the requirements of § 148 of the Code. The Obligations must provide that the Authority will:

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The Authority shall maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. as additional consideration for providing financial assistance, and in order to induce providing financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
19. the Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
  20. the Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
  21. the Obligations must contain a covenant that the Authority will refrain from using the proceeds of the Obligations to pay debt service on another issue of obligations of the borrower in contravention of section 149(d) of the Code (related to advance refundings);

22. the Obligations must provide that neither the Authority nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the Authority by the TWDB;
23. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
24. if the Authority has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after the term of any financial assistance provided by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
25. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:
  - a. The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or
  - b. The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

- c. The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

Conditions to Close or for Release of Funds:

26. prior to closing, and if not previously provided with the application, the Authority shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, 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;
27. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority 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;
28. prior to closing, the Authority's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
29. prior to closing, the Authority's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
30. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations; and
31. the transcript must include evidence that the information reporting requirements of § 149(e) of the Internal Revenue Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

PROVIDED, however, the commitment is subject to the following special condition:

Special Condition:

32. prior to closing, the Authority shall adopt a plan, acceptable to the Executive Administrator, ensuring that the Authority will address all material weaknesses and significant deficiency findings that may be issued during any annual or special financial audit while the Obligations are outstanding;

APPROVED and ordered of record this, the 26th day of July, 2018.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Peter M. Lake, Chairman

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

ATTEST:

\_\_\_\_\_  
Jeff Walker, Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO CENTRAL HARRIS  
COUNTY REGIONAL WATER AUTHORITY  
IN THE FORM OF A MULTI-YEAR COMMITMENT  
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS  
THROUGH THE PROPOSED PURCHASE OF  
\$41,630,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS  
PROPOSED SERIES 2015 THROUGH PROPOSED SERIES 2020**

(15-078)

WHEREAS, the Central Harris County Regional Water Authority, located in Harris County, Texas, (Authority) has filed applications for financial assistance in the total amount of \$41,630,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), to finance the planning, acquisition, design and construction of certain water supply projects identified below; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$41,630,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 through Proposed Series 2020, (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; and

WHEREAS, the Authority has offered a pledge of system revenue as sufficient security for the repayment of the Obligations; and

WHEREAS, 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; and

WHEREAS, the commitment is approved for an interest rate subsidy through December 31, 2019; and

WHEREAS, interest rate subsidies are available to the Authority at the following levels: 35.5% for loans of a term of 20 years, 27% for loans of a term of 25 years, and 22% for loans of a term of 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the Authority, pursuant to this Resolution; and

WHEREAS, the TWDB hereby finds:

1. that 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. that the project is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that a water conservation plan, if required by Texas Water Code § 11.1271, has been submitted and implemented in accordance with 31 TAC § 363.1309(b)(1);

4. that the Authority satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
5. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the Authority and filed with the TWDB in accordance with 31 TAC § 358.6;
6. that the Authority has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating 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 resolves as follows:

A commitment is made by the TWDB to Central Harris County Regional Water Authority for financial assistance in the amount of \$41,630,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of Central Harris County Regional Water Authority Revenue Bonds, in accordance with the schedule proposed below.

- a) \$10,805,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 A, B, and C to expire on December 31, 2015;
- b) \$2,395,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2016, to expire on December 31, 2016;
- c) \$21,650,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017, to expire on December 31, 2017;
- d) \$1,685,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018, to expire on December 31, 2018;
- e) \$1,535,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2019, to expire on December 31, 2019; and
- f) \$3,560,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2020, to expire on December 31, 2020.

Further, the commitment described above consists of the following Projects:

- a) Project No. 51023 (Northeast Water Purification Plant Expansion) in the amount of \$22,655,000;
- b) Project No. 51021 (Second Source Transmission Line Phase I) in the amount of \$9,460,000; and
- c) Project No. 51009 (Second Source Transmission Line Phase II) in the amount of \$9,515,000.

Such commitment is conditioned as follows:

**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 all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the Authority;
3. this commitment is contingent upon the Authority'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 Authority executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;
5. the Authority shall use a paying agent/registrar in accordance with 31 TAC Section 363.42(c)(2), and shall require the paying agent/registrar to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments.

**The Following Conditions Must Be Included in the Obligations:**

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which 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;
7. the Obligations must include a provision wherein the Authority, 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 Authority'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 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 such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;
8. the Obligations must contain a provision requiring the Authority to maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;

9. the Obligations must include a provision requiring the Authority to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the project as authorized by the Executive Administrator;
10. 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;
11. loan 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;
12. loan proceeds shall not be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the Authority agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
13. the Obligations must include a provision stating that the Authority 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;
14. 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 form in accordance with 31 TAC Section 363.42(c)(1);
15. the Obligations must include a provision prohibiting the Authority from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that

are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:

- a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
- b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
- c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;

17. the Obligations must include a provision requiring the Authority take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the Authority will:

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
- b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The Authority shall maintain a copy of such calculations for at least six years after the final Computation Date;
- c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;

18. the Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
19. the Obligations must provide that the Authority will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of § 149(b) of the Code;
20. the Obligations must provide that neither the Authority nor a related party thereto will acquire any of the TWDB’s Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the Authority by the TWDB;

**Revenue Pledge**

21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
22. if the Authority has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
23. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on

the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

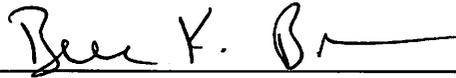
**Conditions to Close or for Release of Funds:**

24. prior to closing, the Authority shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges sufficient for the repayment of all system debt service requirements;
25. prior to closing, and if not previously provided with the application, the Authority shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, 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;
26. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority 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;
27. prior to release of funds for construction, the Authority must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Authority has the legal authority necessary to complete the acquisitions;
28. prior to release of funds for acquisition, design, or construction for specific project elements, the environmental review must be completed and a favorable environmental finding must have been issued;
29. prior to closing, the Authority's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
30. prior to closing, the Authority's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
31. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations; and

32. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

APPROVED and ordered of record this the 23<sup>rd</sup> day of July, 2015.

TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun, Chairman

DATE SIGNED: 7-23-15

ATTEST:



Kevin Patteson  
Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION 15-078  
AND  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO CENTRAL HARRIS  
COUNTY REGIONAL WATER AUTHORITY  
IN THE FORM OF A MULTI-YEAR COMMITMENT  
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS  
THROUGH THE PROPOSED PURCHASE OF \$15,490,000 CENTRAL HARRIS COUNTY  
REGIONAL WATER AUTHORITY REVENUE BONDS,  
PROPOSED SERIES 2016 THROUGH PROPOSED SERIES 2020**

(16-081)

WHEREAS, at its July 23, 2015 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-078, made a multi-year commitment to provide financial assistance to Central Harris County Regional Water Authority (Authority) from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the TWDB's proposed purchase of \$41,630,000 Central Harris County Regional Water Authority Revenue Bonds Proposed Series 2015 through 2020 for Project Nos. 51023, 51021, and 51009; and

WHEREAS, the Authority has filed an application requesting that the TWDB amend TWDB Resolution No. 15-078 to increase the commitment in the amount of \$2,905,000 from the SWIRFT for Project No. 51021; and

WHEREAS, the Authority has filed an application for financial assistance in the amount of \$12,585,000 from SWIRFT to finance the planning, acquisition, design, and construction of Project No. 51043; and

WHEREAS, the Authority seeks an amendment to TWDB Resolution No. 15-078 for additional financial assistance for Project No. 51021,

WHEREAS the Authority seeks financial assistance for Project No. 51043 in the form of a multi-year commitment through the TWDB's proposed purchase of \$15,490,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2016 through Proposed Series 2020 (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; and

WHEREAS, the Authority has offered a pledge of system revenue as sufficient security for the repayment of the Obligations; and

WHEREAS, 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; and

WHEREAS, interest rate subsidies are available to the Authority at the following levels: 35% for a loan of a term of 20 years, 25% for a loan of a term of 21 to 25 years, and 20% for a loan of a term of 26 to 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the Authority, pursuant to this Resolution; and

WHEREAS, the TWDB hereby finds that the amendment to increase the commitment in the amount of \$2,905,000 for Project No. 51021, is reasonable and that the request is in the public interest and will serve a public purpose; and

WHEREAS, the TWDB hereby finds:

1. that TWDB Resolution No. 15-078 is amended as described above to reflect a commitment in the total amount of \$12,365,000 for Project No. 51021;
2. that all other terms and conditions of TWDB Resolution No. 15-078 shall remain in full force and effect as related to Project No. 51021;
3. that 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;
4. that Project No. 51043 is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
5. that the Authority satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
6. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the Authority and filed with the TWDB in accordance with 31 TAC § 358.6;
7. that the Authority has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3); and
8. that the amendment to TWDB Resolution No. 15-078 to increase the commitment by \$2,905,000 is reasonable, is in the public interest and will serve a public purpose and the commitment will be made in accordance with the annual loan closing schedule as proposed below.

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

1. The commitment made through TWDB Resolution No. 15-078 is amended to include an additional \$2,905,000 for Project No. 5102.
2. All other terms and conditions of TWDB Resolution No. 15-078 shall remain in full force and effect; and
3. The commitment made through TWDB Resolution No. 15-078 is amended to include a commitment made by the TWDB to the Central Harris County Regional Water Authority for financial assistance in the amount of \$15,490,000 from the State Water Implementation Revenue

Fund for Texas, to be evidenced by the TWDB's proposed purchase of Central Harris County Regional Water Authority Revenue Bonds as follows:

- a) \$9,270,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2016, to expire on December 31, 2016;
- b) \$21,650,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017, to expire on December 31, 2017;
- c) \$5,235,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018, to expire on December 31, 2018;
- d) \$6,600,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2019, to expire on December 31, 2019; and
- e) \$3,560,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2020, to expire on December 31, 2020.

Further, the commitment made through TWDB Resolution No. 15-078 as hereby amended and described above consists of the following Projects:

- a) Project No. 51023 (Northeast Water Purification Plant Expansion) in the amount of \$22,655,000;
- b) Project No. 51021 (Second Source Transmission Line Phase I) in the amount of \$12,365,000;
- c) Project No. 51009 (Second Source Transmission Line Phase II) in the amount of \$9,515,000; and
- d) Project No. 51043 (Internal Transmission and Distribution Line Expansion) in the amount of \$12,585,000.

Such commitment as it relates to Project No. 51043 is conditioned as follows:

**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 all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the Authority;
- 3. this commitment is contingent upon the Authority'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 Authority executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;

5. the Authority 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, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments;

**The Following Conditions Must Be Included in the Obligations:**

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which 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;
7. the Obligations must include a provision wherein the Authority, 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 Authority'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 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 such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;
8. the Obligations must contain a provision requiring the Authority to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
9. the Obligations must include a provision requiring the Authority to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the project as authorized by the Executive Administrator;
10. 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;
11. loan 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;
12. loan proceeds shall not be used by the Authority when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an

environmental indemnification provision wherein the Authority agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

13. the Obligations must include a provision stating that the Authority 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;
14. 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 form in accordance with 31 TAC § 363.42(c)(1);
15. the Obligations must include a provision prohibiting the Authority from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
  - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
17. the Obligations must include a provision requiring the Authority take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the Authority will:

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The Authority shall maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
18. the Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
  19. the Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
  20. the Obligations must provide that neither the Authority nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the Authority by the TWDB;

**Revenue Pledge**

21. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
22. if the Authority has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens

securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;

23. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if:

(a) The Net Revenues of the Authority for the most recently completed Fiscal Year, or during any period of twelve (12) consecutive calendar months ending no more than ninety (90) days preceding the adoption of the resolution or order authorizing the issuance of such Additional Bonds, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund, were not less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(b) The Authority has duly adopted revisions to its Service Fees and/or Pumpage Fees, effective at least sixty (60) days prior to the close of its most recent Fiscal Year or any other period of twelve (12) consecutive calendar months ending no more than ninety (90) days prior to the proposed date of issuance of such Additional Bonds, and the Authority has received a certificate executed by a certified public accountant or firm of certified public accounts to the effect that the Net Revenues of the Authority during such Fiscal Year or twelve-month period, if recalculated on the assumption that such revised Service Fees and/or Pumpage Fees had been in effect for the entirety of such Fiscal Year or twelve-month period, together with any funds then available on deposit in or to the credit of the Surplus Revenue Fund and any interest to be capitalized out of the proceeds of such proposed Additional Bonds, would have been no less than 1.25 times the annual average of the principal and interest payments scheduled to become due on the Bonds and any Additional Bonds then outstanding and estimated to become due on such proposed Additional Bonds; or

(c) The Authority has received the written consent and approval to the issuance of such Additional Bonds from the Holders or beneficial owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding.

**Conditions to Close or for Release of Funds:**

24. prior to closing, and if not previously provided with the application, the Authority shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, 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;
25. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority 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;

26. prior to closing, the Authority's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
27. prior to closing, the Authority's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
28. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations; and
29. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

APPROVED and ordered of record this, the 21st day of July, 2016.

TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun, Chairman

DATE SIGNED: 7-21-16

ATTEST:

  
  
\_\_\_\_\_  
Jeff Walker  
Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AMENDING TEXAS WATER DEVELOPMENT BOARD  
RESOLUTION NOS. 15-078 and 16-081  
TO PROVIDE FINANCIAL ASSISTANCE TO THE CENTRAL HARRIS COUNTY REGIONAL  
WATER AUTHORITY  
IN THE AMOUNT OF \$4,900,000**

**(17-081)**

WHEREAS, at its July 23, 2015 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-078, made a multi-year commitment to provide financial assistance to the Central Harris County Regional Water Authority (Authority) from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the purchase of \$41,630,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 through 2020 for Project Nos. 51023, 51021, and 51009; and

WHEREAS, at its July 21, 2016 meeting, the TWDB, through TWDB Resolution No. 16-081 amended TWDB Resolution No. 15-078 to increase the financial assistance commitment in the amount of \$2,905,000 for Project No. 51021 and made a further commitment to finance Project No. 51043 through the purchase of an additional \$12,585,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2015 through 2020 through the SWIRFT, all as is more specifically set forth in the TWDB's Resolution Nos. 15-078 and 16-081 (Resolutions) and accompanying documentation, to which documents express reference is made; and

WHEREAS, the Authority seeks an amendment to TWDB Resolution No. 15-078 as amended by TWDB Resolution No. 16-081 for additional financial assistance for Project No. 51023 through the TWDB's proposed purchase of \$4,900,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017; and

WHEREAS, interest rate subsidies are available to the Authority at the following levels: 35.0% for a term of 20 years, 25.0% for a term of 21 to 25 years, and 20.0% for a term of 26 to 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the Authority, pursuant to this Resolution; and

WHEREAS, these interest rate subsidies given 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;

WHEREAS, the TWDB hereby finds that the proposed amendment to TWDB Resolution No. 15-078, as amended by TWDB Resolution No. 16-081, as requested by the Authority, is reasonable and within the public interest and will serve a public purpose; and

WHEREAS, in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law and, in particular whether the request for additional financial assistance meets the criteria provided by Texas Water Code § 15.437 relating to the prioritization of the Project.

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

1. The commitment made through TWDB Resolution No. 15-078 as amended by TWDB Resolution No. 16-081, to the Central Harris County Regional Water Authority 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 the Central Harris County Regional Water Authority Revenue Bonds, in accordance with the annual loan closing schedule proposed below:
  - a. \$26,550,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017;
  - b. \$5,235,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018;
  - c. \$6,600,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2019;
  - d. \$3,560,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2020.
2. Further, the commitment described above consists of the following Projects:
  - a. Project No. 51023 (Northeast Water Purification Plant Expansion) in the amount of \$22,045,000;
  - b. Project No. 51021 (Second Source Transmission Line Phase I) in the amount of \$5,835,000;
  - c. Project No. 51009 (Second Source Transmission Line Phase II) in the amount of \$5,450,000; and
  - d. Project No. 51043 (Internal Transmission and Distribution Line Expansion) in the amount of \$8,615,000.
3. All other terms and conditions of TWDB Resolution No. 15-078 shall remain in full force and effect.

APPROVED and ordered of record this the 20th day of July, 2017.

TEXAS WATER DEVELOPMENT BOARD



*Bech K. Bruun*

Bech K. Bruun, Chairman

DATE SIGNED: 7-20-17

ATTEST:

*Jeff Walker*

Jeff Walker  
Executive Administrator

# WATER CONSERVATION REVIEW

Entity: \_\_\_\_\_

Review date: \_\_\_\_\_

**WATER CONSERVATION PLAN DATE:** **Approvable**      **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

**WATER LOSS AUDIT YEAR:**

Total water loss (GPCD): \_\_\_\_\_      Total water loss (percent): \_\_\_\_\_      Wholesale Water  
 Total no. of connections: \_\_\_\_\_      Length of mains (miles): \_\_\_\_\_      Connections per mile: \_\_\_\_\_  
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): \_\_\_\_\_

**WATER LOSS THRESHOLDS:**

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

Does the applicant meet Water Loss Threshold requirements?      Yes      No      NA

**ADDITIONAL INFORMATION:**

**STAFF NOTES AND RECOMMENDATIONS:**

## DEFINITIONS

**Adopted** refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

**Apparent loss** refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

**Approvable** refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

**Best Management Practices** are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

**GPCD** means gallons per capita per day.

**Infrastructure Leakage Index (ILI)** is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a benchmarking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

**NA** means not applicable.

**Produced water** is the total amount of water purchased or produced by the utility.

**Real loss** comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

**Residential GPCD** is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

**Total baseline GPCD** is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

**Total water loss** is the sum of the apparent and real water losses.

**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**Water Loss Thresholds** are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.



## Central Harris CO Regional WA Harris County

