AGENDA ITEM MEMO

BOARD MEETING DATE: July 22, 2021

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
          Ashley Harden, General Counsel
          Jessica Pena, Deputy Executive Administrator

FROM: T. Clay Schultz, Ph.D., Director, Regional Water Project Development
      Nancy Richards, Manager, Regional Water Project Development

SUBJECT: Amendment to the West Harris County Regional Water Authority closing schedule

ACTION REQUESTED
Amend by resolution the previously adopted Texas Water Development Board (TWDB) Resolution No. 15-079, as amended by Resolution Nos. 17-082, 18-062 and 18-092, to modify the West Harris County Regional Water Authority’s multi-year commitment closing schedule.

BACKGROUND
In July 2015 the Texas Water Development Board (TWDB), through Resolution No. 15-079 approved an $812,140,000 multi-year commitment to the West Harris County Regional Water Authority (Authority) from the State Water Implementation Revenue Fund for Texas (SWIRFT) for the Northeast Water Purification Plant Expansion (NEWPP), Second Source Transmission Line, and Internal Distribution Line projects, Project Nos. 51023, 51022, and 51003, respectively. The multi-year loan closing schedule included anticipated loan closings for 2015 through 2025.

In July 2017 the TWDB approved through Resolution No. 17-082 a request from the Authority to increase the financial assistance commitment by $50,000,000 for Project No. 51023.

In May 2018 the TWDB approved through Resolution No. 18-062 a request from the Authority to provide the Executive Administrator to authorize the transfer of funds
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between Project Nos. 51023, 51022, and 51003.

In July 2018, the TWDB approved through Resolution No. 18-092 an increase in financing of $95,000,000 for Project Nos. 51023 and 51022.

**KEY ISSUES**
The flexibility of the SWIFT program enables applicants to fund large projects over time and therefore, adjustments to the schedule were anticipated. The loan closing schedules included in TWDB Resolution No. 15-079, 17-082, and 18-092 were based on the Authority’s reasonable estimate of costs at the early stages of the projects. Each SWIFT funding-cycle year, borrowers that received a multi-year commitment are required to submit an Annual Loan Closing Schedule. The updated Annual Loan Closing Schedules provide the TWDB with the most timely and accurate information and enable the TWDB to better evaluate program capacity based on existing commitments and new abridged applications.

In its response to the Annual Loan Closing Schedule for the 2021 funding-cycle, the Authority requested two changes to its annual loan closing schedules that were originally approved in TWDB Resolution Nos. 15-079, 17-082, and 18-092.

The Authority requested to move forward to 2021 $7,900,000 from years 2022-2024 for the NEWPP Expansion, Project No. 51023.

The second change requested modifies the budgets of the Authority’s Second Source Transmission Line and Internal Distribution Line projects resulting in the movement of funds from the Internal Distribution Line, Project No. 51003 to the Second Source, Project No. 51022. The Authority is requesting to move $19,470,000 from Project No. 51003 into Project No. 51022 for 2021 and to move a total of $79,500,000 from years 2022, 2023, 2024 and 2025 into Project No. 51022 for 2022. The decrease in funding for Project No. 51003 will not impact the Authority’s ability to complete the project. The requested changes will result in a net zero difference in the total amount of funding to the Authority.

**RECOMMENDATION**
The Executive Administrator recommends that TWDB Resolution No. 15-079, as amended by 17-082, 18-062 and 18-092, be further amended to reflect an increase of $27,370,000 for the 2021 disbursement with decreases in years 2022-2024 and an increase of $79,500,000 for the 2022 disbursement with decreases in years 2022-2025.

Attachment(s):
1. Proposed TWDB Resolution (21- )
2. TWDB Resolution (15-079)
3. TWDB Resolution (17-082)
4. TWDB Resolution (18-062)
5. TWDB Resolution (18-092)
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6. Annual Loan Closing Schedules for the 2021 funding cycle
A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION NO. 15-079 AS AMENDED BY RESOLUTION NOS. 17-082, 18-062, AND 18-092 TO MODIFY THE WEST HARRIS COUNTY REGIONAL WATER AUTHORITY’S MULTI-YEAR COMMITMENT CLOSING SCHEDULE

WHEREAS, at its July 23, 2015, meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-079, made a multi-year commitment to West Harris County Regional Water Authority (Authority) for financial assistance in the amount of $812,140,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), through the purchase of $812,140,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds Proposed Series 2015 through 2025 for Project Nos. 51023, 51022, and 51003; and

WHEREAS, at its July 20, 2017, meeting, the TWDB by Resolution 17-082 amended TWDB Resolution No. 15-079 to increase the financial assistance commitment in the amount of $50,000,000 for Project No. 51023; and

WHEREAS, at its May 17, 2018 meeting, the TWDB by Resolution 18-062 amended TWDB Resolution No. 15-079, as amended by TWDB Resolution No. 17-082, to provide authority to the Executive Director to transfer funds between Project Nos. 51023, 51022, and 51003;

WHEREAS, at its July 26, 2018 meeting, the TWDB by Resolution No. 18-092, amended TWDB Resolution No. 15-079, as amended by TWDB Resolution Nos. 17-082 and 18-062, to increase the financial assistance commitment in the amount of $95,000,000 for Project Nos. 51022 and 51023, all as is more specifically set forth in TWDB Resolution Nos. 15-079, 17-082, 18-062, and 18-092 (Resolutions) and accompanying documentation, to which documents express reference is made; and

WHEREAS, the Authority seeks an amendment to TWDB Resolution No. 15-079, as amended by TWDB Resolution Nos. 17-082, 18-062, and 18-092 to move previously committed funds forward in time and distribute the funds to better align with the ongoing projects; and

WHEREAS, the TWDB hereby finds that the proposed amendment to TWDB Resolution No. 15-079, as amended by TWDB Resolution Nos. 17-082, 18-062, and 18-092 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;
NOW, THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

1. The commitment made through TWDB Resolution NO. 15-079, as amended by TWDB Resolution Nos. 17-082, 18-062, and 18-092, is amended to move committed funds earlier in time and to move the committed funds among the projects in accordance with the annual loan closing schedule proposed below:
   a. $41,470,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2021.
   b. $93,010,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2022.

2. Further, the commitment described above consists of the remaining funds for the following Projects:
   a. Project No. 51023 (North East Water Purification Plant Expansion) in the amount of $10,390,000; and
   b. Project No. 51022 (Second Source Transmission Line/ 96" Inch) in the amount of $124,090,000.

All other terms and conditions of TWDB Resolution No. 15-079, as amended by TWDB Resolution Nos. 17-082, 18-062, and 18-092, shall remain in full force and effect.

APPROVED and ordered of record this the 22nd day of July 2021.

TEXAS WATER DEVELOPMENT BOARD

____________________________________________________
Brooke T. Paup, Chairwoman

DATE SIGNED: _________________________________

ATTEST:

Jeff Walker
Executive Administrator
A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO WEST 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
$812,140,000 WEST HARRIS COUNTY REGIONAL WATER AUTHORITY WATER SYSTEM JUNIOR LIEN REVENUE BONDS, PROPOSED SERIES 2015 THROUGH PROPOSED SERIES 2025

(15-079)

WHEREAS, the West Harris County Regional Water Authority, located in Harris County, Texas, (Authority) has filed applications for financial assistance in the total amount of $812,140,000 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 $812,140,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2015 through Proposed Series 2025 (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; and

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 West Harris County Regional Water Authority for financial assistance in the amount of $812,140,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB’s proposed purchase of West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, in accordance with the schedule proposed below:

- a) $18,740,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2015 to expire on December 31, 2015; and
- b) $37,960,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2016, to expire on December 31, 2016; and
- c) $161,250,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2017, to expire on December 31, 2017; and
- d) $289,680,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2018, to expire on December 31, 2018; and
- e) $107,470,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2019, to expire on December 31, 2019; and
- f) $62,560,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2020, to expire on December 31, 2020; and
- g) $33,570,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2021, to expire on December 31, 2021; and
- h) $23,880,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2022, to expire on December 31, 2022; and
- i) $38,100,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2023, to expire on December 31, 2023; and
- j) $24,190,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2024, to expire on December 31, 2024; and
- k) $14,740,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2025, to expire on December 31, 2025.

Further, the commitment described above consists of the following Projects:
a) Project No. 51023 (Northeast Water Purification Plant Expansion) in the amount of $306,200,000;
b) Project No. 51022 (Second Source Transmission Line) in the amount of $325,440,000; and
c) Project No. 51003 (Internal Distribution Lines) in the amount of $180,500,000.

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 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 funded with bond proceeds or 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 no additional Series of Junior Lien Bonds or Junior Lien Notes shall be issued, nor shall any Junior Lien Obligations be incurred, unless there shall have been submitted to the Trustee:

   (a) Historical Pledged Revenues. Pledged Revenues for the most recent Fiscal Year or 12 consecutive months out of the most recent 18 months, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, shall be certified by an independent certified public accountant for the Authority to have been at least equal to 110% of Maximum Annual Debt Service Requirements on all outstanding Parity Bonds, Parity Notes and Parity Obligations and on all Junior Lien Bonds, Junior Lien Notes and Junior Lien Obligations that will be outstanding after the issuance of such Series of Junior Lien Bonds or Junior Lien Notes or incurrence of such Junior Lien Obligations; or

   (b) Proforma Pledged Revenues. The certification of an independent nationally recognized rate consultant to the effect that, based upon a recent increase in rates or charges imposed by the Authority, the Pledged Revenues of the Authority for the prior Fiscal Year or 12
consecutive months out of the most recent 18 months, calculated as if such increase in rates or charges had been effective during such a period, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, would have produced Pledged Revenues equal to at least 120% of Maximum Annual Debt Service Requirements for outstanding Parity Bonds, Parity Notes and Parity Obligations and for Junior Lien Bonds, Junior Lien Notes and Junior Lien Obligations that will be outstanding after the issuance of such Series of Junior Lien Bonds or Junior Lien Notes or incurrence of such Junior Lien Obligations; or

(c) **Projected Pledged Revenues.** The certification of an independent nationally recognized rate consultant to the effect that, based on the certification of an independent professional engineer described below, the projected Pledged Revenues for the first future Fiscal Year for which interest has not been capitalized for the Series of Junior Lien Bonds or Junior Lien Notes to be issued or Junior Lien Obligations to be incurred, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, will be at least equal to 120% of Maximum Annual Debt Service Requirements on all outstanding Parity Bonds, Parity Notes and Parity Obligations and on all Junior Lien Bonds, Junior Lien Notes and Junior Lien Obligations that will be outstanding after the issuance of such Series of Junior Lien Bonds or Junior Lien Notes or incurrence of such Junior Lien Obligations. Such certification may rely on the certification of an independent professional engineer that forecasts the levels of (i) water pumpage within the Authority and within its Groundwater Reduction Plan during a forecast period; and/or (ii) water sales by the Authority during a forecast period based upon such engineer’s evaluation of the Authority’s anticipated construction and placement into service of components of the System that will permit the Authority to increase its sales of water during the forecast period.

**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 or, if applicable, the levy of an interest and sinking tax rate 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 23rd day of July, 2015.

TEXAS WATER DEVELOPMENT BOARD

Beck K. Bruun, Chairman

DATE SIGNED: 2-23-15

ATTEST:

Kevin Patteson
Executive Administrator
A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD
RESOLUTION NO. 15-079
TO PROVIDE FINANCIAL ASSISTANCE TO THE WEST HARRIS COUNTY REGIONAL WATER AUTHORITY
IN THE AMOUNT OF $50,000,000

(17-082)

WHEREAS, at its July 23, 2015 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-079, made a multi-year commitment to provide financial assistance to the West Harris County Regional Water Authority (Authority) from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the purchase of $812,140,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2015 through 2025 for Project Nos. 51023, 51022, and 51003, all as is more specifically set forth in the TWDB's Resolution No. 15-079 (Resolution) and accompanying documentation, to which documents express reference is made; and

WHEREAS, the Authority seeks an amendment to TWDB Resolution No. 15-079 for additional financial assistance for Project No. 51023 through the TWDB's proposed purchase of $211,250,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Series 2017; and

WHEREAS, interest rate subsidies are available to the Authority at the following levels: 35% for a term of 20 years, 25% for a term of 21 to 25 years, and 20% 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. 15-079 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 the Resolution to the West 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 West Harris County Regional Water Authority Revenue Bonds, in accordance with the annual loan closing schedule proposed below:

   a. $211,250,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2017;
   b. $289,680,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2018;
   c. $107,470,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2019;
   d. $62,560,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2020;
   e. $33,570,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2021;
   f. $23,880,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2022;
   g. $38,100,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2023;
   h. $24,190,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2024; and
   i. $14,740,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2025.

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

   a. Project No. 51023 (North East Water Purification Plant Expansion) in the amount of $326,600,000;
   b. Project No. 51022 (Second Source Transmission Line) in the amount of $319,840,000; and
   c. Project No. 51003 (Internal Distribution) in the amount of $159,000,000.

3. All other terms and conditions of TWDB Resolution No. 15-079 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, Chairman

DATE SIGNED: 7-20-17

ATTEST:

Jeff Walker
Executive Administrator
WHEREAS, at its July 23, 2015, meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-079, made a multi-year commitment to West Harris County Regional Water Authority (Authority) for financial assistance in the amount of $812,140,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), through the purchase of $812,140,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, all as is more specifically set forth in TWDB Resolution No. 15-079 and accompanying documentation, to which documents express reference is made; and

WHEREAS, at its July 20, 2017, meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 17-082, made a commitment to West Harris County Regional Water Authority (Authority) for financial assistance in the amount of $50,000,000 from the SWIRFT, through the purchase of $50,000,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, all as is more specifically set forth in TWDB Resolution No. 17-082 and accompanying documentation, to which documents express reference is made; and

WHEREAS, the TWDB through TWDB Resolution No. 15-079 provided a multi-year commitment to the Authority for Project No. 51023, the Northeast Water Purification Plant Expansion in the amount of $306,200,000; Project No. 51022, the Second Source Transmission Line in the amount of $325,440,000; and Project No. 51003, Internal Distribution Lines in the amount of $180,500,000; and

WHEREAS, the TWDB through TWDB Resolution No. 17-082 provided a commitment to the Authority for Project No. 51023, the Northeast Water Purification Plant Expansion in the amount of $50,000,000; and

WHEREAS, the Authority has requested to use a portion of the funds from Project No. 51003 for expenses related to Project Nos. 51022 and 51023; and

WHEREAS, Project No. 51023, Project No. 51022, and Project No. 51003 are funded under the State Water Implementation Fund for Texas (SWIFT) Program and therefore all three Projects will follow the same program requirements; and

WHEREAS, the TWDB finds that due to the significant scope and complexity of the projects funded under the commitment, there is reason to allow the Executive Administrator to review and, where appropriate, to provide approval of the movement of
funds between the projects funded by the TWDB through TWDB Resolution Nos. 15-079 and 17-082; and

WHEREAS, in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law;

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

1. The commitment made through TWDB Resolution No. 15-079, as amended by TWDB Resolution No. 17-082, is amended by this Resolution to include the following statement of resolution:

NOW THEREFORE, based on the findings above, the TWDB resolves that the Executive Administrator has the authority to where appropriate, approve, not more than annually, a request from the Authority to transfer funds from current or prior years between Project Nos. 51023, 51022, and 51003.

2. All other terms and conditions of TWDB Resolution No. 15-079, as amended by TWDB Resolution No. 17-082, shall remain in full force and effect.

APPROVED and ordered of record this the 17th day of May 2018.

TEXAS WATER DEVELOPMENT BOARD

Peter Lake, Chairman

DATE SIGNED: 5/17/18

ATTEST:

Jeff Walker
Executive Administrator
A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION NO. 15-079 AS AMENDED BY RESOLUTION NOS. 17-082 AND 18-062, TO PROVIDE ADDITIONAL FINANCIAL ASSISTANCE TO THE WEST HARRIS COUNTY REGIONAL WATER AUTHORITY IN THE AMOUNT OF $95,000,000

(18-092)

WHEREAS, at its July 23, 2015, meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-079, made a multi-year commitment to West Harris County Regional Water Authority (Authority) for financial assistance in the amount of $812,140,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), through the purchase of $812,140,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds Proposed Series 2015 through 2025 for Project Nos. 51023, 51022, and 51003; and

WHEREAS, at its May 17, 2017 meeting, the TWDB by Resolution 18-062 amended TWDB Resolution No. 15-079, as amended by TWDB Resolution No. 17-082, to provide authority to the Executive Director to transfer funds between Project Nos. 51023, 51022, and 51003 all as is more specifically set forth in TWDB Resolution Nos. 15-079, 17-082, and 18-062 (Resolutions) and accompanying documentation, to which documents express reference is made; and

WHEREAS, at its July 20, 2017, meeting, the TWDB by Resolution 17-082 amended TWDB Resolution No. 15-079 to increase the financial assistance commitment for Project Nos. 51022, 51023, and 51003 through the purchase of $50,000,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds; and

WHEREAS, the Authority seeks an amendment to TWDB Resolution No. 15-079, as amended by TWDB Resolution Nos. 17-082 and 18-062, for additional financial assistance for Project Nos. 51022 and 51023 in the amount of $95,000,000 through the TWDB's proposed purchase of $95,000,000 West Harris County Regional Water Authority Water System Revenue Bonds, Proposed Series 2018 through Proposed Series 2020; and

WHEREAS, the TWDB hereby finds that the proposed amendment to TWDB Resolution No. 15-079, as amended by TWDB Resolution Nos. 17-082 and 18-062, 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;
NOW, THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

1. The commitment made through TWDB Resolution NO. 15-079, as amended by TWDB Resolution No. 17-082, is amended to include a commitment made by the TWDB to the West Harris County Regional Water Authority for financial assistance in the amount of $95,000,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB’s proposed purchase of West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds and West Harris County Regional Water Authority Water System Revenue Bonds in accordance with the annual loan closing schedule proposed below:

   a. $289,680,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2018.

   b. $65,000,000 West Harris County Regional Water Authority Water System Revenue Bonds, Proposed Series 2018.

   c. $107,470,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2019.

   d. $15,000,000 West Harris County Regional Water Authority Water System Revenue Bonds, Proposed Series 2019.

   e. $62,560,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2020.

   f. $15,000,000 West Harris County Regional Water Authority Water System Revenue Bonds, Proposed Series 2020.

   g. $33,570,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2021.

   h. $23,880,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2022.

   i. $38,100,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2023.

   j. $24,190,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2024.

   k. $14,740,000 West Harris County Regional Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2025.
2. Further, the commitment described above consists of the remaining funds for the following Projects:

   a. Project No. 51023 (North East Water Purification Plant Expansion) in the amount of $252,210,000;

   b. Project No. 51022 (Second Source Transmission Line/ 96” Inch) in the amount of $286,940,000; and

   c. Project No. 51003 (Internal Distribution) in the amount of $150,040,000

3. All other terms and conditions of TWDB Resolution No. 15-079, as amended by TWDB Resolution No. 17-082, shall remain in full force and effect with respect to all financial assistance, with the exception of TWDB Condition No. 23 relating to the issuance of additional obligations.

4. TWDB Condition No. 23 shall be replaced with the following condition only as it applies to the $95,000,000 committed through this Resolution:

   (a) Historical Pledged Revenues. Pledged Revenues for the most recent Fiscal Year or 12 consecutive months out of the most recent 18 months, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, shall be certified by an independent certified public accountant for the Authority to have been at least equal to 120% of Maximum Annual Debt Service Requirements on all Parity Bonds, Parity Notes and Parity Obligations that will be outstanding after the issuance of such Series of Parity Bonds or Parity Notes or incurrence of such Parity Obligations; or

   (b) Proforma Pledged Revenues. The certification of an independent nationally recognized rate consultant to the effect that, based upon a recent increase in rates or charges imposed by the Authority, the Pledged Revenues of the Authority for the prior Fiscal Year or 12 consecutive months out of the most recent 18 months, calculated as if such increase in rates or charges had been effective during such a period, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, would have produced Pledged Revenues equal to at least 130% of Maximum Annual Debt Service Requirements for Parity Bonds, Parity Notes and Parity Obligations that will be outstanding after the issuance of such Series of Parity Bonds or Parity Notes or incurrence of such Parity Obligations; or

   (c) Projected Pledged Revenues. The certification of an independent nationally recognized rate consultant to the effect that, based on the certification of an independent professional engineer described below, the projected Pledged Revenues for the first future Fiscal Year for which interest has not been capitalized for the Series of Parity Bonds or Parity Notes to be issued or Parity Obligation to be incurred, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, will be at least equal to 130% of Maximum Annual Debt Service Requirements on all Parity Bonds, Parity Notes and Parity Obligations that
will be outstanding after the issuance of such Series of Parity Bonds or Parity Notes or incurrence of such Parity Obligations. Such certification may rely on the certification of an independent professional engineer that forecasts the levels of (i) water pumpage within the Authority and within its Groundwater Reduction Plan during a forecast period; and/or (ii) water sales by the Authority during a forecast period based upon such engineer’s evaluation of the Authority’s anticipated construction and placement into service of components of the System that will permit the Authority to increase its sales of water during the forecast period.

(d) If Parity Bonds or Parity Notes are being issued or Parity Obligations are being incurred for the purpose of refunding previously issued Parity Bonds or Parity Notes or previously incurred Parity Obligations, none of the foregoing certifications will be required so long as the issuance of such Parity Bonds or Parity Notes, or incurrence of Parity Obligations, is certified by the Authority’s financial advisor not to cause an-increase in the Maximum Annual Debt Service Requirements of the Parity Bonds, Parity Notes and Parity Obligations.

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

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, Chairman

DATE SIGNED: 7/27/18

ATTEST:

Jeff Walker, Executive Administrator
# West Harris Co Regional Water Authority

## Project# 51003

### WHCRWA Internal Distribution

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## Multi-Year Commitment

### Annual Loan Closing Schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount per Resolution No. 15-079</th>
<th>Proposed Revised Amount (If Applicable)</th>
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</thead>
<tbody>
<tr>
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<td>2021</td>
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<td><strong>$180,500,000</strong></td>
<td><strong>$81,530,000</strong></td>
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**NOTE:** The overall structure and approach are intended to allow applicants to achieve savings while maintaining the integrity of the SWIFT program and includes subsidies based on level-debt service schedules for all low-interest obligations. Interest rate subsidies for non-level debt service are subject to modification.

## Contact Information

Please provide the best point of contact for TWDB staff to discuss your anticipated closing schedule.

**Melinda Silva, P.E. Deputy Program Manager**

**Contact Name and Title**

832-741-9045  melinda.silva@dannenbaum.com

**Phone Number  Email Address**
# Annual Loan Closing Schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount per Resolution No. 15-079 and 18-092</th>
<th>Proposed Revised Amount (If Applicable)</th>
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<td>$469,410,000</td>
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Melinda Silva, P.E. Deputy Program Manager  
Contact Name and Title

Phone Number: 832-741-9045  
Email Address: melinda.silva@dannenbaum.com
Multi-Year Commitment
Annual Loan Closing Schedule

West Harris Co Regional Water Authority
Project# 51023
Houston - NEWPP Expansion

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount per Resolution No. 15-079, 17-082, and 18-092</th>
<th>Proposed Revised Amount (If Applicable)</th>
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