

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 26, 2018

TEAM MANAGER: Dain Larsen

APPLICANT	Guadalupe-Blanco River Authority
TYPE OF ASSISTANCE	\$12,030,000 Deferred Financing \$37,175,000 Low-interest Financing \$116,650,000 Master Agreement
LEGAL PLEDGE	Contract Revenues

STAFF RECOMMENDATION

☒ Approve ☐ No Action

ACTION REQUESTED

Approve by resolution, a request from Guadalupe Blanco River Authority (Guadalupe, Comal, Hays, Caldwell Counties) for \$165,855,000 in financing consisting of \$37,175,000 in low-interest financing, \$12,030,000 in deferred financing, and \$116,650,000 in Board Participation from the State Water Implementation Revenue Fund for Texas for planning, design, acquisition, and construction of a new water source, with treatment and distribution facilities.

PROJECT

Carrizo Groundwater Supply Project
Project Number 51055

BACKGROUND

Passed by the 83rd 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 low-interest financing, deferral of 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 projects approved by the Board on April 5, 2018.

Multi-Year Commitment	Expiration Date
\$23,925,000 Proposed Series 2018 A & B	December 31, 2018
\$34,285,000 Master Agreement 2018	December 31, 2018
\$10,470,000 Proposed Series 2020	December 31, 2020
\$33,345,000 Master Agreement 2020	December 31, 2020
\$14,810,000 Proposed Series 2021	December 31, 2021
\$49,020,000 Master Agreement 2021	December 31, 2021

The Guadalupe Blanco River Authority (Authority) was established in 1933 by the State of Texas to develop, conserve and protect the water resources of ten counties in the Guadalupe River Basin from Kendall County northwest of San Antonio to Refugio County along the Gulf Coast.

The Authority's proposed project would provide treated groundwater to three of its customers (Participants); New Braunfels Utilities (NBU), which is the water, wastewater and electric utility system for the City of New Braunfels, the City of Lockhart (City), and Goforth Special Utility District (District). The population of the Participants' service area is projected to grow by 102% by 2032 to approximately 232,270. Water demand is expected to grow from 21,296 to 41,107-acre-feet per year.

The proposed project is the first of two phases for the Authority's Mid-Basin Water Supply Project. This phase will produce 15,000 acre-feet per year of groundwater from the Carrizo Aquifer in Gonzales and Caldwell counties. The Authority will construct between seven and fifteen new water wells operating under current leases of the Authority. The project proposes to treat ground water at a proposed new water treatment plant and deliver through new and improved existing transmission systems to make water available to the Participants.

FINANCIAL

Key Issues

The Authority requests four years of capitalized interest in the 2018 Low-Interest loan.

Multi-Year Commitment

The Authority has requested a multi-year commitment over a period of three years, 2018, 2020 and 2021 (Table 1). The subsidy of 18% will be applied to the 2018 Low-Interest loan only.

Calendar Year	Deferred	Low-interest	Board Participation	Total
2018	\$12,030,000	\$11,895,000	\$34,285,000	\$58,210,000
2020	-	\$10,470,000	\$33,345,000	\$43,815,000
2021	-	\$14,810,000	\$49,020,000	\$63,830,000
Total	\$12,030,000	\$37,175,000	\$116,650,000	\$165,855,000

Table 1: Multi-year commitment request by SWIFT financing type

Pledge and Repayment

The Authority is pledging contract revenues of the Participants for the repayment of the proposed loan. The Participants currently generate approximately \$34.3 million in net revenues available for debt service, which provides 1.98 times combined coverage of the annual existing and proposed debt service and additional contractual costs of providing water to the Participants (e.g. groundwater leases and operating expenses) during the first year of principal repayment on the proposed debt in 2023. This is a strong coverage ratio.

Each Participant is responsible to repay debt service and the additional contractual costs for its allocated amount, which is based on the amount of water provided by the Authority. Each Participant will be required to pay its allocated share of debt service regardless of whether the projected amount of water is used. In addition, each Participant pays annually an additional ten percent of the annual debt service. The allocation between the Participants for annual contractual payments is shown in Table 2.

Participant	Percent of debt service
City of New Braunfels	53.33
Goforth Special Utility District	26.67
City of Lockhart	20.00

Table 2: Allocation of percentage of annual debt service requirements by Participant

NBU's net revenues are substantial and are sufficient to meet the requirements of its portion of the annual contractual payments. The City and District will need utility system water rate increases beginning in 2021 and 2032, respectively, to provide sufficient revenues. The City's current average monthly water and wastewater bill is \$63.32. Assuming no growth in the number of connections, the City would need an estimated increase of approximately a \$5.53 in 2021 with additional annual increases reaching approximately \$31.50 in 2029 and a maximum of \$67.25 in 2036. The District's current average monthly water and wastewater bill is \$82.00. With no growth in the number of connections, the District would need an estimated \$5.20 increase in 2032 with additional increases reaching approximately \$35.08 by 2042.

The proposed Board Participation financing allows the Participants to reallocate some of the costs to future customers who are the primary beneficiaries of the infrastructure financing by this program. With the proposed 2018 Board Participation financing, the Participants will reallocate approximately \$8.5 million of the first ten years of interest expense to future years, and approximately the same amount of principal payments.

In addition, the Board Participation financing allows the Authority to construct the entire project now, rather than phasing the project, which could result in inflated construction costs over time. The estimated savings compared to a market transaction and a phased project for the Participants is \$104.5 million, with a net present value of \$60.8 million. The Participants' cost savings is due to estimated favorable interest rates compared to the market and lower construction costs by constructing the infrastructure now rather than in phases.

Deferred Loans

The Authority is also requesting funding from the SWIFT program with the deferred repayment option. The deferred option allows the applicant to defer payment of principal and interest up to 8 years or until construction is complete. The Authority anticipates that construction of the project will be complete in 2023 and is requesting approximately 5 years of deferral with a 30-year repayment schedule.

Cost Savings

Based on a 30-year maturity and current interest rates, the Participants could save approximately \$2,685,731 over the life of the Series 2018 financing.

Internal Risk Score

Staff assigns a 2B to the Authority, and the proposed project to be funded by the TWDB. This means that the Authority's overall capacity for the proposed project is adequate. Because the Authority is pledging contract revenues, the financial condition of the Participants was also evaluated and assigned a risk score of 2B.

The results of the financial sustainability indicators are strong. As previously stated, the Participants' combined revenues available for debt service provide a high coverage ratio. In addition, the level of reinvestment in the assets of the Participants' utilities infrastructure is moderate, with an asset condition ratio low of 12 for the District and high of 21 years for NBU and the City. The Authority's asset condition ratio is 27 years. An asset condition ratio of 12 to 24 years is considered typical.

The results of the socioeconomic indicators are also positive. Unemployment in the service area of the Participants (3.07 percent) is better than the state overall (3.80 percent), even though their population has grown at an average annual rate of 3.18 percent compared to 1.08 percent in the state overall. In addition, the average of the median household income for the Participants (\$58,423) is 107 percent of the median household income for the state overall.

The household cost factor compares the annual cost of water and wastewater services, and any rate increases required to pay the proposed debt, to the median household income for each Participant's service area. The Participants' household cost factor weighted by the projected rate increases is 1.58. The range of scores is a low of 1.20 with NBU to a high of 3.14 percent with the City. The industry benchmark for the household cost factor is 2 percent for water and wastewater services.

The Participants' systems' self-supporting debt compared to operating revenues, including the proposed loans, ranges from a low of 1.84 for NBU and high of 7.72 for the City. The Authority overall maintains a low ratio of 3.21. A ratio of 4 to 6 is considered typical for utility systems. The City of New Braunfels and the City have tax debt of 2.12 percent and 1.96 percent of their individual, total tax values, respectively. A ratio of 2 to 4.99 percent is considered typical.

The Participants' unrestricted cash and short-term investments range from a low of approximately 43 days of operating expenses of the utility system for NBU and a high of 1,027 days for the City. The Authority maintains 230 days of operating expenses in cash and short-term investments. An amount between 30 and 150 days is a moderate level of liquidity.

The Authority has managed numerous water resources projects in this rapidly growing area, including prior projects with the City of San Marcos, the City of Luling, the City of New

Braunfels and the City of Lockhart. The Authority has approximately \$95 million in contract revenue loans for its water resource projects, representing most of the Authority's \$114 million in debt. The participants in the proposed project together demonstrate sufficient financial capacity for the project. Their proposed structure of repayment utilizing capitalized interest and deferred interest and principal payments allows for incremental rate increases and substantial allocation of the project costs to the future beneficiaries of the additional infrastructure investment. The Participants' coverage ratio to service the proposed loan is high, their median household income is slightly higher than the state overall, their unemployment rate is below the state overall, and they are in one of the fastest growing areas of the state and nation. These strong factors, and continued long-term financial planning further support the assigned risk score of 2B for the Authority and the project.

LEGAL

Key Issues

None.

Master Agreement

Financing will be provided through a Master Agreement, which sets out the responsibilities, duties and liabilities of the Authority and TWDB. Under the Master Agreement, the TWDB will purchase a percentage of the project, based on the amount of TWDB Board Participation funds provided as compared to the total amount of funds spent on the project. The Authority obligates itself to purchase TWDB's interest in the project under a payment schedule attached to the Master Agreement, which provides that the Authority will make payments of principal and interest.

Conditions

Standard SWIFT, tax-exempt, and contract revenue conditions and further conditioned as follows:

- Water rights determination;
- Master Agreement;
- Monthly reports;
- Conveyance;
- No alteration to legal status.

Attachments: 1. Project Data Summary
 2. Debt Service Schedule
 3. Engineering/Environmental Review
 4. Project Budget
 5. Resolution (18-)
 6. Resolution (18-) Board Participation
 7. Master Agreement
 8. Water Conservation Review
 9. Project Map
 10. Location Map

Project Data Summary

Responsible Authority	Guadalupe Blanco River Authority
Program	State Water Implementation Fund for Texas
Commitment Code	L18864 LB18867, LB20868, LB21869 LM18805, LM20865, LM21866
Project Number	51055
Intended Use Plan Year	N/A
Type of Pledge	4- Contract Revenue
Revenue Pledge Level	Third
Legal Description	\$12,030,000 Guadalupe Blanco River Authority Contract Revenue Bonds, Proposed Series 2018A (Deferred Financing) \$11,895,000 Guadalupe Blanco River Authority Contract Revenue Bonds, Proposed Series 2018B (Low-interest Financing) \$10,470,000 Guadalupe Blanco River Authority Contract Revenue Bonds, Proposed Series 2020 (Low-interest Financing) \$14,810,000 Guadalupe Blanco River Authority Contract Revenue Bonds, Proposed Series 2021 (Low-interest Financing) \$34,285,000 Master Agreement 2018 \$33,345,000 Master Agreement 2020 \$49,020,000 Master Agreement 2021
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	122,654
Rural	No
Water Connections	0 – Wholesale provider
Wastewater Connections	0
Qualifies as Disadvantaged	N/A
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	Low-interest Financing, Deferred Financing, and Board Participation
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes

Water Conservation Plan	Adopted
Water Rights Certification Required	Yes
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	Multi-year funding request, Capitalized Interest +18 months

Project Team

Team Manager	Dain Larsen
Financial Analyst	Hector Estrada
Engineering Reviewer	Jesse Milonovich
Environmental Reviewer	Kristin Miller
Attorney	Alexis Lorick

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Guadalupe-Blanco River Authority

Attachment 2

\$34,285,000 Master Agreement						\$12,030,000 Deferred					
Dated Date:	11/15/2018	Source: SWIFT-PARTICIPATION				Dated Date:	6/30/2023	Source: SWIFT-Deferred			
Delivery Date:	11/15/2018	Rate: 4.10%				Delivery Date:	6/30/2023	Rate: 3.86%			
First Interest:	2/15/2019	Insurance: No				First Interest:	2/15/2024	Insurance: -			
First Principal:	8/15/2039	Case: -				First Principal:	8/15/2024	Case: -			
Last Principal:	8/15/2053	Admin.Fee: \$ -				Last Principal:	8/15/2048	Admin.Fee: \$ -			
Fiscal Year End:	9/30	Admin. Fee Payment Date: N/A				Fiscal Year End:	9/30	Admin. Fee Payment Date: N/A			
Required Coverage:	1.0					Required Coverage:	1.0				

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	EXISTING DS + CONTRACT OBLIGATIONS	\$34,285,000 ISSUE					\$12,030,000 ISSUE				\$11,895,000 ISSUE	\$107,645,000	TOTAL D/S (1.1 PROPOSED)	ACTUAL COVERAGE		
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	DEFERRED INTEREST	REPAYMENT	INTEREST PAID	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			LOW 30 SER 2018 PAYMENT	FUTURE DEBT TOTAL
2019	\$34,300,540	\$11,777,391	-	-	\$1,050,356	(\$1,050,356)	-	-	-	-	-	-	-	\$261,617	\$12,065,170	2.84	
2020	34,300,540	15,131,966	-	-	1,400,475	(1,400,475)	-	-	-	-	-	-	-	348,823	15,515,671	2.21	
2021	34,300,540	15,306,297	-	-	1,400,475	(1,260,428)	-	\$ 140,048	\$ 140,048	-	-	-	-	348,823	\$304,273	2.12	
2022	34,300,540	15,426,131	-	-	1,400,475	(1,120,380)	-	280,095	280,095	-	-	-	-	348,823	868,913	2.01	
2023	34,300,540	14,501,831	-	-	1,400,475	(1,050,356)	-	350,119	350,119	-	-	-	-	658,823	1,563,319	1.98	
2024	34,300,540	15,214,488	-	-	1,400,475	(910,309)	-	490,166	490,166	\$ 250,000	2.310%	\$ 490,913	\$ 740,913	658,274	1,861,017	1.77	
2025	34,300,540	15,165,063	-	-	1,400,475	(735,249)	-	665,226	665,226	320,000	2.440%	430,592	750,592	657,289	2,341,221	1.71	
2026	34,300,540	15,110,588	-	-	1,400,475	(525,178)	-	875,297	875,297	320,000	2.530%	422,784	742,784	665,857	2,499,075	1.68	
2027	34,300,540	15,061,888	-	-	1,400,475	(315,107)	-	1,085,368	1,085,368	330,000	2.590%	414,688	744,688	663,889	2,883,107	20,976,644	1.64
2028	34,300,540	15,010,238	-	-	1,400,475	(105,036)	-	1,295,439	1,295,439	350,000	2.680%	406,141	756,141	661,647	3,352,766	21,682,830	1.58
2029	34,300,540	14,447,438	-	-	1,400,475	-	-	1,400,475	1,400,475	355,000	2.880%	396,761	751,761	664,057	3,939,533	21,878,846	1.57
2030	34,300,540	14,440,188	-	-	1,400,475	-	-	1,400,475	1,400,475	370,000	3.060%	386,537	756,537	665,644	4,519,888	22,516,986	1.52
2031	34,300,540	16,207,750	-	-	1,400,475	605,205	-	2,005,680	2,005,680	375,000	3.200%	375,215	750,215	666,446	5,104,192	25,586,936	1.34
2032	38,610,614	16,174,506	-	-	1,400,475	1,210,411	-	2,610,886	2,610,886	395,000	3.330%	363,215	758,215	671,583	5,463,112	26,628,681	1.29
2033	39,110,758	17,973,000	-	-	1,400,475	1,210,411	-	2,610,886	2,610,886	405,000	3.440%	350,062	755,062	665,897	5,465,023	28,419,554	1.36
2034	39,467,478	17,842,156	-	-	1,400,475	1,210,411	-	2,610,886	2,610,886	425,000	3.540%	336,130	761,130	664,719	6,890,301	29,861,895	1.31
2035	40,451,153	19,639,100	-	-	1,400,475	1,210,411	-	2,610,886	2,610,886	440,000	3.630%	321,085	761,085	667,933	9,111,067	34,105,167	1.16
2036	40,456,211	18,965,250	-	-	1,400,475	1,210,411	-	2,610,886	2,610,886	455,000	3.700%	305,113	760,113	670,417	9,106,477	33,427,931	1.21
2037	41,060,803	20,766,106	-	-	1,400,475	1,210,411	-	2,610,886	2,610,886	475,000	3.760%	288,278	763,278	672,193	9,114,891	35,243,478	1.15
2038	40,906,103	20,764,269	-	-	1,400,475	605,205	-	2,005,680	2,005,680	495,000	3.810%	270,418	765,418	668,288	9,105,804	34,563,978	1.19
2039	41,190,087	20,759,594	\$1,665,000	3.860%	1,400,475	-	-	1,400,475	3,065,475	520,000	3.860%	251,558	771,558	673,890	9,104,835	35,736,928	1.14
2040	41,206,048	20,761,444	1,740,000	3.900%	1,336,206	-	-	1,336,206	3,076,206	535,000	3.900%	231,486	766,486	683,674	9,106,597	35,757,703	1.15
2041	41,315,014	20,762,094	1,815,000	3.930%	1,268,346	-	-	1,268,346	3,083,346	555,000	3.930%	210,621	765,621	687,464	9,320,350	36,004,552	1.14
2042	41,466,413	20,755,519	1,895,000	3.960%	1,197,017	-	-	1,197,017	3,092,017	585,000	3.960%	188,810	773,810	690,506	9,482,529	36,198,265	1.14
2043	41,476,821	20,751,650	1,980,000	3.990%	1,121,975	-	-	1,121,975	3,101,975	610,000	3.990%	165,644	775,644	697,794	9,471,906	36,203,699	1.15
2044	41,361,949	20,485,175	2,060,000	4.030%	1,042,973	-	-	1,042,973	3,102,973	630,000	4.030%	141,305	771,305	709,098	9,449,317	35,921,136	1.15
2045	41,368,720	20,411,350	2,150,000	4.050%	959,955	-	-	959,955	3,109,955	665,000	4.050%	115,916	780,916	709,238	9,419,753	35,833,196	1.15
2046	41,381,843	20,345,350	2,245,000	4.080%	872,880	-	-	872,880	3,117,880	690,000	4.080%	88,983	778,983	718,592	9,398,044	35,760,198	1.16
2047	41,395,273	17,907,000	2,345,000	4.100%	781,284	-	-	781,284	3,126,284	725,000	4.100%	60,831	785,831	721,817	9,373,193	33,314,836	1.24
2048	41,419,720	17,859,000	2,455,000	4.120%	685,139	-	-	685,139	3,140,139	755,000	4.120%	31,106	786,106	734,069	9,349,439	33,269,728	1.24
2049	40,904,633	12,000,000	2,560,000	4.170%	583,993	-	-	583,993	3,143,993	-	-	-	-	-	9,321,186	25,711,696	1.61
2050	40,919,978	12,000,000	2,670,000	4.180%	477,241	-	-	477,241	3,147,241	-	-	-	-	-	9,318,223	25,712,010	1.59
2051	40,693,576	12,000,000	2,780,000	4.190%	365,635	-	-	365,635	3,145,635	-	-	-	-	-	8,673,733	25,001,304	1.64
2052	40,348,611	12,000,000	2,900,000	4.200%	249,153	-	-	249,153	3,149,153	-	-	-	-	-	7,725,506	23,962,124	1.70
2053	40,351,206	12,000,000	3,025,000	4.210%	127,353	-	-	127,353	3,152,353	-	-	-	-	-	7,695,428	23,932,558	1.69
2054	39,507,676	12,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,671,668	20,438,835	1.97
2055	39,503,514	12,000,000	-	-	-	-	-	-	-	-	-	-	-	-	7,628,221	20,391,043	1.94
2056	38,655,540	12,000,000	-	-	-	-	-	-	-	-	-	-	-	-	4,555,264	17,010,790	2.32
\$621,723,816			\$34,285,000		\$40,129,000	(\$0)	\$0	\$40,129,000	\$74,414,000	\$12,030,000		\$7,044,187	\$19,074,187	\$18,977,180	\$239,559,168	\$1,008,950,805	

\$34,285,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.54 YEARS
NET INTEREST RATE	4.101%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$1,958,263

\$12,030,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	15.16 YEARS
NET INTEREST RATE	3.862%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$762,967

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$26,551,337

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.

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Guadalupe Blanco River Authority

\$11,895,000 Guadalupe Blanco River Authority Contract Revenue Bonds, Series 2018

Dated Date:	11/15/2018	Source:	SWIFT-LOW-30YR
Delivery Date:	11/15/2018	Rate:	3.11%
First Interest:	2/15/2019	Insurance:	No
First Principal:	8/15/2023	Case:	-
Last Principal:	8/15/2048	Admin.Fee:	\$0
Fiscal Year End:	09/30	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$11,895,000 ISSUE				TOTAL DEBT SERVICE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	
2019	\$0	\$0	\$0	-	\$261,617	\$261,617	\$261,617
2020	-	-	-	-	348,823	348,823	348,823
2021	-	-	-	-	348,823	348,823	348,823
2022	-	-	-	-	348,823	348,823	348,823
2023	-	-	310,000	1.79%	348,823	658,823	658,823
2024	-	-	315,000	1.90%	343,274	658,274	658,274
2025	-	-	320,000	2.01%	337,289	657,289	657,289
2026	-	-	335,000	2.08%	330,857	665,857	665,857
2027	-	-	340,000	2.13%	323,889	663,889	663,889
2028	-	-	345,000	2.20%	316,647	661,647	661,647
2029	-	-	355,000	2.37%	309,057	664,057	664,057
2030	-	-	365,000	2.52%	300,644	665,644	665,644
2031	-	-	375,000	2.63%	291,446	666,446	666,446
2032	-	-	390,000	2.74%	281,583	671,583	671,583
2033	-	-	395,000	2.83%	270,897	665,897	665,897
2034	-	-	405,000	2.91%	259,719	664,719	664,719
2035	-	-	420,000	2.98%	247,933	667,933	667,933
2036	-	-	435,000	3.04%	235,417	670,417	670,417
2037	-	-	450,000	3.09%	222,193	672,193	672,193
2038	-	-	460,000	3.13%	208,288	668,288	668,288
2039	-	-	480,000	3.17%	193,890	673,890	673,890
2040	-	-	505,000	3.21%	178,674	683,674	683,674
2041	-	-	525,000	3.23%	162,464	687,464	687,464
2042	-	-	545,000	3.25%	145,506	690,506	690,506
2043	-	-	570,000	3.28%	127,794	697,794	697,794
2044	-	-	600,000	3.31%	109,098	709,098	709,098
2045	-	-	620,000	3.33%	89,238	709,238	709,238
2046	-	-	650,000	3.35%	68,592	718,592	718,592
2047	-	-	675,000	3.37%	46,817	721,817	721,817
2048	-	-	710,000	3.39%	24,069	734,069	734,069
			\$0 \$11,895,000		\$7,082,180	\$18,977,180	\$18,977,180

AVERAGE (MATURITY) LIFE	19.14 YEARS
NET INTEREST RATE	3.111%
COST SAVINGS	\$2,685,731
AVERAGE ANNUAL REQUIREMENT	\$632,573

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

**Guadalupe Blanco RA
51055 Carrizo Groundwater Supply Project
Engineering and Environmental Review**

Engineering:

Key Issues:

A water rights certification will be required prior to the release of construction funds for the portion of the project proposing groundwater development. A reasonable expectation finding must be issued prior to release of associated planning and design funding.

The Guadalupe-Blanco River Authority (Authority) Carrizo Groundwater Supply Project's three participants include New Braunfels Utilities, the City of Lockhart (City), and Goforth Special Utilities District (District). Collectively they are identified as Participants. The Authority negotiated executed an agreement in July 2018 with Alliance Regional Water Authority (ARWA) for cooperative implementation of the initial phases of their respective projects. Significant economies of scale are expected to be realized through shared treatment and transmission facilities. A joint project with ARWA could reduce the project cost by an estimated 29 percent. Shared project components, such as treatment and transmission facilities, are limited to whatever share is not owned by the Texas Water Development Board. ARWA's project is currently in the planning phase.

The Board Participation financing that the Authority requests must meet two requirements. First, Board Participation financing can only fund *excess capacity*, or capacity this is needed ten years after the funding request. As shown in the table below, the project service area is estimated to need 36,983 acre-feet per year in 2028. Any project costs to provide current capacity must be financed with a different funding source. While aggregate water supply is sufficient for ten years, the City and District need additional supply beginning in 2023 for the District and 2027 for the City. In aggregate, 11 percent of the project costs are for current capacity, and 89 percent is for excess capacity. NBU is anticipated to have adequate supply until 2033.

Excess Capacity by Participant in acre-feet per year

	New Braunfels Utilities	Lockhart	Goforth SUD	Total
2028				
Supply	26,162	5,601	6,164	37,927
Demand	23,535	6,157	7,292	36,983
Need	0	(556)	(1,128)	(1,684)
New Supply (from project)	8,000	3,000	4,000	15,000
Excess capacity (New supply – Need)/ New supply (in percent)	100	81	72	89

The second requirement is that the Board Participation financing must be no more than 80 percent of the total project costs. While the remaining 20 percent or more of the total project costs must be financed with a different funding source, the additional funding source can fund either excess or current capacity. The Authority meets this requirement with a proposed financing of 29.7 percent of the total project costs with Low-Interest and Deferred and 70.3 percent with Board Participation funding. From the 2018 funding, the Authority seeks Board Participation for a proposed wellfield and high-service pump station near San Marcos.

Project Need/Description

Project Need: The Guadalupe-Blanco River Authority's (Authority) Carrizo Groundwater Supply Project includes three participants, the New Braunfels Utilities, the City of Lockhart, and Goforth Special Utility District

(Participants). The Participants' total population is projected to be approximately 232,270 by the year 2032 (a 102 percent increase from 2017). During this time, water demand is expected to grow from 21,296 to 41,107-acre-feet per year.

Project Description: The project is the first phase of the Authority's Mid-Basin Water Supply Project, which is a recommended project in the 2016 Region L Water Plan and the 2017 State Water Plan, and it is intended to meet current and projected needs through 2055 of the Authority's existing customers and other entities within its statutory district. This phase is expected to produce 15,000 acre-feet per year of groundwater from the Carrizo Aquifer in Gonzales and Caldwell Counties. The shared project with ARWA will include construction of a wellfield utilizing the Authority's current leases, approximately 58.6 miles of transmission main, a 33.5 MGD water treatment plant in which the Authority would need 13.4 MGD of capacity, improvements to the Authority's existing Treated Water Delivery System pump station, a high service pump station and two new pump stations.

Project Schedule:

Project Task	Schedule Date
Closing Date	11/13/2018
Engineering Feasibility Report Completion (End of Planning Phase)	11/30/2018
Design Phase Complete	8/31/2021
Start of Construction	6/1/2019
Construction Completion	12/31/2023

Environmental Section:

Key Issues:

None.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Pursuant to the requirements of 31 Texas Administrative Code § 363.14, all financial assistance shall be conditioned to read that funding for design, acquisition, and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable environmental determination has been issued.



Project Budget Summary
Guadalupe Blanco RA
51055 - Carrizo Groundwater Supply
Project

Budget Items	TWDB Deferred	TWDB Low-Interest Loan	TWDB Board Participation	Total TWDB Funding	Local and Other Funds	Total Project Funding
Construction						
Construction	\$0.00	\$19,871,107.00	\$67,702,893.00	\$87,574,000.00	\$0.00	\$87,574,000.00
Subtotal for Construction	\$0.00	\$19,871,107.00	\$67,702,893.00	\$87,574,000.00	\$0.00	\$87,574,000.00
Basic Engineering Services						
Planning	\$1,015,100.00	\$0.00	\$0.00	\$1,015,100.00	\$0.00	\$1,015,100.00
Design	\$8,521,517.00	\$0.00	\$0.00	\$8,521,517.00	\$0.00	\$8,521,517.00
Construction Engineering	\$0.00	\$722,041.00	\$2,459,738.00	\$3,181,779.00	\$0.00	\$3,181,779.00
Subtotal for Basic Engineering Services	\$9,536,617.00	\$722,041.00	\$2,459,738.00	\$12,718,396.00	\$0.00	\$12,718,396.00
Special Services						
Environmental	\$1,066,000.00	\$0.00	\$0.00	\$1,066,000.00	\$0.00	\$1,066,000.00
Surveying	\$291,000.00	\$0.00	\$0.00	\$291,000.00	\$0.00	\$291,000.00
Geotechnical	\$291,000.00	\$0.00	\$0.00	\$291,000.00	\$0.00	\$291,000.00
Permits	\$230,000.00	\$0.00	\$0.00	\$230,000.00	\$0.00	\$230,000.00
Routing	\$250,000.00	\$0.00	\$0.00	\$250,000.00	\$0.00	\$250,000.00
Subtotal for Special Services	\$2,128,000.00	\$0.00	\$0.00	\$2,128,000.00	\$0.00	\$2,128,000.00
Fiscal Services						
Financial Advisor	\$48,000.00	\$114,235.00	\$312,265.00	\$474,500.00	\$173,724.00	\$648,224.00
Bond Counsel	\$50,500.00	\$125,134.00	\$357,866.00	\$533,500.00	\$0.00	\$533,500.00
Issuance Cost	\$7,383.00	\$48,688.00	\$162,021.00	\$218,092.00	\$0.00	\$218,092.00
Fiscal/Legal	\$9,500.00	\$28,500.00	\$0.00	\$38,000.00	\$0.00	\$38,000.00
Capitalized Interest	\$0.00	\$3,735,438.00	\$0.00	\$3,735,438.00	\$0.00	\$3,735,438.00
Subtotal for Fiscal Services	\$115,383.00	\$4,051,995.00	\$832,152.00	\$4,999,530.00	\$173,724.00	\$5,173,254.00
Other						
Land/Easements Acquisition	\$0.00	\$776,988.00	\$2,661,012.00	\$3,938,000.00	\$0.00	\$3,438,000.00
Water Rights Purchase	\$0.00	\$6,465,685.00	\$22,143,540.00	\$28,609,225.00	\$0.00	\$28,609,225.00
Other (Lease Payments)	\$0.00	\$572,252.00	\$1,956,516.00	\$2,528,768.00	\$0.00	\$2,528,768.00
Other (District Fees)	\$0.00	\$69,213.00	\$236,055.00	\$305,268.00	\$0.00	\$305,268.00
Other (Legal)	\$250,000.00	\$0.00	\$0.00	\$250,000.00	\$0.00	\$250,000.00
Subtotal for Other	\$250,000.00	\$7,884,138.00	\$26,997,123.00	\$35,131,261.00	\$0.00	\$35,131,261.00
Contingency						
Contingency	\$0.00	\$4,645,719.00	\$18,658,094.00	\$23,303,813.00	\$0.00	\$23,303,813.00
Subtotal for Contingency	\$0.00	\$4,645,719.00	\$18,658,094.00	\$23,303,813.00	\$0.00	\$23,303,813.00
Total	\$12,030,000.00	\$37,175,000.00	\$116,650,000.00	\$165,855,000.00	\$173,724.00	\$166,028,724.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO THE
GUADALUPE-BLANCO RIVER AUTHORITY
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$49,205,000 GUADALUPE BLANCO RIVER
AUTHORITY CONTRACT REVENUE BONDS,
PROPOSED SERIES 2018 THROUGH PROPOSED SERIES 2021

(18 -__)

WHEREAS, the Guadalupe-Blanco River Authority (Authority) has filed an application for financial assistance in the amount of \$49,205,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design, and construction of certain water supply project(s) identified as Project No. 51055 (Project); 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 \$49,205,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, in one or more series, (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 seeks a combination of "low-interest" and deferred financing from the TWDB for the Project; and

WHEREAS, the TWDB by separate Resolution will consider the Authority's request for financial assistance from the Board Participation Account of the SWIRFT for the Project; and

WHEREAS, the Authority has offered a pledge of wholesale contract revenues from the treated water supply agreements between it and the City of Lockhart, Goforth Special Utility District, and New Braunfels Utilities (a municipal utility system operating on behalf of the City of New Braunfels) 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;

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, subject to the Authority's use of an approved debt service structure, for those Obligations which shall receive deferred financing from the TWDB, the interest on and principal of the Obligations may be deferred for up to eight years; 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 project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that the Authority satisfactorily completed all requests 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);
4. 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 Guadalupe-Blanco River Authority for financial assistance in the amount of \$49,205,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of Guadalupe Blanco River Authority Contract Revenue Bonds as follows:

- a) \$12,030,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2018A (Deferred Financing) (Gonzales Carrizo Water Supply Project), to expire on December 31, 2018;
- b) \$11,895,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2018B (Low-Interest Financing) (Gonzales Carrizo Water Supply Project) to expire on December 31, 2018;
- c) \$10,470,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series Proposed Series 2020, (Low-Interest Financing) (Gonzales Carrizo Water Supply Project), to expire on December 31, 2020; and

- d) \$14,810,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2021 (Low-Interest Financing) (Gonzales Carrizo Water Supply Project), to expire on December 31, 2021

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 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, on any date beginning on or after the first interest payment date that 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 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;
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. financial assistance 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. financial assistance 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 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);
16. 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;
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 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;
- 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 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");
 - 21. 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;
 - 22. the Obligations must contain a provision requiring that, upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review;

23. the Obligations must contain a provision requiring the Authority to maintain and enforce the contracts with its customers (from the treated water supply contracts) so that the revenues paid to the Authority by its customers are sufficient to meet the revenue requirements of the Authority's obligations arising from the operation of the water system;
24. the Obligations must contain a provision that the pledged contract revenues from the Authority may not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations;

Conditions to Close or for Release of Funds:

25. prior to closing, if not previously provided with the application, the Authority shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel, 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 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;
28. prior to closing, the Authority's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
29. 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;
30. 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;

31. prior to closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Authority's debt service obligations and additional parity obligations;

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

Special Conditions:

32. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the Authority has the right to use the water that the Project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
33. prior to the release of construction funds for that portion of a Project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the Authority has the right to use the water that the Project financed by the TWDB will provide;

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 FROM THE GUADALUPE-BLANCO RIVER AUTHORITY
FOR THE TEXAS WATER DEVELOPMENT BOARD'S
ACQUISITION AND SALE OF AN INTEREST IN THE
GONZALES CARRIZO WATER SUPPLY PROJECT
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

(18 - __)

WHEREAS, the Texas Water Development Board (TWDB), under the authority of Chapter 15, Subchapter H of the Texas Water Code, is authorized to use the Board Participation Account of the State Water Implementation Revenue Fund for Texas (SWIRFT) to encourage optimum regional development of projects through the acquisition of an interest in new water supply project facilities and the sale, transfer, or lease of its interest in those facilities; and

WHEREAS, the Guadalupe-Blanco River Authority (Authority), has filed an application with the TWDB requesting that the TWDB acquire an interest in its Gonzales Carrizo Water Supply Project, Project No. 51055 (Project), not to exceed eighty percent (80%) of the total Project cost, in order to enable the acquisition of excess capacity for the optimum regional development of the Project, using the Board Participation Account of the SWIRFT; and

WHEREAS, the Authority will finance at least twenty percent (20%) of the total Project costs from sources other than the Board Participation Account of the SWIRFT, pursuant to 31 TAC § 363.1308; and

WHEREAS, in 2018, the Authority is financing \$49,205,000 in a combination of "low interest loan" and "deferred" financing from the TWDB, which is sufficient to satisfy the Authority's equity percentage on the TWDB's Board Participation Account Loan; and

WHEREAS, by separate request, the TWDB is considering a request from the Authority for the TWDB to provide financial assistance through the TWDB's proposed purchase of \$49,205,000 Guadalupe Blanco River Authority Contract Revenue Bonds, Series 2018; and

WHEREAS, the Project is expected to cost \$165,855,000, of which the TWDB's share, pursuant to this commitment, will not exceed \$116,650,000; and

WHEREAS, the Authority will purchase the TWDB's interest in the Project from the proceeds of a future bond issue, other revenues, or other lawful sources of funds in accordance with a Master Agreement to be executed between the Authority and the TWDB; and

WHEREAS, the Authority has offered a pledge of wholesale contract revenues from the water supply agreements between the City of Lockhart, Goforth Special Utility District, and New Braunfels Utilities (a municipal utility system operating on behalf of the City of New Braunfels) as sufficient security for its obligation to purchase the TWDB's interest in the Project; 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;

WHEREAS, the TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project; and

WHEREAS, the Project will aid in addressing the long-term needs of the area by developing a wellfield and associated water rights and a high service pumps station for proposed and existing transmission systems; and

WHEREAS, pursuant to 31 TAC § 363.1308, the terms of the TWDB's ownership interest in the Project have been incorporated into a proposed Master Agreement that sets forth the responsibilities, duties, and liabilities of each party; and

WHEREAS, the Board has approved the terms of the Master Agreement between the TWDB and the Authority and consents to the negotiation and execution of a Master Agreement with substantially similar terms; 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. it is reasonable to expect that the TWDB will recover its investment in the Project because the revenue to be generated by the projected number of customers served by the Project will be sufficient to purchase the excess capacity owned by the TWDB in accordance with 31 TAC § 363.1308(c)(1);
3. the cost of the Project exceeds the current financing capabilities of the area to be served by the Project, in accordance with 31 TAC § 363.1308(c)(2);
4. the optimum regional development cannot be reasonably financed by local interest based on an assessment of the estimated cost to construct the Project and the revenue to be generated by the projected number of customers of the facility, in accordance with 31 TAC § 363.1308(c)(3);
5. the public interest will be served by the TWDB's acquisition of an interest in the

Project because the cost of the Project to the public will be reduced by the Board's participation in the Project, in accordance with 31 TAC § 363.1308(c)(4);

6. the Project contemplates the optimum regional development that is reasonably required under all existing circumstances of the site because the design capacity of the components of the Project are sufficient to meet the foreseeable needs of the area, in accordance with 31 TAC § 363.1308(c)(5);
7. the Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
8. 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:

1. a commitment is made by the TWDB to acquire and sell an ownership interest in the Authority's Gonzales Carrizo Water Supply Project, not to exceed eighty percent (80%) of the total Project cost based on an application filed by Guadalupe-Blanco River Authority, in an amount not to exceed \$116,645,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a) \$34,285,000, to expire on December 31, 2018;
 - b) \$33,345,000 to expire on December 31, 2020;
 - c) \$49,020,000 to expire on December 31, 2021;
2. the Executive Administrator is authorized to negotiate and execute a Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the Authority.

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 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 circumstance, or any other legal requirement;
3. 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;

The Following Conditions Must Be Included in the Master Agreement:

4. the Master Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Master Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
5. loan proceeds are public funds and, as such, the Master Agreement 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;
6. 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 Master Agreement 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 sewer 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;
7. the Master Agreement 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;
8. the Authority agrees to take such actions as are necessary to assure, or to refrain from such actions as would materially adversely affect, the excludability from gross income for Federal income tax purposes of interest payable on such obligations as are issued by the TWDB to finance its acquisition of an interest in the Project;

9. the Master Agreement must include a provision stating that the Authority shall have the right to make an early purchase of all or a portion of the TWDB's ownership interest in the Project, on or after the specified Call Date that is on or after the first interest payment date 10 years from the dated date by making principal payments in excess of the scheduled principal payments. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator;
10. the Master Agreement must contain a provision requiring that, upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties to the Project for the Executive Administrator's review;
11. the Master Agreement must contain a provision requiring the Authority to maintain and enforce the Project contracts with its customers so that the revenues paid to the Authority by its customers are sufficient to meet the revenue requirements of the Authority's obligations arising from the operation of the Project;

Conditions to Close or for Release of Funds:

12. prior to closing, the Authority and the TWDB will execute a Master Agreement that will set forth the responsibilities, duties, and liabilities of each party;
13. prior to closing, the Authority will provide an attorney's opinion that is satisfactory and acceptable to the Executive Administrator as to any impact of the Project on the tax-exempt status of any bonds issued by the TWDB to fund its acquisition of an interest in the Project;
14. prior to closing, the Authority must submit executed contracts between the Authority and the contracting parties to the Project regarding the contract revenues pledged to the payment of the Authority's obligation to purchase the TWDB's interest in the Project, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges, and maintenance of revenues sufficient to meet the Authority's obligations arising from the Project;
15. prior to closing, if not previously provided with the application, the Authority shall submit executed contracts for engineering, and, if applicable, financial advisor and legal counsel, 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;
16. 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;

PROVIDED, HOWEVER, the commitment is subject to the following special conditions:

Special Conditions:

17. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the Authority has the right to use the water that the Project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
18. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the Authority has the right to use the water that the Project financed by the TWDB will provide;
19. the Authority must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner during the phases financed by the TWDB during the project;
20. the Master Agreement must include a provision requiring that, prior to any action by the Authority to convey its interest to another entity, the conveyance and the assumption of said interest must be approved by the TWDB.
21. the Authority shall provide the TWDB with (a) monthly financial statement, to be submitted within ten (10) days after the close of each month, unless or until such requirement is waived in writing by the Executive Administrator or paid in full, whichever comes first, and (b) annual reports, to be submitted without charge within 120 days of the close of each fiscal year;

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

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**MASTER AGREEMENT
BETWEEN
TEXAS WATER DEVELOPMENT BOARD
AND
GUADALUPE-BLANCO RIVER AUTHORITY**

**REGARDING BOARD PARTICIPATION
GONZALES CARRIZO WATER SUPPLY PROJECT
PROJECT NO. 51055**

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TABLE OF CONTENTS

<u>ARTICLE 1. DEFINITIONS AND CONSTRUCTION</u>	4
<u>ARTICLE 2. BOARD PARTICIPATION</u>	7
<u>ARTICLE 3. GUADALUPE-BLANCO RIVER AUTHORITY'S <u>PURCHASE OBLIGATION</u></u>	12
<u>ARTICLE 4. PROCEDURES DURING PROJECT CONSTRUCTION</u>	18
<u>ARTICLE 5. OPERATION AND MAINTENANCE</u>	19
<u>ARTICLE 6. SALE AND LEASE OF PROPERTY BY APPLICANT</u>	21
<u>ARTICLE 7. EFFECTIVE DATE AND TERM OF AGREEMENT</u>	21
<u>ARTICLE 8. FURTHER COVENANTS</u>	22
<u>ARTICLE 9. LAWS GOVERNING THE AGREEMENT</u>	23

ATTACHMENTS

Texas Water Development Board Resolution No. [Resolution No.]	Attachment A
Bond Counsel Opinion	Attachment B
Schedules	Attachment C
Format for Determination of Guadalupe-Blanco River Authority's Use of TWDB Ownership	Attachment D

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**MASTER AGREEMENT BETWEEN
TEXAS WATER DEVELOPMENT BOARD AND
GUADALUPE-BLANCO RIVER AUTHORITY**

WHEREAS, the Texas Water Development Board, (TWDB), a Texas agency created pursuant to Article III, Section 49-c of the Texas Constitution, is authorized under the authority of § 15.435(c)(4), Water Code, and 31 Texas Administrative Code (TAC) §§ 363.1305 and 363.1308, to acquire, sell, transfer, and lease an interest in water supply projects using the Board Participation Program of the State Water Implementation Revenue Fund for Texas (SWIRFT) in order to encourage the optimum regional development of reservoirs and facilities for the transmission of water; and

WHEREAS, the Guadalupe-Blanco River Authority (Authority), a conservation and reclamation District located within the boundaries of the counties of Hays, Caldwell, Calhoun, Comal, Guadalupe, Gonzales, DeWitt, Victoria, Kendall, and Refugio, and duly created pursuant to Article XVI, Section 59 of the Texas Constitution and lawfully operating under Chapter 75, Acts of the 43rd Legislature, First Called Session, 1933, as amended (the Act) is proposing to develop a new water supply project known as the Gonzales Carrizo Water Supply Project, Project No. 51055; and

WHEREAS, at its meeting on July 26, 2018, the TWDB, through adoption of **TWDB Resolution No. <<RESOLUTION NO.>>** (Attachment A, referred to herein as the Resolution), approving the Guadalupe Blanco River Authority's (Authority) application for the TWDB's participation in the Project in an amount not to exceed \$34,285,000 from the Board Participation Program Account of the SWIRFT; and

WHEREAS, the Project will consist of Board Participation funding to develop a wellfield and related water rights, and a high service pump station located in **Gonzales County** for proposed and existing transmission systems; and

WHEREAS, the Project is a recommended water management strategy in the 2017 State Water Plan and in the 2016 Region "L" Regional Water Plan; and

WHEREAS, under 31 TAC § 363.1308, the TWDB's ownership interest in the Project is limited to be the excess capacity of the Project as that term is defined in 31 TAC § 363.1302(6); and

WHEREAS, the Authority will finance at least 29.7 percent of the Project and the TWDB may finance up to 70.3 percent of the Project; and

WHEREAS, the Authority also filed an application for financial assistance for a multi-year commitment from the TWDB; and

WHEREAS, the Authority is selling obligations to the TWDB through multi-year financing in the aggregate amount of \$49,205,000 from the SWIRFT to finance the planning, acquisition, design, , and construction of the Project, and the issuance of these obligations meets the

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Authority's required threshold financing percentage in regard to the Project; and

WHEREAS, the Authority will purchase the TWDB's undivided ownership interest in the Project with the proceeds of either a future bond issue, with other revenue, or with other lawful sources of funds available to the Authority in accordance with this Master Agreement to be executed by and between the Authority and the TWDB; and

WHEREAS, in the Resolution the TWDB authorized the Executive Administrator of the TWDB to negotiate and execute a Master Agreement setting forth the duties, responsibilities and liabilities of the TWDB and the Authority; and

WHEREAS, this Master Agreement has been negotiated pursuant to the authority delegated to the Executive Administrator in the Resolution and is approved in substantially this form by the TWDB under the Resolution, subject to final terms approved by the Executive Administrator and is hereby entered into and executed between the TWDB and the Authority to authorize the TWDB's acquisition of an ownership interest in the Project and the subsequent purchase of the TWDB's ownership interest in such Project by the Authority.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, and in contemplation of and in accordance with the applicable laws of the State of Texas, the Authority, acting by and through its undersigned representatives as duly authorized by a resolution of its governing body, and the TWDB, acting herein by and through its undersigned representative, as duly authorized by a TWDB Resolution, (both of which may be referred to herein as "Party" or "Parties") enter into this Agreement and mutually agree as follows:

ARTICLE 1. DEFINITIONS AND CONSTRUCTION

§1.1 DEFINITIONS. Words and phrases as used in this Agreement shall have the following meanings:

- (x) *"Additional Obligations"* shall mean additional debt or other obligations for which the Authority pledges a parity lien on the same Contract Revenues as pledged herein.
- (x) *"Agreement"* shall mean this Master Agreement.
- (x) *"Application"* shall mean the Authority's application to the TWDB for Board Participation under SWIRFT for TWDB Project No. 51055, together with all attachments and any amendments thereto.
- (x) *"Authority"* shall mean the Guadalupe-Blanco River Authority or its successors or assigns which succeed it as to any rights, powers or duties under this Agreement.
- (x) *"Authority Act"* means the legal authorities and Act referred to previously in the second recital of this Agreement.
- (x) *"Bond Payment(s)"* shall mean the amount of money to be paid to the Authority by a

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Customer for the debt service or to fund or replenish any debt service reserve fund or other special or payment of a contingency fund on one of more series of Bonds issued for that respective Customer (or issued for the benefit of two or more Customers and allocated by the Authority among such Customers), from the revenues of the such Customer” as an operating and maintenance expence of that System at the times and in the amounts as required by the Contract. A SCustomeris responsible for paying debt service on only the series of Bonds issued for that Customer or only for the portion of a series of bonds that is allocated by the Authority for that Customer, as applicable.

- (x) “*Call Date*” shall mean the date prior to which the Authority cannot purchase the TWDB’s portion of the Project, as set forth in the Schedules.
- (x) “*Construction Fund*” shall mean a separate account created under Section 2.2 of this Agreement and maintained at the depository bank of the Authority for the purpose of paying and accounting for Project Costs, and into which any funds may be transferred either directly from the TWDB or from the Escrow Account pursuant to approval by the Executive Administrator. Funds in the Constructon Fund may only be used for (1) Project Costs as approved by the “Executive Administrator,” (2) or otherwise permitted by 31 TAC Chapter 363 and those applicable provisions of Chapters 15, 16, or 17 of the Texas Water Code; or (3) for the Authority’s purchase of the TWDB’s undivided ownership interest in the “Project.”
- (x) “*Construction Stage*” shall mean that stage of the “Project” that involves the physical construction of the Project, including such as wells, pumping equipment, raw water collection lines, storage facilities, transmission lines, a water treatment facility, and related appurtenances, a high service pump station, and and related engineering and inspection fees.
- (x) “*Contract(s)*” shall mean the “Treated Water Supply Agreements” between the Guadalupe Blanco River Authority, and its successors and assigns, dated February 6, 2018, February 13, 2018, and February 21, 2018 between New Braunfels Utilities (a municipal utility system acting on behalf of the City of New Braunfels), the City of Lockhart, and Goforth Special Utility District, respectively.
- (x) “*Contract Revenues*” shall mean those revenues pledged to the payment of the Authority’s obligation to purchase the TWDB’s interest in the Project, including the “Gonzales Carrizo Debt Service Charge” to be paid to the Authority by each “Sponsoring Public Entity” which are limited to specific contract(s) between the Authority and its Sponsoring Public Entities.
- (x) “*Cost of Acquisition*” shall mean the amount of funds deposited into the Construction Fund and/or the “Escrow Account” by the TWDB for the acquisition of an undivided interest in the Project.
- (x) “*Customers*” shall mean collectively:

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- i. The Sponsoring Public Entities, of New Braunfels Utilities, (a municipal utility system acting on behalf of the City of New Braunfels), the City of Lockhart, and Goforth Special Utility District, each of which have executed a Contract with the Authority to participate in paying the costs associated with the Project and for a right to receive a portion of the treated water from the Project upon its completion.
 - ii. Any other entity that is a “political subdivision” as defined in § 15.001, Water Code, other than a water supply corporation and other than the Customers listed in (i) above with which the Authority executes a contract for the purpose of paying the costs associated with the Project for the purposes of supplying treated water from the Project.
- (x) “*Date of Acquisition*” shall mean each date that TWDB delivers funds to the Construction Fund and/or the Escrow Account for the acquisition of an undivided interest in the Project.
 - (x) “*Design Stage*” shall mean that stage of the Project that involves the design of the Project and related engineering fees.
 - (x) “*Escrow*” shall mean the TWDB’s transfer of funds to the Escrow Agent until such funds are authorized for release to the Authority by the Executive Administrator.
 - (x) “*Escrow Account*” shall mean the account created under this Agreement for the TWDB’s delivery of funds to be held in Escrow upon closing for the TWDB’s acquisition of an undivided interest in the Project. Funds in the Escrow Account may be used only for “*Project Costs*” or for the Authority’s purchase of the TWDB’s interest in the Project.
 - (x) “*Escrow Agent*” shall mean the third party appointed to hold the escrow funds until such funds are authorized for release to the Authority.
 - (x) “*Event of Default*” shall mean the non-performance or violation by the Authority of any obligation or provision in this Agreement if such non-performance or violation is not cured within 30 days after written notice by the TWDB to the Authority of the non-performance or violation, or the Authority otherwise fails to use good faith and diligence to remedy the default.
 - (x) “*Executive Administrator*” shall mean the Executive Administrator of the TWDB.
 - (x) “*Force Majeure*” shall mean a failure or delay in a Party’s performance under this Agreement that is caused by acts of God, war, strike, fires, explosions, or other causes that are beyond the reasonable control of either Party and that by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of all reasonable due diligence, such Party is unable to overcome.
 - (x) “*Land Interests*” shall mean the easements, right-of-way, and other interest in real property necessary for the acquisition, construction, and operation of the facilities.

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- (x) *“Operation and Maintenance Expenses”* shall mean all direct costs and expenses incurred by the Authority for its operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing):
 - (i) wages and salaries, employee benefits, chemicals, the purchase and carrying of stores, materials, and supplies, power, supervision, engineering, testing, auditing, franchises, waste disposal charges and assessments, claims, insurance, contract operators and all other items and expenses of a like or different nature reasonably required for the efficient maintenance and operation of the Project and the performance of the Contracts;
 - (ii) repairs and replacements of damaged, worn-out or obsolete parts or facilities of the Project, and any relocations of pipelines, or replacements of wells;
 - (iii) improvements and betterments to keep the Project in operation to render adequate service to the Customers and other customers of the Project and to comply with the requirements of any rule, regulations, or permit issued by any regulatory body having jurisdiction;
 - (iv) the reasonable and necessary costs of the Authority’s administration of the Project, which shall be based upon a formula, to be set by the Board of Directors of the Authority in its annual budget , that fairly apportions its administration costs; and
 - (v) the term *“Operation and Maintenance Expenses”* does not include depreciation charges or such portion of the above described costs to the extent such costs are paid pursuant to an agreement other than the Contracts.
- (x) *“Party”* or *“Parties”* shall mean the TWDB and the Authority and their authorized successors and assignees.
- (x) *“Planning Stage”* shall mean that stage of the Project that involves the planning of the Project and related engineering fees.
- (x) *“Pledged Revenues”* shall mean those revenues, including the *“Gross Contract Revenues”* plus the interest income from funds on deposit in the Authority’s *“Revenue Fund”*, the *“Interest and Sinking Fund”*, and the *“Reserve Fund”*, as those terms are defined in the Authority Resolution authorizing the issuance of Guadalupe-Blanco River Authority Contract Revenue Bond Series 2018A (Deferred Financing) and 2018B (Low-Interest Financing) (Gonzales Carrizo Water Supply Project) pledged to the payment of the Authority’s obligation to purchase the TWDB’s interest in the Project.
- (x) *“Prior Lien Revenue Obligations”* shall mean all bonds, notes, or other obligations of the Authority whether now outstanding or hereafter issued, payable from and secured by a first lien on and pledge of the pledged Revenues.
- (x) *“Project”* shall mean the development of Land Interests and facilities as described in the

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Application, including an undivided ownership interest in a wellfield to be located over the Gonzales Carrizo Aquifer, associated water rights, a high service pump station and associated transmission lines for existing and proposed systems, which is generally referred to by the Authority as the “Gonzales Carrizo Water Supply Project.”

- (x) “*Project Costs*” shall mean costs of the Project associated with its planning, design, acquisition, and construction, bond issuance costs, and all other costs and expenditures which under standard principles of accounting would constitute a capital cost of the Project, including specifically: the cost of engineering planning, design, supervision and inspection; the cost of testing laboratories and other professional services associated with construction of the Project; abstractors' costs; the cost of constructing the well field infrastructure; the cost of acquiring all lands and interests in land for the Project, including all costs associated with planning, design, and construction of the Projects. The term “Project Costs” does not include any capitalized interest, reserve funds, or operational expenses.
- (x) “*Schedules*” shall mean the payment schedule(s) attached hereto in Attachment C that, from time to time, which show the payments that the Authority is obligated to make in order to purchase the TWDB’s interest in the Project. Each Schedule is associated with the funds delivered by TWDB upon each Date of Acquisition. Such Schedules shall, at a minimum, detail the interest rate to be paid by the Authority, the TWDB’s source of funds, and the Call Date associated with the Authority’s purchase obligation.
- (x) “*Site Acquisition Stage*” shall mean the stage of the Project that involves the acquisition of title to all of the land and easements needed to develop the Project.
- (x) “*Sponsoring Public Entity(ies)*” shall mean the New Braunfels Utilities (a municipal utility system acting on behalf of the City of New Braunfels), the City of Lockhart, and Goforth Special Utility District.
- (x) “*Customer’s System*” shall mean the existing “Customer’s System” as defined in the following duly executed Contracts:
 - (a) Gonzales Carrizo Water Supply Project Treated Water Supply Agreement By and Between the Guadalupe-Blanco River Authority and New Braunfels Utilities, dated February 6, 2018;
 - (b) Gonzales Carrizo Water Supply Project Treated Water Supply Agreement By and Between the Guadalupe-Blanco River Authority and Goforth Special Utility District, dated February 21, 2018; and
 - (c) Gonzales Carrizo Water Supply Project Treated Water Supply Agreement By and Between the Guadalupe-Blanco River Authority and City of Lockhart, dated February 13, 2018.
- (x) “*State*” shall mean the State of Texas.
- (x) “*TCEQ*” shall mean the Texas Commission on Environmental Quality or any other board,

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commission or agency which succeeds it as to any rights, powers or duties under this Agreement.

- (x) "Trustee" shall mean The Bank of New York Mellon Trust Company.
- (x) "TWDB Cost of Acquisition" shall mean the total of the payments made by TWDB to the Authority for purchase of an undivided interest in the Project pursuant to this Agreement, less any purchases of TWDB's interest by the Authority.
- (x) "TWDB Rules" shall mean the applicable rules and regulations of the TWDB set forth in Title 31 Texas Administrative Code Part 10.

ARTICLE 2. BOARD PARTICIPATION

§2.1 TWDB ACQUISITION OF OWNERSHIP. The TWDB agrees to participate in this Project by acquiring an undivided ownership interest of up to 70.3 percent of the Project as a whole, including all work performed and all properties and facilities acquired or constructed as part of the Project, not to exceed an amount as specified in the Resolution and the terms of this Agreement. The TWDB's undivided ownership interest in the Project will cost not more than 70.3 percent of the total Project cost, which is expected to be \$165,855,000, to be allocated for the costs of the Planning Stage, Site Acquisition Stage, the Design Stage, and the Construction Stage, respectively, in any manner determined to be acceptable by the TWDB's Executive Administrator, in accordance with the provisions of this Agreement. If the costs of the Project exceed \$165,855,000, the TWDB may consider, in its sole discretion, providing additional funds if requested by the Authority in writing. If the TWDB's Cost of Acquisition exceeds 70.3 percent of the total Project, then the TWDB and the Authority will amend this Master Agreement evidencing the increased Cost of Acquisition, reflecting the change in the percentage of ownership interests between the Parties, and the TWDB will provide additional Schedules to the Authority to reflect the Authority's obligation to purchase the TWDB's increased, undivided ownership interest in the Project. For the purposes of this Agreement, the Parties agree that the TWDB is purchasing an undivided ownership interest, to the extent permitted by law, in the entire Project, including real estate purchased for the Site Acquisition Stage, facilities constructed for and all related appurtenances and any structures of the Project.

§2.2 ESCROW ACCOUNT AND CONSTRUCTION FUND. Prior to the delivery of TWDB funds, the Authority will create: (1) a Construction Fund to be held by the Authority, and (2) an Escrow Account under an escrow agreement, approved by the Executive Administrator, to be held by the Escrow Agent. Funds in the Escrow Account and Construction Fund, including interest and investment earnings, are to be used only for Project Costs or for the Authority's purchase of the TWDB's undivided ownership interest in the Project. Funds in the Escrow Account may be released by the Escrow Agent for deposit into the Construction Fund only upon direction by the Executive Administrator.

The funds to be placed in the Construction Fund and the Escrow Account are public funds and, as such, these funds shall be held at a designated state depository institution or other properly

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chartered and authorized institution and managed in accordance with the Public Funds Investment Act, Chapter 2256, Government Code (the "PFIA"), and secured in accordance with the Public Funds Collateral Act, Chapter 2257, Government Code (the "PFCA").

§2.3 DELIVERY OF TWDB FUNDS. The TWDB shall deliver to the Construction Fund and/or the Escrow Account up to \$116,650,000 subject to the availability of funds and satisfactory documentation that the Authority has met all prerequisites for the delivery of TWDB funds into these accounts under this Agreement, the TWDB's rules, and the Resolution authorizing TWDB participation in the Project. The Executive Administrator shall determine from time to time the amounts to be delivered to the Construction Fund and/or the Escrow Account as appropriate. The Executive Administrator, or his or her designee, shall authorize release of funds from the Escrow Account to the Construction Fund for the Planning Stage, Site Acquisition Stage, Design Stage, and Construction Stage (collectively, the "Stages"), as provided below, after the Authority has provided information, satisfactory to the Executive Administrator, that the funds are needed for eligible Project Costs. Upon each Date of Acquisition, Schedules shall be dated and signed by the Executive Administrator and by a duly authorized representative of the Authority to indicate agreement between the Parties, and such agreed Schedules shall be appended to and incorporated into this Agreement.

A. PLANNING STAGE: After completion of all prerequisites for the release of funds for work to be performed under the Planning Stage satisfactory to the Executive Administrator, including, but not limited to those in 31 TAC Chapter 363, the Executive Administrator shall either deliver to the Construction Fund, or authorize the release of funds from the Escrow Account to the Construction Fund, for the costs associated with the Planning Stage.

B. SITE ACQUISITION STAGE: Prior to the authorization for release of funds from the Escrow Account to the Construction Fund for the Site Acquisition Stage, the Authority must (1) submit all necessary legal documentation for the purchase of the land, water rights, or easements associated with the Project satisfactory in form and substance to the Executive Administrator, and; (2) the Executive Administrator must make a favorable environmental determination relating to the Project.

C. DESIGN STAGE: After completion of all prerequisites for the release of funds for work to be performed for the Design Stage satisfactory to the Executive Administrator, including, but not limited to those in 31 TAC Chapter 363, the Executive Administrator shall either deliver to the Construction Fund or authorize the release of funds from the Escrow Account to the Construction Fund an amount for the costs associated with the Design Stage. Prior to the delivery of funds to the Construction Fund for the Design Stage, the Executive Administrator must make a favorable environmental determination relating to the Project.

D. CONSTRUCTION STAGE: After completion of all prerequisites to the release of funds for construction activities, including, but not limited to those in 31 TAC Chapter 363, the Executive Administrator shall either deliver to the Construction Fund or authorize the release from the Escrow Account to the Construction Fund an amount up to the remainder of funds available under this Agreement for the costs associated with the Construction

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Stage. Prior to the delivery of funds to the Construction Fund for the Construction Stage, the Executive Administrator must make a favorable environmental determination relating to the Project.

§2.4 VESTING AND NATURE OF TWDB OWNERSHIP. The Parties understand that the TWDB is purchasing an undivided ownership interest, to the extent permitted by law, in the entire Project, including real estate and related water rights purchased in the Site Acquisition Stage, facilities constructed for Project infrastructure, and all related appurtenances and any structures of the Project. Upon delivery of funds in any amount by the TWDB into the Construction Fund and/or the Escrow Account, there will be vested in the TWDB: (1) an undivided ownership interest in the Project along with the right to the TWDB's use of the Project, and; (2) an undivided ownership right in all applicable operating permits related to the Project.

The TWDB's undivided ownership interest in the Project shall include, but not be limited to, the right to a wellfield located over the Gonzales Carrizo aquifer; and associated water rights, a high service pump station and appurtenances thereto for existing and proposed transmission system from the Project to the extent of the amount of water in the TWDB's undivided interest, subject to the Authority's preferential right to purchase the TWDB's interest under Section 3.8 of this Agreement. The Authority, only upon request of the TWDB, will execute and record any conveyances and assignments which may be necessary to place title of the Project in the TWDB, with the exception that the Authority shall hold title to any land and facilities that are part of the Project in trust for the TWDB to the extent of the TWDB's interest in the Project. Upon written request of the TWDB, the Authority shall execute and record documents necessary to convey or assign title to the Project land and facilities to the extent of the TWDB's ownership interest in the Project. The Authority acknowledges that the TWDB's interest shall constitute an ownership interest whether or not the TWDB ever requires execution of any conveyance documents to evidence such interest. The percentage of the TWDB's undivided ownership interest in the Project is initially set at 70.3 percent and shall not exceed 70.3 percent until: (1) additional funding is provided by the TWDB to the Authority in accordance with Section 2.1 of this Agreement and this Master Agreement is amended or supplemented; or (2) until all Stages of the Project are complete and final accounting is performed by the Authority in accordance with Section 2.5 of this Agreement; or (3) upon a determination by the TWDB that the Project will not be completed, and a final accounting is performed under Section 2.5 of this Agreement.

§2.5 CALCULATION OF TWDB OWNERSHIP INTEREST. The Authority shall provide TWDB a final accounting of all Project Costs within sixty (60) days of completion of all Stages of the Project and the issuance of a certificate of approval by the Executive Administrator under 31 TAC §§ 363.42 and 363.55, respectively, or upon a determination by TWDB that the Project will not be completed. Upon the TWDB's approval of the final accounting, the TWDB's total undivided ownership interest in the Project shall be calculated by dividing the TWDB Cost of Acquisition by the Project Costs incurred on the Project to that point in time. If, at the time that the TWDB approves the final accounting, the calculation of the TWDB's ownership interest exceeds 70.3 percent, the Authority shall, within 30 days after the TWDB's approval of the final accounting, take all actions necessary, within the limits provided by law, to remit to the TWDB the amount necessary to reduce the TWDB's ownership interest to 70.3 percent of the total Project Cost. The

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TWDB shall have the right to determine the schedule and method by which the Authority remits such funds to the TWDB. Upon remittance, any Schedule and any lease payment schedule calculated pursuant to the terms of this Agreement shall be amended to reflect the remitted amount.

Upon the TWDB's approval of the Authority's final accounting for the Project, and any actions taken to adjust the Parties' ownership interest, the TWDB shall then own that percentage interest in the Project not to exceed 70.3 percent and the Authority shall own the reremaining 29.7 percent. Such ownership interests shall be documented in writing in Attachment C as agreed by both Parties and made part of this Agreement for all purposes. The use of each Party's ownership in the Project shall be determined annually thereafter based on the water transported by the Project, in accordance with Section 3.6 of this Agreement.

§2.6 TAX-EXEMPT ASSURANCES.

- A.** The TWDB has identified the source of funds for its share of the Project Costs as, in an amount not to exceed, \$116,650,000 from the proceeds of tax-exempt obligations to be issued by the TWDB in one or more series, as a multi-year commitment to the Authority. Subject to market conditions and laws at the time of issuance (if proceeds of said obligations are utilized by the TWDB), TWDB covenants to make all reasonable efforts to minimize the borrowing costs to the Authority to finance the cost of the Project. As required by the Resolution, the Authority has provided a bond counsel opinion that is satisfactory and acceptable to the Executive Administrator as to any impact of the Project, or the use thereof and the Authority's payments under this Agreement (Attachment B) on the excludability of interest on obligations issued by the TWDB to fund their undivided interest in the Project from gross income of the owners of such obligations for federal income tax purposes. The Authority agrees to take such actions, including the execution and delivery of such certificates and agreements as are necessary to assure, or to refrain, from such actions as would materially adversely affect, such excludability from gross income, including, but not limited to: (1) the filing of an Internal Revenue Service (IRS) Form 8038-G in connection with the execution of this Agreement by the Authority in connection with the financing of the Authority's interest in the Project; and (2) the adoption of written procedures relating to arbitrage compliance, private business use and record retention as set forth in the Corporation's certificate as to the tax exemption.
- B.** The TWDB and the Authority expressly acknowledge the following: (1) the Project will be constructed for the benefit of the Customers; (2) the Authority will utilize revenues generated from its Customers to purchase the TWDB's undivided ownership interest in the Project. The TWDB and the Authority intend to finance the acquisition of their respective interest in the Project through a combination of proceeds of tax-exempt obligations, which are described in section 103(a) of the Internal Revenue Code of 1986, and any such other sources of funds as may be needed.

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- C. At each Date of Acquisition, the Authority must submit a bond counsel opinion that is satisfactory and acceptable to the Executive Administrator of the TWDB as to any impact of the Project, or the use thereof, and the Authority's payments under this Agreement on the tax-exempt status of TWDB bonds.
- D. To the extent that the TWDB and the Authority use proceeds from tax-exempt obligations to finance all or a portion of their respective interests in the Project, the TWDB and the Authority hereby agree that the proceeds of their respective tax-exempt obligations will not be used in a manner that will cause the obligations to be "private activity bonds" or "arbitrage bonds." In furtherance thereof, the TWDB and the Authority agree to make timely payments of arbitrage rebate to the United States required to be made by section 148 of the Code.

ARTICLE 3. AUTHORITY'S PURCHASE OBLIGATION

§3.1 PURCHASE BY AUTHORITY. The Authority will purchase TWDB's undivided ownership interest in the Project at the earliest possible date, which date shall be not later than the date(s) established by the Schedule(s), so that the State may fully recover its investment.

§3.2 PLEDGE BY AUTHORITY.

- A. In order to secure its obligations hereunder, including the ultimate purchase by the Authority of 100% of the TWDB's undivided ownership interest in the Project, the Authority pledges and grants to the TWDB as security for the payments hereunder, a first lien on and pledge of Pledged Revenues and on parity with the lien securing the Additional Bonds in such amounts as may be necessary to purchase the TWDB's ownership interest in the Project, when and as required by this Agreement, and the Schedules incorporated herein require.
- B. The Authority agrees that it shall be unconditionally obligated to purchase 100% of the TWDB's interest in the Project with Pledged Revenues regardless of whether (1) the Authority actually acquires or completes the Project, or (2) the Authority actually approves, purchases, receives, accepts, or uses the Project; and such purchase shall not be subject to any abatement, set-off, recoupment, or counterclaim. The TWDB shall be entitled to rely on this Agreement and representations made therein and in the Application by the Authority, notwithstanding any provision of this Agreement or any other contract or agreement to the contrary, and regardless of the validity of, or the performance of, the remainder of this Agreement or any other contract or agreement by the Authority.
- C. Notwithstanding the foregoing, the Parties acknowledge that Section 10 of the Act provides that "[a]ny and every indebtedness, liability or obligation of the [Authority], for the payment of money however entered into or incurred, and whether arising from contract, implied contract or otherwise, shall be payable out of the revenues received by the [Authority] in respect to its properties, subject to any

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prior lien thereon conferred by any resolution, or resolution theretofore adopted as in this Act provided, authorizing the issuance of bonds, or (2) if the Board [of the Authority] shall so determine, out of proceeds of sale by the [Authority] of bonds payable solely from such revenues.”

D. The Pledged Revenues from the Authority may not be pledged to the payment of any Additional Obligations of the Authority on parity with the pledge under this Agreement unless:

- (1) the Authority demonstrates to the Executive Administrator’s satisfaction that the Pledged Revenues will be sufficient for the payment of the Authority’s obligation to purchase the TWDB’s interest in the Project and the Additional Obligations, and
- (2) the Authority delivers to the Executive Administrator an executed certificate that Pledged Revenues will be sufficient for the purpose described in clause (1) of this Section. The governing body of the Authority may not take action to authorize or approve the issuance of Additional Obligations unless it has delivered the certificate described in clause (2) of this Section and received written notification from the Executive Administrator that the Authority has satisfactorily made the demonstration described in clause (1) of this Section to the extent permitted by law.

E. The Authority shall submit annual audits of the Customers to the Contract for the Executive Administrator’s review.

F. The Contracts pledged to the repayment of the Project’s Costs have been approved, and executed, and are in effect. The Authority must maintain and enforce the Contracts so that revenues paid to it by the Customers are sufficient to meet the revenue requirements related to the Authority’s obligation to purchase the TWDB’s undivided ownership interest in the Project that are being supported by the pledged revenues of the Contract and to pay all of the Authority’s obligations under the Additional Bonds. The TWDB reserves the right to compel compliance of this obligation by mandamus or any other appropriate means including those under Texas Water Code Section 6.114.

§3.3 PRICE OF SALE TO AUTHORITY. The TWDB agrees to sell its undivided ownership interest to the Authority at the following price: the sum of the TWDB Cost of Acquisition plus an amount of interest calculated by multiplying the lending rate in effect at the Date of Acquisition (and identified on the Schedules) by the amount of TWDB money disbursed for the acquisition, times the number of years and fraction of a year from the date or dates of purchase or acquisition to the date or dates of the sale or transfer of any portion of the TWDB’s undivided ownership interest in the Project to the Authority, plus TWDB’s cost, if any, of operating and maintaining the Project from the Date of Acquisition to the date of such purchase by the Authority, less any payments received by the TWDB from the lease of the Project or sale of water or capacity

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therefrom.

The Authority shall assume at the time of purchase, to the extent disclosed by the TWDB at or prior to the sale, any and all direct, conditional, or contingent liabilities of the TWDB attributed to the Project in direct relation to the percentage of the Project acquired.

For purposes of this section, the dates of sale to the Authority shall be the dates on which the Authority provides payment to the TWDB to acquire part or all of the TWDB's undivided ownership interest in the Project. After all principal and accrued interest under the Schedules have been paid, the Authority's scheduled payments of principal under the Schedules or the Authority's partial purchases of TWDB's undivided ownership interest made pursuant to Section 3.4 or Section 3.5 of this Agreement shall constitute the purchase of a proportion of the TWDB's undivided ownership interest, such proportion to be calculated by dividing such principal payment by the TWDB Cost of Acquisition, provided the Authority also pays the same proportion of the TWDB's cost of operating and maintaining the Project to the date of each purchase. The lending rate in effect at each Date of Acquisition shall be based upon the TWDB's methodology, established by rule, for computing such rates. Interest will accrue on outstanding principal based upon simple interest rate calculation on a basis of a 360-day year consisting of twelve (12) 30-day months.

§3.4 SCHEDULE OF AUTHORITY'S PAYMENTS. The Authority agrees to purchase the TWDB's undivided ownership interest in the Project beginning with the first scheduled principal payment and in accordance with all subsequent scheduled principal payments on the Schedules attached to this Agreement as Attachment C and any revisions made thereto pursuant to this Agreement. The Authority shall wire all payments to the TWDB in accordance with the Schedules, without the need for an invoice and at no cost to the TWDB or the Trustee, to the following:

BANK: THE BANK OF NEW YORK
ABA#: 021 000 018
ACCOUNT NUMBER: 3130228400
ACCOUNT NAME: TWDB Portfolio Repay 18a
ATTENTION: Saul Ramirez 512-236-6518

The Authority also agrees to make scheduled interest payments prior to the first scheduled principal payment(s) as provided on the Schedules, and any revisions thereto pursuant this Agreement. In exchange for having a preferential right to purchase the TWDB's undivided ownership interest in the Project, the Authority agrees to pay all deferred interest and accrued interest attributed to the Project prior to the Authority's purchase of any ownership interest in the Project.

§3.5 EARLY PURCHASE BY AUTHORITY. The Authority shall have the right, the Schedules notwithstanding, to make an early purchase of all or a portion of the TWDB's undivided ownership interest reflected in the Schedules on or after the Call Date specified in each Schedule by making principal payments in excess of the scheduled principal payments in the Schedules. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive

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Administrator. Early purchases under this section by the Authority must be made in minimum increments of \$5,000 principal amounts under any Schedule. Any partial early purchase will be applied in inverse order to the Schedules.

§3.6 LEASE OR PURCHASE UPON AUTHORITY'S USE OF TWDB OWNERSHIP.

- A. DETERMINATION OF AUTHORITY USE OF TWDB OWNERSHIP.** The Authority shall report to the TWDB by March 1 of each year the Authority's actual use of the Project's capacity for each calendar year, beginning upon the TWDB's approval of the final accounting under Section 2.5 herein, in the format included herein as Attachment D. This report shall be submitted to:

Texas Water Development Board
Attn: Financial Compliance
P.O. Box 13231
Austin, Texas 78711-3231

The Authority shall be considered to be using a portion of the TWDB's undivided ownership interest in the Project when the Authority's cumulative amount of water by the Project exceeds the Authority's interest shown on Attachment C in acre-feet per year, as determined under Section 2.5 of this Agreement.

The supply of water shall be calculated as the combined volume of all water produced and transported from the Project as metered by the Authority at locations acceptable to the Executive Administrator as may be necessary to accurately determine water produced or transported by/from the Project. The water meters and water meter readings shall be accessible to the TWDB at all times. A minimum number of water meter readings will be made by the Authority as mutually agreed to by TWDB and the Authority. The Authority shall ensure that such meters are installed prior to the production and transportation of water from the Project and shall monitor the accuracy of the meters annually at a minimum. If at any time the accuracy of the metering equipment is more than two percent (2%) in error, the Authority will correct the inaccuracy as soon as possible. Adjustments in the quantity of water measured during the period when the meters were not accurately measuring the quantity of water delivered, if such period can be determined, shall be agreed to by authorized representatives of Authority and the TWDB.

- B. METHOD OF AUTHORITY'S LEASE OR PURCHASE OF TWDB INTEREST.** In the event the Authority begins using any portion of the TWDB's ownership interest in the Project, either prior to or after any Call Date, the Authority will, at the TWDB's option, either: (1) lease from the TWDB that portion of the TWDB's undivided ownership interest that the Authority is using; (2) upon approval of the TWDB, issue bonds to the TWDB as consideration to purchase that portion of the TWDB's ownership interest that the Authority is using; or (3) purchase the TWDB's ownership interest with other lawful sources of funds. The sales price of any of the

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TWDB's undivided ownership interest under this Section shall be determined in accordance with Section 3.3 of this Agreement.

- C. PROVISIONS RELATING TO PURCHASE USING BONDS AS CONSIDERATION.** If the Authority issues bonds to be purchased by the TWDB as consideration to purchase all or a part of the TWDB's undivided ownership interest in the Project in accordance with Texas Water Code § 15.435(c)(4), the principal amount of the bonds shall be equal to the price for purchasing all or a portion of such ownership interest. The bonds must be non-callable prior to the Call Dates of the Schedules. Terms and maturities of such bonds will be subject to TWDB approval at the time of purchase. The bonds may, at the TWDB's option, either be on a parity with, or subordinate to, the outstanding Additional Obligations.
- D. LEASE PAYMENTS.** If the Authority leases all or a portion of the TWDB's ownership interest in the Project, the lease payments will be the proportionate share that the percentage of the Authority's use of TWDB's ownership interest bears to a lease payment schedule to be determined in accordance with Article 3 of this Agreement, or the payment amount in the Schedules, whichever is greater. Such lease payment under this Agreement must be calculated to ensure that any such lease payments shall not be less than the proportionate share that the percentage of use bears to the annual principal and interest requirements attributable to the debt incurred by the State in acquiring its share of the Project, as determined by the TWDB. Lease payments shall be due and payable on each <<NEEDS TO MATCH TWDB PAYMENT DATES ON SWIRFT BONDS TBD>> immediately following the Authority's calculation in which the Authority has used a portion of the TWDB's ownership interest.

§3.7 PROJECT SITE REVENUES. In exchange for the Authority's agreement to assume operation and maintenance costs of the Project, revenues derived from leases or other agreements related to the Project may be applied to pay costs of operation and maintenance for the Project and/or to insure the TWDB'S interest pursuant to §5.2 of this Agreement, to the extent permitted by law. Any revenues not annually used for such purposes will be deposited into an account of the Authority and applied to pay the costs of operation and maintenance for the Project, insurance costs for the Project, including insuring the TWDB's interest, or utilized as contingency funds for operation and maintenance of the Project. Such revenues will be accounted for in the Authority's annual comprehensive audits and budgets and provided to the TWDB when such comprehensive audits and budgets are provided pursuant to this Agreement.

§3.8 PREFERENTIAL RIGHT TO LEASE AND PURCHASE. Pursuant to this Agreement, the Authority has: (1) a preferential right to lease the TWDB's undivided ownership interest in the Project, and (2) a right of first refusal prior to any sale or transfer of the TWDB's interest in the Project. The TWDB may not lease, sell, or transfer its interest in the Project to any other party, without the Authority's written consent, which shall not be unreasonably withheld. However, upon an Event of Default and after a reasonable opportunity to cure an Event of Default, the Authority shall lose (1) its preferential right to lease the TWDB's undivided ownership interest in the Project, and (2) its right of first refusal prior to the sale or transfer of the TWDB's interest in

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the Project. Upon an Event of Default, the TWDB may then lease, sell, or transfer its interest in the Project without the Authority's written consent.

§3.9 PURCHASE AND LEASE SCHEDULES.

- A. PURCHASES - SCHEDULES.** The Authority obligates itself and agrees to purchase the TWDB's undivided ownership interest in the Project as outlined in the attached Schedules, which are incorporated herein for all purposes. Prior to each Date of Acquisition, the Authority shall deliver a Schedule for the Authority's purchase of the TWDB's undivided ownership interest in the Project that will be acquired by the TWDB at such Date of Acquisition. This new Schedule will be appropriately labeled and appended to this Agreement. All Schedules submitted by the Authority for the purchase of the TWDB's undivided ownership interest in the Project are subject to TWDB approval. In addition, at each purchase of the TWDB's ownership interest by the Authority pursuant to Section 3.5 or Section 3.6 of this Agreement, the schedule of payments in the Schedules shall be amended to reflect the reduction in the TWDB's ownership interest in the Project.
- B. LEASES.** The schedule for the Authority's lease payments for the use of the TWDB's ownership interest in the Project will be calculated in accordance with the terms of this Agreement. The TWDB and the Authority agree that upon each lease of the TWDB's undivided ownership interest by the Authority pursuant to Section 3.6 of this Agreement, and prior to each payment date in the Schedules, the schedule of payments established in the Schedules will be amended to credit each lease payment by the Authority as follows: first to deferred interest, then to current interest, and then to principal.
- C. REVISIONS TO SCHEDULES.** Revisions to Schedules and lease payment schedules calculated in accordance with this Agreement are subject to TWDB approval and shall be dated and signed by both Parties to indicate agreement to the revisions prior to being appended to and incorporated into this Agreement.

ARTICLE 4. PROCEDURES DURING PROJECT CONSTRUCTION

§4.1 PROJECT SCHEDULE. The Authority shall proceed with all studies and planning in an expeditious manner, and provide for acquisition, design, and construction and operation of the Project on a reasonable schedule.

§4.2 AUTHORITY'S RESPONSIBILITIES. The Authority shall perform the duties and functions required of it, including such provisions of law as may relate to bidding, awarding of contracts, acquisition of land and improvements, and shall provide such personnel as may be necessary to secure and protect the property and facilities as acquired and constructed in connection with the Project.

§4.3 SUPERVISION OF CONSTRUCTION. During the construction of the Project, the Authority

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shall provide for adequate supervision of the Project to assure that all work covered by this Agreement is performed in a satisfactory manner in accordance with final plans and specifications and approved change orders.

§4.4 TWDB INSPECTION. The TWDB or its authorized agent shall have the right to inspect construction of the Project at any time to assure compliance with the final plans and specifications. The inspections shall not subject the TWDB or the State of Texas to any claims or actions for damages.

§4.5 REPORTS TO BE PROVIDED. Upon the delivery of any funds by the TWDB, the Authority shall prepare and file with TWDB reports on the status of the Project, including the Site Acquisition, Design and Construction Stages as requested by the Executive Administrator. Reports shall be provided to:

Texas Water Development Board
Attn: WSI-RWPD
P.O. Box 13231
Austin Texas 78711-3231

ARTICLE 5. OPERATION AND MAINTENANCE

§5.1 OPERATION AND MAINTENANCE. The Parties agree that the Authority, or its lawful assignees, will be responsible for the operation and maintenance of the Project and no requirement shall be made of the TWDB to share in this responsibility or in the cost. The Authority shall take whatever measures are reasonable and prudent to ensure that the Project is operated safely, efficiently and in accordance with the laws creating and governing it and the general laws of the State. The Authority, or its authorized designees, binds itself to take such action as may be necessary to ensure that the Project is adequately maintained and protected, and shall keep the physical properties comprising the Project in good and operable state of repair.

§5.2 INDEMNIFICATION.

- A. GENERAL INDEMNIFICATION.** To the extent permitted by law, the Authority shall indemnify and hold the TWDB and the State harmless, from any and all losses, damages, liability, or claims therefore, on account of personal injury, death, or property damage of any nature whatsoever caused by the Authority, arising out of the activities and work conducted pursuant to this Agreement. The Authority is solely responsible for liability arising out of its acts or omissions during the performance of this Agreement. In the event insurance coverage may be inadequate to completely indemnify and hold the TWDB harmless and free of all costs or liability for any and all claims for injuries to persons or property, or otherwise resulting from ownership or operation of the Project, then the Authority shall utilize any and all other funds and resources lawfully available as may be required to indemnify and hold the TWDB and the State harmless and free of all costs or liability for any and all such claims.

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B. ENVIRONMENTAL INDEMNIFICATION. Proceeds of the TWDB's funds delivered for the TWDB's Cost of Acquisition shall not be used by the Authority to sample, test, remove or dispose of contaminated soils and/or media that may be present at or around the Project site or any sites upon which related facilities are located; nor shall such proceeds be used, either directly or indirectly, to acquire property or to remediate property(s) that contains known, hazardous wastes and hazardous substances. To the extent permitted by law, the Authority agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages, however and whenever arising, to the person or property of third parties caused either directly or indirectly by the sampling, analysis, transport, storage, treatment, recycling and disposal of any contaminated soil, surface water, groundwater and contaminated media that may be generated or encountered by the Authority, its contractors, consultants, agents, officials and employees as a result of design and construction activities undertaken to complete this Project.

§5.3 INSURANCE. For so long as the TWDB maintains an undivided ownership interest in the Project, the Authority agrees to maintain insurance in the type and amount that, in the reasonable judgment of the Authority and consistent with standard industry practices, is necessary to protect the Authority, the TWDB, and employees and officials of the TWDB from liability arising out of this Agreement and the Project, including but not limited to worker's compensation, property damage, general liability, and automobile liability, naming the TWDB as an additional insured, to the extent required to fulfill the requirements of this provision. The Authority will require that all consultants and contractors involved with the project maintain liability, automobile, and workers compensation coverage in amounts necessary to protect the Authority and the TWDB and name the Authority and TWDB as additional insured. The Authority must provide copies of all insurance policies relating to the TWDB and the State of Texas to the TWDB, and such insurance shall be effective at the time the TWDB acquires an ownership interest in the Project. If the Authority intends to satisfy these insurance requirements through self-insurance, it may seek to self-insure in the future provided that (a) prior notification is forwarded to the Executive Administrator for approval along with copies of all pertinent insurance-related documentation, and (b) the Executive Administrator issues written approval allowing the Authority to self-insure.

§5.4 BUDGETS, AUDITS AND REPORTS. The Authority shall keep and maintain complete records, accounts and financial statements pertaining to the operation of the Project in accordance with generally accepted accounting principles. The Authority shall provide the TWDB with the reports required in this Section and any other report as the TWDB shall from time to time reasonably require. The Authority shall provide the TWDB with a copy of its annual budgets. The annual budget shall reflect Project revenues, maintenance and operation expenses and capital outlays anticipated for the next ensuing year. The Authority agrees to deliver copies of all minutes, monthly operating statements, contracts, leases, deeds, and other documents concerning the Project upon request of the TWDB. The Authority will submit comprehensive annual audits for each fiscal year to the TWDB within thirty (30) days of the completion of such audits. The audits for each fiscal year must be prepared according to Generally Accepted Auditing Standards within 120 (days from the end of the Authority's fiscal year. In addition, the Authority shall submit audits

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of each Customer as stated in Section 3.2 (E) of this Agreement withing the timeframe prescribed by law. These reports shall be provided to:

Texas Water Development Board
Attn: Financial Monitoring
P.O. Box 13231
Austin, Texas 78711-3231

§5.5 RECORDS RETENTION. Unless otherwise directed by the TWDB, the Authority shall retain all records relating to the provision of services herein for a period of six (6) years following the termination of this Agreement. Upon the request of the TWDB, the Authority shall allow representatives or designees of the Texas State Auditor, Texas Attorney General and/or the TWDB to review and/or audit said records at all reasonable times. Upon the request of the TWDB, after the expiration of the records retention period, the Authority shall return all files and records to the TWDB. The Authority may destroy all records in whatever media that are not returned at the expiration of the record retention period.

§5.6 TWDB OPERATION AND MAINTENANCE. If the Authority fails at any time to operate and maintain the Project as provided in this Article, or in any manner fails to comply with any provisions of this Agreement, the TWDB, in addition to other legal remedies, may take over, operate, and maintain the Project, or cause such to be done for the benefit of the TWDB. The TWDB shall give at least sixty (60) days written notice to the Authority of its intent to take over and operate and maintain the Project so as to provide the Authority with the opportunity to remedy the problem(s) identified by the TWDB. The Authority shall remain liable for any expenditures made by the TWDB with respect to notice, remedies, operation, and maintenance of the Project.

ARTICLE 6. SALE AND LEASE OF PROPERTY BY AUTHORITY

§6.1 DISPOSAL AND ENCUMBRANCE OF PROJECT. During the time that TWDB owns an undivided ownership interest in the Project, the Authority will not sell, lease, or otherwise dispose of or encumber any part of the Project, except as provided herein.

§6.2 LEASE OF AUTHORITY PROPERTY. Subject to the provisions of Section 6.3 of this Agreement, the Authority may lease any of the property that is part of the Project for any purpose, if such lease or the use of such property will not be detrimental to the operation and maintenance of the Project, as determined by the Authority. No lease shall be made that will result in any damage to or substantial diminution of the value of any of the property that is part of Project, or that will in any manner interfere with the Project or divert, endanger, or contaminate water that is to be produced or transported by operation of the Project.

§6.3 TWDB APPROVAL OF SALES AND LEASES. Except for short term leases of less than two (2) years, any lease or sale by the Authority of real property in which the TWDB has an interest under this Agreement shall require prior written approval of the TWDB. Nothing contained in this Agreement shall be regarded or construed as creating a lien or encumbrance against the title to

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lands now or hereafter vested in the Authority insofar as the rights of third parties may be concerned. The Authority, however, hereby covenants not to sell or otherwise relinquish full right to the use of any lands and facilities acquired and necessary for the construction and operation of the Project for as long as the TWDB has an undivided ownership interest in the Project.

§6.4 SALE OF CERTAIN ITEMS. The Authority may from time to time sell any machinery, fixtures, apparatus, tools, instruments, or other movable property and any materials used in connection with the Project, if the Authority shall determine that such articles are no longer needed or are no longer useful in connection with the operation and maintenance of the Project. If the costs of such items were included as Project Costs, then the value received from the sale shall be deducted from total Project Costs.

§6.6 COMPLIANCE WITH TAX CODE. The Authority must ensure that any sale, lease, or other disposition of Project-related assets and articles complies with applicable provisions of Title 26 U.S.C., Internal Revenue Code and Internal Revenue Service Regulations.

ARTICLE 7. EFFECTIVE DATE AND TERM OF AGREEMENT

§7.1 EFFECTIVE DATE. This Agreement shall become effective upon execution by all of the Parties.

§7.2 TERM. This Agreement shall continue in full force and effect until the Authority has satisfied all of its obligations hereunder and has purchased all of the TWDB's undivided ownership interest in the Project.

ARTICLE 8. FURTHER COVENANTS

§8.1 NOTICES. For purposes of providing notifications to the TWDB in accordance with the notification and reporting requirements set forth in this Agreement, the following points of contact are hereby established:

Darrell Nichols

<<Address>>

Phone Number:

Fax Number:

Email Address:

Executive Administrator
Texas Water Development Board
1700 North Congress Avenue
Austin, Texas 78701

It is the Authority's burden and responsibility to provide written notification to the Executive Administrator of any change to the Authority's point of contact.

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§8.2 PROJECT EXPANSION. The Authority will submit to the TWDB for approval any plan for future expansion of the Project that will commence before the Authority has purchased all of the TWDB's undivided ownership interest in the Project. The TWDB will not unreasonably withhold approval of said plan submitted by the Authority.

§8.3 TITLE COVENANTS. The Authority covenants that it will obtain title insurance to the land to be purchased for the Project. The Authority warrants, by executing this Agreement, that any and all title objections referenced by any title insurance commitment policy entered into at the Site Acquisition Stage that may impair the Project will be cured to the satisfaction of the Executive Administrator. Additionally, if required by the TWDB, the Authority agrees to provide a policy of title insurance for the benefit of the TWDB.

§8.4 PLEDGE COVENANTS. The Authority hereby covenants that it has the lawful power to pledge the Contract Revenues to the payment of its obligations pursuant to this Agreement in the manner herein contemplated and has lawfully exercised such power under the Authority's enabling Act, and any and all other applicable state law.

ARTICLE 9. LAWS GOVERNING THE AGREEMENT; REMEDIES

§9.1 RULES AND APPLICATIONS INCORPORATED IN AGREEMENT. The TWDB and the Authority agree that the Application for Board Participation filed by the Authority, as finally approved by the TWDB, is incorporated herein as a part of this Agreement and the Authority agrees to be bound by TWDB rules, the Resolution, and the representations made in its Application. The Authority represents that there are no material changes in the information contained in its Application and supplemental information submitted to the TWDB.

§9.2 APPLICABLE LAW. The Parties understand that the provisions of this Agreement are subject to the applicable provisions of the Constitution and laws of the State of Texas, and federal laws and regulations. The Authority agrees to comply 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. The parties hereto reserve all rights at law and in equity to enforce the performance of this Agreement, and each respectively covenants to exercise all such rights to the extent necessary to perform, or to cure any default, on the part of the respective Party.

§9.3 REMEDIES. The TWDB, after providing notice and reasonable opportunity to cure, retains the discretion to pursue any remedy available to it through this Agreement or other law. The Authority agrees that the TWDB shall have available to it the remedies of mandamus and specific performance with respect to Section 3.2B of the Agreement, even if failure of performance of the Authority could be adequately compensated through some other method. The Authority's opportunity to cure shall be no less than 30 days from the date the Authority receives notice from the TWDB, and shall continue as long as the Authority uses good faith and diligence to cure any defect accurately identified by the TWDB. Specific remedies available to the TWDB include, but are not limited to, the TWDB's right to:

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- A. by mandamus, or other suit, action, or proceeding at law or in equity, enforce all rights of the TWDB under the Agreement and all rights of the TWDB, at law or in equity, regardless of whether any non-performance or violation has become an Event of Default, relating to the purchase, ownership, or lease or sale of the Project or TWDB's interest in the Project, including to the Authority's obligation to purchase the TWDB's interest in the Project under the Agreement. These rights include, but are not limited to, the right to require the Authority to charge and collect moneys adequate to carry out the terms of the Agreement;
- B. by action or suit in equity, require the Authority to account as if it were the trustee of an express trust for the TWDB; and
- C. by action or suit in equity, enjoin any acts which may be unlawful or in violation of the rights of the TWDB.

§9.4 VENUE. All amounts due and owing under this Agreement including, but not necessarily limited to, payments or damages for breach of this Agreement, shall be due and payable in Travis County, Texas, the county in which the principal offices of the TWDB are located. Jurisdiction and venue for any action on or related to the terms of this Agreement shall be exclusively in Travis County, Texas.

§9.5 AMENDMENT. This Agreement may be amended by agreement of the TWDB and the Authority in written form. Any such amendment shall be executed in the same manner as this Agreement was originally executed. The receiving Party will deliver to the requesting Party written approval or disapproval of the amendment requested within 14 days of receipt

§9.6 SEVERABILITY. The TWDB and the Authority specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words in this Agreement, or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason whatsoever invalid or unconstitutional, or in contravention of any federal, state or local laws, rules and regulations, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses or words in this Agreement or their application thereto. The Parties intend that this Agreement be severable and it shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the Parties hereto shall be construed and remain in force accordingly.

§9.7 ENTIRE AGREEMENT. This Agreement, including the Application(s) for Board Participation under SWIRFT incorporated by reference herein, and all Attachments hereto constitutes the entire agreement between the Parties with respect to the matters described herein.

§9.8 RECITALS. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Agreement for all purposes and are adopted as part of the judgment and findings of the Parties herein.

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§9.8 ARBITRATION. The Parties expressly agree that neither the Authority nor the TWDB shall, without its consent, be obligated to participate in, nor shall it be made a party to, any arbitration proceedings relating in any way to the Project or to any provisions of this Agreement.

§9.9 FORCE MAJEURE. If, by reason of Force Majeure, any Party hereto shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, then such Party shall give notice and the full particulars of such Force Majeure event in writing to the other Party within a reasonable time after the occurrence of the Force Majeure event. The obligations of the Party giving notice of such Force Majeure event may be suspended during the continuance of the event but for no longer period and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch.

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EXECUTED in multiple counterparts, each of which shall be deemed to be an original.

TEXAS WATER DEVELOPMENT BOARD

By: _____

Name: Jeff Walker

Title: Executive Administrator

Date: _____

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the __ day of _____, 2018, by Jeff Walker in his capacity as Executive Administrator of the Texas Water Development Board, an agency of the State of Texas, on behalf of said agency.

(SEAL)

Notary Public, State of Texas

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GUADALUPE-BLANCO RIVER AUTHORITY

Darrell Nichols
Deputy General Manager
Date: _____

STATE OF TEXAS
COUNTY OF HAYS

This instrument was acknowledged before me on the ____ day of _____ ,
2018, by _____ in his capacity as _____, on behalf of
_____.

(SEAL)

Notary Public, State of Texas

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ATTACHMENT A

TWDB RESOLUTION NO. 18-XX

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ATTACHMENT B

BOND COUNSEL OPINION REGARDING IMPACT OF THE PROJECT ON THE TAX-EXEMPT STATUS OF TWDB BONDS

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein is subject to change upon further review of the TWDB.

ATTACHMENT C

SCHEDULES

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein is subject to change upon further review of the TWDB.

ATTACHMENT D

FORMAT FOR DETERMINATION OF AUTHORITY'S USE OF TWDB OWNERSHIP

WATER CONSERVATION REVIEW

Entity: _____

Review date: _____

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

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline				
5-year Goal				
10-year Goal				

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:

If population ≤ 10K, connections/mile < 32 :

If population ≤ 10K, connections/mile ≥ 32 :

If population > 10K :

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

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 bench marking 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.

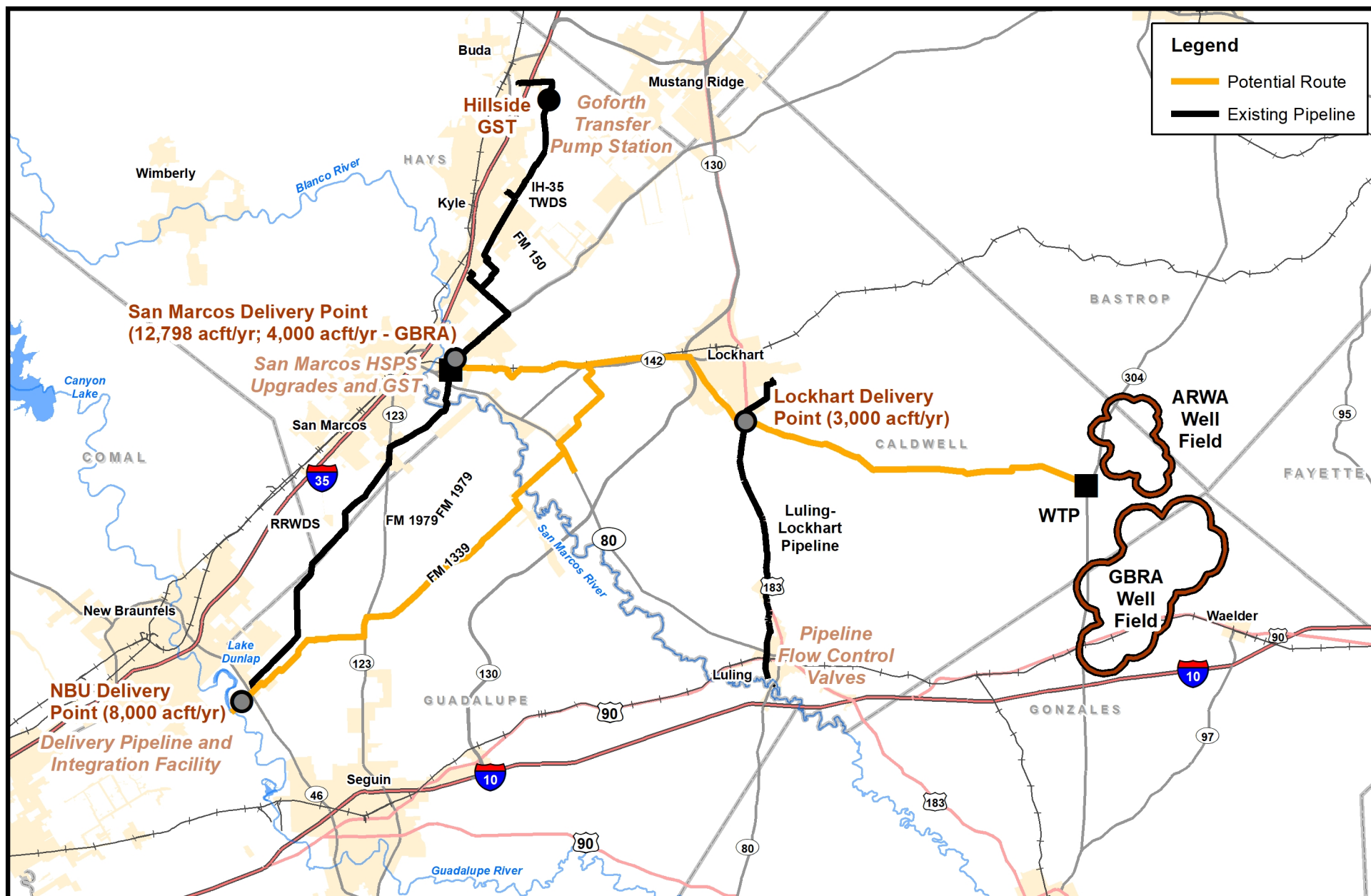
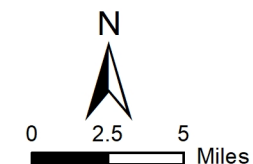
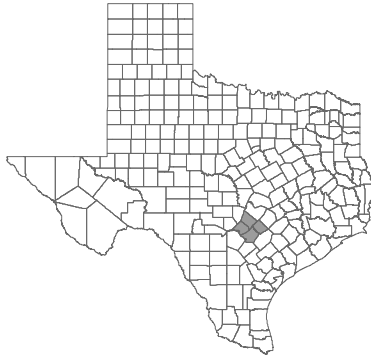
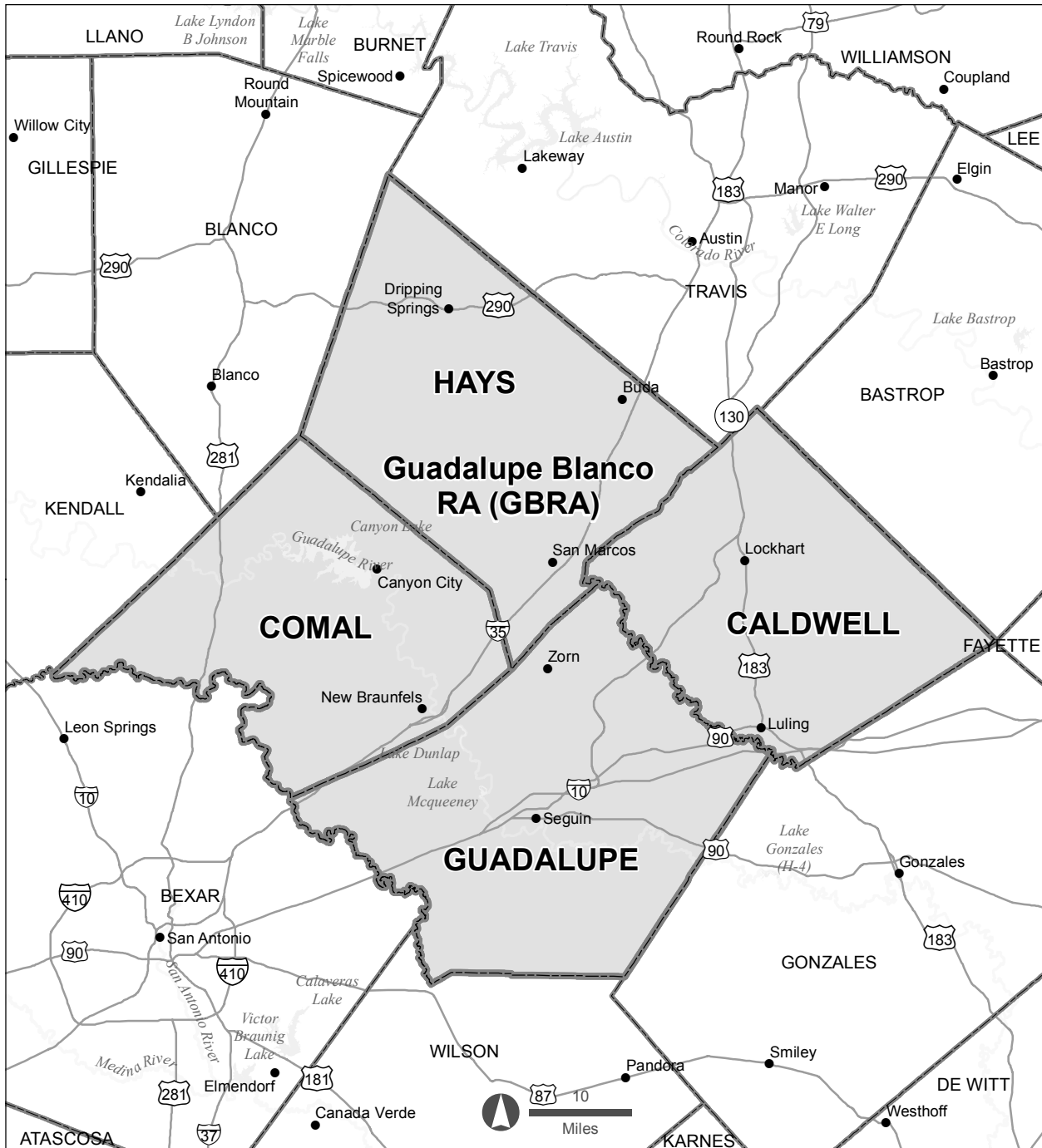


Figure 1 – CGSP Delivery Points and System Upgrades





Guadalupe Blanco RA (GBRA) Guadalupe, Comal, Hays, and Caldwell County



Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2020

Team Manager: Dain Larsen

ACTION REQUESTED

Approve by resolution a request from the Guadalupe Blanco River Authority (Guadalupe, Comal, Hays, Caldwell counties) to amend Texas Water Development Board Resolutions No. 18-093 and 18-094, as amended by Texas Water Development Board Resolution No. 19-078, to a) authorize a \$31,185,000 increase in multi-year financing and \$15,915,000 in Board Participation from the State Water Implementation Revenue Fund for Texas for a water system expansion project; and b) to modify the Guadalupe Blanco River Authority's existing commitments to transfer \$24,790,000 from Board Participation to Low-Interest financing.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Guadalupe Blanco River Authority (Authority) was established in 1933 by the State of Texas to develop, conserve and protect the water resources of ten counties in the Guadalupe River Basin from Kendall County northwest of San Antonio to Refugio County along the Gulf Coast. The total population of the counties the Authority serves is 805,761 as of 2019. The project will serve an area with a current population of 138,687.

PROJECT NEED AND DESCRIPTION

The Authority requests additional funds for its existing project to provide treated groundwater to three of its customers (Participants); New Braunfels Utilities (NBU), which is the water, wastewater and electric utility system for the City of New Braunfels, the City of Lockhart (City), and Goforth Special Utility District (District). The population of the Participants' service area is projected to grow by 102 percent by 2032 to approximately 232,270. Water demand is expected to grow from 21,296 to 41,107-acre-feet per year.

In 2018, the Authority received a \$165,855,000 multi-year commitment of funds from the State Water Implementation Fund for Texas (SWIFT) program for the first phase of the Authority's Mid-Basin Water Supply Project, which is intended to meet current and projected water needs of the Participants through 2032.

Multi-year commitment	Expiration date
\$34,900,000 Proposed Series 2020	December 31, 2020
\$7,595,000 Master Agreement 2020	December 31, 2020
\$36,615,000 Proposed Series 2021	December 31, 2021
\$35,635,000 Master Agreement 2021	December 31, 2021

The project is the first of two phases for the Authority's Mid-Basin Water Supply Project. The proposed project is intended to meet current and projected needs through 2040. This phase is expected to produce 15,000 acre-feet per year of groundwater from the Carrizo Aquifer in Gonzales and Caldwell counties. The Authority executed an agreement in July 2018 with Alliance Regional Water Authority (ARWA) for cooperative implementation of the initial phases of their respective regional projects. The shared project will include construction of a wellfield utilizing the Authority's current leases, approximately 58.6 miles of transmission main, a 33.5 million-gallon-per-day (MGD) water treatment plant in which the Authority would need 13.4 MGD of capacity, improvements to the Authority's existing Treated Water Delivery System pump station, a high service pump station and two new pump stations.

At the 30 percent of project design milestone, the Authority reevaluated the project costs estimates and concluded that additional funding would be required to complete the project. The Authority estimates an additional need for planning and design costs due to the integration of project facilities with ARWA, construction costs due to the escalation of costs for similar large-scale infrastructure projects in the region, and the addition of treatment infrastructure at the water treatment plant.

The Authority requests to add these funds to the \$25,150,000 in existing funds to be closed in 2021. The Authority is scheduled to close on existing funds of \$42,495,000 in 2020. In addition, the Authority requests to allocate a larger portion of the existing 2020 funds from Board Participation to Low-Interest to reduce the Participants' interest expense. The table below reflects their proposed modification of 2020 series existing funds.

	Current allocation	Proposed allocation
Low-Interest	\$10,110,000	\$34,900,000
Board Participation	\$32,385,000	\$7,595,000
Total	\$42,495,000	\$42,495,000

Proposed reallocation of 2020 series funds

The attached debt service schedule details the \$42,495,000 of existing 2020 funds after reallocation and includes the \$72,250,000 of proposed future 2021 closings in a single column. The 2021 funding includes \$25,150,000 of existing funds and \$47,100,000 of proposed new funds.

PROJECT SCHEDULE

The Authority is constructing the project in segments. Construction will start on some while design is completed on other segments.

Task	Schedule Date
Start of Construction	July 1, 2020
Engineering Feasibility Report Completion (End of Planning Phase)	October 1, 2020
Closing	November 15, 2020
Design Phase	August 31, 2021
Construction Completion	December 31, 2023

KEY ISSUES

The Authority requests two years of capitalized interest in the 2021 Low-Interest financing. The Authority has requested a multi-year commitment over a period of two years, 2020 and 2021. The 20 percent interest rate subsidy applies to the 2020 series only. The interest rate subsidy applicable to future proposed series will be set by the Board each year.

The Authority is pledging contract revenues of the net revenues of the Participants for the repayment of the proposed loans, a first lien on the Low-Interest financing and subordinate lien on the Board Participation. The Participants currently generate approximately \$161.7 million in net revenues available for debt service, which provides 5.66 times combined coverage of the annual existing and proposed debt service and additional contractual costs of providing water to the Participants (e.g. groundwater leases and operating expenses) during the first year of principal repayment on the proposed debt in 2022. Each Participant is responsible to repay debt service and the additional contractual costs for its allocated amount, which is based on the amount of water provided by the Authority. Each Participant will be required to pay its allocated share of debt service regardless of whether the projected amount of water is used. In addition, each Participant pays annually an additional ten percent of the annual debt service. The allocation between the Participants for annual contractual payments is shown in the table below.

PARTICIPANT	Percent of entity usage
City of New Braunfels	53%
Goforth Special Utility District	27%
City of Lockhart	20%

Allocation of percentage of annual usage requirements by Participant

The debt service coverage ratios for each Participant in the Key Indicators table below shows the coverage not only for the project debt service, but also for their existing debt service for all of their self-supporting debt.

NBU's net revenues are substantial and are sufficient to meet the requirements of its portion of the annual contractual payments and existing debt service. The City and District will need utility system water rate increases beginning in 2024 to provide sufficient revenues. Assuming no growth in the number of connections, the City would need an estimated increase of approximately \$1.20 in 2024 with additional annual increases reaching a maximum of \$16.43 in 2036. With no growth in the number of connections, the

District would need an estimated \$2.08 increase in 2027 with additional increases reaching approximately \$12.30 by 2037.

The City's concentration of revenues in its top ten customers is due to a large private prison which accounts for 35 percent of the City's revenues. A stress test that removed revenues from the prison resulted in the need for a \$13.26 increase to system rates in a scenario where the prison is no longer a customer of the City.

The Board Participation financing will be governed by a Master Agreement. The Authority's obligation to purchase the Board's interest in the board participation project is secured by a subordinate lien pledge on the net revenues of the system. The Authority is unable to pledge a first lien on the net revenues because of the variable nature of the repurchase obligation included in the Master Agreement.

LEGAL

Special Conditions

Financing will be provided through a Master Agreement, which sets out the responsibilities, duties and liabilities of the Authority and TWDB. Under the Master Agreement, the TWDB will purchase a percentage of the project, based on the amount of TWDB Board Participation funds provided as compared to the total amount of funds spent on the project. The Authority obligates itself to purchase TWDB's interest in the project under a payment schedule attached to the Master Agreement, which provides that the Authority will make payments of principal and interest.

FINANCIAL

Risk Score: 2A

Key Indicators

Indicator	GBRA	NBU	Goforth SUD	Lockhart	Benchmark
Risk Score	2A	2A	2B	2B	None
Debt Service Coverage Ratio	5.66x	1.62x	1.5x	0.64x	1.0x
Days of Cash on Hand (3-year Average)	305 days	297 days	35 days	1,128 days	30-149
Debt-to-Operating Revenues	1.44x	3.38x	8.32x	12.81x	4.00-5.99x
Direct Debt as % Total Assessed Valuation	N/A	3%	N/A	1.13%	2-5%
Asset Condition Ratio	25	20	12	25 years	12-24 years
Top 10 Customers of the System	27.72%	4%	29%	50.16%	< 10-15%
Population Growth, Average Annual 2010-2018	2.80%	2.74%	3.83%	0.63%	State: 1.24%
Median Household Income as % of State	104%	113%	103%	94%	100%
Unemployment (April 2020)	11.43%	13.30%	10.50%	10.50%	State: 13%

Key Risk Score Strengths

- High debt service coverage, only 1 Participant below 1.0x coverage currently
- High liquidity
- High population growth

Key Risk Score Concerns

- Rate increase needed to meet coverage (Lockhart)
- High absolute unemployment rate, but relatively moderate to low
- City of Lockhart has a high level of debt and a concentration of customers

PLEDGE

Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input checked="" type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input checked="" type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

In addition to annually charging each Participant for their share of the project debt service, the Authority's water supply contracts with the Participants are take-or-pay requiring that each pay their share of project related expenses and operations expenses regardless of whether water is delivered. This annual requirement includes a fixed charge based on the amount of acre-feet capacity committed, a variable charge when water is delivered, and the annual debt service for the project. These expenses were included with the analysis of debt service coverage.

Currently, these additional charges are approximately \$1 million annually, increasing to \$3 million in 2023 when water delivery begins and \$3.75 million in 2024 when principal repayment begins on the proposed series. These expenses increase incrementally to an estimated \$10.8 million in 2043.

Cost Savings

Based on 30-year maturities and current interest rates, the Authority could save approximately \$5,285,388 over the life of the 2020 financing.

Attachments:

1. Project Data Summary
2. Debt Service Schedule
3. Project Budget
4. Resolution (20-)
5. Resolution (18-093)
6. Resolution (18-094)
7. Resolution (19-078)
8. Water Conservation Review
9. Location Map

Responsible Authority	Guadalupe Blanco RA
Program	SWIFT
Commitment Number	L1001175, LB211176
Project Number	51055
List Year	2020
Type of Pledge	Contract Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$31,185,000 Guadalupe Blanco River Authority Contract Revenue Bonds, Proposed Series 2021A, \$15,915,000 Master Agreement 2020
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay < > Escrow
Qualifies as Disadvantaged	No
SWIFT Financing Type	Low-Interest, Board Participation
Financial Managerial & Technical Complete	N/A
Phases Funded	Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Dain Larsen	Ty Morton	Jesse Milonovich	Kristin Miller	Alexis Lorick

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Guadalupe Blanco River Authority

\$7,595,000 Guadalupe Blanco River Authority, Texas Master Agreement 2020

Dated Date: 11/14/2020
Delivery Date: 11/14/2020
First Interest: 2/15/2021
First Principal: 8/15/2041
Last Principal: 8/15/2055
Fiscal Year End: 8/31
Required Coverage: 1.0

Source: SWIFT-PARTICIPATION
Rate: 3.20%
IUP Year: 2020
Case: Revenue
Admin.Fee: \$ -
Admin. Fee: N/A
Payment Date: N/A

\$34,900,000 Guadalupe Blanco River Authority, Texas Contract Revenue Bonds, Series 2020

Dated Date: 11/14/2020
Delivery Date: 11/14/2020
First Interest: 2/15/2021
First Principal: 8/15/2024
Last Principal: 8/15/2050
Fiscal Year End: 8/31
Required Coverage: 1.0

Source: SWIFT-LOW-30YR
Rate: 2.16%
IUP Year: 2020
Case: Revenue
Admin.Fee: \$ -
Admin. Fee: N/A
Payment Date: N/A

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$7,595,000 ISSUE							\$34,900,000 ISSUE				\$72,250,000 ISSUE SERIES 2021								
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	DEFERRED INTEREST	INTEREST PAID	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL PAYMENT	DEBT SERVICE	ACTUAL COVERAGE							
2021	\$ 34,202,966	\$109,264	-	-	\$181,906	(\$181,906)	-	-	-	-	\$485,037	-	\$371,574	\$480,838	71.13							
2022	34,097,966	356,101	-	-	241,647	(241,647)	-	-	-	-	644,330	-	743,147	1,099,248	31.11							
2023	33,947,966	1,156,384	-	-	241,647	(217,482)	\$24,165	\$24,165	-	-	644,330	\$64,433	743,147	1,988,128	17.15							
2024	32,297,966	2,698,179	-	-	241,647	(193,318)	48,329	48,329	\$1,085,000	0.330%	644,330	1,213,866	2,034,734	5,995,108	5.66							
2025	31,547,966	2,969,736	-	-	241,647	(181,235)	60,412	60,412	1,085,000	0.410%	640,749	1,245,187	2,035,463	6,310,798	5.12							
2026	30,797,966	3,301,843	-	-	241,647	(157,071)	84,576	84,576	1,090,000	0.530%	636,301	1,312,705	2,149,297	6,848,422	4.61							
2027	30,722,966	3,677,159	-	-	241,647	(126,865)	114,782	114,782	1,095,000	0.630%	630,524	1,394,499	2,261,814	7,448,254	4.13							
2028	30,122,966	4,046,097	-	-	241,647	(90,618)	151,029	151,029	1,100,000	0.710%	623,625	1,489,766	2,430,397	8,117,289	3.78							
2029	30,047,966	4,332,200	-	-	241,647	(54,371)	187,276	187,276	1,105,000	0.770%	615,815	1,582,257	2,603,162	8,704,896	3.46							
2030	29,897,966	4,431,350	-	-	241,647	(18,124)	223,523	223,523	1,120,000	0.860%	607,307	1,681,759	2,774,968	9,111,600	3.30							
2031	28,472,966	4,907,259	-	-	241,647	-	241,647	241,647	1,125,000	1.170%	597,675	1,722,675	2,944,294	9,815,875	3.05							
2032	27,647,966	5,970,118	-	-	241,647	-	241,647	241,647	1,145,000	1.410%	584,512	1,729,512	2,943,738	10,885,015	2.62							
2033	26,897,966	6,558,418	-	-	241,647	104,474	346,121	346,121	1,160,000	1.630%	568,368	2,004,644	2,940,131	11,849,314	2.33							
2034	26,297,966	6,564,692	-	-	241,647	208,948	450,595	450,595	1,175,000	1.730%	549,460	2,277,013	3,967,546	13,259,846	2.03							
2035	25,697,966	6,569,007	-	-	241,647	208,948	450,595	450,595	1,200,000	1.840%	529,132	2,281,685	3,965,039	13,266,327	1.98							
2036	25,097,966	6,566,323	-	-	241,647	208,948	450,595	450,595	1,220,000	1.930%	507,052	2,279,605	3,965,843	13,262,367	1.94							
2037	24,497,966	6,566,581	-	-	241,647	208,948	450,595	450,595	1,245,000	2.010%	483,506	2,281,059	3,965,044	13,263,279	1.89							
2038	24,497,966	6,087,800	-	-	241,647	208,948	450,595	450,595	1,265,000	2.080%	458,482	2,276,035	3,962,718	12,777,148	1.92							
2039	24,497,966	6,311,655	-	-	241,647	208,948	450,595	450,595	1,295,000	2.140%	432,170	2,279,723	3,963,834	13,005,807	1.88							
2040	24,497,966	7,701,233	-	-	241,647	104,474	346,121	346,121	1,315,000	2.200%	404,457	1,995,733	3,963,423	14,006,511	1.75							
2041	24,497,966	7,707,881	\$405,000	2.930%	241,647	-	241,647	646,647	1,350,000	2.350%	375,527	1,725,527	2,932,569	13,012,623	1.88							
2042	24,497,966	7,718,193	420,000	2.980%	229,781	-	229,781	649,781	1,380,000	2.390%	343,802	1,723,802	4,804,452	14,896,227	1.64							
2043	24,497,966	7,721,868	430,000	3.030%	217,265	-	217,265	647,265	1,415,000	2.430%	310,820	1,725,820	4,800,195	14,895,147	1.64							
2044	24,497,966	7,723,878	445,000	3.070%	204,236	-	204,236	649,236	1,445,000	2.460%	276,435	1,721,435	4,801,844	14,896,392	1.64							
2045	24,497,966	7,720,187	455,000	3.100%	190,574	-	190,574	645,574	1,485,000	2.490%	240,888	1,725,888	4,794,521	14,886,170	1.65							
2046	24,497,966	7,725,112	470,000	3.130%	176,469	-	176,469	646,469	1,520,000	2.510%	203,912	1,723,912	4,793,187	14,888,679	1.65							
2047	24,497,966	7,721,591	485,000	3.150%	161,758	-	161,758	646,758	1,560,000	2.530%	165,760	1,725,760	4,792,835	14,886,944	1.65							
2048	24,497,966	7,724,586	500,000	3.180%	146,481	-	146,481	646,481	1,600,000	2.550%	126,292	1,726,292	4,788,331	14,885,689	1.65							
2049	24,497,966	6,273,456	515,000	3.200%	130,581	-	130,581	645,581	1,645,000	2.570%	85,492	1,730,492	4,789,388	13,438,915	1.82							
2050	24,497,966	5,754,852	535,000	3.220%	114,101	-	114,101	649,101	1,675,000	2.580%	43,215	1,718,215	4,786,085	12,908,252	1.90							
2051	24,497,966	5,754,716	550,000	3.280%	96,874	-	96,874	646,874	-	-	-	-	4,787,384	11,188,973	2.19							
2052	24,497,966	5,756,582	570,000	3.290%	78,834	-	78,834	648,834	-	-	-	-	2,998,886	9,404,301	2.60							
2053	24,497,966	5,775,493	585,000	3.300%	60,081	-	60,081	645,081	-	-	-	-	2,997,308	9,417,881	2.60							
2054	24,497,966	3,410,449	605,000	3.310%	40,776	-	40,776	645,776	-	-	-	-	2,992,657	7,048,882	3.48							
2055	24,497,966	-	625,000	3.320%	20,750	-	20,750	645,750	-	-	-	-	2,994,752	3,640,502	1.00							
	\$	\$	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$								
		185,370,243	\$	7,595,000	\$	6,883,402	\$	0	\$	6,883,402	\$	14,478,402	\$	34,900,000	\$	13,459,295	\$	48,359,295	\$	120,567,427	\$	368,775,367

\$7,595,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.33 YEARS
NET INTEREST RATE	3.199%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$413,669

\$34,900,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.84 YEARS
NET INTEREST RATE	2.161%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$1,611,977

TOTAL AVERAGE ANNUAL REQUIREMENTS	
	\$10,536,439

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. The interest rate subsidy is based on a level repayment schedule. If the repayment schedule is considered non-level, the interest rate subsidy may be reduced.



Project Budget Summary
Guadalupe Blanco RA
51055 - Carrizo Groundwater Supply Project

Budget Items	Description	Previous Commitments	This Commitment	TWDB Funds	Local and Other Funds	Total
Construction						
Construction		\$85,599,170.00	\$37,149,687.00	\$122,748,857.00	\$0.00	\$122,748,857.00
Subtotal for Construction		\$85,599,170.00	\$37,149,687.00	\$122,748,857.00	\$0.00	\$122,748,857.00
Basic Engineering Services						
Construction Engineering		\$4,088,652.00	\$2,413,508.00	\$6,502,160.00	\$0.00	\$6,502,160.00
Design		\$6,568,527.00	\$0.00	\$6,568,527.00	\$0.00	\$6,568,527.00
Planning		\$11,818,439.00	\$0.00	\$11,818,439.00	\$0.00	\$11,818,439.00
Subtotal for Basic Engineering Services		\$22,475,618.00	\$2,413,508.00	\$24,889,126.00	\$0.00	\$24,889,126.00
Special Services						
Environmental		\$1,357,698.00	\$0.00	\$1,357,698.00	\$0.00	\$1,357,698.00
Geotechnical		\$1,059,700.00	\$0.00	\$1,059,700.00	\$0.00	\$1,059,700.00
Permits		\$230,000.00	\$0.00	\$230,000.00	\$0.00	\$230,000.00
Special Service Other (Describe)		\$250,000.00	\$0.00	\$250,000.00	\$0.00	\$250,000.00
Surveying		\$1,687,890.00	\$0.00	\$1,687,890.00	\$0.00	\$1,687,890.00
Subtotal for Special Services		\$4,585,288.00	\$0.00	\$4,585,288.00	\$0.00	\$4,585,288.00
Fiscal Services						
Bond Counsel		\$508,780.00	\$138,700.00	\$647,480.00	\$0.00	\$647,480.00
Capitalized Interest		\$3,356,245.00	\$1,183,507.00	\$4,539,752.00	\$0.00	\$4,539,752.00
Financial Advisor		\$399,780.00	\$112,625.00	\$512,405.00	\$173,724.00	\$686,129.00
Fiscal/Legal		\$47,500.00	\$9,500.00	\$57,000.00	\$0.00	\$57,000.00
Issuance Costs		\$87,078.00	\$11,800.00	\$98,878.00	\$0.00	\$98,878.00
Subtotal for Fiscal Services		\$4,399,383.00	\$1,456,132.00	\$5,855,515.00	\$173,724.00	\$6,029,239.00
Other						
Land/Easements Acquisition		\$6,666,875.00	\$0.00	\$6,666,875.00	\$400,000.00	\$7,066,875.00
Other	Lease Payments; District Fees; Legal; Electric Utility Service	\$4,031,869.00	\$0.00	\$4,031,869.00	\$0.00	\$4,031,869.00
Water Rights Purchase		\$28,609,225.00	\$0.00	\$28,609,225.00	\$1,990,775.00	\$30,600,000.00
Subtotal for Other		\$39,307,969.00	\$0.00	\$39,307,969.00	\$2,390,775.00	\$41,698,744.00
Contingency						
Contingency		\$9,487,572.00	\$6,080,673.00	\$15,568,245.00	\$0.00	\$15,568,245.00
Subtotal for Contingency		\$9,487,572.00	\$6,080,673.00	\$15,568,245.00	\$0.00	\$15,568,245.00
Total		\$165,855,000.00	\$47,100,000.00	\$212,955,000.00	\$2,564,499.00	\$215,519,499.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD
RESOLUTIONS NO. 18-093 AND NO. 18-094,
AS AMENDED BY TEXAS WATER DEVELOPMENT BOARD RESOLUTION NO. 19-078,
PROVIDING FINANCIAL ASSISTANCE TO THE
GUADALUPE-BLANCO RIVER AUTHORITY

(20-)

WHEREAS, at its July 26, 2018 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 18-093 and No. 18-094, made a multi-year commitment to the Guadalupe-Blanco River Authority for financial assistance in the amount of \$49,205,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the purchase of Guadalupe-Blanco River Authority Contract Revenue Bonds in proposed series years 2018, 2020, and 2021, and \$116,650,000 from the Board Participation Account of the SWIRFT for Project 51055 (Project), all as is more specifically set forth in the TWDB's Resolutions No. 18-093 and No. 18-094 and accompanying documentation, to which documents express reference is made; and

WHEREAS, in 2018, the TWDB and the Authority mutually closed on a distribution of financial assistance in one or more series from the SWIRFT in the amount of \$23,925,000, and from the Board Participation Account of the SWIRFT in the amount of \$34,285,000; and

WHEREAS, at its July 22, 2019 meeting, the TWDB passed Resolution No. 19-078, amending Resolutions No. 18-093 and No. 18-094, modifying the Authority's Loan Closing Schedule to receive distributions of assistance from the TWDB in 2019; and

WHEREAS, in 2019, the TWDB and the Authority mutually closed on a distribution of financial assistance in one or more series from the SWIRFT in the amount of \$9,740,000 and from the Board Participation Account of the SWIRFT in the amount of \$30,260,000; and

WHEREAS, the Authority requests that the TWDB again amend TWDB Resolutions No. 18-093 and No. 18-094, as amended by TWDB Resolution No. 19-078, requesting to modify distributions to be received by the Authority in funding cycles 2020 and 2021; and

WHEREAS, the Authority represents that additional financial assistance is necessary to for the Authority to complete the Project on schedule in order to meet its current water commitments to its customers; and

WHEREAS, the TWDB hereby finds that the proposed amendments requested by the Authority and detailed in a memorandum to the Board, to TWDB Resolutions No. 18-093 and No. 18-094, as amended by TWDB Resolution No. 19-078, are 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. 18-093, as amended by TWDB Resolution No. 19-078 to the Guadalupe-Blanco River Authority for financial assistance in the amount of \$49,205,000 from the State Water Implementation Revenue Fund for Texas is amended to increase the multi-year commitment, reflecting a new principal amount not to exceed \$105,180,000, and shall be evidenced by the TWDB's proposed purchase of Guadalupe-Blanco River Authority Contract Revenue Bonds in SWIFT funding cycles 2020 and 2021 as follows:
 - (a) \$34,900,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2020, to expire on December 31, 2020.
 - (b) \$36,615,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2021, to expire on December 31, 2021.
2. The commitment made through TWDB Resolution No. 18-094, as amended by TWDB Resolution No. 19-078, to the Guadalupe-Blanco River Authority for distributions of financial assistance in the amount of \$116,650,000 from Board Participation Account of the State Water Implementation Revenue Fund for Texas is amended to reflect a new not to exceed amount in the amount of \$107,775,000 from which new scheduled distributions are as follows:
 - (a) \$7,595,000, to expire December 30, 2020.
 - (b) \$35,635,000, to expire December 31, 2021.
3. The Executive Administrator is authorized to execute future amendments to the Master Agreement as contemplated by the terms of that Agreement; and
4. All other terms and conditions of TWDB Resolutions No. 18-093 and No. 18-094, as amended by TWDB Resolution No. 19-078, shall remain in full force and effect.

APPROVED and ordered of record this the 23rd day of July, 2020.

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 THE
GUADALUPE-BLANCO RIVER AUTHORITY
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$49,205,000 GUADALUPE BLANCO RIVER
AUTHORITY CONTRACT REVENUE BONDS,
PROPOSED SERIES 2018 THROUGH PROPOSED SERIES 2021**

(18-093)

WHEREAS, the Guadalupe-Blanco River Authority (Authority) has filed an application for financial assistance in the amount of \$49,205,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design, and construction of certain water supply project(s) identified as Project No. 51055 (Project); 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 \$49,205,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, in one or more series, (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 seeks a combination of "low-interest" and deferred financing from the TWDB for the Project; and

WHEREAS, the TWDB by separate Resolution will consider the Authority's request for financial assistance from the Board Participation Account of the SWIRFT for the Project; and

WHEREAS, the Authority has offered a pledge of wholesale contract revenues from the treated water supply agreements between it and the City of Lockhart, Goforth Special Utility District, and New Braunfels Utilities (a municipal utility system operating on behalf of the City of New Braunfels) 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;

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, subject to the Authority's use of an approved debt service structure, for those Obligations which shall receive deferred financing from the TWDB, the interest on and principal of the Obligations may be deferred for up to eight years; 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 project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that the Authority satisfactorily completed all requests 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);
4. 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 Guadalupe-Blanco River Authority for financial assistance in the amount of \$49,205,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of Guadalupe Blanco River Authority Contract Revenue Bonds as follows:

- a) \$12,030,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2018A (Deferred Financing) (Gonzales Carrizo Water Supply Project), to expire on December 31, 2018;
- b) \$11,895,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2018B (Low-Interest Financing) (Gonzales Carrizo Water Supply Project) to expire on December 31, 2018;
- c) \$10,470,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series Proposed Series 2020, (Low-Interest Financing) (Gonzales Carrizo Water Supply Project), to expire on December 31, 2020; and

- d) \$14,810,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2021 (Low-Interest Financing) (Gonzales Carrizo Water Supply Project), to expire on December 31, 2021

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 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, on any date beginning on or after the first interest payment date that 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 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;
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. financial assistance 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. financial assistance 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 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);
16. 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;
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 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;
- 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 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");
 - 21. 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;
 - 22. the Obligations must contain a provision requiring that, upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review;

23. the Obligations must contain a provision requiring the Authority to maintain and enforce the contracts with its customers (from the treated water supply contracts) so that the revenues paid to the Authority by its customers are sufficient to meet the revenue requirements of the Authority's obligations arising from the operation of the water system;
24. the Obligations must contain a provision that the pledged contract revenues from the Authority may not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations;

Conditions to Close or for Release of Funds:

25. prior to closing, if not previously provided with the application, the Authority shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel, 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 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;
28. prior to closing, the Authority's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
29. 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;
30. 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;

31. prior to closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Authority's debt service obligations and additional parity obligations;

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

Special Conditions:

32. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the Authority has the right to use the water that the Project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
33. prior to the release of construction funds for that portion of a Project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the Authority has the right to use the water that the Project financed by the TWDB will provide;

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

TEXAS WATER DEVELOPMENT BOARD



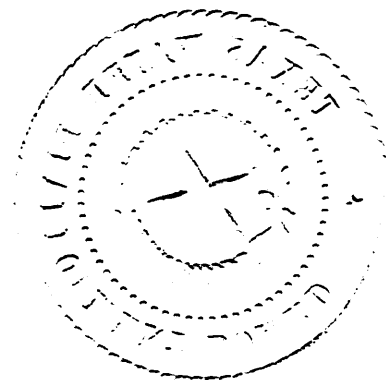
Peter M. Lake, Chairman

DATE SIGNED: 7/27/18

ATTEST:



Jeff Walker, Executive Administrator



**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FROM THE GUADALUPE-BLANCO RIVER AUTHORITY
FOR THE TEXAS WATER DEVELOPMENT BOARD'S
ACQUISITION AND SALE OF AN INTEREST IN THE
GONZALES CARRIZO WATER SUPPLY PROJECT
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS**

(18-094)

WHEREAS, the Texas Water Development Board (TWDB), under the authority of Chapter 15, Subchapter H of the Texas Water Code, is authorized to use the Board Participation Account of the State Water Implementation Revenue Fund for Texas (SWIRFT) to encourage optimum regional development of projects through the acquisition of an interest in new water supply project facilities and the sale, transfer, or lease of its interest in those facilities; and

WHEREAS, the Guadalupe-Blanco River Authority (Authority), has filed an application with the TWDB requesting that the TWDB acquire an interest in its Gonzales Carrizo Water Supply Project, Project No. 51055 (Project), not to exceed eighty percent (80%) of the total Project cost, in order to enable the acquisition of excess capacity for the optimum regional development of the Project, using the Board Participation Account of the SWIRFT; and

WHEREAS, the Authority will finance at least twenty percent (20%) of the total Project costs from sources other than the Board Participation Account of the SWIRFT, pursuant to 31 TAC § 363.1308; and

WHEREAS, in 2018, the Authority is financing \$49,205,000 in a combination of "low interest loan" and "deferred" financing from the TWDB, which is sufficient to satisfy the Authority's equity percentage on the TWDB's Board Participation Account Loan; and

WHEREAS, by separate request, the TWDB is considering a request from the Authority for the TWDB to provide financial assistance through the TWDB's proposed purchase of \$49,205,000 Guadalupe Blanco River Authority Contract Revenue Bonds, Series 2018A and Series B (collectively for the Gonzales Carrizo Water Supply Project); and

WHEREAS, the Project is expected to cost \$165,855,000, of which the TWDB's share, pursuant to this commitment, will not exceed \$116,650,000; and

WHEREAS, the Authority will purchase the TWDB's interest in the Project from the proceeds of a future bond issue, other revenues, or other lawful sources of funds in accordance with a Master Agreement to be executed between the Authority and the TWDB; and

WHEREAS, the Authority has offered a pledge of wholesale contract revenues from the water supply agreements between the City of Lockhart, Goforth Special Utility District, and New Braunfels Utilities (a municipal utility system operating on behalf of the City of New Braunfels) as sufficient security for its obligation to purchase the TWDB's interest in the Project; 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;

WHEREAS, the TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project; and

WHEREAS, the Project will aid in addressing the long-term needs of the area by developing a wellfield and associated water rights and a high service pumps station for proposed and existing transmission systems; and

WHEREAS, pursuant to 31 TAC § 363.1308, the terms of the TWDB's ownership interest in the Project have been incorporated into a proposed Master Agreement that sets forth the responsibilities, duties, and liabilities of each party; and

WHEREAS, the Board has approved the terms of the Master Agreement between the TWDB and the Authority and consents to the negotiation and execution of a Master Agreement with substantially similar terms; 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. it is reasonable to expect that the TWDB will recover its investment in the Project because the revenue to be generated by the projected number of customers served by the Project will be sufficient to purchase the excess capacity owned by the TWDB in accordance with 31 TAC § 363.1308(c)(1);
3. the cost of the Project exceeds the current financing capabilities of the area to be served by the Project, in accordance with 31 TAC § 363.1308(c)(2);
4. the optimum regional development cannot be reasonably financed by local interest based on an assessment of the estimated cost to construct the Project and the revenue to be generated by the projected number of customers of the facility, in accordance with 31 TAC § 363.1308(c)(3);
5. the public interest will be served by the TWDB's acquisition of an interest in the

Project because the cost of the Project to the public will be reduced by the Board's participation in the Project, in accordance with 31 TAC § 363.1308(c)(4);

6. the Project contemplates the optimum regional development that is reasonably required under all existing circumstances of the site because the design capacity of the components of the Project are sufficient to meet the foreseeable needs of the area, in accordance with 31 TAC § 363.1308(c)(5);
7. the Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
8. 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:

1. a commitment is made by the TWDB to acquire and sell an ownership interest in the Authority's Gonzales Carrizo Water Supply Project, not to exceed eighty percent (80%) of the total Project cost based on an application filed by Guadalupe-Blanco River Authority, in an amount not to exceed \$116,645,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a) \$34,285,000, to expire on December 31, 2018;
 - b) \$33,345,000 to expire on December 31, 2020;
 - c) \$49,020,000 to expire on December 31, 2021;
2. the Executive Administrator is authorized to negotiate and execute a Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the Authority.

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 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 circumstance, or any other legal requirement;
3. 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;

The Following Conditions Must Be Included in the Master Agreement:

4. the Master Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Master Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
5. loan proceeds are public funds and, as such, the Master Agreement 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;
6. 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 Master Agreement 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 sewer 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;
7. the Master Agreement 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;
8. the Authority agrees to take such actions as are necessary to assure, or to refrain from such actions as would materially adversely affect, the excludability from gross income for Federal income tax purposes of interest payable on such obligations as are issued by the TWDB to finance its acquisition of an interest in the Project;

9. the Master Agreement must include a provision stating that the Authority shall have the right to make an early purchase of all or a portion of the TWDB's ownership interest in the Project, on or after the specified Call Date that is on or after the first interest payment date 10 years from the dated date by making principal payments in excess of the scheduled principal payments. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator;
10. the Master Agreement must contain a provision requiring that, upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties to the Project for the Executive Administrator's review;
11. the Master Agreement must contain a provision requiring the Authority to maintain and enforce the Project contracts with its customers so that the revenues paid to the Authority by its customers are sufficient to meet the revenue requirements of the Authority's obligations arising from the operation of the Project;

Conditions to Close or for Release of Funds:

12. prior to closing, the Authority and the TWDB will execute a Master Agreement that will set forth the responsibilities, duties, and liabilities of each party;
13. prior to closing, the Authority will provide an attorney's opinion that is satisfactory and acceptable to the Executive Administrator as to any impact of the Project on the tax-exempt status of any bonds issued by the TWDB to fund its acquisition of an interest in the Project;
14. prior to closing, the Authority must submit executed contracts between the Authority and the contracting parties to the Project regarding the contract revenues pledged to the payment of the Authority's obligation to purchase the TWDB's interest in the Project, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges, and maintenance of revenues sufficient to meet the Authority's obligations arising from the Project;
15. prior to closing, if not previously provided with the application, the Authority shall submit executed contracts for engineering, and, if applicable, financial advisor and legal counsel, 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;
16. 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;

PROVIDED, HOWEVER, the commitment is subject to the following special conditions:

Special Conditions:

17. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the Authority has the right to use the water that the Project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
18. prior to the release of construction funds for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the Authority has the right to use the water that the Project financed by the TWDB will provide;
19. the Authority must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner during the phases financed by the TWDB during the project;
20. the Master Agreement must include a provision requiring that, prior to any action by the Authority to convey its interest to another entity, the conveyance and the assumption of said interest must be approved by the TWDB.
21. the Authority shall provide the TWDB with (a) monthly financial statement, to be submitted within ten (10) days after the close of each month, unless or until such requirement is waived in writing by the Executive Administrator or paid in full, whichever comes first, and (b) annual reports, to be submitted without charge within 120 days of the close of each fiscal year;

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



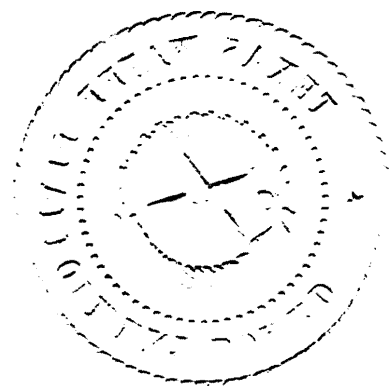
TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, Chairman

DATE SIGNED: 7/27/18

ATTEST:

Jeff Walker, Executive Administrator



**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD
RESOLUTIONS NO. 18-093 AND NO. 18-094
PROVIDING FINANCIAL ASSISTANCE TO THE
GUADALUPE-BLANCO RIVER AUTHORITY**

(19-078)

WHEREAS, at its July 26, 2018 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 18-093 and No. 18-094, made a multi-year commitment to the Guadalupe-Blanco River Authority for financial assistance in the amount of \$49,205,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the purchase of Guadalupe-Blanco River Authority Contract Revenue Bonds in proposed series years 2018, 2020, and 2021, and \$116,650,000 from the Board Participation Account of the SWIRFT for Project 51055 (Project), all as is more specifically set forth in the TWDB's Resolutions No. 18-093 and No. 18-094 and accompanying documentation, to which documents express reference is made; and

WHEREAS, the TWDB and the Authority mutually closed on a distribution of financial assistance in one or more series from the SWIRFT in the amount of \$23,925,000, and from the Board Participation Account of the SWIRFT in the amount of \$34,285,000; and

WHEREAS, by letter received by the TWDB in February 2019, the Authority requests that the TWDB amend TWDB Resolutions No. 18-093 and No. 18-094 to modify the Authority's Annual Loan Closing Schedule, requesting instead to receive distributions of its commitment from the SWIRFT and the Board Participation Account of the SWIRFT in 2019; and

WHEREAS, the TWDB hereby finds that the proposed amendments to TWDB Resolutions No. 18-093 and No. 18-094, as requested by the Authority, are 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. 18-093 to the Guadalupe-Blanco River Authority for financial assistance in the amount of \$49,205,000 from the State Water Implementation Revenue Fund for Texas is amended and shall be evidenced by the TWDB's proposed purchase of the Guadalupe-Blanco River Authority Contract Revenue Bonds as follows:

- a. \$9,740,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2019, to expire on December 31, 2019;
 - b. \$10,110,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2020, to expire on December 31, 2020; and
 - c. \$5,430,000 Guadalupe-Blanco River Authority Contract Revenue Bonds, Proposed Series 2021, to expire on December 31, 2021.
2. The commitment made through TWDB Resolution No. 18-094 to the Guadalupe-Blanco River Authority for financial assistance in the amount of \$116,650,000 from Board Participation Account of the State Water Implementation Revenue Fund for Texas is amended as follows:
 - a. Subsections b and c of the commitment are amended to read
 - i. (b) \$30,260,000, set to expire December 31, 2019
 - ii. (c) \$32,385,000, set to expire December 31, 2020
 - b. New Subsection d is added to the commitment to read:
 - i. (d) \$19,720,000, set to expire December 31, 2021
3. The Executive Administrator is authorized to execute future amendments to the Master Agreement as contemplated by the terms of that Agreement; and
4. All other terms and conditions of TWDB Resolutions No. 18-093 and No. 18-094 shall remain in full force and effect.

APPROVED and ordered of record this the 22nd day of July, 2019.

TEXAS WATER DEVELOPMENT BOARD



Peter M. Lake, Chairman

DATE SIGNED: 7/22/19

ATTEST:



Jeff Walker, Executive Administrator

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Entity: _____

Review date: _____

WATER CONSERVATION PLAN DATE:

Approvable

Adopted

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
Baseline				
5-year Goal				
10-year Goal				

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 :			NA			NA
If population ≤ 10K, connections/mile ≥ 32 :		NA			NA	
If population > 10K :		NA			NA	

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 bench marking 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.

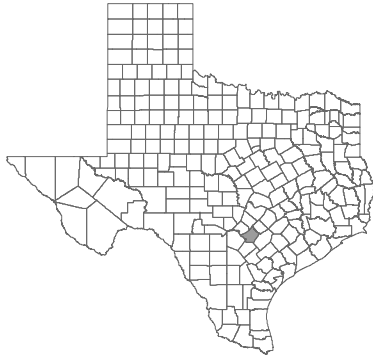
Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

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.



Guadalupe Blanco RA (GBRA) Guadalupe County

