

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: June 6, 2023

Team Manager: Mireya Loewe

ACTION REQUESTED

Consider approving by resolution a request from the North Alamo Water Supply Corporation (Hidalgo County) for \$4,400,000 in financial assistance consisting of \$1,320,000 in financing and \$3,080,000 in grant from the Economically Distressed Areas Program for construction of a wastewater system project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The North Alamo Water Supply Corporation (Corporation) serves an estimated population of 182,130. It serves 4,735 wastewater connections and 50,930 water connections, including residences, businesses, 24 schools, and 6 other public water systems. The Corporation operates seven surface water treatment plants, four brackish groundwater desalination plants, and five wastewater treatment plants.

In December 2014, the North Alamo Water Supply Corporation (Corporation) received a \$1,568,000 grant from the Economically Distressed Areas Program (EDAP) for the planning, acquisition, and design of a project to provide first-time wastewater service to 10 unincorporated subdivisions north of the City of Weslaco, all within Hidalgo County. In December 2018, the Corporation received an \$8,821,350 EDAP grant, plus \$500,000 in principal forgiveness and \$4,495,000 in financing from the Clean Water State Revolving Fund for construction of treatment facilities and the wastewater collection system in eight of the ten subdivisions. The Corporation did not proceed with two of the original ten subdivisions because of limited availability of grant funding to make the project affordable. Construction of the project is now complete, and it includes a wastewater treatment plant with a capacity of 0.7 million gallons per day and sewer service to 698 connections.

The new proposed project will construct the wastewater collection system to the remaining two subdivisions. The North American Development Bank (NADB) has committed funding for planning and design of the residential connections and decommissioning of the septic systems. Once that phase is completed and the project certified, NADB anticipates committing funds for construction.

PROJECT NEED AND DESCRIPTION

The unincorporated subdivisions of Cielo Azul No. 5 and Mesquite Subdivision No. 1, currently utilize on-site sewer septic systems and/or pit privies. The septic tank systems are installed in substandard-sized lots in an area with a high water table. Thus, septic tanks can overflow during wet weather events. The Texas Department of State Health Services

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE DECEMBER 31, 2023
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(TDSHS) has declared that the wastewater conditions in these subdivisions represent a public health nuisance.

The proposed project will provide first-time sewer service to approximately 74 connections and an estimated population of 303. The project includes construction of a collection system and a 1.0-meter belt filter press at the wastewater treatment plant. The collection system will consist of one lift station, 5,000 linear feet of gravity sewer lines, and 3,800 linear feet of force mains.

PROJECT SCHEDULE

Task	Schedule Date
Closing	October 15, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	March 1, 2017
Design Phase Completion	March 21, 2018
Start of Construction	January 24, 2024
Construction Completion	November 1, 2024

KEY ISSUES

In April 2012, the TDSHS issued a determination that a nuisance dangerous to the public health and safety exists in the proposed project area. Under Texas Water Code § 17.933(b), this determination qualifies the applicant for a grant exceeding 50 percent of the project costs. Consistent with the Intended Use Plan for the current EDAP funding cycle, the Executive Administrator recommends setting the grant amount at 70 percent of eligible costs for projects that have received a nuisance determination.

LEGAL/SPECIAL CONDITIONS

- Notice of conversion
- Notice of conveyance
- Executed grant and loan agreements
- Return of surplus grant funds

Attachments

1. Financial Review
2. Project Budget
3. Resolution (23-)
4. Water Conservation Review
5. Location Map

Financial Review

North Alamo Water Supply Corporation

Risk Score: 2A

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	Corporation: 0.87%	State: 1.49%
Top 10 Customers % of Total Revenue	2.93%	10-15%
Median Household Income as % of State	54%	100%
Days of Cash on Hand (3-year Average)	427 days	30-149 days
Net Fixed Assets/ Annual Depreciation	21 years	12-24 years
Debt Service Coverage Ratio	2.27x	1.0x
Debt-to-Operating Revenues	1.57x	4.00-5.99x
Unemployment Rate (March 2023)	Cameron Co: 5.90% Hidalgo Co: 6.40% Willacy Co: 8.60% Average: 6.97%%	State: 4.20%
Working Capital Ratio	2.78	> 1.0

Key Risk Score Strengths

- System revenues are sufficient to cover the existing and proposed debt. The Corporations operating revenues have increased by an average of 15.11 percent over the past five years.
- A high working capital ratio indicates the Corporation has high liquidity and ample resources to cover its short-term liabilities.
- The Corporation's days of cash on hand exceed the benchmark, indicating it has the liquidity needed to meet any unexpected increases in expenses.

Key Risk Score Concerns

- The unemployment rate for the Counties the Corporation serves is higher than the State. However, the Corporation currently has a high debt service coverage ratio and working capital.

PLEDGE

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

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	9,887	\$30.52	\$30.52	1.81	1.81
WASTEWATER	7,641	\$19.46	\$19.46		

Cost Savings

Based on a 20-year maturity schedule and current interest rates, the Corporation could save approximately \$286,125 over the life of the financing. The Corporation is also saving \$3,080,000 in grant funding.

Responsible Authority	North Alamo WSC
Program	EDAP
Commitment Number	G1001642, L1001641
Project Number	10460
List Year	2022
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$3,080,000 Grant Agreement, \$1,320,000 North Alamo Water Supply Corporation Loan Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
Financial Managerial & Technical Complete	N/A
Phases Funded	Construction
Pre-Design	No
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Mireya Loewe	Arnoldo Rubio	Donald Dawkins	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
North Alamo WSC

\$1,320,000 North Alamo Water Supply Corporation Loan Agreement

Dated Date:	10/15/2023	Source:	EDAP
Delivery Date:	10/15/2023	IUP Year:	2022
First Interest:	5/1/2024	Case:	Revenue
First Principal:	11/1/2024	Admin.Fee:	\$0
Last Principal:	11/1/2044	Admin. Fee Payment Date:	N/A
Fiscal Year End:	12/31	Required Coverage:	1.0

\$2,940,000 North Alamo Water Supply Corporation Loan Agreement

Dated Date:	10/15/2023	Source:	EDAP
Delivery Date:	10/15/2023	IUP Year:	2022
First Interest:	5/1/2024	Case:	Revenue
First Principal:	11/1/2024	Admin.Fee:	\$0
Last Principal:	11/1/2044	Admin. Fee Payment Date:	N/A
Fiscal Year End:	12/31	Required Coverage:	1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$1,320,000 ISSUE				\$2,940,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	\$7,429,781	\$2,642,221	\$40,000	4.47%	\$64,465	\$104,465	\$85,000	4.47%	\$143,574	\$228,574	\$2,975,261	2.50
2025	7,429,781	2,309,779	40,000	4.47%	59,934	99,934	90,000	4.47%	133,665	223,665	2,633,378	2.82
2026	7,429,781	2,051,754	45,000	4.33%	58,146	103,146	95,000	4.33%	129,642	224,642	2,379,542	3.12
2027	7,429,781	2,051,330	45,000	4.26%	56,198	101,198	100,000	4.26%	125,529	225,529	2,378,056	3.12
2028	7,429,781	2,051,940	45,000	4.29%	54,281	99,281	105,000	4.29%	121,269	226,269	2,377,489	3.13
2029	7,429,781	2,052,547	50,000	4.30%	52,350	102,350	110,000	4.30%	116,764	226,764	2,381,661	3.12
2030	7,429,781	2,053,080	50,000	4.33%	50,200	100,200	115,000	4.33%	112,034	227,034	2,380,314	3.12
2031	7,429,781	2,053,708	55,000	4.37%	48,035	103,035	115,000	4.37%	107,055	222,055	2,378,797	3.12
2032	7,429,781	2,035,497	55,000	4.42%	45,632	100,632	125,000	4.42%	102,029	227,029	2,363,158	3.14
2033	7,429,781	2,026,226	55,000	4.47%	43,201	98,201	130,000	4.47%	96,504	226,504	2,350,931	3.16
2034	7,429,781	2,026,532	60,000	4.57%	40,742	100,742	135,000	4.57%	90,693	225,693	2,352,967	3.16
2035	7,429,781	2,025,740	65,000	4.67%	38,000	103,000	140,000	4.67%	84,524	224,524	2,353,263	3.16
2036	7,429,781	1,943,356	65,000	4.72%	34,965	99,965	145,000	4.72%	77,986	222,986	2,266,306	3.28
2037	7,429,781	1,845,843	70,000	4.77%	31,897	101,897	155,000	4.77%	71,142	226,142	2,173,881	3.42
2038	7,429,781	1,844,061	70,000	4.82%	28,558	98,558	160,000	4.82%	63,748	223,748	2,166,367	3.43
2039	7,429,781	1,796,428	75,000	4.91%	25,184	100,184	170,000	4.91%	56,036	226,036	2,122,648	3.50
2040	7,429,781	1,593,747	80,000	4.91%	21,501	101,501	175,000	4.91%	47,689	222,689	1,917,937	3.87
2041	7,429,781	1,580,705	85,000	4.91%	17,573	102,573	185,000	4.91%	39,097	224,097	1,907,374	3.90
2042	7,429,781	1,308,776	85,000	4.91%	13,400	98,400	195,000	4.91%	30,013	225,013	1,632,189	4.55
2043	7,429,781	1,308,825	90,000	4.91%	9,226	99,226	205,000	4.91%	20,439	225,439	1,633,490	4.55
2044	7,429,781	1,124,203	95,000	5.06%	4,807	99,807	205,000	5.06%	10,373	215,373	1,439,383	5.16
		\$ 39,726,293	\$1,320,000		\$798,291	\$2,118,291	\$2,940,000		\$1,779,801	\$4,719,801	\$46,564,385	

\$1,320,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	12.63 YEARS
NET INTEREST RATE	4.789%
COST SAVINGS	\$286,125
AVERAGE ANNUAL REQUIREMENT	\$100,871

\$2,940,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	12.64 YEARS
NET INTEREST RATE	4.788%
COST SAVINGS	\$628,073
AVERAGE ANNUAL REQUIREMENT	\$224,752

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$2,217,352

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.



Project Budget Summary
 North Alamo WSC
 10460 - North Weslaco EDAP Phase 2

Budget Items	Total Project
Construction	
Construction	\$3,475,000.00
Subtotal for Construction	\$3,475,000.00
Basic Engineering Services	
Construction Engineering	\$208,000.00
Subtotal for Basic Engineering Services	\$208,000.00
Special Services	
Application	\$35,000.00
Geotechnical	\$15,000.00
Inspection	\$97,000.00
O&M Manual	\$5,000.00
Permits	\$10,000.00
Testing	\$45,000.00
Subtotal for Special Services	\$207,000.00
Other	
Land/Easements Acquisition	\$50,000.00
Other (Construction Staking)	\$45,000.00
Project Legal Expenses	\$10,000.00
Subtotal for Other	\$105,000.00
Contingency	
Contingency	\$405,000.00
Subtotal for Contingency	\$405,000.00
Total	\$4,400,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,400,000 TO
NORTH ALAMO WATER SUPPLY CORPORATION
FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH THE PROPOSED PURCHASE OF
A PROMISSORY NOTE IN THE AMOUNT OF \$1,320,000 AND EXECUTION OF A LOAN
AGREEMENT
AND
THE EXECUTION OF A GRANT AGREEMENT IN THE AMOUNT OF \$3,080,000

(23 -)

WHEREAS, North Alamo Water Supply Corporation (Corporation), located in Hidalgo County, has filed an application seeking financial assistance in the amount of \$4,400,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, to finance certain wastewater system improvements, identified as Project No. 10460; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (the TWDB) through the TWDB's proposed purchase of a Promissory Note in the amount of \$1,320,000 and execution of a Loan Agreement (together with all authorizing documents (Obligations)) and a grant of \$3,080,000 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, all as is more specifically set forth in the application and in recommendations of TWDB's staff; and

WHEREAS, the Corporation has offered a pledge of system revenues and a mortgaged deed of trust on the Corporation's system as sufficient security for the repayment of the Obligations;

WHEREAS, the TWDB has carefully considered all matters required by law and in particular the following:

1. the feasibility of creating a conservation and reclamation district to provide and finance the water supply or sewer services, in accordance with Texas Water Code § 16.346;
2. the need of the economically distressed area to be served by the water supply and sewer services in relation to the need of other political subdivisions requiring economically distressed areas financing, and the relative costs and benefits of all applications, in accordance with Texas Water Code § 17.929(a)(1);
3. the availability to the political subdivision of revenue from alternative sources for the payment of the cost of the proposed project, in accordance with Texas Water Code § 17.929 (a)(2);

4. financing of the proposed water supply or sewer project, in accordance with Texas Water Code § 17.929(a)(3);
5. the feasibility of achieving cost savings by providing a regional facility for water supply and wastewater service and the feasibility of financing the facilities by using funds from the economically distressed areas account or any other financial assistance, in accordance with Texas Water Code § 17.929(a)(5);
6. the rates, fees and charges that the average customer to be served by the project will be able to pay, sources of funding available to the Corporation, and any local funds of the Corporation, in accordance with Texas Water Code § 17.933(d)(1);
7. sources of funding available to the Corporation from federal and private funds and from other state funds, in accordance with Texas Water Code § 17.933(d)(2);
8. any local funds of the Corporation to be served by the project if the economically distressed area to be served is within the boundary of the Corporation, in accordance with Texas Water Code § 17.933(d)(3);
9. the just, fair, and reasonable charges for water and wastewater service as provided in the Texas Water Code, in accordance with Texas Water Code § 17.933(d)(4);

WHEREAS, the TWDB hereby finds:

1. that the Corporation has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
2. that the area to be served by the proposed project has a median household income that is not greater than 75 percent of the median state household income for the most recent year for which statistics are available, in accordance with Texas Water Code § 17.929(b);
3. that the County and City have adopted model subdivision rules as promulgated by the TWDB pursuant to Texas Water Code § 16.343 and the manner of enforcement, in accordance with Texas Water Code § 17.929(a) (4);
4. that the Corporation has considered cost-effective innovative, nonconventional methods of treatment and will evaluate alternatives in greater detail through the planning phase of the project, in accordance with Texas Water Code § 17.189(b);
5. that the public interest will benefit from state assistance in the financing of the treatment works, in accordance with Texas Water Code § 17.277;

6. that the Texas Department of State Health Services has determined that a nuisance dangerous to the public health and safety exists resulting from water supply and sanitation problems in the area to be served by the proposed project, in accordance with Texas Water Code § 17.933(b).

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

A commitment is made by the TWDB to the North Alamo Water Supply Corporation for financial assistance in the amount of \$4,400,000 from the Economically Distressed Areas Account of the Texas Water Development Funds through the TWDB's proposed purchase of a Promissory Note in the amount of \$1,320,000 and execution of a Loan Agreement and a grant of \$3,080,000. This commitment will expire on December 31, 2023.

This 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 Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 363;
3. the Obligations and Grant Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations and Grant Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
4. loan proceeds and grant funds are public funds and, as such, the Grant Agreement and 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;
5. loan proceeds and grant funds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations and Grant Agreement shall include an environmental indemnification provision wherein the Corporation 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 and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated

by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

6. prior to closing, and if not previously provided with the application, the Corporation shall submit executed contracts for engineering, and, if applicable, financial advisor, and bond counsel contracts for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, under the contract, and acceptable to the Executive Administrator;
7. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation 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;
8. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
9. prior to closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the Obligation that is acceptable to the Executive Administrator;
10. the Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement;
11. the Corporation, 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 Corporation'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 Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12;
12. the Obligations must contain a provision requiring the Corporation to levy a tax or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;

13. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project and after completion of a final accounting in a manner approved by the Executive Administrator;
14. prior to closing, the Corporation shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
15. the Obligations must provide that the Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
16. the Obligations must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;
17. the Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project;
18. the Obligations must provide that the Corporation will submit annually, an audit prepared by a certified public accountant in accordance with generally accepted auditing standards;
19. the Obligations must contain a covenant that the Corporation will abide by all applicable construction contract requirements related to the use of iron and steel products and manufactured goods produced in the United States, as required by Texas Water Code § 17.183;

Water Supply Corporation Conditions:

20. the Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:
 - a. a first or parity lien on the gross revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System;
21. upon closing or within 20 days after closing, the Corporation must file a Deed of Trust with the County Clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the County Clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty

(30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB;

22. upon closing or within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply and/or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office;
23. prior to closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgagee title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgagee title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution;
24. prior to closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary;
25. prior to release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions;
26. prior to closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation is a nonprofit entity; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers;
27. prior to closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's loan, then the Corporation must execute a Parity Agreement with each entity that holds such debt that is acceptable in form and substance to the Executive Administrator; and

28. the Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval;

EDAP Conditions:

29. The Grant Agreement and Loan Agreement must include a provision that requires compliance with Texas Water Code § 16.356 that no revenues received from rates or fees collected from the water supply or wastewater system constructed in whole or in part from this commitment shall be used for any purposes other than utility purposes and that the annual financial statement prepared by the Corporation under Business Organizations Code § 22.352 shall include a specific report on compliance with this condition;
30. The Grant Agreement and Loan Agreement must include a provision that requires the Corporation adequately enforce the authority granted to the Corporation by Texas Water Code § 17.934(a)(2) to require and ensure that all property owners capable of receiving service from the system constructed with the funds provided by this resolution are actually connected to the sewer system constructed by these funds within a reasonable period of time not to exceed 90 days from the date the Corporation notifies the property owner that service is available; provided, however, that the Executive Administrator may extend this time upon written request for good cause shown.

Pledge Conditions for the Loan:

31. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
32. if the Corporation has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
33. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net

revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant;

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

Special Conditions:

34. the Corporation must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility;
35. the Obligations must include a provision requiring that, prior to any action by the Corporation to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.
36. Prior to closing, the Corporation and the Executive Administrator shall execute an Agreement that sets forth the terms and uses of the loan and grant funds;
37. The Grant Agreement must include a provision stating that the Corporation shall return any grant funds that are determined to be Surplus Funds in a manner determined by the Executive Administrator;

APPROVED and ordered of record this 6th day of June, 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

Review Date:

Project ID:

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

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

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

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI¹:

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

WATER LOSS THRESHOLDS

Water Loss Project:

Wholesale Adjusted:

Threshold Type:

Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss 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 losses are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

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.

GCD means gallons per connection 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 3,000 connections and a connection density of more than 16 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.

Real losses are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

Residential GPCD is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

Total GPCD is the amount of total system input volume divided by the retail population 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 GPCD is the amount of water loss divided by the retail population divided by 365.

Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

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.

Wholesale Adjusted represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



North Alamo Water Supply Corporation Hidalgo County

