

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: October 5, 2023

Team Manager: Nancy Richards

ACTION REQUESTED

Consider approving by resolution a request from the Sunbelt Fresh Water Supply District (Harris County) to amend Texas Water Development Board Resolution No. 18-033 to authorize a \$7,580,000 increase in financial assistance from the Clean Water State Revolving Fund for costs related to a wastewater treatment plant expansion project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

Sunbelt Fresh Water Supply District (District) was created in November 1995. The District's service area includes northern Harris County and is in the extraterritorial jurisdiction of the City of Houston. The District provides water and wastewater to approximately 30,000 residents through 9,235 water and 8,635 wastewater connections.

PROJECT NEED AND DESCRIPTION

The District's Oakwilde Wastewater Treatment Facility (WWTF) is experiencing structural, mechanical, and electrical stability issues due to corrosion and age leading to difficulty in meeting permitted effluent discharge parameters. The Oakwilde WWTF is currently permitted to treat 0.45 million gallons per day and has reached the 75 percent capacity level requiring planning for expansion or alternate treatment.

The District is requesting additional construction funding to address a shortfall due to escalated construction costs. The District will expand the treatment plant to 0.70 million gallons per day. Construction includes a new lift station, aeration basins, clarifiers, digesters, and plant site upgrades. The proposed project will provide wastewater treatment to unserved areas in the District's service area.

PROJECT SCHEDULE

| Task | Schedule Date |
|--|------------------|
| Closing | January 15, 2024 |
| Engineering Feasibility Report Completion (End of Planning Phase) | March 10, 2021 |
| Design Phase Completion | March 21, 2021 |
| Start of Construction | March 31, 2024 |
| Construction Completion | March 31, 2026 |

KEY ISSUES

The District is requesting funding from the 2023 Clean Water State Revolving Fund Project Reserve dedicated to existing projects with cost increases. The request is for additional funds

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE OCTOBER 31, 2024

resulting from cost increases to the original project only, no additional work is proposed. Facility design was delayed, with a resulting impact on construction costs.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (23-)
4. Resolution No. 18-033
5. Water Conservation Review
6. Location Map

Financial Review Sunbelt FWSD

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

| Indicator | Result | Benchmark |
|---|---------------|--------------|
| Population Growth, Average Annual 2010-2020 | County: 1.46% | State: 1.49% |
| Top 10 Customers % of Total Revenue | 7% | 10-15% |
| Median Household Income as % of State | 90% | 70-174% |
| Days of Cash on Hand (3-year Average) | 373 days | 30-149 days |
| Net Fixed Assets/ Annual Depreciation | 22 years | 12-24 years |
| Debt Service Coverage Ratio | 1.23x | 1.0x |
| Debt-to-Operating Revenues | 3.60 | 4.00-5.99x |
| Unemployment Rate (July 2023) | County: 4.80% | State: 4.50% |
| Working Capital Ratio | 1.52 | > 1.0 |

Key Risk Score Strengths

- With an average of 373 days of cash on hand, the District is well prepared for fiscal emergencies. Additionally, the District is funding a debt service reserve and capitalized interest with loan proceeds.
- Water and sewer revenues are sufficient to cover both the existing and the proposed obligations. Additionally, the revenues of the District have increased by 52 percent over the previous 5 years.
- A high working capital ratio provides the District with ample resources to cover short-term liabilities and shows a strong liquidity position.

Key Risk Score Concerns

- The unemployment rate, taken from Harris County, is slightly higher than the state's average for the month of July; however, the County's percentage may not reflect the most accurate unemployment statistic for the District.

PLEDGE

| | |
|----------------------|--|
| Legal Pledge Name | Water & Sewer 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 (Year 2023) | Current Household Cost Factor | Projected Household Cost Factor |
|-------------------------|---------------|---------------|-----------------------------|-------------------------------|---------------------------------|
| Water | 4,000 | \$38.83 | \$38.83 | 1.76 | 1.76 |
| Wastewater | 4,000 | \$42.83 | \$42.83 | | |

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the District could save approximately \$2,437,040 over the life of the financing.

| | |
|--|---|
| Responsible Authority | Sunbelt FWSD |
| Program | CWSRF |
| Commitment Number | L1001719 |
| Project Number | 73787 |
| List Year | 2023 |
| Type of Pledge | Revenue Pledge |
| Pledge Level (if applicable) | First Lien |
| Legal Description | \$7,580,000 Sunbelt Fresh Water Supply District Water & Sewer Revenue Bonds, Proposed Series 2024 |
| Tax-exempt or Taxable | Tax-Exempt |
| Refinance | No |
| Outlay Requirement | Yes |
| Disbursement Method | Escrow |
| Outlay Type | Outlay <> Escrow Release |
| Qualifies as Disadvantaged | No |
| State Revolving Fund Type | Non-Equivalency |
| 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 | 2B |

PROJECT TEAM

| Team Manager | Financial Analyst | Engineering Reviewer | Environmental Reviewer | Attorney |
|---------------------|--------------------------|-----------------------------|-------------------------------|-----------------|
| Nancy Richards | Chelsea Duran | Lucia Loera | Britt Paredes | Annette Mass |

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Sunbelt Fresh Water Supply District

\$7,580,000 Sunbelt Fresh Water Supply District, Water & Sewer Revenue Bonds, Proposed Series 2024

| | |
|-----------------------------------|---|
| Dated Date: 1/15/2024 | Source: CWSRF-NON-EQUIVALENCY |
| Delivery Date: 1/15/2024 | Rate: 2.76% |
| First Interest: 6/1/2024 | IUP Year: 2023 |
| First Principal: 12/1/2025 | Case: Revenue |
| Last Principal: 12/1/2053 | Admin.Fee: \$130,369 |
| Fiscal Year End: 09/30 | Admin. Fee Payment Date: 1/15/2024 |
| Required Coverage: 1.0 | |

| FISCAL YEAR | PROJECTED NET SYSTEM REVENUES | CURRENT DEBT SERVICE | \$7,580,000 ISSUE | | | | TOTAL DEBT SERVICE | COVERAGE |
|-------------|-------------------------------|----------------------|-------------------|---------------|------------------|---------------|--------------------|----------|
| | | | PRINCIPAL PAYMENT | INTEREST RATE | INTEREST PAYMENT | TOTAL PAYMENT | | |
| 2024 | \$2,311,369 | \$1,527,298 | \$0 | - | \$74,263 | \$74,263 | \$1,601,561 | 1.44 |
| 2025 | 2,311,369 | 1,537,609 | - | - | 196,579 | 196,579 | 1,734,187 | 1.33 |
| 2026 | 2,311,369 | 1,541,492 | 145,000 | 2.07% | 195,078 | 340,078 | 1,881,570 | 1.23 |
| 2027 | 2,311,369 | 1,405,265 | 150,000 | 1.98% | 192,092 | 342,092 | 1,747,357 | 1.32 |
| 2028 | 2,311,369 | 1,408,858 | 155,000 | 1.91% | 189,127 | 344,127 | 1,752,985 | 1.32 |
| 2029 | 2,311,369 | 1,406,050 | 160,000 | 1.89% | 186,135 | 346,135 | 1,752,185 | 1.32 |
| 2030 | 2,311,369 | 1,406,897 | 165,000 | 1.87% | 183,080 | 348,080 | 1,754,976 | 1.32 |
| 2031 | 2,311,369 | 1,406,353 | 175,000 | 1.86% | 179,910 | 354,910 | 1,761,263 | 1.31 |
| 2032 | 2,311,369 | 1,404,488 | 180,000 | 1.84% | 176,626 | 356,626 | 1,761,114 | 1.31 |
| 2033 | 2,311,369 | 1,401,357 | 190,000 | 1.88% | 173,184 | 363,184 | 1,764,541 | 1.31 |
| 2034 | 2,311,369 | 1,396,950 | 195,000 | 1.92% | 169,526 | 364,526 | 1,761,476 | 1.31 |
| 2035 | 2,311,369 | 1,398,769 | 205,000 | 2.10% | 165,502 | 370,502 | 1,769,270 | 1.31 |
| 2036 | 2,311,369 | 1,389,412 | 210,000 | 2.22% | 161,018 | 371,018 | 1,760,430 | 1.31 |
| 2037 | 2,311,369 | 686,980 | 220,000 | 2.36% | 156,091 | 376,091 | 1,063,071 | 2.17 |
| 2038 | 2,311,369 | 684,160 | 230,000 | 2.48% | 150,643 | 380,643 | 1,064,803 | 2.17 |
| 2039 | 2,311,369 | 406,523 | 240,000 | 2.57% | 144,707 | 384,707 | 791,230 | 2.92 |
| 2040 | 2,311,369 | 404,374 | 250,000 | 2.62% | 138,348 | 388,348 | 792,722 | 2.92 |
| 2041 | 2,311,369 | 407,047 | 260,000 | 2.67% | 131,602 | 391,602 | 798,649 | 2.89 |
| 2042 | 2,311,369 | 409,469 | 270,000 | 2.70% | 124,486 | 394,486 | 803,955 | 2.87 |
| 2043 | 2,311,369 | 411,639 | 280,000 | 2.76% | 116,977 | 396,977 | 808,616 | 2.86 |
| 2044 | 2,311,369 | 408,609 | 290,000 | 2.80% | 109,053 | 399,053 | 807,662 | 2.86 |
| 2045 | 2,311,369 | 410,378 | 300,000 | 2.83% | 100,748 | 400,748 | 811,126 | 2.85 |
| 2046 | 2,311,369 | 406,943 | 315,000 | 2.85% | 92,014 | 407,014 | 813,958 | 2.84 |
| 2047 | 2,311,369 | 408,305 | 325,000 | 2.87% | 82,862 | 407,862 | 816,166 | 2.83 |
| 2048 | 2,311,369 | 404,460 | 340,000 | 2.89% | 73,285 | 413,285 | 817,745 | 2.83 |
| 2049 | 2,311,369 | 408,305 | 350,000 | 2.91% | 63,280 | 413,280 | 821,584 | 2.81 |
| 2050 | 2,311,369 | 404,460 | 365,000 | 2.92% | 52,858 | 417,858 | 822,318 | 2.81 |
| 2051 | 2,311,369 | - | 380,000 | 2.93% | 41,962 | 421,962 | 421,962 | 5.48 |
| 2052 | 2,311,369 | - | 395,000 | 2.94% | 30,589 | 425,589 | 425,589 | 5.43 |
| 2053 | 2,311,369 | - | 410,000 | 2.94% | 18,755 | 428,755 | 428,755 | 5.39 |
| 2054 | 2,311,369 | - | 430,000 | 2.96% | 6,364 | 436,364 | 436,364 | 5.30 |
| | | \$24,892,446 | \$7,580,000 | | \$3,876,740 | \$11,456,740 | \$36,349,186 | |

| | |
|-----------------------------------|--------------------|
| AVERAGE (MATURITY) LIFE | 18.55 YEARS |
| NET INTEREST RATE | 2.757% |
| COST SAVINGS | \$2,437,040 |
| AVERAGE ANNUAL REQUIREMENT | \$369,572 |

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
Sunbelt FWSD
73787 - Oakwilde Wastewater Treatment
Facility Modifications for 0.70 MGD

| Budget Items | TWDB Funds | Previous Commitments | Local and Other Funds | Total |
|--|--------------------|----------------------|-----------------------|---------------------|
| Construction | | | | |
| Construction | \$6,113,250 | \$6,600,000 | \$200,600 | \$12,913,850 |
| Subtotal for Construction | \$6,113,250 | \$6,600,000 | \$200,600 | \$12,913,850 |
| Basic Engineering Services | | | | |
| Construction Engineering | \$282,000 | \$0 | \$0 | \$282,000 |
| Subtotal for Basic Engineering Services | \$282,000 | \$0 | \$0 | \$282,000 |
| Special Services | | | | |
| Environmental | \$0 | \$25,000 | \$0 | \$25,000 |
| Subtotal for Special Services | \$0 | \$25,000 | \$0 | \$25,000 |
| Fiscal Services | | | | |
| Bond Counsel | \$151,600 | \$165,300 | \$0 | \$316,900 |
| Bond Reserve Fund | \$450,000 | \$460,463 | \$0 | \$910,463 |
| Capitalized Interest | \$300,000 | \$0 | \$0 | \$300,000 |
| Financial Advisor | \$83,380 | \$90,915 | \$0 | \$174,295 |
| Fiscal/Legal | \$6,640 | \$6,094 | \$0 | \$12,734 |
| Issuance Costs | \$22,580 | \$8,265 | \$0 | \$30,845 |
| Loan Origination Fee | \$130,369 | \$142,150 | \$0 | \$272,519 |
| Subtotal for Fiscal Services | \$1,144,569 | \$873,187 | \$0 | \$2,017,756 |
| Contingency | | | | |
| Contingency | \$40,181 | \$766,813 | \$0 | \$806,994 |
| Subtotal for Contingency | \$40,181 | \$766,813 | \$0 | \$806,994 |
| Total | \$7,580,000 | \$8,265,000 | \$200,600 | \$16,045,600 |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 18-033
TO PROVIDE ADDITIONAL FINANCIAL ASSISTANCE IN THE AMOUNT OF \$7,580,000
TO THE SUNBELT FRESH WATER SUPPLY DISTRICT

(23-)

Recitals:

At its March 21, 2018 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 18-033, made a commitment to provide financial assistance to the Sunbelt Fresh Water Supply District (District) for the purpose of financing improvements to the District's wastewater system in the amount of \$8,265,000, consisting of the TWDB's purchase of \$8,265,000 Sunbelt Fresh Water Supply District Water and Sewer Revenue Bonds, Series 2018, from the Clean Water State Revolving Fund program, all as is more specifically set forth in the TWDB's Resolution and accompanying documentation, to which documents express reference is made.

The District has requested that the TWDB amend TWDB Resolution No. 18-033 to provide additional financial assistance to enable the construction of a wastewater treatment facility.

In accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law.

Findings:

The TWDB finds that the amendment(s) to the amount of financial assistance is reasonable and that the request is in the public interest and will serve a public purpose.

The term of the Obligations does not exceed the expected useful life of the project proposed by the District.

The Executive Administrator issued a Finding of No Significant Impact on July 17, 2020. These findings are subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

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

A commitment is made by the TWDB to the Sunbelt Fresh Water Supply District for financial assistance in the amount of \$7,580,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$7,580,000 Sunbelt Fresh Water Supply District Water and Sewer Revenue Bonds, Proposed Series 2024. This commitment will expire on October 31, 2024.

All terms and conditions of TWDB Resolution No. 18-033 shall remain in full force and effect except as follows:

1. TWDB Resolution 18-033 Condition No. 8 is replaced with: The Obligations must require the District to use any proceeds from the Obligations that are determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.
2. TWDB Resolution 18-033 Condition No. 28 is replaced with: The Obligations must provide that the District will provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District will obtain a Unique Entity Identification Number and shall register with System for Award Management (SAM) and maintain current registration at all times during which the Obligations are outstanding.
3. TWDB Resolution 18-033 Condition No. 33 is replaced with: The District must pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375.

The following conditions are added to TWDB Resolution No. 18-030:

4. The Obligations must provide that the District must comply with all applicable federal laws and TWDB laws and rules related to the use of the financial assistance.
5. The Obligations must provide that the District must comply with all conditions as specified in the final environmental finding of the Executive Administrator including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
6. The Obligations must require the District to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
7. The Obligations must provide that the District must submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
8. Before closing, the District must provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.
9. The Obligations must provide that the District shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

APPROVED and ordered of record this the 5th day of October 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF \$8,265,000 TO
SUNBELT FRESHWATER SUPPLY DISTRICT
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$8,265,000 SUNBELT FRESHWATER SUPPLY DISTRICT WATER AND SEWER REVENUE BONDS,
PROPOSED SERIES 2018**

(18-033)

WHEREAS, the Sunbelt Freshwater Supply District (District), located in Harris County has filed an application for financial assistance in the amount of \$8,265,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning and construction of certain wastewater system improvements identified as Project No. 73787; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$8,265,000 Sunbelt Freshwater Supply District Water and Sewer Revenue Bonds, Proposed Series 2018 (together with all authorizing documents, "Obligations"), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

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

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 375.14; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the District 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; and
4. that the District has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007.

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

A commitment is made by the TWDB to the Sunbelt Freshwater Supply District for financial assistance in the amount of \$8,265,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$8,265,000 Sunbelt Freshwater Supply District Water and Sewer Revenue Bonds, Proposed Series 2018. This commitment will expire on March 31, 2019.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the District;
3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. the District, 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 District'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 District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the District to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
7. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds

unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the District to submit a final accounting and disposition of any unused funds;

8. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) 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 (3) deposit into a reserve fund;
9. 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;
10. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257;
11. loan proceeds shall not be used by the District 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 District 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 District, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
12. prior to closing, the District 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;
13. prior to closing, and if not previously provided with the application, the District shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
14. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the District shall execute an escrow or trust agreement, approved as to form and

substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;

15. the Executive Administrator may require that the District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related To Tax-Exempt Status:

16. the District'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 District when rendering this opinion;
17. the District's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;
18. the Obligations must include a provision prohibiting the District from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
19. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
 - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
20. the Obligations must include a provision requiring the District 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 District 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 District may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The District shall maintain a copy of such calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
 - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
21. the Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
 22. the Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 23. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
 24. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of

closing. The Executive Administrator may withhold the release of funds for failure to comply;

25. the Obligations must provide that neither the District 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 District by the TWDB;

State Revolving Fund Conditions:

26. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
27. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The District, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
28. the Obligations must include a provision stating that the District shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
29. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the District will adhere to the approved project schedule;
30. the Obligations must contain a covenant that the District will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;
31. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;

32. the District shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average projected useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions:

33. prior to or at closing, the District shall pay a 1.75% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375 and the applicable Intended Use Plan;
34. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;
35. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;
36. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)(C), the District must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq.* and 33 U.S.C. § 1382(b)(14);

Pledge Conditions For The Loan:

37. 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;
38. if the District 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;
39. 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:

40. the District 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; and
41. the Obligations must include a provision requiring that, prior to any action by the District 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.

APPROVED and ordered of record this 21st day of March 2018.

TEXAS WATER DEVELOPMENT BOARD



Peter Lake, Chairman

DATE SIGNED: 3/21/18

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.

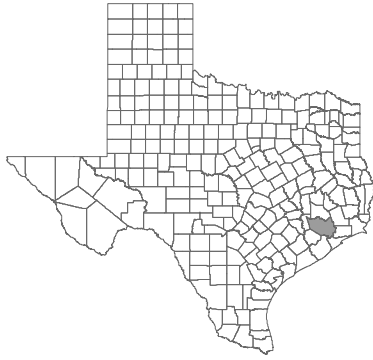
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



Sunbelt FWSD Harris County

