

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: February 25, 2015

PRESENTED BY: Brenner Brown

APPLICANT	Central Texas Water Supply Corporation
TYPE OF ASSISTANCE	\$5,000,000 Loan (taxable)
LEGAL PLEDGE	First Lien on the Gross Revenues of the Water System and Mortgage Deed of Trust

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Consider approving, by resolution, a request from the **Central Texas Water Supply Corporation (Bell, Burnet, Coryell, Falls, Lampasas, Milam, and Williamson Counties)** for a) a \$5,000,000 loan from the Texas Water Development Fund to finance planning, acquisition, design and construction of a water plant expansion and new water wells; and b) a waiver of the requirement for consistency with the Regional and State Water Plan.

PROJECT

Water plant expansion and new water wells
Project Number 21751

FINANCIAL SUMMARY

Risk Score:	2B
Pledge for Repayment:	System Revenues
Proposed Repayment Method:	System Revenues
Operating Trends:	Increasing
Population:	Increasing
Median Household Income:	\$48,710
Revenue Coverage (First 5 Years):	1.00 – 1.09x

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON FEBRUARY 29, 2016

FINANCIAL

Key Issues

Central Texas Water Supply Corporation (Corporation) presently serves potable water on a wholesale basis to 20 customers in the counties of Bell, Milam, Falls, Lampasas, and Coryell. Their customers include the following Water Supply Corporations (WSC), Water Control and Improvement Districts (WCID) and cities: Armstrong WSC, Bell County WCID No. 5 (City of Heidenheimer), Bell-Milam-Falls WSC, City of Belton, Dog Ridge WSC, East Bell County WSC, City of Holland, Jarrell-Schwertner WSC, Kempner WSC (servicing City of Lampasas), Little Elm Valley WSC, City of Lott, Oenaville and Belfalls WSC, City of Rogers, City of Rosebud, Salem-Elm Ridge WSC, Town of Buckholts, West Bell County WSC, and Westphalia WSC.

Pledge and Repayment

The Central Texas Water Supply Corporation is pledging a lien on the gross revenues of the system further secured by a mortgage on the system for the repayment of the proposed debt. The Corporation is a wholesale water provider with 20 contracted customers.

The Corporation has increased its rates 3 times in recent years from \$1.50 per 1,000 gallons sold in 2002 to \$2.4048 in 2010, \$2.7048 in 2011, and then \$3.0548 in August 2014. The most recent increase is projected to produce approximately \$1.77 million in net revenues available for debt service in 2015, which is sufficient to repay existing and proposed debt service and produce a debt service coverage ratio of 1.41 times the average annual debt service. The increase allows the Corporation to meet its existing additional bonds test that requires revenues 1.25 times the average annual debt service with the inclusion of the proposed debt.

The Corporation intends to implement a series of annual \$.08 rate increases to produce sufficient revenues for debt service beginning in 2016. Current projections indicate 3 annual rate increases would be required, assuming no changes in other revenues and expenses.

The Kempner Water Supply Corporation (Kempner) pays the Corporation for the actual treated water it receives and a minimum of 42% of the Corporation's Operation and Maintenance expenses. Kempner is the Corporation's largest customer. The remaining contracts are on a take or pay basis with a minimum take or pay amount of 40% per monthly maximum usage. For purposes of this analysis Kempner's contribution to net revenues available for debt service were held constant at the level shown in the Corporation's most recent audited financial statements.

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Corporation could save approximately \$1,172,785 over the life of the loan by utilizing Texas Water Development Board (TWDB) funding.

Internal Risk Score

Staff assigns a risk score of 2B. This means that the applicant's repayment capacity is adequate. The applicant's earnings trends and coverage ratios, while stable, may be more susceptible to adverse changes in circumstances and economic conditions than the higher rated obligations. Certain risk elements may exist that suggest susceptibility to future impairment, if not managed.

The population of the counties served by the Corporation increased at an average annual rate of 2.82% from 2000 to 2012, compared to a rate 1.88% for the State overall during the same period. The average median household income for the counties served by the Corporation was \$48,710 in 2012, and is 94% of the median for the State overall. In September 2014, the unemployment rate in the counties served by the Corporation was 5.24% compared to 4.8% in the State overall. In the in the counties served by the Corporation 15.27% of the individuals are below the poverty level, compared to 24.3% in the State overall.

The Corporation's current per capita debt level is \$865, and would increase to \$1,033 with the proposed debt. This is a low level of overall debt. The Corporation provides only wholesale water, and does not provide retail water service. It charges \$3.0548 per 1,000 gallons of treated water. As a basis of comparison in the region, Upper Leon Municipal Water District charges \$2.99, North Texas Municipal Water District's charges \$1.70 and Brown County Water Improvement District charges \$1.46.

The Corporation's socioeconomic indicators are positive. Population growth is faster than the State, the median household income is comparable to the State, and the unemployment rate is slightly higher, while the level of poverty is significantly lower than the State. The Corporation utilizes a relatively low level of debt for the population served, and historically has implemented appropriate rate increases to provide sufficient revenues for required infrastructure investments. In addition to projected net revenues available for debt service of 1.41 times the Corporation's average annual debt service, the Corporation's cash and short-term investments in reserve funds are 50% higher than the requirements of their loan agreements. Current reserves are sufficient for the Corporation's existing debt and the proposed debt service. Based on these outcomes for the financial and socioeconomic indicators, staff assigns the Corporation a risk score of 2B at this time.

LEGAL

Key Issues

None.

CONDITIONS

Standard Water Development Fund, taxable, revenue conditions, and further conditioned as follows:

- Conveyance;
- Conversion;
- U.S. iron and steel;
- Water rights certification;
- Standard emergency conditions;
- Pre-design; and
- Title policy.

- Attachments:
1. Project Data Summary
 2. Debt Service
 3. Engineering/Environmental Review
 4. Project Budget
 5. Resolution (15-)
 6. Water Conservation Review
 7. Location Map
 8. Letter Requesting Waiver
 9. Letter from Brazos G. Regional Planning Group

Project Data Summary

Authority	Central Texas Water Supply Corporation
Program	Water Development Fund
Commitment Code	L1000376
Project Number	21751
Intended Use Plan Year	N/A
Fund Number	371
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$5,000,000 Loan Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	29,800
Rural	No
Water Connections	19 (wholesale customers)
Wastewater Connections	N/A
Qualifies as Disadvantaged	N/A
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	No
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	None

Project Team

Team Manager	Brenner Brown
Financial Analyst	Dain Larsen
Engineering Reviewer	Jesse Milonovich
Environmental Reviewer	Jennifer Kennedy
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
Central Texas Water Supply Corporation
\$5,000,000 Loan Agreement

Dated Date 06/01/15
Delivery Date 06/01/15
First Interest 09/01/15
First Principal 09/01/15
Last Principal 09/01/44
Fiscal Year End 9/30

Source: WDF
Rate: 3.82%
Insurance: N/A
Case: Revenue Only

FOR ILLUSTRATION PURPOSES ONLY

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	----- THIS \$5,000,000 ISSUE -----				TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2015	1,767,507	1,592,195	90,000	3.82%	47,750	137,750	1,729,945	1.00	1.02
2016	1,870,867	1,587,791	95,000	3.82%	187,562	282,562	1,870,353	1.00	1.00
2017	1,941,587	1,588,172	100,000	3.82%	183,933	283,933	1,872,105	1.00	1.04
2018	2,028,627	1,588,216	105,000	3.82%	180,113	285,113	1,873,329	1.00	1.08
2019	2,028,627	1,587,946	105,000	3.82%	176,102	281,102	1,869,048	1.00	1.09
2020	2,028,627	1,592,245	110,000	3.82%	172,091	282,091	1,874,336	1.00	1.08
2021	2,028,627	1,591,107	115,000	3.82%	167,889	282,889	1,873,996	1.00	1.08
2022	2,028,627	1,589,636	120,000	3.82%	163,496	283,496	1,873,132	1.00	1.08
2023	2,028,627	1,587,833	125,000	3.82%	158,912	283,912	1,871,745	1.00	1.08
2024	2,028,627	1,590,546	130,000	3.82%	154,137	284,137	1,874,683	1.00	1.08
2025	2,028,627	1,587,804	135,000	3.82%	149,171	284,171	1,871,975	1.00	1.08
2026	2,028,627	1,589,602	140,000	3.82%	144,014	284,014	1,873,616	1.00	1.08
2027	2,028,627	1,590,759	145,000	3.82%	138,666	283,666	1,874,425	1.00	1.08
2028	2,028,627	1,722,135	150,000	3.82%	133,127	283,127	2,005,262	1.00	1.01
2029	2,028,627	1,748,228	155,000	3.82%	127,397	282,397	2,030,625	1.00	1.00
2030	2,028,627	685,955	160,000	3.82%	121,476	281,476	967,431	1.00	2.10
2031	2,028,627	472,270	165,000	3.82%	115,364	280,364	752,634	1.00	2.70
2032	2,028,627	475,278	175,000	3.82%	109,061	284,061	759,339	1.00	2.67
2033	2,028,627	472,562	180,000	3.82%	102,376	282,376	754,938	1.00	2.69
2034	2,028,627	474,125	185,000	3.82%	95,500	280,500	754,625	1.00	2.69
2035	2,028,627	474,692	195,000	3.82%	88,433	283,433	758,125	1.00	2.68
2036	2,028,627	469,405	200,000	3.82%	80,984	280,984	750,389	1.00	2.70
2037	2,028,627	196,612	210,000	3.82%	73,344	283,344	479,956	1.00	4.23
2038	2,028,627	196,613	220,000	3.82%	65,322	285,322	481,935	1.00	4.21
2039	2,028,627	196,611	225,000	3.82%	56,918	281,918	478,529	1.00	4.24
2040	2,028,627	196,611	235,000	3.82%	48,323	283,323	479,934	1.00	4.23
2041	2,028,627	196,611	245,000	3.82%	39,346	284,346	480,957	1.00	4.22
2042	2,028,627	196,613	255,000	3.82%	29,987	284,987	481,600	1.00	4.21
2043	2,028,627	196,612	260,000	3.82%	20,246	280,246	476,858	1.00	4.25
2044	2,028,627	196,611	270,000	3.82%	10,314	280,314	476,925	1.00	4.25
		\$ 29,231,394	\$ 5,000,000		\$ 3,341,354	\$ 8,341,354	\$ 37,572,748		

AVERAGE (MATURITY) LIFE	17.49 YEARS
NET INTEREST RATE	3.820%
COST SAVINGS	\$ 1,172,785
AVERAGE ANNUAL REQUIREMENT	\$1,252,425

Central Texas WSC
Engineering and Environmental Review

Engineering:Key Issues

Due to drought conditions and drilling permit time limits, Central Texas Water Supply Corporation (Corporation) has initiated construction of the well expansion project at Doc L. Curb Water Treatment Plant. The Corporation has environmental clearance, TCEQ approval, a drilling permit from Clearwater Underground Water Conservation District, and the well would be drilled on the Corporation's property; therefore, drilling the well would be eligible for reimbursement using TWDB funds.

Both proposed water wells would draw water from the Trinity Aquifer. This would be a new source of supply for the Corporation, and there is currently no water management strategy in the regional or state water plans for this project. Therefore, this project is not consistent with the water supplies identified for the Corporation in the state and regional water plans. The Corporation requested a waiver of consistency and the Brazos G Water Planning Group has expressed its support.

Project Need / Description

Need: Due to drought conditions, the Corporation's surface water supply, Lake Stillhouse Hollow (Lake), is steadily dropping. Five of the Corporation's seven raw water pumps at the Corporation's Water Treatment Plants cannot currently be used due to the low level of water in the Lake. If the lake level continues to drop, the remaining two raw water pumps may cease operation.

Project Description: To meet their existing water supply demands, the Corporation proposes to construct a 2.5 million gallons per day (MGD) expansion of the existing 4 MGD Doc L. Curb WTP, construct a 600 gallons per minute (gpm) water well at the Doc L. Curb WTP site, and construct a 1,400 gpm water well at the Corporation's existing system split pump station site. Both wells would draw water from the Trinity Aquifer.

Project Schedule

Project Task	Schedule Date
Closing	6/1/2015
Start of Construction	1/5/2015
Engineering Feasibility Report Completion (End of Planning Phase)	1/31/2015
Construction Completion	10/31/2015

Environmental:Key Issues

None known at this time.

Central Texas WSC
Engineering and Environmental Review

Environmental Summary

Pursuant to the requirements of 31 Texas Administrative Code (TAC) §363.14, all financial assistance shall be conditioned to read that funding for design, acquisition, and construction costs for the expansion of the Doc L. Curb water treatment plant will not be released until the environmental review has been completed and a favorable Environmental Determination (ED) has been issued by the Executive Administrator.

A Determination of No Effect (DNE) for the project's proposed water wells was issued on November 19, 2014. As required by 31 TAC §363.14, environmental review of those project elements has been completed.

Central Texas WSC
21751 - Water Plant Expansion & Two Water Wells

Budget Items	TWDB Funds	TWDB Funding %	Total Cost
Construction			
Construction	\$3,976,000		\$3,976,000
Construction Total	\$3,976,000	79.5%	\$3,976,000
Basic Engineering Services			
Construction Engineering	\$95,550		\$95,550
Design	\$364,450		\$364,450
Planning	\$40,000		\$40,000
Basic Engineering Services Total	\$500,000	10.0%	\$500,000
Special Services			
Application	\$12,500		\$12,500
Environmental	\$25,000		\$25,000
Inspection	\$70,000		\$70,000
O&M Manual	\$8,500		\$8,500
Special Service Other (Describe) - Reproduction	\$5,000		\$5,000
Surveying	\$5,000		\$5,000
Special Services Total	\$126,000	2.5%	\$126,000
Contingency			
Contingency	\$398,000		\$398,000
Contingency Total	\$398,000	8.0%	\$398,000
Grand Total	\$5,000,000	100.0%	\$5,000,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
CENTRAL TEXAS WATER SUPPLY CORPORATION
FROM THE FINANCIAL ASSISTANCE ACCOUNT OF
THE TEXAS WATER DEVELOPMENT FUND II
THROUGH THE PROPOSED PURCHASE OF
A PROMISSORY NOTE IN THE AMOUNT OF \$5,000,000
AND EXECUTION OF A LOAN AGREEMENT

(15 -)

WHEREAS, the Central Texas Water Supply Corporation (Corporation), located in Bell, Burnet, Coryell, Falls, Lampasas, Milam, and Williamson Counties, Texas, has filed an application for financial assistance in the amount of \$5,000,000 from the Financial Assistance Account of the Texas Water Development Fund II, established by Texas Water Code § 17.959 to finance water system improvements, identified as Project No. 21751; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$5,000,000 through the TWDB's purchase of a Promissory Note in the amount of \$5,000,000 and execution of a Loan Agreement (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 Corporation has offered a pledge of the gross revenues of the system and a mortgage deed of trust as sufficient security for the repayment of the Obligations; and

WHEREAS, the Corporation is requesting a waiver of the requirement that the project be addressed in a manner that is consistent with the state and regional water plans because expansion to groundwater to supplement existing surface water is a cost-effective and reliable option for addressing on-going drought conditions and the project has received the support of Regional Water Planning Region G; and

WHEREAS, in accordance with Texas Water Code § 17.124, the TWDB has considered all matters required by law and in particular the following:

1. the needs of the area to be served by the water supply project, the benefit of the water supply project to the area, the relationship of the water supply project to the overall, statewide water needs, and the relationship of the water supply project to the approved regional and state water plans; and
2. the availability of revenue to the Corporation, from all sources, for the ultimate repayment of the cost of the water supply project, including interest.

WHEREAS, the TWDB hereby finds:

1. that the public interest requires state assistance in the water supply project, in accordance with Texas Water Code § 17.125(a)(1);
2. that in its opinion the tax and/or revenue pledged by the Corporation will be sufficient to meet all the Obligations assumed by the Corporation during the succeeding period of not more than 50 years, in accordance with Texas Water Code § 17.125(a)(2);
3. 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;
4. that the application and financial assistance requested meet the requirements of Chapter 17, Subchapters D, E, and L, Water Code, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A;
5. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project as required by Texas Water Code § 16.053(j); and
6. that the conditions, as described above, warrant a waiver of the requirements that the TWDB determine that the needs to be addressed by the project will be addressed in a manner that is consistent with the State Water Plan, and with the approved Regional Water Plan that includes the area that will benefit from the proposed project.

NOW THEREFORE, based on these considerations and findings, the Texas Water Development Board resolves as follows:

1. for the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.053(j), pursuant to Texas Water Code § 16.053(k); and
2. a commitment is made by the TWDB to Central Texas Water Supply Corporation for financial assistance in the amount of \$5,000,000 from the Financial Assistance Account of the Texas Water Development Fund II, to be evidenced by the Board's purchase of a Promissory Note in the amount of \$5,000,000 and execution of a Loan Agreement. This commitment will expire on February 29, 2016.

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. 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 debt;

3. this commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 363;
4. 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;
5. 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, 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;
6. the Obligations must contain a provision requiring the Corporation 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 Corporation to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project 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) eligible project costs as authorized by the Executive Administrator;
8. 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;
9. 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;

10. loan proceeds 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 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;
11. 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;
12. prior to closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the Corporation shall submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance that are satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator;
13. prior to closing, when any portion of loan proceeds are 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;
14. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
15. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

Water Supply Corporation Conditions

16. 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;
17. 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;
 18. 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;
 19. 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;
 20. 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;
 21. 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;
 22. 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;
 23. 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;

24. 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;

Pledge Conditions For The Loan

25. 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;
26. 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; and
27. 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 a) 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; or b) the Corporation certifies that the Corporation is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

28. the loan is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC Chapter 363;

29. 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;
30. 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;
31. 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 Corporation has the right to use the water that the project financed by the TWDB will provide;
32. the Corporation must comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources, as more fully specified in the final environmental finding of the Executive Administrator; and
33. 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.

APPROVED and ordered of record this, the 25th day of February, 2015.

TEXAS WATER DEVELOPMENT BOARD

Carlos Rubinstein, Chairman

DATE SIGNED: _____

ATTEST:

Kevin Patteson
Executive Administrator

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:

Apparent loss (gallons): _____

Real loss (gallons): _____

Produced water (gallons): _____

Total water loss (percent): _____

Connections per mile: _____

Total water loss (GPCD): _____

If < 32 connections per mile, real loss (gallons) per mile per day: _____

(Average real loss for less than 32 connections is 1,154 gal/mile/day)

If > 32 connections per mile, real loss (gallons) per connection per day: _____

(Average real loss for greater than 32 connections is 47 gal/connection/day)

If > 16 connections per mile and > 3,000 connections

Infrastructure Leakage Index (ILI): _____

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 formerly 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.

GPCD means gallons per capita per day.

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

NA means not applicable.

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

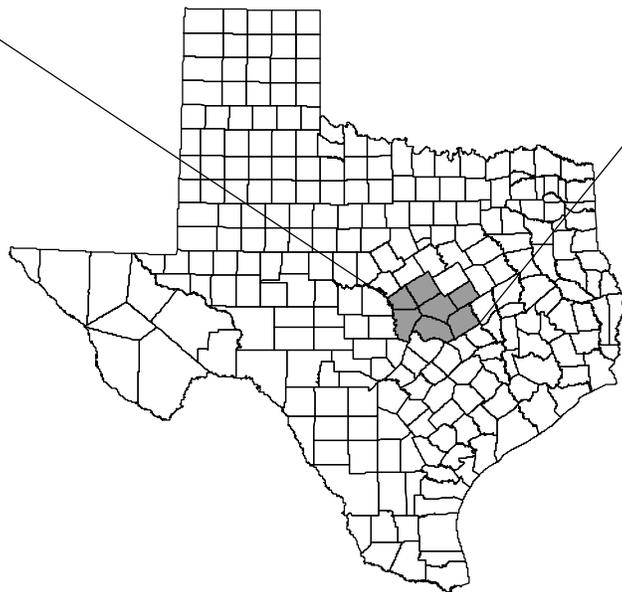
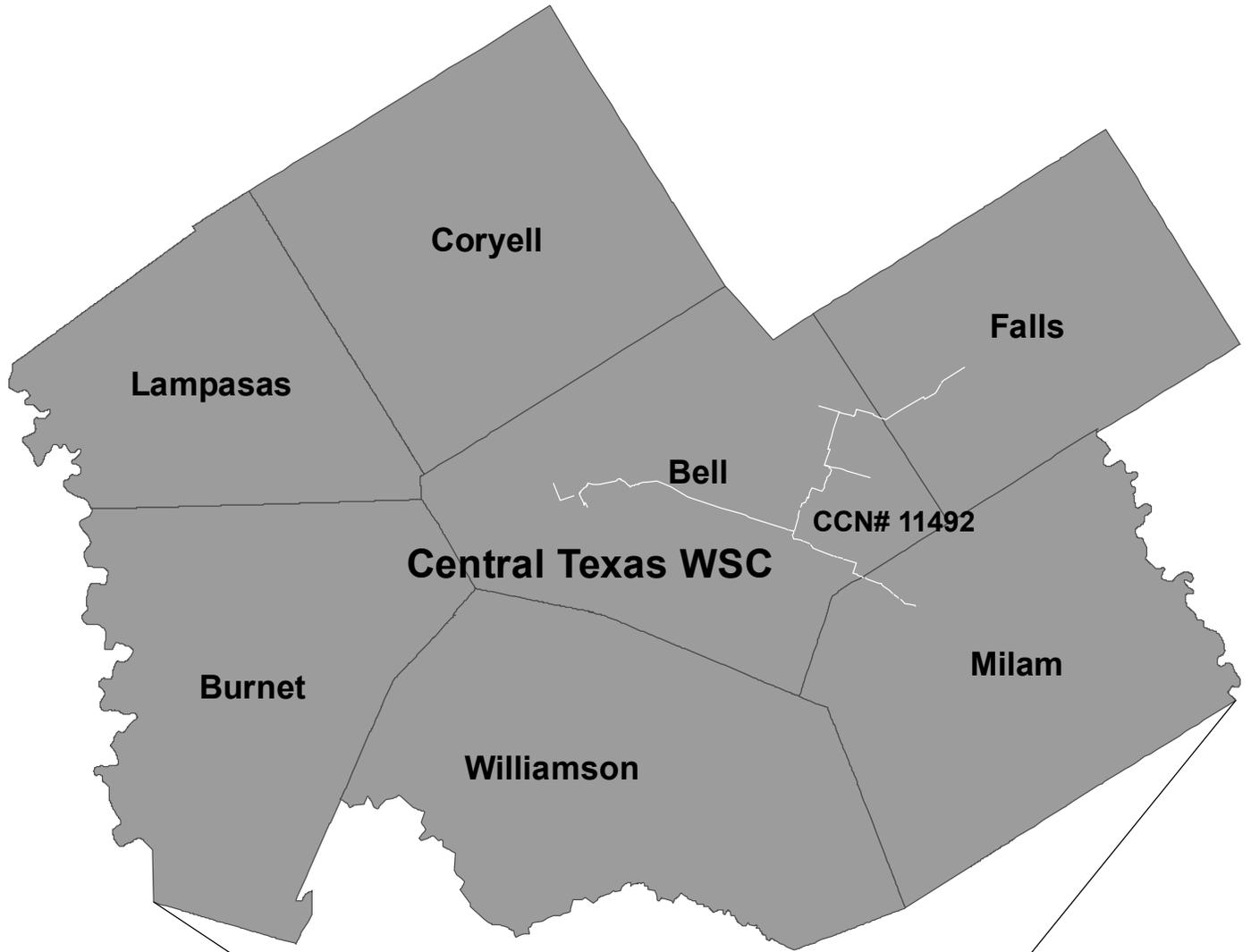
Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

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

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

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

**Central Texas WSC,
Bell, Burnet, Coryell, Falls, Lamparas, Milam and Williamson County**



Central Texas Water Supply Corporation

ctwscgm@embarqmail.com

P.O. Box 2393

Harker Heights, TX 76548

Telephone: (254) 698-2779

Cellular: (254) 681-6819

Fax: (254) 698-4105

FILE COPY

November 14, 2014

Mr. Kevin Patteson, Executive Administrator
Texas Water Development Board
P. O. Box 13231
Austin, Texas 78711-3231

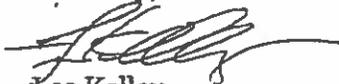
Re: Central Texas Water Supply Corporation
Consistency Waiver Request from Texas Water Development Board

Dear Mr. Patteson,

Central Texas Water Supply Corporation has made an application for funding for a water supply project to the Texas Water Development Board through the Drinking Water State Revolving Fund (DWSRF) Loan Program. Due to drought conditions, the proposed project will include expanding existing surface water supply to add a groundwater supply. The 2011 Brazos G Regional Water Plan (RWP) does not recommend any changes; therefore, the proposed expansion is not in strict compliance with the 2011 Brazos G RWP and will require the approval of a consistency waiver from the TWDB.

Central Texas Water Supply Corporation respectfully requests a consistency waiver for the current 2011 Brazos G RWP to allow for expansion to supplement existing surface water supply. The addition to current groundwater supply may not occur rapidly because of the time related to obtaining ground water rights and/or leases. The availability of enough groundwater rights and/or leases may also preclude complete addition to groundwater. Due to drought conditions, Central Texas Water Supply Corporation believes the consistency waiver is justified because it is the most responsible, long-term choice, since expansion to ground water to supplement existing surface water is the most cost-effective and reliable option when compared to relying solely on surface water.

Sincerely,



Lee Kelley
General Manager

BRAZOS G

WATER PLANNING GROUP

VOTING MEMBERS

Wayne Wilson, Chair
 Gail Peek, Vice-Chair
 Phillip J. Ford,
 Secretary/Treasurer
 Dale Adams
 Charles Beseda
 David Blackburn
 Tim Brown
 Joe B. Cooper III
 Alva Cox
 Travis Floyd
 Larry Groth
 Zach Holland
 Kelly Kinard
 Mike McGuire
 Gary Newman
 Tommy O. O'Brien
 Judy Parker
 Brian Patrick
 Dale Spurgin
 Mike Sutherland
 Kevin Wagner
 Gary Westbrook

COUNTIES

Bell
 Bosque
 Brazos
 Burleson
 Callahan
 Comanche
 Coryell
 Eastland
 Erath
 Falls
 Fisher
 Grimes
 Hamilton
 Haskell
 Hill
 Hood
 Johnson
 Jones
 Kent
 Knox
 Lampasas
 Lee
 Limestone
 McLennan
 Milam
 Nolan
 Palo Pinto
 Robertson
 Shackelford
 Somervell
 Stephens
 Stonewall
 Taylor
 Throckmorton
 Washington
 Williamson
 Young

BRAZOS RIVER AUTHORITY, Administrative Agent
 P.O. Box 7555 v Waco, Texas 76714-7555
 (254) 761-3100 v Fax (254) 761-3204

November 5, 2014

Mr. Lann Bookout
 Brazos G Project Manager
 Texas Water Development Board
 1700 North Congress Avenue
 P.O. Box 13231
 Austin, Texas 78711-3231

Re: Consistency Waiver Request – Central Texas Water Supply Corporation

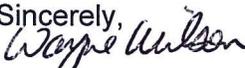
Dear Lann:

Central Texas Water Supply Corporation (CTWSC) requested the Brazos G Regional Water Planning Group's (Brazos G) support of a consistency waiver to the 2011 Brazos G Regional Water Plan for a groundwater supply project.

CTWSC made this request at the Brazos G meeting held on September 3, 2014 and Brazos G approved support of the consistency waiver. The resolution adopted by Brazos G supporting this waiver request and related documents provided to Brazos G that outline the details of this project are enclosed with this letter.

This project will result in development of two Trinity Aquifer wells in Bell County. Although there is no water management strategy specifically recommended for CTWSC that rely on groundwater, Brazos G believes that use of groundwater in Bell County will not be a material deviation from the 2011 Brazos G Plan. Therefore, Brazos G supports TWDB granting a waiver of consistency, as requested by CTWSC.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,


Wayne Wilson
 Chair, Brazos G Regional Water Planning Group

Enclosures

(A.) DESCRIPTION OF THE EXISTING SYSTEM ALONG WITH PROBLEMS

The Central Texas Water Supply Corporation (CTWSC), with offices located in Harker Heights (Bell County), Texas, presently serves potable water on a wholesale basis to twenty (20) customers in the Central Texas counties of Bell, Milam, Falls, Lampasas, and Coryell. The customers include Armstrong WSC, Bell County WCID No. 5 (City of Heidenheimer), Bell-Milam-Falls WSC (B-M-F WSC), City of Belton, Dog Ridge WSC, East Bell County WSC, City of Holland, Jarrell-Schwertner WSC, Kempner WSC (servicing City of Lampasas), Little Elm Valley WSC, City of Lott, Oenaville and Belfalls WSC (O & B WSC), City of Rogers, City of Rosebud, Salem-Elm Ridge WSC, Town of Buckholts, West Bell County WSC and Westphalia WSC.

On the north side of Lake Stillhouse Hollow, CTWSC has two (2) surface water treatment plants identified as Water Treatment Plant No. 1 and Water Treatment Plant No. 2 located on the same site within leased Corps of Engineers' property lying on the north side of Lake Stillhouse Hollow on Lakecliffe Drive in Harker Heights, Texas. CTWSC's office building is located on this site. Treated water is pumped through pipeline sizes 6 inch through 30 inch to Kempner WSC and West Bell County WSC west of the plant site and to the other thirteen (13) customers in an easterly direction. Kempner WSC then sells wholesale water to the City of Lampasas. Water Treatment Plant No. 1, constructed in 1979, is currently rated at 6.54 MGD and Water Treatment Plant No. 2, constructed in 1984, is currently rated at 7.81 MGD, for a total treatment capability of 14.35 MGD (Roming, Parker and Kasberg, L.L.P. - February 1999 Report).

The purpose of the recently completed ARRA Water System Improvements in 2011 was to provide additional water treatment capacity for fifteen (15) of CTWSC's existing customers existing in 2011 and for potential new customers. These recently completed facilities were made possible via Texas Water Development Board's ARRA stimulus funding program to add raw water pumping, water treatment capacities, water storage and water transmission lines to meet the contractual water supply quantities necessary to serve the growing needs of Armstrong WSC, Bell County WCID No. 5 (City of Heidenheimer), B-M-F WSC, City of Buckholts, Dog Ridge WSC, East Bell County WSC, City of Holland, Jarrell-Schwertner WSC, Little Elm Valley WSC, City of Lott, O & B WSC, City of Rogers, City of Rosebud, West Bell County WSC, and Westphalia WSC.

The obligations of CTWSC to Kempner WSC are fixed pursuant to a separate contract wherein CTWSC is obligated to treat and deliver a fixed amount of water to Kempner WSC from its existing water treatment facility (Plant Nos. 1 and 2). Kempner WSC recently constructed its own intake and 6 MGD treatment facilities on the south side of Lake Stillhouse Hollow.

With the recently completed 4 MGD Doc L. Curb Water Treatment Plant located south of Lake Stillhouse Hollow, CTWSC has 14.35 MGD (Plant Nos. 1 and 2 on Lakecliff Drive) plus 4 MGD (Doc L. Curb Plant) totaling 18.35 of treatment capacity. The plan for distribution of this treated water was to serve the existing customers located east and west of I.H. 35 and "north" of the Lampasas River from Plant Nos. 1 and 2 and to serve the existing customers east of I.H. 35 and "south" of the Lampasas River from the new Doc L. Curb plant.

The new Doc L. Curb plant is a microfiltration treatment facility. Inside the plant building, two (2) MGD PALL membrane filtration plants filter the pre-treated water. Pre-treatment is provided by two 150,000 gallon solids contact upflow clarifiers. Filtered water flows to a 1 million gallon clearwell; thence pumped via a 4 MGD high service pump station through 9 miles of 30" and 24" water line to the new 600,000 gallon elevated tank near Royal Street in Salado. Water flows from the elevated tank easterly through a 24" water line to an existing 10" water line serving the

southeast part of CTWSC's system with service to Armstrong WSC, City of Holland and BMF WSC.

CTWSC's distribution system has various additional storage tanks and booster pump stations that serve customers to the northeast, east and southeast as described above.

However, due to the extended lack of rainfall, Lake Stillhouse Hollow is steadily dropping. Five of the CTWSC's seven raw water pumps at Plant Nos. 1 and 2 cannot currently be used due to the level of water in the lake. Only two raw water pumps can be used to pump water to the plants. If the lake continues to drop, where the last two raw water pumps can't be used, Plant Nos. 1 and 2 will have to cease operation, until the lake refills. Refer to Figure ? which depicts a profile of the existing lake pumps and critical Lake Stillhouse Hollow water surface elevations.

Fortunately, the raw water pumps for the Doc L. Curb plant are located on the joint use BRA/CTWSC intake structure located in deep water near the Lake Stillhouse Hollow Dam. However, in order to distribute water to all of CTWSC's existing customers, facilities were recently constructed with the assistance of a TWDB loan to connect the new 30" water line in West Amity Road (south of the Lampasas River) to CTWSC's existing main distribution line (14") located north of the Lampasas River on Rockin M Ranch Road. This badly needed distribution system improvement allowed CTWSC to deliver water to all of CTWSC's existing customers.

The new Water System Improvements recently were completed this past year (2013) **funded through the Texas Water Development Board's (TWDB) Rural Water Assistance Fund** included the following:

PUMP STATION CONTRACT

A four-pump high service pump station was built on a site at the end of Shanklin Lane, with two – 1,400 GPM pumps provided to pump in a westerly direction and piping an oversized electrical service to allow two 1,400 GPM pumps to be installed in the future to pump in an easterly direction through existing 14" water lines with over 100 PSI of incoming pressure at this new pump station, gravity flow will be adequate for several years before the two (2) 1400 GPM east pumps will be required.

The Proposed Water System Improvement **to be funded through the Texas Water Development Board's D-Fund** included the following:

CONTRACT NO. 1

Construct a 2.5 MGD Expansion of the existing 4 MGD Doc L. Curb Water Treatment Plant to provide a total of 6.5 MGD. This site on the north side of West Amity Road and south of Lake Stillhouse Hollow comprises 78 acres.

CONTRACT NO. 2

Construct a 600 GPM (0.864 MGD) water well approximately 1,500 feet deep in the Trinity Aquifer at the Doc L. Curb plant site. The well water will be blended in the existing 1 million gallon clearwell at the site providing a total water supply at the site of 7.364 MGD (6.5 MGD + 0.864 MGD). The drilling permit for this well was recently acquired from Clearwater underground water conservation district (CUWCD). See Appendix 1.

CONTRACT NO. 3

Construct a 1,400 GPM (2 MGD) water well approximately 2,800 feet deep in the Trinity Aquifer at CTWSC's existing system split pump station site on Burgess Road at F.M. 436 east of the City of Holland. The well water will be blended in the existing 2 million gallon clearwell at the site with CTWSC's treated surface water delivered to the pump station site through an existing 14 water line coming from the east. CTWSC had to purchase a 10 acre site adjacent to the pump station site to meet the well setback requirement to existing roadways enforced by CUWCD. The drilling permit for this well was also recently acquired from CUWCD. See Appendix 2.

These three water supply projects will allow CTWSC to meet its existing water supply demands, if Lake Stillhouse Hollow water levels drop to a point that renders water treatment plant Nos. 1 and 2 useless.

CTWSC has an ongoing maintenance program to assure the continued use of the existing water system facilities for many years to come. Recent replacement of state-of-the-art motor starters and automatic controls for the submerged raw water pumps in Lake Stillhouse Hollow has been completed. A project was also recently completed to replace the antiquated main service disconnect and all motor starters and controls at the water treatment plant High Service pump building.

All water storage tanks are inspected once a year and repaired or repainted if necessary.

CTWSC accounts for 92% of raw water pumped versus treated water metered in the transmission system to serve the twenty wholesale customers.

CTWSC's annual operating budget is included herein in Appendix 3.

CTWSC's tabulation of water loss, monthly, for the twelve (12) month period from June 2013 through May 2014 is included herein in Appendix 4.

The objective of this Preliminary Engineering Feasibility Report is to provide design data and estimates of probable costs of the proposed improvements. Alternatives are evaluated with recommended selected alternatives.

(B.) PROJECTED NEEDS AND
(C.) DEMANDS

The Central Texas Water Supply Corporation (CTWSC) is a public wholesale water utility which owns and operates a treatment plant at two locations and distributes potable water to public water utilities and distribution systems scattered across the suburban developing areas of the Lampasas River Valley south of Killeen, Harker Heights, abutting the Fort Hood Military Reservation and eastward to scattered communities east of Interstate Highway 35. The CTWSC distribution system extends outward in all directions from its two existing treatment plant locations. CTWSC contracts with the Brazos River Authority for raw water from the lake. In year 2,000, CTWSC sold 6,900 acre-feet of treated water to 15 water supply entities.

The location of the proposed improvements are all in Bell County as depicted in Figure 1. A more detailed Vicinity Map is shown in Figure 2.

Historical water connections for the years 1998 and 2008 for the 14 CTWSC wholesale customers are shown in tabular form in Table 1, herein. Historical year 2010 water use and number of water connections for 17 CTWSC wholesale water customers are shown in Appendix 5. Projections of water use from years 2015 to 2045 are also provided in Appendix 5. Historical population trends and population projections for the project planning area are depicted graphically in Table 2, herein, for a 50-year period. In the same Table 2 are corresponding "maximum day water supply demands" projections based on TCEQ's 0.6 Rule which requires a peak day water supply rate of 0.6 GPM per water connection. Though many of CTWSC's wholesale customers experience a lower peak rate than 0.6 GPM per connection, planning for water treatment facilities should use this TCEQ minimum design criteria. From a 1998 population for the 14 customers of 24,884, a 19% population increase in CTWSC customers has occurred over a ten-year period. Currently, CTWSC serves a 14 wholesale customer population of 29,652 persons with 15 customers to be served when the Doc L. Curb plant comes on line with a wholesale meter for Jarrell-Schwertner WSC. This 4,768 person increase over a 10-year period is used to project ten year population increases through the year 2050, where 49,686 persons are anticipated to be served by CTWSC. Water Treatment Plant capacity of 14.31 million gallons per day (MGD) is the projected need in year 2050. With a population of 30,100 persons currently served by CTWSC, a water supply demand of 8.70 MGD is currently required.

CTWSC takes its obligation seriously to meet the water supply obligations to its fifteen (15) wholesale customers. The board of directors of CTWSC is directly concerned that the water level of Lake Stillhouse Hollow will continue to drop during summer months to levels rendering the original plant (plant No's. 1 and 2) useless. Last summer (2013), the level of the lake dropped below all but the 2 deepest submersible pumps, greatly reducing the plant capacity. If it wasn't for the new Doc L. Curb water treatment plant, CTWSC customers would have been forced to live under stage 4 of the drought contingency plan.

Five events contribute to low lake levels in Lake Stillhouse Hollow:

- Evaporation affected by lack of rainfall.
- BRA releases through the dam to downstream water users.
- Central Texas Water Supply Corporation raw water usage.
- Kempner Water Supply Corporation raw water usage.

- Pumping of raw water from Lake Stillhouse Hollow through an existing 48" pipeline to Lake Georgetown for the benefit of the City of Georgetown, City of Round Rock, Brushy Creek Municipal Utility District and Jonah Special Use District.

During early stages of CTWSC's drought contingency plan, affected in part by the Brazos River Authority (BRA), summer demands have historically pushed 6 MGD. Since the current capacity of the Doc L. Curb Water Plan is 4 MGD, there would be a shortfall if the original west plant was rendered useless, until the lake levels were restored. Thus, the need for a 2.5 MGD expansion to the Doc L. Curb Water Treatment Plant, providing total capacity of 6.5 MGD and water well Nos. 1 and 2.

This project includes the construction of a 2.5 MGD water treatment plant expansion and pre-treatment clarifier on the existing 78-acre site on West Amity Road (refer to a detailed site layout in Figure 1 and the drilling of two (2) new water wells in the Trinity Aquifer for additional anticipated 2.5 MGD capacity.

RESOLUTION OF THE BRAZOS G WATER PLANNING GROUP
6.6.1 Potential presentation and request from
the Central Texas Water Supply Corporation

“The Brazos G Water Planning Group agrees to submit a letter to support the constituency waiver to Texas Water Development Board for Central Texas Water Supply Corporation and authorize HDR Engineering to work with Central Texas Water Supply Corporation on the plan amendment and submit their findings to TWDB for determination if it is a minor or major amendment.”

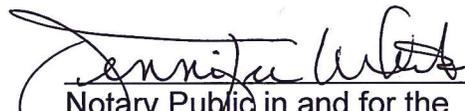
The aforementioned resolution was approved by the Brazos G Water Planning Group on September 3, 2014 to certify which witness my hand and seal.



Wayne Wilson
Chairman

SUBSCRIBED AND SWORN TO BEFORE ME on this the 7 day of November, 2014, to certify which witness my hand and official seal.





Notary Public in and for the
State of Texas