

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: June 16, 2015

TEAM MANAGER: Nancy Richards

APPLICANT	Northwest Harris County Municipal District No 22
TYPE OF ASSISTANCE	\$3,080,000 Loan
LEGAL PLEDGE	Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds

STAFF RECOMMENDATION

Approve No Action

Approve, by resolution, a request from **Northwest Harris County Municipal District No. 22 (Harris County)** for a \$3,080,000 loan from the Clean Water State Revolving Fund to finance design and construction costs of wastewater treatment plant and collection system improvements.

PROJECT

Wastewater Treatment Plant and Sanitary Sewer Rehabilitation
Project Number 73712

BACKGROUND

In 1979, Northwest Harris County Municipal Utility District No. 22 (District) was created to provide water and sewer facilities for 313 acres in northwest Harris County, approximately 16 miles northwest of downtown Houston and five miles from the intersection of Interstate Highway 45 and Farm-to-Market Road 1960. At that time, the District entered into a contractual agreement for the construction of a regional wastewater treatment facility with neighboring Northwest Municipal Utility Districts No. 21 and No. 23. Under the Agreement, the construction and operational cost of the wastewater treatment is based on the pro-rata capacity acquired by each district. The respective pro-rata shares in the wastewater treatment plant are 34% for the applicant; 35% is for District No. 21 and 31% for District No. 23. The shares will remain the same after the rehabilitation is completed. The District is requesting financial assistance for the design and construction of wastewater treatment plant and collection system improvements. Numerous components at the plant and the collection system are nearing the end of their useful life and are in need of replacement. The deterioration of multiple components has led to a reduction in operational capacity of wastewater treatment plant and multiple violations or citations from the Texas Commission on Environmental Quality (TCEQ). The project will replace or repair several major components at the jointly owned plant along with approximately 21,000 linear feet of trunk and collection lines to be rehabilitated.

COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON JUNE 30, 2016

FINANCIAL

Key Issues

The participating Districts are solely responsible for securing their share of project cost and the repayment of debt. District No. 21 is financing its share from its Operating Fund and District No. 23 has received approval from TCEQ to sell bonds for its share.

Pledge and Repayment

The District is pledging ad valorem taxes and revenues of the system as proposed sources for loan repayment. In analyzing the loan request, a no-growth ad valorem tax valuation scenario and a 90% collection rate for ad valorem tax was used. Based on this scenario, the District's current interest and sinking fund tax rate will be sufficient to service its current and proposed debt service. The District has a surplus debt service fund balance of \$960,140 available to meet its debt services requirements.

The District will utilize capitalized interest for the proposed series. Capitalized interest is a portion of the proceeds that is set aside to pay interest on bond issue for a certain period of time. The capitalized interest is normally utilized during the construction phase of a revenue producing project, so that debt service payments are not expensed to the Contracting Parties until the project is expected to be operational and generating revenues. The capitalized interest shall be deposited into the interest and sinking fund to be applied to interest on the proposed bonds.

Staff's analysis is based on the project and financial documents received from the District and its consultants. The debt service analysis is based on estimation of the interest rate for a tax-exempt Clean Water State Revolving Fund loan at the time of Texas Water Development Board consideration.

Cost Savings

Based on a 15-year maturity schedule and current interest rates, the District could save approximately \$380,053 over the life of the loan.

Internal Risk Score

Staff assigns a 2B to the District, and the proposed project to be funded by the TWDB. This means that the District's payment 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 District's population has increased at an annual rate of 1.0 % since 2000, compared to the State average annual population increase of 1.59% during the same period. The District's median household income of \$53,137 in 2013 is approximately 2.7% higher than the State median income of \$51,900. The current unemployment rate of the District's service area is 8.6%, but the surrounding cities and counties unemployment rates are comparable to the State's 4.6% unemployment rate.

The District's current per capita debt level is low at \$697, and would increase to \$1,507 with the proposed loan. This is still a moderately low level of per capita debt. While the District's total assessed valuation has decreased in recent years, the percentage of current tax collections is consistently high at over 99%.

On average, the residential user pays 1.1% of their annual income for water and sewer service. This is below the TWDB's benchmark of 2% for two the services. Staff has assigned a 2B risk rating to the proposed project. The risk score is established on an analysis of the District's economic indicators and utility management policies.

LEGAL

Key Issues

None.

CONDITIONS

Standard tax-exempt, revenue and Clean Water State Revolving Fund conditions and additional conditions as follows:

- Adopted Water Conservation Plan;
- Fiscal Sustainability;
- Conveyance and Conversion;
- Pre-design funding; and
- Standard Emergency Discovery.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (15-)
6. Water Conservation Review
7. Location Map

PROJECT DATA SUMMARY

Responsible Authority	Northwest Harris County Municipal Utility District No. 22
Program	CleanWater State Revolving Fund
Commitment Code	L1000430
Project Number	73712
Intended Use Plan Year	2015
Fund Number	651
Type of Pledge	3
Revenue Pledge Level	First
Legal Description	\$3,080,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds Proposed Series 2015A
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay< > Escrow Release
Population	3,800
Rural	No
Water Connections	1,046
Wastewater Connections	1,041
Qualifies as Disadvantaged	No
Disadvantaged Level	9-N/A
Clean Water State Revolving Fund Type	Non-Equivalency
Financial, Managerial, and Technical Review Complete?	N/A
Phase Committing	Design and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Approvable
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	BBB+
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	None

Project Team

Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	James Bronikowski
Environmental Reviewer	Nicki Hise
Attorney	Annette Mass

ISSUE BEING EVALUATED
Northwest Harris Co. MUD No. 22
\$3,080,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds Proposed Series 2015

Dated Date 07/30/15
 Delivery Date 07/30/15
 First Interest 12/01/15
 First Principal 12/01/15
 Last Principal 12/01/30
 Fiscal Year End 5/31

Source: SRF
 Rate: 2.13%
 Insurance: no
 Case: Tax
 Admin. Fee Payment Date: 7/30/2015
 Administrative Fee: \$55,945

FOR ILLUSTRATION PURPOSES ONLY

FISCAL YEAR	PROJECTED ASSESSED VALUE	REQUIRED TAX RATE	REQUIRED TAX REVENUES WITH COLL. @ 90%	PROJECTED NET SYSTEM REVENUES	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	----- THIS \$3,080,000 ISSUE -----			TOTAL DEBT SERVICE	COVERAGE BEING REQUIRED	ACTUAL COVERAGE	
							PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT				
2016	135,204,414	0.358	435,659	173,287	608,946	273,571	165,000	2.13%	22,050	187,050	460,621	1.10	1.32
2017	135,204,414	0.385	468,891	154,501	623,392	201,571	165,000	2.13%	62,090	227,090	428,661	1.10	1.45
2018	135,204,414	0.386	470,222	164,217	634,439	197,025	170,000	2.13%	58,575	228,575	425,600	1.10	1.49
2019	135,204,414	0.391	476,152	176,830	652,982	196,744	175,000	2.13%	54,954	229,954	426,698	1.10	1.53
2020	135,204,414	0.210	255,638	198,124	453,762	200,728	180,000	2.13%	51,227	231,227	431,955	1.10	1.05
2021	135,204,414	0.207	251,400	223,834	475,234	-	180,000	2.13%	47,393	227,393	227,393	1.10	2.09
2022	135,204,414	0.208	252,689	458,672	711,361	-	185,000	2.13%	43,559	228,559	228,559	1.10	3.11
2023	135,204,414	0.209	253,860	701,910	955,770	-	190,000	2.13%	39,618	229,618	229,618	1.10	4.16
2024	135,204,414	0.209	254,914	953,548	1,208,462	-	195,000	2.13%	35,571	230,571	230,571	1.10	5.24
2025	135,204,414	0.210	255,850	1,213,586	1,469,436	-	200,000	2.13%	31,418	231,418	231,418	1.10	6.35
2026	135,204,414	0.206	251,140	1,482,024	1,733,164	-	200,000	2.13%	27,158	227,158	227,158	1.10	7.63
2027	135,204,414	0.207	251,958	1,758,862	2,010,820	-	205,000	2.13%	22,898	227,898	227,898	1.10	8.82
2028	135,204,414	0.208	252,658	2,044,100	2,296,758	-	210,000	2.13%	18,531	228,531	228,531	1.10	10.05
2029	135,204,414	0.208	253,241	2,337,738	2,590,979	-	215,000	2.13%	14,058	229,058	229,058	1.10	11.31
2030	135,204,414	0.208	253,706	2,639,775	2,893,481	-	220,000	2.13%	9,479	229,479	229,479	1.10	12.61
2031	135,204,414	0.209	254,053	2,639,775	2,893,828	-	225,000	2.13%	4,793	229,793	229,793	1.10	12.59
					\$ 22,212,812	\$ 1,069,639	\$ 3,080,000		\$ 543,368	\$ 3,623,368	\$ 4,693,007		

AVERAGE (MATURITY) LIFE	8.28 YEARS
NET INTEREST RATE	2.130%
COST SAVINGS	\$380,053
AVERAGE ANNUAL REQUIREMENT	\$293,313

**NW Harris Co MUD # 22
73712 WWTP Projects & Sanitary Sewer Rehab
Engineering and Environmental Review**

Engineering:

Key Issues:

None.

The applicant has considered innovative and alternative methods of treatment in their application and will evaluate alternatives in greater detail through the Planning phase of the project.

Project Need/Description

Project Description: The District is requesting financial assistance for the design and construction of wastewater treatment plant and collection system improvements. Major components at the plant will be repaired or replaced, and approximately 21,000 linear feet of trunk and collection lines will be rehabilitated.

Project Schedule:

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	
Closing	7/31/2015
Start of Construction	8/3/2015
Design Phase Complete	5/31/2016
Construction Completion	5/31/2017

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

A Categorical Exclusion (CE) for this project was issued on April 27, 2015. As required by 31 Texas Administrative Code (TAC) §375, Subchapter E, environmental review of the proposed project has been completed. The proposed project is in compliance with the National Environmental Policy Act.

NW Harris Co MUD No. 22

73712 - WWTP Projects & Sanitary Sewer Rehab

Budget Items	TWDB Funds	TWDB Funding %	Local & Other Funds	Total Cost
Construction				
Construction	\$2,235,172		\$0	\$2,235,172
Construction Total	\$2,235,172	72.6%	\$0	\$2,235,172
Basic Engineering Services				
Design	\$447,276		\$0	\$447,276
Basic Engineering Services Total	\$447,276	14.5%	\$0	\$447,276
Special Services				
Water Conservation Plan	\$5,000		\$0	\$5,000
Special Services Total	\$5,000	0.2%	\$0	\$5,000
Contingency				
Contingency	\$53,680		\$0	\$53,680
Contingency Total	\$53,680	1.7%	\$0	\$53,680
Fiscal Services				
Bond Counsel	\$61,600		\$0	\$61,600
Capitalized Interest	\$123,200		\$0	\$123,200
Financial Advisor	\$61,600		\$0	\$61,600
Issuance Costs	\$36,527		\$0	\$36,527
Loan Origination Fee	\$55,945		\$0	\$55,945
Fiscal Services Total	\$338,872	11.0%	\$0	\$338,872
Grand Total	\$3,080,000	100.0%	\$0	\$3,080,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$3,080,000 TO NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 22
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$3,080,000 NORTHWEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT No. 22
WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND
REVENUE BONDS,
PROPOSED SERIES 2015

(15-)

WHEREAS, the Northwest Harris County Municipal Utility District No. 22 (District) has filed an application for financial assistance in the amount of \$3,080,000 from the Clean Water State Revolving Fund (CWSRF) to finance the design and construction of certain wastewater system improvements identified as Project No. 73712; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,080,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Proposed Series 2015 (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 unlimited tax and revenues as sufficient security for the repayment of the Obligations; 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 submitted a proposed program of water conservation 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 Northwest Harris County Municipal Utility District No. 22 for financial assistance in the amount of \$3,080,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$3,080,000

Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds,
Proposed Series 2015. This commitment will expire on June 30, 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. 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 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 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;
11. 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;
12. 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;
13. 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;
14. 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

15. 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;

16. 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;
17. 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);
18. 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;
19. 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;
- 20. 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;
 - 21. 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;
 - 22. 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;
 - 23. 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;
 - 24. 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

- 25. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
- 26. 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;

27. 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;
28. 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;
29. 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 the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines;
30. 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;
31. 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 estimated useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions

32. prior to or at closing, the District shall pay a 1.85% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375;
33. 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;

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

Special Conditions:

34. 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 375;
35. prior to closing, the District must adopt and implement the water conservation program approved by the TWDB;
36. 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;
37. 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;
38. prior to final disbursement, the District shall submit to the TWDB certification that it has developed and is currently implementing a fiscal sustainability plan for critical assets part of the treatment works receiving financial assistance as outlined in 33 U.S.C. §1383; and
39. the District 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.

APPROVED and ordered of record this 16th day of June, 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:

Total water loss (GPCD): _____ Total water loss (percent): _____ Wholesale Water
 Total no. of connections: _____ Length of mains (miles): _____ Connections per mile: _____
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

Does the applicant meet Water Loss Threshold requirements? Yes No NA

ADDITIONAL INFORMATION:

STAFF NOTES AND RECOMMENDATIONS:

DEFINITIONS

Adopted refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

Apparent loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

Approvable refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

Best Management Practices are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

GPCD means gallons per capita per day.

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

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

Water Loss Thresholds are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

**Northwest Harris County MUD No. 22,
Harris County**

