

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2015

TEAM MANAGER: Luis Farias

APPLICANT	Tarrant Regional Water District
TYPE OF ASSISTANCE	\$300,000,000 Loan-Proposed Water Revenue Bonds, Series 2015 \$140,000,000 Loan-Proposed Contract Revenue Bonds, Series 2015
LEGAL PLEDGE	Net Revenues of the System and Contract Revenues

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Consider approving by resolution, a request from the **Tarrant Regional Water District (Jack, Wise, Parker, Tarrant, Johnson, Ellis, Navarro, Henderson, Kaufman, Freestone, Denton, Dallas, Collin, Ellis, and Rockwall Counties)** for financial assistance totaling \$440,000,000 from the State Water Implementation Revenue Fund for Texas to finance the acquisition, design, and construction of an integrated pipeline project.

PROJECT

Integrated Transmission Pipeline Project
Project Number 51024

BACKGROUND

Passed by the 83rd Legislature and approved by Texas voters through a constitutional amendment, the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT) were created to provide affordable, alternative financing options to develop projects that are recommended water management strategies in the State Water Plan. The program, referred to as SWIFT provides financing through low-interest loans, deferral of loan repayments, and incremental repurchase terms for projects with state ownership aspects. All SWIFT projects presented for consideration have been prioritized based on criteria outlined in Texas Administrative Code Title 31 §363.1304 and are included on the prioritized list of projects approved by the Board on May 6, 2015.

The Tarrant Regional Water District (District) was created in 1924 and has developed a system of surface water reservoirs and raw water transmission facilities to provide water for the Cities of Fort Worth, Arlington, and Mansfield; the Trinity River Authority; and a 9 county service area. The City of Dallas' (City) Water Utility (DWU) is a joint participant in the Integrated Pipeline Project (IPL) project, obtaining funds for the project from District's bond issues and reimbursing the District under a separate agreement. The DWU has a six-county service area, adjacent to the

COMMITMENT PERIOD: TO EXPIRE DECEMBER 31, 2015.
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District's. Together, the District and DWU have water rights or contracts involving 14 surface water reservoirs in the Northeast Texas area. At this time, the District is requesting \$440,000,000 in SWIFT loans, which will be used to provide acquisition, engineering management, basic design and construction services, and construction funding for some segments of the IPL.

When completed, the IPL will contain approximately 150 miles of pipeline, three new lake pump stations, with a capacity of 350 million gallons per day connecting Lake Palestine, the Cedar Creek Reservoir, Richard Chambers Reservoir, and Benbrook Lake. The IPL is a recommended strategy in the Region C Water Plan for the District and the City.

FINANCIAL

Key Issues

The District and the DWU have partnered to finance, plan, design, construct and operate the IPL. The District will issue \$300 million in water revenue bonds, and \$140 million in contract revenue bonds, on behalf of the City. The District has previously received a total of \$101,620,000 from the Water Infrastructure Fund to finance development costs for the project. The District estimates approximately \$262 million in additional funds will be needed in 2018 to complete this phase of the project.

Pledge and Repayment

The District is pledging net revenues for the repayment of the \$300 million Water Revenue Bonds, Series 2015, and any additional revenues, income, receipts, grants, or other resources, received from any public or private source. The District currently charges 3 different rates to its customers. Based on staff's analysis of financial documentation received, the District's 2014 system revenues are insufficient to meet the current and proposed debt service for the \$300 million bond issue. The District projects to increase rates to meet the current and proposed debt service.

The District is also pledging contract revenues for the repayment of the \$140 million Contract Revenue Bonds, Series 2015. The contract bond issue is on behalf of the City, who is pledging gross revenues of the waterworks and sewer system for the repayment of the proposed loan. The City's current combined monthly water and wastewater rate is \$62.52. Based on staff's analysis of financial documentation received, the City's current rates are sufficient to meet the current and proposed debt service. However, the City projects a \$4.19 increase to the average combined monthly water and wastewater bill in 2016 to meet future debt obligations.

Cost Savings

Based on a 30-year maturity schedule, current interest rates and a 22% subsidy, the District could save approximately \$40,081,491 over the life of the \$300,000,000 loan and \$18,703,880 over the life of the \$140,000,000 loan by utilizing Texas Water Development Board (TWDB) funding.

Internal Risk Score

Staff assigns a 2B to the District, and the proposed project to be funded by the TWDB. A risk score of 2B means that the applicant's repayment capacity is adequate.

The District and the DWU currently serve over 4.1 million residents in the rapidly growing North Texas region. The socioeconomic indicators of the service area are positive with a growing population, an assessed valuation in excess of \$47 billion for the District, and an unemployment rate of 3.8% in Tarrant County for the month of May, compared to a State rate of 4.1% for the same period.

Approximately 86% of the District's revenues are from water sales to Fort Worth, Arlington, and the Trinity River Authority. The 2015 rates range from \$1.07383 for in-district customers to \$1.08883 for out of district customers per 1,000 gallons. The District reviews rates annually and makes adjustments as needed.

The financial condition of the District and the DWU is sound. The District maintains a \$1.1 million contingency and improvement fund, as well as a fully funded reserve fund. The operating income of the District's water system has increased at an average annual rate of approximately 10%. In addition, unrestricted cash represents 175 days of the water systems operating expenses.

Similarly, the DWU maintains a fully funded reserve fund, ample cash on hand and unrestricted net assets represent over 9 months of operating expenses. The City's waterworks and sewer systems net revenues have increased at an average annual rate of approximately 12% since 2010. The DWU's management reviews rates annually and has a strong history of adjusting rates to meet future demands.

The District's contracts with its contracting parties requires each entity to pay, on an annual basis, its proportionate share of operation and maintenance costs, bond service payments and any reserve or special funds. In addition, the District may redetermine each contracting party's share of the annual requirement during a payment period, if there is an increase in expenses or if the District receives less revenue than anticipated.

The risk score of 2B is based on the sound financial condition of the District, the City, and their customers, as well as the positive socioeconomic indicators. The District and the City have strong management and significant reserve funds, but additional debt will be issued in coming years for the completion of the project.

LEGALKey Issues

None

Conditions

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

- Water Rights Certification;

- Notification prior to actions altering the legal status of the District; and
- TWDB approval of any conveyance and assumption of the Obligations.

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

Project Data Summary

Authority	Tarrant Regional Water District	
Program	State Water Implementation Fund for Texas	
Commitment Code	L15031	
Project Number	51024	
Intended Use Plan Year	N/A	
Fund Number	361	
Type of Pledge	7- Other pledge - Net Revenues and Contract Revenues	
Revenue Pledge Level	First	
Legal Description	<p>\$300,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Water Revenue Bonds, Proposed Series 2015</p> <p>\$140,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Proposed Series 2015</p>	
Tax-exempt or Taxable	Tax-exempt	
Refinance	No	
Outlay Requirement	No	
Disbursement Method	Escrow	
Outlay Type	N/A	
Population	4.1 million	
Rural	No	
Water Connections	N/A	
Wastewater Connections	N/A	
Qualifies as Disadvantaged	No	
Disadvantaged Level	9	
Clean Water State Revolving Fund Type	N/A	
SWIFT Financing Type	Low-Interest Loan	
SWIFT Characteristics	None	
Financial Managerial & Technical Complete	N/A	
Funding Phase Code	Acquisition, Design, and Construction	
Pre-Design	Yes	
Project Consistent with Water Plan	Yes	
Water Conservation Plan	Adopted	
Water Rights Certification Required	Yes	
Internal Risk Score	2B	
External Ratings (for SRF rates)	TRWD	Dallas
Standard and Poor's	AAA	AAA
Moody's	Non-Rated	Aa1
Fitch	AA	Non-Rated
Special Issues	None	

Project Team

Team Manager	Luis Farias
Financial Analyst	Ben Munguia
Engineering Reviewer	Joel Smith
Environmental Reviewer	Kathy Calnan
Attorney	Jessica Kohlrenken

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Tarrant Regional Water District

\$300,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Revenue Bonds, Proposed Series 2015

Dated Date:	12/1/2015	Source:	SWIFT-LOW
Delivery Date:	12/1/2015	Insurance:	No
First Interest:	3/1/2016	Case:	Revenues
First Principal:	3/1/2017	Admin.Fee:	\$ -
Last Principal:	3/1/2045	Admin. Fee	
Fiscal Year End:	09/30	Payment Date:	N/A
Required Coverage:	1.0		

\$140,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Proposed Series 2015

Dated Date:	12/1/2015	Source:	SWIFT-LOW
Delivery Date:	12/1/2015	Insurance:	No
First Interest:	3/1/2016	Case:	Contract Revenues
First Principal:	9/1/2017	Admin.Fee:	\$ -
Last Principal:	9/1/2045	Admin. Fee Payment	
Fiscal Year End:	9/30	Date:	N/A
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$300,000,000 ISSUE				\$140,000,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2016	111,732,986	92,883,920	-	0.35%	6,135,145	6,135,145	-	0.35%	2,863,027	2,863,027	101,882,091	1.10
2017	115,380,476	92,193,940	6,490,000	0.71%	8,157,056	14,647,056	3,030,000	0.71%	3,806,567	6,836,567	113,677,563	1.01
2018	115,254,793	84,421,668	6,695,000	0.92%	8,103,290	14,798,290	3,125,000	0.92%	3,781,468	6,906,468	106,126,426	1.09
2019	115,128,226	85,224,785	6,905,000	1.08%	8,035,408	14,940,408	3,220,000	1.08%	3,749,799	6,969,799	107,134,992	1.07
2020	115,004,720	85,649,775	7,120,000	1.28%	7,952,516	15,072,516	3,325,000	1.28%	3,711,114	7,036,114	107,758,405	1.07
2021	114,863,566	84,923,618	7,345,000	1.49%	7,852,046	15,197,046	3,430,000	1.49%	3,664,196	7,094,196	107,214,860	1.07
2022	114,729,716	85,134,027	7,575,000	1.71%	7,732,412	15,307,412	3,535,000	1.71%	3,608,349	7,143,349	107,584,788	1.07
2023	114,596,690	82,751,825	7,815,000	1.83%	7,596,179	15,411,179	3,645,000	1.83%	3,544,792	7,189,792	105,352,795	1.09
2024	114,553,481	80,266,808	8,060,000	1.92%	7,447,293	15,507,293	3,760,000	1.92%	3,475,343	7,235,343	103,009,444	1.11
2025	114,504,883	78,075,295	8,310,000	2.02%	7,285,781	15,595,781	3,880,000	2.02%	3,399,963	7,279,963	100,951,039	1.13
2026	114,454,067	78,032,695	8,575,000	2.26%	7,105,042	15,680,042	4,000,000	2.26%	3,315,617	7,315,617	101,028,354	1.13
2027	114,507,705	78,088,895	8,845,000	2.44%	6,900,494	15,745,494	4,125,000	2.44%	3,220,212	7,345,212	101,179,601	1.13
2028	114,594,939	78,177,695	9,120,000	2.59%	6,674,525	15,794,525	4,255,000	2.59%	3,114,806	7,369,806	101,342,026	1.13
2029	114,697,562	78,281,045	9,405,000	2.70%	6,429,548	15,834,548	4,390,000	2.70%	3,000,482	7,390,482	101,506,075	1.13
2030	114,744,068	78,327,595	9,700,000	2.80%	6,166,971	15,866,971	4,530,000	2.80%	2,877,887	7,407,887	101,602,453	1.13
2031	114,785,928	78,373,895	10,005,000	2.88%	5,887,096	15,892,096	4,670,000	2.88%	2,747,217	7,417,217	101,683,209	1.13
2032	114,826,420	78,418,301	10,320,000	2.95%	5,590,653	15,910,653	4,815,000	2.95%	2,608,877	7,423,877	101,752,831	1.13
2033	114,822,845	78,413,351	10,645,000	3.01%	5,278,280	15,923,280	4,970,000	3.01%	2,463,083	7,433,083	101,769,714	1.13
2034	114,879,554	78,473,551	10,980,000	3.06%	4,950,185	15,930,185	5,125,000	3.06%	2,309,922	7,434,922	101,838,658	1.13
2035	114,927,617	78,525,051	11,325,000	3.11%	4,606,201	15,931,201	5,285,000	3.11%	2,149,380	7,434,380	101,890,632	1.13
2036	114,980,927	78,581,901	11,680,000	3.15%	4,246,192	15,926,192	5,450,000	3.15%	1,981,387	7,431,387	101,939,480	1.13
2037	115,037,778	78,642,551	12,045,000	3.19%	3,869,996	15,914,996	5,620,000	3.19%	1,805,855	7,425,855	101,983,402	1.13
2038	115,101,284	78,705,351	12,425,000	3.22%	3,477,589	15,902,589	5,800,000	3.22%	1,622,721	7,422,721	102,030,661	1.13
2039	115,084,688	78,693,701	12,815,000	3.25%	3,068,860	15,883,860	5,980,000	3.25%	1,431,959	7,411,959	101,989,520	1.13
2040	115,069,233	78,679,001	13,215,000	3.28%	2,643,502	15,858,502	6,170,000	3.28%	1,233,415	7,403,415	101,940,918	1.13
2041	115,048,312	78,664,801	13,630,000	3.31%	2,201,203	15,831,203	6,360,000	3.31%	1,026,971	7,386,971	101,882,975	1.13
2042	115,035,118	78,654,451	14,060,000	3.33%	1,741,734	15,801,734	6,560,000	3.33%	812,585	7,372,585	101,828,771	1.13
2043	107,347,516	70,971,051	14,500,000	3.34%	1,265,266	15,765,266	6,765,000	3.34%	590,283	7,355,283	94,091,600	1.14
2044	107,350,469	70,974,801	14,955,000	3.36%	771,731	15,726,731	6,980,000	3.36%	359,978	7,339,978	94,041,510	1.14
2045	94,290,531	57,917,489	15,440,000	3.37%	260,318	15,700,318	7,200,000	3.37%	121,392	7,321,392	80,939,199	1.16
		\$ 2,385,122,833	\$ 300,000,000		\$ 159,432,511	\$ 459,432,511	\$ 140,000,000		\$ 74,398,647	\$ 214,398,647	\$ 3,058,953,991	

\$300,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.39 YEARS
NET INTEREST RATE	3.057%
COST SAVINGS	\$40,081,491
AVERAGE ANNUAL REQUIREMENT	\$15,314,417

\$140,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.39 YEARS
NET INTEREST RATE	3.057%
COST SAVINGS	\$ 18,703,880
AVERAGE ANNUAL REQUIREMENT	\$7,146,622

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$101,965,133

Tarrant Regional WD
Engineering and Environmental Review

Engineering:Key Issues

A previous project, TWDB #21664 funded engineering and environmental planning work for the entire Integrated Pipeline Project (IPL). The planning documentation will need to be submitted and approved by Texas Water Development Board (TWDB), prior to the release of acquisition, design, or construction funds.

There are two other projects associated with the IPL Project: TWDB #21610, for planning design and construction of wetlands at the Richland-Chambers Reservoir, and TWDB #21614 for planning and design of the Cedar Creek Reservoir wetlands.

Project Need / Description

Need: The Tarrant Regional Water District (District) and Dallas Water Utilities (DWU) face similar water demand issues. Although the current water availability meets demand, this demand will essentially double by the years 2060, leaving a projected shortage of 787 million gallons per day (MGD), or 881,600 acre-feet per year.

Project Description: Much of the 2060 demand can be met through a regional approach between these two regional providers of drinking water. The District and DWU have been working for several years on an integrated project to address future customer demands. The project is known as the IPL and has components of transmission lines, intakes with associated pump stations, booster pump stations, and balancing reservoir construction. At this time, the District is requesting \$440,000,000 funding for completion of design and construction of pipeline sections 10, 11, 17, a pressure reduction station, and the Cedar Creek reservoir lake pump station (JCC1), all funded by the District. DWU will use funds for Pipeline Section 12 and 14, the JB4 booster pump station #3, and a fiber communication system. Acquisition for future IPL pipeline sections 9, 16, 17, 18, 19-1, and 19-2 is included in the District's request. Both the District and DWU will utilize acquisition funding.

Project Schedule

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	9/30/2015
Closing	12/1/2015
Start of Construction	1/31/2016
Design Phase Complete	12/31/2016
Construction Completion	11/30/2020

Environmental:

Key Issues

None known at this time.

Environmental Summary

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

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

**Tarrant Regional WD
51024 - TRWD - Integrated Pipeline Project**

Budget Items	TWDB Funds	Local & Other Funds	Total Cost
Construction			
Construction	\$312,120,000	\$136,300,000	\$448,420,000
Construction Total	\$312,120,000	\$136,300,000	\$448,420,000
Basic Engineering Services			
Construction Engineering	\$6,220,000	\$10,720,000	\$16,940,000
Design	\$1,970,000	\$8,100,000	\$10,070,000
Basic Engineering Services Total	\$8,190,000	\$18,820,000	\$27,010,000
Special Services			
Project Management (by engineer)	\$22,850,000	\$8,940,000	\$31,790,000
Surveying	\$2,740,000	\$0	\$2,740,000
Testing	\$2,830,000	\$2,390,000	\$5,220,000
Special Services Total	\$28,420,000	\$11,330,000	\$39,750,000
Contingency			
Contingency	\$2,530,000	\$14,530,000	\$17,060,000
Contingency Total	\$2,530,000	\$14,530,000	\$17,060,000
Other			
Administration	\$26,810,000	\$28,410,000	\$55,220,000
Land/Easements Acquisition	\$37,430,000	\$30,000,000	\$67,430,000
Other Total	\$64,240,000	\$58,410,000	\$122,650,000
Fiscal Services			
Bond Reserve Fund	\$23,290,000	\$21,350,000	\$44,640,000
Issuance Costs	\$1,210,000	\$960,000	\$2,170,000
Fiscal Services Total	\$24,500,000	\$22,310,000	\$46,810,000
Grand Total	\$440,000,000	\$261,700,000	\$701,700,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$440,000,000 TO TARRANT REGIONAL WATER DISTRICT
 FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
 THROUGH THE PROPOSED PURCHASE OF
 \$300,000,000 TARRANT REGIONAL WATER DISTRICT, A WATER CONTROL AND
 IMPROVEMENT DISTRICT, WATER REVENUE BONDS, PROPOSED SERIES 2015
 AND
 \$140,000,000 TARRANT REGIONAL WATER DISTRICT, A WATER CONTROL AND
 IMPROVEMENT DISTRICT, WATER TRANSMISSION FACILITIES CONTRACT REVENUE
 BONDS (CITY OF DALLAS PROJECT), PROPOSED SERIES 2015

(15-)

WHEREAS, the Tarrant Regional Water District, located in Jack, Wise, Parker, Tarrant, Johnson, Ellis, Navarro, Henderson, Kaufman, Freestone, Denton, Dallas, Collin, Ellis, and Rockwall Counties, Texas, (District) has filed an application for financial assistance in the amount of \$440,000,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), to finance the acquisition, design and construction of certain water supply project(s) identified as Project No. 51024; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$300,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Revenue Bonds, Proposed Series 2015 ("Revenue Bonds") and \$140,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Proposed Series 2015 ("Contract Revenue Bonds") (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the District has offered a pledge of revenues and contract revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307; and

WHEREAS, interest rate subsidies are available to the District at the following levels: 35.5% for loans of a term of 20 years, 27% for loans of a term of 25 years, and 22% for loans of a term of 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the District, pursuant to this Resolution; and

WHEREAS, the TWDB hereby finds:

1. that the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M;

2. that the project is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that a water conservation plan, if required by Texas Water Code § 11.1271, has been submitted and implemented in accordance with 31 TAC § 363.1309(b)(1);
4. that the District satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
5. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the District and filed with the TWDB in accordance with 31 TAC § 358.6; and
6. that the District has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

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

A commitment is made by the TWDB to Tarrant Regional Water District for financial assistance in the amount of \$440,000,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of \$300,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Revenue Bonds, Proposed Series 2015 and \$140,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Proposed Series 2015. This commitment will expire on December 31, 2015.

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 continued compliance with all applicable laws, rules, policies and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement;

4. this commitment is contingent upon the District executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;
5. the District shall use a paying agent/registrar in accordance with 31 TAC Section 363.42(c)(2), and shall require the paying agent/registrar to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments;

The Following Conditions Must Be Included in the Obligations:

6. 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;
7. the Obligations must include a provision wherein 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;
8. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible costs for the project as authorized by the Executive Administrator;
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, recycling 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. the Obligations must include a provision stating that the District shall report to the TWDB the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
13. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC Section 363.42(c)(1);
14. 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 amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
15. 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;
16. 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;
17. 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;
 18. 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;
 19. 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;

Revenue Pledge

20. the Revenue Bonds must contain a provision requiring the District to 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 Revenue Bonds;
21. if the District has existing revenue obligations with the same pledge of security as the proposed Revenue Bonds that will remain outstanding after any loan(s) made by the TWDB pursuant to

this commitment, the Revenue Bonds must contain a provision providing that the lien or liens securing the Revenue Bonds issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;

22. the Revenue Bonds must contain a provision that out of the proceeds of the Revenue Bonds, there shall be deposited to the Reserve Fund an amount sufficient to cause the Reserve Fund to contain an aggregate amount of money and/or investments not less in market value than the principal and interests requirements of the Bonds during the fiscal year in which such requirements are scheduled to be the greatest;
23. the Revenue Bonds must contain a provision providing that no installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect (i) that the District is not in default as to any covenant, condition, or obligation in connection with all outstanding Bonds and Additional Bonds, and the resolutions authorizing same, (ii) that the Interest and Redemption Fund and the Reserve Fund contain the amount then required to be therein, and (iii) that either (1) the Pledged Revenues in each fiscal year, commencing (A) with the third complete fiscal year following the execution of such certificate or report, or (B) with the fiscal year following the estimated completion date of any project for which the then proposed Additional Bonds are being issued (whichever of(A) or (B) is later) are estimated, based on a report of an independent engineer or firm of engineers, to be at least equal to 1.25 times the average annual principal and interest requirements of all Bond and Additional Bonds to be outstanding after delivery of the then proposed Additional Bonds, or (2) based upon an opinion of legal counsel to the District, there are Contracts then in effect pursuant to which parties to such Contracts are obligated to make minimum payments to the District on a "take or pay" basis at such times and in such amounts as shall be necessary to provide to the District Pledged Revenues sufficient to pay when due all principal of and interest on all Bonds and Additional Bonds;

Contract Revenue Pledge

24. the Contract Revenue Bonds must contain a provision requiring that, upon request by the Executive Administrator, the District shall submit annual audits of contracting parties for the Executive Administrator's review;
25. the Contract Revenue Bonds must contain a provision requiring the District to maintain and enforce the terms and conditions set forth in the Financing Agreement executed by and between the District and the City of Dallas (City) so that revenues paid to the District by the City are sufficient to meet the revenue requirements for the repayment of the Contract Revenue Bonds purchased by the TWDB;
26. the Contract Revenue Bonds must include a provision requiring that the District maintain in a Reserve Fund an amount not less in market value than the average annual principal and interest requirements on all Bonds outstanding (the "Required Reserve") as of the date of any computation thereof; and

27. the Contract Revenue Bonds must include a provision providing that no Additional Bonds shall be issued unless:
- a. A certificate is executed by the President and Secretary of the Board of Directors of the Issuer to the effect that no default exists in connection with the Contract or any of the covenants or requirements of the resolution or resolutions authorizing the issuance of all then outstanding Bonds, and that the Reserve Fund contains the amount then required to be on deposit therein.
 - b. The resolution authorizing the issuance of such installment or series of Additional Bonds shall provide for the payment of the principal of and interest on such Additional Bonds and shall confirm the Reserve Fund, as additional security for all such Additional Bonds, and the Reserve Fund shall be increased to the extent required to cause the Reserve Fund to be maintained in an amount not less than the Required Reserve after the issuance of such then proposed Additional Bonds (or any greater amount as may, at the option of the Issuer, be provided for in any resolution authorizing the issuance of any Additional Bonds), and shall make provision for funding such Reserve Fund from Gross Revenues, or, at the option of the Issuer, from proceeds of such Additional Bonds or other available sources. The Reserve Fund may be funded in whole or in part initially, or may be funded in whole or in part from Gross Revenues by approximately equal periodic payments, not less than annual, and within not more than five years from the date of such then proposed Additional Bonds.

Conditions to Close or for Release of Funds:

- 28. 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;
- 29. 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;
- 30. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the District 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;
- 31. prior to release of funds for construction, the District must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the District has the legal authority necessary to complete the acquisitions;
- 32. prior to release of funds for acquisition, design or construction for specific project elements, the environmental review must be completed and a favorable environmental finding must have been issued;

33. prior to closing, 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;
34. prior to closing, the District's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;
35. 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;
36. 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;
37. prior to closing, the District must submit executed contracts between the District and the contracting parties regarding the contract revenues pledged to the payment of the District's Obligations, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the District's debt service obligations and additional parity obligations;

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

Special Conditions:

38. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, or economic investigation, studies, surveys, or designs for that portion of a project that proposes surface water or groundwater development, the Executive Administrator must either issue a written finding that the District has the right to use the water that the project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction;
39. 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 District has the right to use the water that the project financed by the TWDB will provide;
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, the 23rd day of July, 2015.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, 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.

**Tarrant Regional Water District,
Tarrant County**

