

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2015

TEAM MANAGER: Mireya Loewe

APPLICANT	Hidalgo County Irrigation District No. 1
TYPE OF ASSISTANCE	\$7,100,000 Loan
LEGAL PLEDGE	First Lien on the Net Revenues of the Drainage and Irrigation Water Distribution System

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution a request from the **Hidalgo County Irrigation District No. 1 (Hidalgo County)** for a \$7,100,000 loan from the State Water Implementation Revenue Fund for Texas to finance the planning, design, and construction of improvements to an agricultural irrigation conveyance system.

PROJECT

Agricultural Irrigation Conveyance System Improvements
Project Number 51007

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 Hidalgo County Irrigation District No. 1 (District) is headquartered in Edinburg, Texas. The District provides raw water for agricultural purposes to a portion of Hidalgo County, as well as to the Cities of Edinburg and McAllen, the North Alamo Water Supply Corporation, and Hidalgo County Municipal Utility District. It also conveys water to Hidalgo County Irrigation Districts No. 13 and Santa Cruz Irrigation District No. 15.

The District has done improvements to its canal system throughout the years from its annual surplus revenues and has no outstanding debt.

COMMITMENT PERIOD: TO EXPIRE DECEMBER 31, 2015

FINANCIAL

Key Issues

None.

Pledge and Repayment

The District is pledging net revenues of the District's drainage and irrigation water distribution system for the repayment of the proposed loan. The District has five major customers that accounted for 61% of the water sales revenues in 2014. The District has conducted business with these customers for over 15 years. Current rates and charges are sufficient to service the proposed debt service.

Cost Savings

Based on a 30-year maturity schedule, current interest rates, and a 22% subsidy rate, the District could save approximately \$942,691 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 Texas Water Development Board. This means that the District's payment capacity is adequate.

As of August 31, 2014, the District reports a net position of \$30,753,000, which is an increase of \$1,817,000 from August 31, 2013. This is primarily attributed to the sale of municipal water rights during 2014. Also, the District reports unrestricted assets of \$6,678,778, or two times the operating expenses. The District's clients are all located within Hidalgo County. The \$34,146 median household income of the District's service area is below the median for the State overall of \$51,900. The May 2015 unemployment rate of 7.2% was above the state unemployment rate of 4.1%. The population of the District's service area has increased from 774,773 to 831,073, which is an increase of 7.27% over the past 5 years. The District has no outstanding debt; the proposed debt will only impose \$8.54 in debt per capita on the population of the District's service area.

Staff's risk score is based on the District's positive increase in net position, consistent population growth, positive operating trends, level of unrestricted assets, and very low debt per capita, which mitigate the District's low median household income and high unemployment rate.

LEGAL

Key Issues

None.

Conditions

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

- Emergency discovery;
- Conversion notification; and
- Conveyance notification.

- 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

Responsible Authority	Hidalgo County Irrigation District No. 1
Program	State Water Implementation Fund for Texas
Commitment Codes	L18008
Project Number	51007
Intended Use Plan Year	N/A
Fund Number	361
Type of Pledge	2 - Revenue
Revenue Pledge Level	First
Legal Description	Hidalgo County Irrigation District No. 1 System Net Revenue Notes, Proposed Series 2015
Tax-Exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	831,073
Rural	No
Water Connections	6 (wholesale); Agricultural
Wastewater Connections	N/A
Qualifies as Disadvantaged	N/A
Disadvantaged Level	9 - NA
CWSRF Type	No
Financial, Managerial and Technical Review Complete?	N/A
SWIFT Financing Type	Low-Interest Loan
SWIFT Characteristics	Conservation and Ag
Phase Committing	Planning, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings	
Standard and Poor's	N/A
Moody's	N/A
Fitch	N/A
Special Issues	None

Project Team

Team Manager	Mireya Loewe
Financial Analyst	Javier Pena
Engineering Reviewer	Don Dawkins
Environmental Reviewer	Nicki Hise
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
 FOR ILLUSTRATION PURPOSES ONLY
 Hidalgo County Irrigation District No. 1
 Hidalgo County Irrigation District No. 1 System Revenue Notes, Proposed Series 2015

Dated Date: 12/1/2015 Delivery Date: 12/1/2015 First Interest: 2/15/2016 First Principal: 8/15/2017 Last Principal: 8/15/2045 Fiscal Year End: 09/30	Source: SWIFT-LOW Insurance: No Case: Revenue Admin.Fee: \$ - Admin. Fee Payment Date: N/A Required Coverage: 1.0
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FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$7,100,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2016	474,861	-	-		133,699	133,699	133,699	3.55
2017	474,861	-	185,000	0.713%	189,494	374,494	374,494	1.27
2018	474,861	-	185,000	0.915%	188,175	373,175	373,175	1.27
2019	474,861	-	190,000	1.079%	186,482	376,482	376,482	1.26
2020	474,861	-	190,000	1.282%	184,432	374,432	374,432	1.27
2021	474,861	-	195,000	1.493%	181,996	376,996	376,996	1.26
2022	474,861	-	195,000	1.711%	179,085	374,085	374,085	1.27
2023	474,861	-	200,000	1.828%	175,749	375,749	375,749	1.26
2024	474,861	-	205,000	1.922%	172,093	377,093	377,093	1.26
2025	474,861	-	205,000	2.023%	168,152	373,152	373,152	1.27
2026	474,861	-	210,000	2.255%	164,005	374,005	374,005	1.27
2027	474,861	-	215,000	2.439%	159,270	374,270	374,270	1.27
2028	474,861	-	220,000	2.590%	154,026	374,026	374,026	1.27
2029	474,861	-	230,000	2.698%	148,328	378,328	378,328	1.26
2030	474,861	-	235,000	2.798%	142,123	377,123	377,123	1.26
2031	474,861	-	240,000	2.882%	135,547	375,547	375,547	1.26
2032	474,861	-	250,000	2.951%	128,630	378,630	378,630	1.25
2033	474,861	-	255,000	3.008%	121,253	376,253	376,253	1.26
2034	474,861	-	265,000	3.060%	113,583	378,583	378,583	1.25
2035	474,861	-	270,000	3.108%	105,474	375,474	375,474	1.26
2036	474,861	-	280,000	3.151%	97,082	377,082	377,082	1.26
2037	474,861	-	290,000	3.191%	88,259	378,259	378,259	1.26
2038	474,861	-	295,000	3.223%	79,005	374,005	374,005	1.27
2039	474,861	-	305,000	3.254%	69,497	374,497	374,497	1.27
2040	474,861	-	315,000	3.282%	59,573	374,573	374,573	1.27
2041	474,861	-	325,000	3.308%	49,234	374,234	374,234	1.27
2042	474,861	-	340,000	3.329%	38,483	378,483	378,483	1.25
2043	474,861	-	350,000	3.344%	27,165	377,165	377,165	1.26
2044	474,861	-	360,000	3.358%	15,461	375,461	375,461	1.26
2045	474,861	-	100,000	3.372%	3,372	103,372	103,372	4.59
	\$	-	\$ 7,100,000		\$ 3,658,727	\$ 10,758,727	\$ 10,758,727	

AVERAGE (MATURITY) LIFE	17.08 YEARS
NET INTEREST RATE	3.016%
COST SAVINGS	\$942,691
AVERAGE ANNUAL REQUIREMENT	\$358,624

Hidalgo Co ID # 1
51007 Agricultural Irrigation Conveyance System Improvements
Engineering and Environmental Review

Engineering:Key Issues:

None.

Project Need/DescriptionProject Need:

The Hidalgo County Irrigation District No. 1 (District) diverts 100% of the water used in the District from the Rio Grande River. In past years, drought has limited the amount of surface water available for irrigation and municipal use. Furthermore, a segment along the West Main Canal has experienced a recurring issue of embankment breaks that prevent delivery of water to downstream agricultural and municipal customers. This area also experiences significant water loss due to seepage.

Project Description:

The District is proposing to improve a segment of the existing West Main Canal that is earthen and unlined by adding a combination of reinforced geomembrane and concrete lining. The project is located within the City of McAllen in Hidalgo County. The proposed work would improve conservation efforts.

Project Schedule:

Project Task	Schedule Date
Closing	12/1/2015
Engineering Feasibility Report Completion (End of Planning Phase)	2/29/2016
Design Phase Complete	4/1/2016
Start of Construction	7/1/2016
Construction Completion	5/31/2017

Environmental Section:Key Issues:

None known at this time.

Environmental Summary:

A Determination of No Effect (DNE) for this project was issued on June 12, 2015. As required by 31 Texas Administrative Code (TAC) §363.14, environmental review of the proposed project has been completed.

Hidalgo Co ID # 1
51007 - Irrigation Conveyance System Improvements

Budget Items	TWDB Funds	Total Cost
Construction		
Construction	\$6,068,635	\$6,068,635
Construction Total	\$6,068,635	\$6,068,635
Basic Engineering Services		
Construction		
Engineering	\$114,852	\$114,852
Design	\$344,555	\$344,555
Planning	\$153,136	\$153,136
Basic Engineering Services Total	\$612,543	\$612,543
Special Services		
Application	\$20,000	\$20,000
Geotechnical	\$10,000	\$10,000
Inspection	\$30,036	\$30,036
Project Management (by engineer)	\$56,000	\$56,000
Surveying	\$67,100	\$67,100
Testing	\$25,000	\$25,000
Special Services Total	\$208,136	\$208,136
Contingency		
Contingency	\$110,686	\$110,686
Contingency Total	\$110,686	\$110,686
Fiscal Services		
Bond Counsel	\$36,200	\$36,200
Financial Advisor	\$37,625	\$37,625
Issuance Costs	\$22,100	\$22,100
Fiscal/Legal	\$4,075	\$4,075
Fiscal Services Total	\$100,000	\$100,000
Grand Total	\$7,100,000	\$7,100,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT
 OF \$7,100,000 TO HIDALGO COUNTY IRRIGATION DISTRICT NO. 1
 FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
 THROUGH THE PROPOSED PURCHASE OF
 \$7,100,000 HIDALGO COUNTY IRRIGATION DISTRICT NO. 1 SYSTEM
 REVENUE NOTES, PROPOSED SERIES 2015

(15-)

WHEREAS, the Hidalgo County Irrigation District No. 1, located in Hidalgo County, Texas, (District) has filed an application for financial assistance in the amount of \$7,100,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), to finance the design and construction of certain water supply project(s) identified as Project No. 51007; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$7,100,000 Hidalgo County Irrigation District No. 1 System Revenue Notes, Proposed Series 2015, 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 a first lien on the net system 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;

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 has carefully considered all matters required by law and in particular whether the project as set forth in the application meets the criteria provided by Texas Water Code § 15.434(b); 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. the District has submitted and implemented a water conservation plan in accordance with Texas Water Code § 11.1271 and 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;
6. that the project supports agricultural water conservation including agricultural irrigation projects designed for water conservation; and
7. 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); and
8. that the Executive Administrator issued a Determination of No Effect on June 12, 2015, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator; and
9. that the Executive Administrator issued a Determination of No Effect on June 12, 2015, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents; and the TWDB concurs with the environmental finding issued by the Executive Administrator.

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

A commitment is made by the TWDB to Hidalgo County Irrigation District No. 1 for financial assistance in the amount of \$7,100,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of \$7,100,000 Hidalgo County Irrigation District No. 1 System Revenue Notes, 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 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;

9. 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 project costs as authorized by the Executive Administrator;
10. 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;
11. 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;
12. 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;
13. 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;
14. 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);
15. 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);
16. 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;
17. 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;
- 18. 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;
- 19. 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;
- 20. 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

- 21. 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;
- 22. if the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that 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;
- 23. 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 District certifies that the District 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 District must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

Conditions to Close or for Release of Funds:

24. 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;
25. 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;
26. 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;
27. 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;
28. 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;
29. 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; and
30. 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.

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

1. 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;

2. 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; and
3. 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, 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.

Hidalgo County Irrigation District No. 1, Hidalgo County

