

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 21, 2016

TEAM MANAGER: Luis Farias

APPLICANT	Trophy Club Municipal Utility District No. 1
TYPE OF ASSISTANCE	\$4,635,000 Loan
LEGAL PLEDGE	First Lien on Net Revenues of the Water and Sewer Systems

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the Trophy Club Municipal Utility District No. 1 (Denton and Tarrant Counties) for a \$4,635,000 loan from the State Water Implementation Revenue Fund for Texas to finance the acquisition, design, and construction of a water transmission pipeline.

PROJECT

Increase delivery infrastructure from Fort Worth
Project Number 51036

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. SWIFT projects presented for consideration have been scored and ranked utilizing a prioritization criteria outlined in Texas Administrative Code Title 31 §363.1304 and are included on the prioritized list of projects approved by the Board on April 11, 2016.

The Trophy Club Municipal Utility District No. 1 (District) is located in the Town of Trophy Club (Town) which is at the center of a major growth area in the Dallas-Fort Worth Metroplex. The District provides water, sewer, wastewater treatment, and fire protection to the Town and parts of Solana in Westlake. When the Trophy Club area was initially developed, the Town was not yet incorporated and as a result, the Municipal Utility District was created to provide water and sewer service.

The District currently receives its water supply from groundwater (Trinity Aquifer) and the City of Fort Worth (Fort Worth), but plans to discontinue use of groundwater before 2020. Water management strategies for the District, as outlined in the Region "C" Regional Water Plan are

COMMITMENT PERIOD: TO EXPIRE DECEMBER 31, 2016

conservation and additional water from Fort Worth. The additional water from Fort Worth will require an increase in delivery infrastructure. Fort Worth's current northeast treated water distribution system does not have the capacity to supply the desired additional demand to the District at this time.

The District plans to construct the infrastructure in two phases. Phase I will be funded by the Texas Water Development Board and is a joint project between the District, Fort Worth and City of Westlake, which will construct a 30-inch water transmission pipeline from an existing Fort Worth transmission main to an existing transmission main at a connection point near the Westlake West Pump Station. The second phase will be a dedicated transmission line for the District, which will be funded solely by the District.

FINANCIAL

Key Issues

The proceeds of the Proposed Series 2016 Bonds will be used to finance the District's pro rata share of costs of regional water line facilities to be owned and operated by Fort Worth. The water line facilities will serve customers of the District, Fort Worth and the Town of Westlake.

On October 8, 2015, retail customers of the District filed a petition with the Public Utility Commission of Texas to protest the water and wastewater system rates. The rate challenge will result in a review of water and sewer rates set by the District. The case is pending, but will not affect the District's ability to issue debt. Additionally, a standard condition of the loan requires the District to show documentation prior to closing of sufficient rates and charges to meet all debt service requirements.

Pledge and Repayment

The District is pledging a first lien on the net revenues from its water and sewer systems for the repayment of the proposed loan. The District's current combined average monthly water and wastewater rate is \$127.05. Based on staff's analysis of financial documentation received, current system revenues are sufficient to meet the current and proposed debt service requirements.

Cost Savings

Based on a 20-year maturity and current interest rates, the District could save approximately \$508,077 over the life of the loan.

Internal Risk Score

Staff assigns a 2A 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 strong.

The financial sustainability indicators for the water and wastewater system are strong. These indicators show the District's short-term and long-term ability to repay the debt. The District's system produces net revenues of 1.39 times the annual debt service requirements for the first year of principal repayment. This higher coverage level indicates greater flexibility to withstand unexpected expenses or declines in demand while still assuring repayment of debt. Additionally, the long term condition of the system is sound. A measure to show the long-term condition of the

system is the asset condition ratio. The District's asset condition ratio is 32 years. This shows a high level of reinvestment in the system's long-term assets to generate future revenues.

In addition to scoring high on financial indicators of the utility system, the District also scored high on other indicators showing the overall health of the District. Overall, the District has been able to retain its revenues, as evidenced by an increase in the fund balance over the last five years relative to revenues. In addition, taxable property in the District has increased steadily over the last five years. This has resulted in a high net taxable assessed valuation per capita of \$106,334.

The District's socioeconomic indicators are higher than the State of Texas (State) overall and indicate a strong and healthy economy. The District's population has increased at an average annual rate of 2.88% since 2000, compared to an increase at an annual rate of 1.60% for the population of the State overall. The District's average median household income of \$127,391 is 242% of the median for the State overall. The high median household income results in a projected household cost factor of 1.24%, which is well below the industry benchmark of 2% of the median household income for water and wastewater service.

The District maintains good liquidity with cash and short-term investments equivalent to 172 days of operating expenses. Any amount over 250 days is considered to be a very high level of liquidity. Adequate liquidity provides greater stability to a utility system by providing the resources needed to cover short-term, unplanned needs.

The District's total outstanding per capita debt of \$2,149 with the proposed financing is considered to be a moderate level of debt. However, the District's debt that is paid with ad valorem tax revenues is very low at 0.89% of the total taxable value of properties in the District. A ratio of 5% is high, and over 12% is not recommended.

The District's socioeconomic indicators are positive, the utility system produces substantial net revenues, and system rates are low as a percent of the median household income. The District is assigned a risk score of 2A.

LEGAL

Key Issues

None.

Conditions

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

- Water Rights Certification;
- Conversion; and,
- Conveyance.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget

5. Resolution (16-)
6. Water Conservation Review
7. Location Map

Project Data Summary

Responsible Authority	Trophy Club Municipal Utility District No. 1
Program	State Water Implementation Fund for Texas
Commitment Code	L16041
Project Number	51036
Intended Use Fund Year	2016
Fund Number	361
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$4,635,000 Water and Sewer System Revenue Bonds, Proposed Series 2016
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	11,500
Rural	No
Water Connections	4,704
Wastewater Connections	4,710
Qualifies as Disadvantaged	N/A
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	Low-Interest Loan
SWIFT Characteristic	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	N/A
Water Rights Certification Required	No
Internal Risk Score	2A
External Ratings (for SRF rates)	
Standard and Poor's	AA-
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	PUC-Water and Wastewater Rates Protest

Project Team

Team Manager	Luis Farias
Financial Analyst	Ben Munguia
Engineering Reviewer	Michael Brooks
Environmental Reviewer	Kathy Calnan
Attorney	Annette Mass

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Trophy Club Municipal Utility District No. 1

Trophy Club Municipal Utility District No. 1 Water and Sewer Revenue Bonds, Proposed Series 2016

Dated Date: 11/30/2016	Source: SWIFT-LOW-20YR
Delivery Date: 11/30/2016	Rate: 1.86%
First Interest: 9/1/2017	Insurance: No
First Principal: 9/1/2017	Case: Revenues
Last Principal: 9/1/2036	Admin.Fee: \$ -
Fiscal Year End: 09/30	Admin. Fee Payment Date: N/A
Required Coverage: 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$4,635,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2017	1,192,533	595,638	205,000	0.65%	54,650	259,650	855,287	1.39
2018	1,192,533	598,338	210,000	0.73%	71,265	281,265	879,603	1.36
2019	1,192,533	595,838	210,000	0.82%	69,732	279,732	875,570	1.36
2020	1,192,533	598,238	210,000	0.91%	68,010	278,010	876,248	1.36
2021	1,192,533	600,438	215,000	0.99%	66,099	281,099	881,537	1.35
2022	1,192,533	602,438	215,000	1.08%	63,971	278,971	881,408	1.35
2023	1,192,533	604,238	215,000	1.16%	61,649	276,649	880,886	1.35
2024	1,192,533	610,838	220,000	1.23%	59,155	279,155	889,992	1.34
2025	1,192,533	617,138	225,000	1.30%	56,449	281,449	898,586	1.33
2026	1,192,533	617,013	225,000	1.36%	53,524	278,524	895,536	1.33
2027	1,192,533	620,513	230,000	1.56%	50,464	280,464	900,976	1.32
2028	1,192,533	623,638	230,000	1.70%	46,876	276,876	900,513	1.32
2029	1,192,533	630,163	235,000	1.82%	42,966	277,966	908,128	1.31
2030	1,192,533	631,138	240,000	1.93%	38,689	278,689	909,826	1.31
2031	1,192,533	635,388	245,000	2.03%	34,057	279,057	914,444	1.30
2032	1,192,533	639,038	250,000	2.10%	29,083	279,083	918,121	1.30
2033	1,192,533	642,088	255,000	2.18%	23,833	278,833	920,921	1.29
2034	1,192,533	649,538	260,000	2.23%	18,274	278,274	927,812	1.29
2035	1,192,533	650,475	265,000	2.29%	12,476	277,476	927,951	1.29
2036	1,192,533	-	275,000	2.33%	6,408	281,408	281,408	4.24
	\$	11,762,125	\$ 4,635,000		\$ 927,624	\$ 5,562,624	\$ 17,324,749	

AVERAGE (MATURITY) LIFE	10.74 YEARS
NET INTEREST RATE	1.863%
COST SAVINGS	\$ 508,077
AVERAGE ANNUAL REQUIREMENT	\$866,237

This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable.



**Trophy Club MUD # 1
51036 Increase delivery infrastructure from
Ft Worth
Engineering and Environmental Review**

Engineering:Key Issues:

None.

Project Need/Description

Project Need: Trophy Club Municipal Utility District No.1 (District) currently receives its water supply from groundwater (Trinity Aquifer) and City of Fort Worth (Fort Worth) but plans to discontinue use of groundwater before 2020. The District's groundwater supply is inefficient to meet water demands of the future. The groundwater quality is also poor and must be combined with treated water. Water management strategies for Trophy Club, as outlined in the Region "C" Water Plan are conservation and additional water from Fort Worth. The additional water from Fort Worth will require an increase in delivery infrastructure. Fort Worth's current northeast treated water distribution system does not have the capacity to supply the desired additional demand to the District at this time.

Project Description: The District plans to construct the infrastructure in two phases. The first phase is a joint project between the District, Fort Worth and City of Westlake which will construct a 30-inch water transmission pipeline from an existing Fort Worth transmission main to an existing District transmission main at a connection point near the Westlake West Pump Station. The existing District transmission main is over 30 years old, and does not have the capacity to meet future demands. The second phase will be a larger dedicated transmission line for the District, which will be funded solely by the District.

Project Schedule:

Project Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	6/15/2016
Closing	11/30/2016
Design Phase Complete	7/1/2017
Start of Construction	9/1/2017
Construction Completion	6/1/2018

Environmental Section: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 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.



Project Budget Summary
 Trophy Club MUD # 1
 51036 - Increase delivery infrastructure
 from Ft Worth

Budget Items	This Commitment	Total
Construction		
Construction	\$2,830,730.00	\$2,830,730.00
Subtotal for Construction	\$2,830,730.00	\$2,830,730.00
Basic Engineering Services		
Construction Engineering	\$31,143.00	\$31,143.00
Design	\$254,405.00	\$254,405.00
Subtotal for Basic Engineering Services	\$285,548.00	\$285,548.00
Special Services		
Project Management (by engineer)	\$17,447.00	\$17,447.00
Surveying	\$89,883.00	\$89,883.00
Subtotal for Special Services	\$107,330.00	\$107,330.00
Fiscal Services		
Bond Counsel	\$66,337.00	\$66,337.00
Financial Advisor	\$71,578.00	\$71,578.00
Issuance Costs	\$7,085.00	\$7,085.00
Subtotal for Fiscal Services	\$145,000.00	\$145,000.00
Other		
Land/Easements Acquisition	\$645,926.00	\$645,926.00
Subtotal for Other	\$645,926.00	\$645,926.00
Contingency		
Contingency	\$620,466.00	\$620,466.00
Subtotal for Contingency	\$620,466.00	\$620,466.00
Total	\$4,635,000.00	\$4,635,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,635,000 TO TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$4,635,000 TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 WATER AND SEWER
SYSTEM REVENUE BONDS,
PROPOSED SERIES 2016

(16-)

WHEREAS, the Trophy Club Municipal Utility District No. 1 (District) has filed an application for financial assistance in the amount of \$4,635,000 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. 51036; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$4,635,000 Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Proposed Series 2016 (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 system revenue as sufficient security for the repayment of the Obligations; and

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

WHEREAS, interest rate subsidies are available to the District at the following levels: 35% for a loan of a term of 20 years, 25% for a loan of a term of 21 to 25 years, and 20% for a loan of a term of 26 to 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 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);

4. 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
5. 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 Trophy Club Municipal Utility District No. 1 for financial assistance in the amount of \$4,635,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of \$4,635,000 Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Proposed Series 2016. This commitment will expire on December 31, 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 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 § 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 costs for the project 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 § 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 as 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 Reserve Fund & Additional Debt Test

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 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;

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;
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:

Special Conditions:

31. prior to the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, 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;

32. 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;
33. 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
34. 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 21st day of July, 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
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.

Trophy Club MUD #1, Denton & Tarrant Counties

