



PROJECT FUNDING REQUEST

BOARD DATE: July 24, 2025

Team Manager: Nancy Richards

ACTION REQUESTED

Consider approving by resolution a request from the Baytown Area Water Authority (Harris and Chambers counties) for \$69,000,000 in financing from the State Water Implementation Fund for Texas program for construction of a water supply project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Baytown Area Water Authority (Authority) is a regional entity that was established in 1976 to supply drinking water to municipal and industrial customers in the City of Baytown and its extraterritorial jurisdiction across Harris and Chambers counties. The Authority provides drinking water to approximately 106,000 people.

PROJECT NEED AND DESCRIPTION

The Authority's East Surface Water Treatment Plant (SWTP) Expansion project is being implemented to ensure a reliable supply of safe drinking water for the City of Baytown, and the residential and commercial customers served by the Authority. Currently, the Authority meets its water demand of 16 million gallons per day (MGD) through treatment and distribution facilities at the Fritz Lanham SWTP and East SWTP. In response to population growth and ongoing commercial and industrial development within its service area, the Authority has projected a future water demand of 32.3 MGD by 2028.

The Authority is requesting construction funding to expand the East SWTP from the existing 6 MGD capacity to 12 MGD to adequately serve both current and future customers. Plant upgrades include installing an intake screen and media filter, upsizing and adding additional pumps, adding a new ground storage tank, upgrading the chemical injection system, and constructing a new sludge lagoon for solids handling.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 15, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	July 1, 2025
Design Phase Completion	January 31, 2026
Start of Construction	February 28, 2026
Construction Completion	April 30, 2028

KEY ISSUES

Planning and design phase has been completed by the Authority. The plant was constructed in 2020 with phased expansions considered during design. The ultimate plant build out will be 24 MGD.

COMMITMENT PERIOD: FIVE (5) MONTHS TO EXPIRE DECEMBER 31, 2025

LEGAL/SPECIAL CONDITIONS

- Water rights certification

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (25-)
4. Water Conservation Review
5. Location Map

Financial Review

Baytown Area Water Authority

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 1.55%	State: 1.49%
Top 10 Customers % of Total Revenue	100%	10-15%
Median Household Income as % of State	84%	100%
Days of Cash on Hand (3-year Average)	813 days	30-149 days
Net Fixed Assets/ Annual Depreciation	22 years	12-24 years
Debt Service Coverage Ratio	3.15x	1.0x
Debt-to-Operating Revenues	2.25	4.00-5.99x
Unemployment Rate (April 2025)	City: 5.60%	State: 3.70%
Working Capital Ratio	3.48	> 1.0

Key Risk Score Strengths

- Water system revenues are sufficient to cover the existing debt and for the proposed obligations without rate increases.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- Strong assessed value growth coupled with a 96 percent current tax collection rate, provides the City with additional revenue flexibility.
- Healthy population growth of 1.55 percent, which is above the benchmark and illustrates the need for water system improvements.

Key Risk Score Concerns

- Concentrated customer base with the City of Baytown accounting for 91 percent of the total revenues, followed by the City of Houston which accounts for 9 percent.
- Unemployment of 5.6 percent, which is above the state's average of 3.7 percent.
- Although the City has seen its general fund cash balance ratio decline to a negative 14.2 percent, we believe the City's strong liquidity in its utility fund offsets that concern.

PLEDGE

Legal Pledge Name	Ad Valorem Tax and Utility System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input checked="" type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input checked="" type="checkbox"/> N/A

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
Water	6,000	\$138.94	\$138.94	2.73	2.73

TAXES

	2024 Tax Year Rate	Max Projected Tax Rate (Year 2024)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.4369	\$0.4369	\$2.50	96%	\$6,829,588,485
Interest & Sinking	\$0.2635	\$0.2635			
Total Tax Rate	\$0.7004	\$0.7004			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Authority could save approximately \$5,597,984 over the life of the financing.

Responsible Authority	Baytown Area WA
Program	SWIFT
Commitment Number	L1002216
Project Number	51097
List Year	2025
Type of Pledge	Contract Revenue Pledge
Pledge Level (if applicable)	N/A
Legal Description	\$69,000,000 Baytown, Texas Contract Revenue Bonds, Proposed Series 2025 (City of Baytown Project)
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	Construction
Pre-Design	No
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Approvable
Overall Risk Score	2B

PROJECT TEAM				
Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Nancy Richards	Sarah Smaardyk	Raghavender Nednur	Britt Wilson	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Baytown Area Water Authority

\$69,000,000 Baytown, Texas Contract Revenue Bonds, Proposed Series 2025

Dated Date:	11/15/2025	Source:	SWIFT-LOW-30YR
Delivery Date:	11/15/2025	Rate:	4.35%
First Interest:	5/1/2026	IUP Year:	2025
First Principal:	5/1/2027	Case:	Revenue
Last Principal:	5/1/2055		
Fiscal Year End:	09/30		
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$69,000,000 ISSUE				TOTAL DEBT	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	SERVICE	COVERAGE
2026	\$21,121,634	\$5,410,219	\$0	-	\$1,293,469	\$1,293,469	\$6,703,687	3.15
2027	21,121,634	5,362,769	1,405,000	2.77%	2,805,113	4,210,113	9,572,881	2.21
2028	21,121,634	5,310,900	1,445,000	2.78%	2,766,194	4,211,194	9,522,094	2.22
2029	21,121,634	5,304,588	1,485,000	2.80%	2,726,023	4,211,023	9,515,611	2.22
2030	21,121,634	5,301,888	1,525,000	2.85%	2,684,443	4,209,443	9,511,331	2.22
2031	21,121,634	5,305,500	1,570,000	2.92%	2,640,981	4,210,981	9,516,481	2.22
2032	21,121,634	5,306,725	1,615,000	2.99%	2,595,137	4,210,137	9,516,862	2.22
2033	21,121,634	5,305,600	1,665,000	3.05%	2,546,848	4,211,848	9,517,448	2.22
2034	21,121,634	5,305,900	1,715,000	3.17%	2,496,066	4,211,066	9,516,966	2.22
2035	21,121,634	5,305,400	1,770,000	3.26%	2,441,700	4,211,700	9,517,100	2.22
2036	21,121,634	5,307,700	1,825,000	3.46%	2,383,998	4,208,998	9,516,698	2.22
2037	21,121,634	5,302,350	1,890,000	3.57%	2,320,853	4,210,853	9,513,203	2.22
2038	21,121,634	5,299,350	1,955,000	3.69%	2,253,380	4,208,380	9,507,730	2.22
2039	21,121,634	3,163,250	2,030,000	3.80%	2,181,241	4,211,241	7,374,491	2.86
2040	21,121,634	1,974,000	2,105,000	3.90%	2,104,101	4,209,101	6,183,101	3.42
2041	21,121,634	-	2,185,000	4.01%	2,022,006	4,207,006	4,207,006	5.02
2042	21,121,634	-	2,275,000	4.12%	1,934,387	4,209,387	4,209,387	5.02
2043	21,121,634	-	2,370,000	4.23%	1,840,657	4,210,657	4,210,657	5.02
2044	21,121,634	-	2,470,000	4.29%	1,740,406	4,210,406	4,210,406	5.02
2045	21,121,634	-	2,575,000	4.37%	1,634,443	4,209,443	4,209,443	5.02
2046	21,121,634	-	2,685,000	4.55%	1,521,916	4,206,916	4,206,916	5.02
2047	21,121,634	-	2,810,000	4.55%	1,399,748	4,209,748	4,209,748	5.02
2048	21,121,634	-	2,940,000	4.55%	1,271,893	4,211,893	4,211,893	5.01
2049	21,121,634	-	3,070,000	4.55%	1,138,123	4,208,123	4,208,123	5.02
2050	21,121,634	-	3,210,000	4.55%	998,438	4,208,438	4,208,438	5.02
2051	21,121,634	-	3,355,000	4.63%	852,383	4,207,383	4,207,383	5.02
2052	21,121,634	-	3,510,000	4.63%	697,047	4,207,047	4,207,047	5.02
2053	21,121,634	-	3,675,000	4.63%	534,534	4,209,534	4,209,534	5.02
2054	21,121,634	-	3,845,000	4.63%	364,381	4,209,381	4,209,381	5.02
2055	21,121,634	-	4,025,000	4.63%	186,358	4,211,358	4,211,358	5.02
		\$74,266,138	\$69,000,000		\$54,376,261	\$123,376,261	\$197,642,399	

AVERAGE (MATURITY) LIFE	18.12 YEARS
NET INTEREST RATE	4.348%
COST SAVINGS	\$5,597,984
AVERAGE ANNUAL REQUIREMENT	\$6,609,454

Disclaimer: 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. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.



Project Budget Summary
Baytown Area Water Authority - 51097

BAWA East SWTP Expansion

Budget Items	TWDB Funds	Local Funds	Total
Construction			
Construction	\$43,596,305.00	\$1,503,291.00	\$45,099,596.00
Subtotal for Construction	\$43,596,305.00	\$1,503,291.00	\$45,099,596.00
Basic Engineering Services			
Basic Engineering Other (Design Builder Fee)	\$5,389,654.00	\$0.00	\$5,389,654.00
Construction Engineering	\$5,500,000.00	\$0.00	\$5,500,000.00
Design	\$0.00	\$5,023,131.00	\$5,023,131.00
Subtotal for Basic Engineering Services	\$10,889,654.00	\$5,023,131.00	\$15,912,785.00
Special Services			
Inspection	\$0.00	\$908,700.00	\$908,700.00
Project Management (by engineer)	\$0.00	\$2,564,878.00	\$2,564,878.00
Special Service Other (Bonds and Insurance)	\$2,705,388.00	\$0.00	\$2,705,388.00
Subtotal for Special Services	\$2,705,388.00	\$3,473,578.00	\$6,178,966.00
Fiscal Services			
Bond Counsel	\$200,000.00	\$0.00	\$200,000.00
Financial Advisor	\$164,375.00	\$0.00	\$164,375.00
Fiscal/Legal	\$12,500.00	\$0.00	\$12,500.00
Issuance Costs	\$5,625.00	\$0.00	\$5,625.00
Subtotal for Fiscal Services	\$382,500.00	\$0.00	\$382,500.00
Contingency			
Contingency	\$11,426,153.00	\$0.00	\$11,426,153.00
Subtotal for Contingency	\$11,426,153.00	\$0.00	\$11,426,153.00
Total	\$69,000,000.00	\$10,000,000.00	\$79,000,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$69,000,000 TO BAYTOWN AREA WATER AUTHORITY
THROUGH THE PROPOSED PURCHASE OF
\$69,000,000 BAYTOWN AREA WATER AUTHORITY
WATER SUPPLY CONTRACT REVENUE BONDS,
PROPOSED SERIES 2025 (CITY OF BAYTOWN PROJECT)

(25-)

Recitals:

The Baytown Area Water Authority (Authority), located in Harris and Chambers Counties, has filed an application for financial assistance in the amount of \$69,000,000 to finance the construction of water supply project identified as Project No. 51097 (Project).

The Authority qualifies for financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$69,000,000 Baytown Area Water Authority Water Supply Contract Revenue Bonds, Proposed Series 2025 (City of Baytown Project) (Obligations), together with all authorizing documents, all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The Authority has offered a pledge of contract revenue as sufficient security for the repayment of the Obligations.

The interest rate subsidies as approved by the Board at its April 10, 2025 meeting, are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIFT bond issuance and are subject to modification as necessary to preserve and maintain the integrity of the SWIFT Program.

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

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

Findings:

1. 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; or the requirements of Chapter 17, Subchapters D, E, and L, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A.

2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The public interest requires state assistance in the financing of this project, in accordance with Texas Water Code § 17.125(a)(1).
4. The Authority, a wholesale water supplier, and all other contracting parties have submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
5. The Authority acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related 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 commits to the following:

1. A commitment is made by the TWDB to the Baytown Area Water Authority for financial assistance in the amount of \$69,000,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of \$69,000,000 Baytown Area Water Authority Water Supply Contract Revenue Bonds, Proposed Series 2025 (City of Baytown Project). This commitment will expire on December 31, 2025.

The commitment is subject to the following:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the Authority has complied with all of the requirements of the laws under which the Obligations were issued; that the Obligations were issued in conformance with the Constitution and laws of the State of Texas; and that the Obligations are valid and binding obligations of the Authority.
3. This commitment is contingent upon the Authority'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 Authority executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting the executed agreement to the TWDB consistent with the terms and conditions described in it.

5. Interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator.
6. The Authority 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 of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

Required Obligation Conditions:

7. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that 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.
8. The Obligations must provide that the Authority will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. The Obligations must provide that the Authority must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
10. The Obligations must contain a provision requiring the Authority to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein the Authority, 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 Authority'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 the 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 SEC rule 15c2-12, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to the bonds under SEC Rule 15c2-12.
12. The Obligations must require the Authority to use any surplus financial assistance proceeds from the Obligations remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.

13. The Obligations must provide 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.
14. Financial assistance proceeds are public funds. Therefore, the Obligations must require that these proceeds 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.
15. Financial assistance proceeds shall not be used by the Authority when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations must provide that the Authority is solely responsible for liability resulting from acts or omissions of the Authority, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewage sludge, contaminated sediments or contaminated media that may be generated by the Authority, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
16. The Obligations must require the Authority to 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.
17. 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-only form in accordance with 31 TAC § 363.42(c)(1).
18. The Authority must abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.
19. The Authority must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Government Code § 2.103 and Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.
20. The Obligations must require the Authority to submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
21. The Obligations must include a provision that, if the collateral or credit pledged by the Authority securing the Obligations is rated by a nationally-recognized statistical rating agency, the Authority, or other obligated person, will not discontinue the rating issued by a nationally-recognized statistical rating agency until the underlying Obligations are retired or no longer held by TWDB.

Tax-Exempt Conditions:

22. The Obligations must prohibit the Authority from using the proceeds of this financial assistance in a manner that would cause the Obligations to become “private activity bonds” within the meaning of section 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated under it (Regulations).
23. The Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments, as defined in the Code and Regulations, that produce a yield materially higher than the yield on the TWDB’s bonds issued to provide the financial assistance (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 the proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund within the meaning of section 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed the lesser 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.
24. The Obligations must require the Authority to take all necessary steps to comply with the requirement that amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the Authority 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 the accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with the Gross Proceeds;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the associated rulings. The Authority

shall maintain a copy of the calculations for at least six years after the final Computation Date;

- c. pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date as additional consideration for providing financial assistance and in order to induce providing financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners of TWDB's Bonds for federal income tax purposes;
 - d. exercise reasonable diligence to ensure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time, including payment to the United States of any interest and any penalty required by the Regulations.
- 25. The Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
 - 26. The Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.
 - 27. The Obligations must contain a covenant that the Authority will refrain from using the proceeds of the Obligations to pay debt service on another issue of the borrower's obligations in contravention of section 149(d) of the Code (related to "advance refundings").
 - 28. The Obligations must provide that neither the Authority nor a party related to it 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 Authority by the TWDB.

Pledge Conditions:

- 29. Upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review.
- 30. The Obligations must require the Authority to maintain and enforce the contracts with its customers so that the revenues paid to the Authority by its customers are sufficient to meet the revenue requirements of the Authority's obligations arising from the operation of the water system.
- 31. The Obligations must provide that the pledged contract revenues from the Authority may not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority demonstrates to the Executive Administrator's satisfaction that the pledged contract

revenues will be sufficient for the repayment of all Obligations and additional parity obligations.

32. Before closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. The contracts must 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 Authority's debt service obligations and additional parity obligations.

Conditions to Close or for Release of Funds:

33. Before closing, if not previously provided with the application, the Authority shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel 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.
34. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority 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.
35. Before closing, the Authority shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.
36. Before closing, the Authority'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 Authority when rendering this opinion.
37. Before closing, the Authority's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion.
38. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations.
39. The transcript must include evidence that the information reporting requirements of section 149(e) of the Internal Revenue 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 section 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.

40. Before closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority's Obligations, in form and substance acceptable to the Executive Administrator. The 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 Authority's debt service obligations and additional parity obligations.
41. Before closing, the City shall submit to the escrow agent a closing memo signed by the executive administrator.

Special Conditions:

42. Before 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 City has the right to use the water that the Project financed by the TWDB will provide.

APPROVED and ordered of record this, the 24th day of July 2025.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator

Review Date:

Project ID:

Water

Wastewater

Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

WATER CONSERVATION PLAN DATE:		Approvable	Adopted
	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline			
5-year Goal			
10-year Goal			

WATER LOSS AUDIT YEAR:	Validation Required:	Validation Performed:
Service connections:	Length of main lines (miles):	Water Loss GCD:
Retail population:	Connections per mile:	Water Loss GPCD:
		ILI:
		Real Loss GMD:

WATER LOSS THRESHOLDS	Water Loss Project:		Waiver Requested:	
Wholesale Adjusted:	Apparent Loss GCD		Real Loss GCD	
Threshold Type:	Reported	Threshold	Reported	Threshold
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 losses are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

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.

GCD means gallons per connection per day.

GMD means gallons per mile 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 3,000 connections and a connection density of more than 16 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 bench marking 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.

Real losses are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

Residential GPCD is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

Total GPCD is the amount of total system input volume divided by the retail population 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 GPCD is the amount of water loss divided by the retail population divided by 365.

Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

Water Loss Thresholds are levels of real and apparent water loss determined by the 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.

Wholesale Adjusted represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



Baytown Area Water Authority Harris County

