



PROJECT FUNDING REQUEST

BOARD DATE: July 24, 2025

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the Upper Trinity Regional Water District to amend Texas Water Development Board Resolution No. 23-059 to authorize \$60,580,000 in financial assistance from the State Water Implementation Revenue Fund for Texas for construction of a water system improvements project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Upper Trinity Regional Water District (District) is a wholesale water provider that supplies treated water to residents in Denton, Collin, and Tarrant counties. The District operates the Taylor Regional Water Treatment Plant (TWTP) at 70 million gallons per day (MGD). The TWTP is located in Lewisville and was originally constructed in 1995. The TWTP has undergone two expansions (Phase I and II) to reach a current capacity of 70 MGD. The District operates both the TWTP and the Harpool WTP and will serve nearly 735,000 residents by 2040.

On July 25, 2023, the Texas Water Development Board (TWDB) authorized a \$76,255,000 multi-year commitment utilizing Board Participation to plan, design, and construct the TWTP expansion from 70 MGD to 85 MGD. The costs have arisen primarily because construction bids have increased beyond initial estimates. As a result, the project requires more funding to cover these unforeseen expenses. Therefore, the District is requesting an additional \$60,584,000 to ensure the expansion can continue without interruption.

This project has Board Participation; this is the breakdown of the funding:

| | Total Costs | TWDB | UTRWD |
|---------------------------------|---------------|---------------|--------------|
| 2023 SWIFT Funding (Approved) | \$95,318,750 | \$76,255,000 | \$19,063,750 |
| 2025 SWIFT Funding (Requesting) | \$75,730,000 | \$60,580,000 | \$15,146,000 |
| Total | \$171,044,750 | \$136,835,000 | \$34,209,750 |
| | 100% | 80% | 20% |

PROJECT NEED AND DESCRIPTION

The District serves as a wholesale supplier of treated water to various member entities within its Northeast service area. In the summer of 2022, the Texas Commission on Environmental Quality requirements were triggered when demand reached 85 percent of its 70 MGD capacity at the District's TWTP. The TWTP was constructed in 1995, with some of the existing systems operating beyond their useful life.

| Multi-Year Commitment: | Expiration Date |
|------------------------------------|-------------------|
| \$55,000,000. Proposed Series 2025 | December 31, 2025 |
| \$5,580,000 Proposed Series 2026 | December 31, 2026 |

The District is requesting additional funding to continue construction of the Taylor Regional Water Treatment Plant Expansion project. The project will increase the plant's treatment capacity from 70 million gallons per day (MGD) to 85 MGD. Construction includes upgrades to raw water pipelines, meters, filtration systems, chemical treatment facilities, power systems, and pump stations. These enhancements are necessary to support the expanded capacity and ensure continued reliable water service to the region.

PROJECT SCHEDULE

| Task | Schedule Date |
|---|----------------------|
| Engineering Feasibility Report Completion (End of Planning Phase) | October 1, 2023 |
| Design Phase Completion | December 30, 2024 |
| Start of Construction | April 4, 2024 |
| Closing | November 1, 2025 |
| Construction Completion | June 1, 2027 |

KEY ISSUES

Financing will be provided through a Master Agreement, which sets out the responsibilities, duties and liabilities of the District and the TWDB. Under the Master Agreement, the TWDB will purchase up to 80 percent of the project based on the amount of TWDB Board Participation funds provided as compared to the total amount of funds spent on the project. The District obligates itself to purchase the TWDB's interest in the project under a payment schedule attached to the Master Agreement, which provides that the District will make payments of principal and interest.

The District's obligation to purchase the TWDB's interest in the Board Participation project is secured by a subordinate lien pledge on the net revenues of the water system. The District is unable to pledge a first lien on the net revenues because of the variable nature of repurchase obligations included in the Master Agreement.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (25-)
4. Resolution No. 23-059
5. Water Conservation Review
6. Location Map

Financial Review

Upper Trinity Regional Water District

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2024

Key Indicators

| Indicator | Result | Benchmark |
|---|---------------|--------------|
| Population Growth, Average Annual 2010-2020 | County: 1.86% | State: 1.49% |
| Top 10 Customers % of Total Revenue | 86% | 10-15% |
| Median Household Income as % of State | 132% | 100% |
| Days of Cash on Hand (3-year Average) | 1,069 days | 30-149 days |
| Net Fixed Assets/ Annual Depreciation | 23 years | 12-24 years |
| Debt Service Coverage Ratio | 0.5x | 1.0x |
| Debt-to-Operating Revenues | 16.58 | 4.00-5.99x |
| Unemployment Rate (April, 2025) | County: 3.5% | State: 3.70% |
| Working Capital Ratio | 1.6 | > 1.0 |

Key Risk Score Strengths

- The District has a high working capital ratio, indicating its robust liquidity position and ample resources to cover its short-term liabilities efficiently.
- The District also has a cash balance ratio of 77.66 percent, which is above the benchmark, indicating an overall upward trend in funds demonstrating solid financial health and resilience.

Key Risk Score Concerns

- The debt-to-operating revenues ratio is above benchmark due to taking on more debt to accommodating future population growth. The District's operating revenues have increased by an average of nine percent annually over the previous five years and rates are adjusted annually based on revenues needed to meet debt service and operating expenses.
- In a no-growth scenario, using 2024 audited numbers, the District will need annual rate increases starting in 2032 before maxing out at a projected monthly demand charge of \$100,133 in 2042.
- The District's top 10 customers make up 86 percent of total water revenue, with the largest of these being the Town of Flower Mound at approximately 19 percent. Since the District is a wholesaler, the top 10 customers are solely municipalities and water supply districts.

PLEDGE

| | |
|----------------------|--|
| Legal Pledge Name | Water System Revenues |
| Type of Pledge | <input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other |
| Revenue Pledge Level | <input type="checkbox"/> First <input checked="" type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A |

RATES AND CHARGES

| Average Monthly Wholesale Use | Gallons/Month (Thousands) | Current Monthly Demand Charge | Projected Monthly Demand Charge (2042) |
|-------------------------------|---------------------------|-------------------------------|--|
| Water | 16,329,784 | \$41,679.58 | \$100,132.92 |

Project Data Summary

| | |
|--|---|
| Responsible Authority | Upper Trinity Regional WD |
| Program | SWIFT |
| Commitment Number | LB2502231, LB2602231 |
| Project Number | 51082 |
| List Year | 2025 |
| Type of Pledge | Revenue Pledge |
| Pledge Level (if applicable) | Second Lien |
| Legal Description | \$55,000,000 Master Agreement Amendment Series 2025, \$5,580,000 Master Agreement Amendment Series 2026 |
| Tax-exempt or Taxable | Tax-Exempt |
| Refinance | No |
| Outlay Requirement | No |
| Disbursement Method | Escrow |
| Outlay Type | Outlay<>Escrow Release |
| Qualifies as Disadvantaged | No |
| SWIFT Financing Type | Board Participation |
| Financial Managerial & Technical Complete | N/A |
| Phases Funded | Construction |
| Pre-Design | No |
| Project Consistent with State Water Plan | Yes |
| Water Conservation Plan | Adopted |
| Overall Risk Score | 2B |

PROJECT TEAM

| Team Manager | Financial Analyst | Engineering Reviewer | Environmental Reviewer | Attorney |
|--------------|-------------------|----------------------|------------------------|---------------|
| Joe Koen | Jacob Berdoll | Joshua Pequeno | Kylie Beard | Breann Hunter |

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Upper Trinity Regional Water District

\$55,000,000 Upper Trinity Regional Water District Board Participation, Series 2025

Dated Date: 11/1/2025
Delivery Date: 11/1/2025
First Interest: 2/15/2026
First Principal: 8/15/2046
Last Principal: 8/15/2060
Fiscal Year End: 9/30
Required Coverage: 1.0

Source: SWIFT-PARTICIPATION
Rate: 5.32%
Insurance: 2,025.00
Case: Revenue
Admin.Fee: \$0
Admin. Fee Payment Date: N/A

| FISCAL YEAR | PROJECTED NET SYSTEM REVENUES | CURRENT DEBT SERVICE | \$55,000,000 ISSUE | | \$ 242,815,000 ISSUE 2025 - 2028 | | TOTAL DEBT SERVICE | COVERAGE |
|----------------|-------------------------------------|----------------------------|----------------------|------------------|-------------------------------------|------------------|-----------------------|----------|
| | | | PRINCIPAL PAYMENT | INTEREST RATE | TOTAL PAYMENT | TOTAL PAYMENT | | |
| 2026 | 58,668,631 | 41,386,717 | - | - | - | - | 41,386,717 | 1.42 |
| 2027 | 58,668,631 | 40,702,963 | - | - | - | - | 40,702,963 | 1.44 |
| 2028 | 58,668,631 | 44,225,037 | - | - | 291,751 | 709,433 | 45,226,221 | 1.30 |
| 2029 | 58,668,631 | 45,487,638 | - | - | 583,501 | 1,774,854 | 47,845,993 | 1.23 |
| 2030 | 58,668,631 | 47,386,392 | - | - | 729,376 | 2,655,959 | 50,771,728 | 1.16 |
| 2031 | 58,668,631 | 49,469,932 | - | - | 1,021,127 | 3,767,251 | 54,258,310 | 1.08 |
| 2032 | 60,339,148 | 53,804,637 | - | - | 1,385,815 | 5,148,696 | 60,339,148 | 1.00 |
| 2033 | 66,261,766 | 57,583,362 | - | - | 1,823,441 | 6,854,963 | 66,261,766 | 1.00 |
| 2034 | 74,500,075 | 63,519,448 | - | - | 2,261,066 | 8,719,560 | 74,500,075 | 1.00 |
| 2035 | 81,707,799 | 68,368,983 | - | - | 2,698,692 | 10,640,124 | 81,707,799 | 1.00 |
| 2036 | 88,551,811 | 73,592,328 | - | - | 2,917,505 | 12,041,978 | 88,551,811 | 1.00 |
| 2037 | 92,699,847 | 77,137,574 | - | - | 2,917,505 | 12,644,767 | 92,699,847 | 1.00 |
| 2038 | 110,028,927 | 89,910,196 | - | - | 4,186,388 | 15,932,343 | 110,028,927 | 1.00 |
| 2039 | 115,218,727 | 89,173,060 | - | - | 5,455,271 | 20,590,396 | 115,218,727 | 1.00 |
| 2040 | 117,335,717 | 89,015,303 | - | - | 5,455,271 | 22,865,143 | 117,335,717 | 1.00 |
| 2041 | 121,563,306 | 92,275,474 | - | - | 5,455,271 | 23,832,561 | 121,563,306 | 1.00 |
| 2042 | 125,473,761 | 95,954,883 | - | - | 5,455,271 | 24,063,607 | 125,473,761 | 1.00 |
| 2043 | 125,473,761 | 95,873,389 | - | - | 5,455,271 | 24,063,607 | 125,392,267 | 1.00 |
| 2044 | 125,473,761 | 95,600,075 | - | - | 5,455,271 | 24,063,607 | 125,118,953 | 1.00 |
| 2045 | 125,473,761 | 96,743,632 | - | - | 4,186,388 | 20,984,030 | 121,914,049 | 1.03 |
| 2046 | 125,473,761 | 91,450,838 | 2,505,000 | 5.160% | 5,422,505 | 22,451,076 | 119,324,418 | 1.05 |
| 2047 | 125,473,761 | 91,508,937 | 2,635,000 | 5.160% | 5,423,247 | 23,812,342 | 120,744,525 | 1.04 |
| 2048 | 125,473,761 | 90,278,218 | 2,770,000 | 5.160% | 5,422,281 | 24,577,118 | 120,277,617 | 1.04 |
| 2049 | 125,473,761 | 89,296,508 | 2,915,000 | 5.160% | 5,424,349 | 24,712,166 | 119,433,023 | 1.05 |
| 2050 | 125,473,761 | 87,576,303 | 3,065,000 | 5.160% | 5,423,935 | 24,591,660 | 117,591,898 | 1.07 |
| 2051 | 125,473,761 | 85,274,822 | 3,220,000 | 5.280% | 5,420,781 | 24,452,000 | 115,147,603 | 1.09 |
| 2052 | 125,473,761 | 83,893,619 | 3,390,000 | 5.280% | 5,420,765 | 24,301,542 | 113,615,926 | 1.10 |
| 2053 | 125,473,761 | 82,735,582 | 3,570,000 | 5.280% | 5,421,773 | 24,142,694 | 112,300,049 | 1.12 |
| 2054 | 125,473,761 | 80,940,793 | 3,760,000 | 5.280% | 5,423,277 | 23,965,318 | 110,329,388 | 1.14 |
| 2055 | 125,473,761 | 72,538,724 | 3,960,000 | 5.280% | 5,424,749 | 23,788,622 | 101,752,095 | 1.23 |
| 2056 | 125,473,761 | 62,468,327 | 4,165,000 | 5.410% | 5,420,661 | 23,585,758 | 91,474,746 | 1.37 |
| 2057 | 125,473,761 | 50,033,872 | 4,390,000 | 5.410% | 5,420,335 | 23,379,592 | 78,833,799 | 1.59 |
| 2058 | 125,473,761 | 39,130,705 | 4,630,000 | 5.410% | 5,422,836 | 23,221,447 | 67,774,987 | 1.85 |
| 2059 | 125,473,761 | 32,053,870 | 4,880,000 | 5.410% | 5,422,353 | 22,867,858 | 60,344,081 | 2.08 |
| 2060 | 125,473,761 | - | 5,145,000 | 5.410% | 5,423,345 | 22,616,940 | 28,040,285 | 4.47 |
| 2061 | 125,473,761 | - | - | - | - | 9,176,119 | 9,176,119 | 13.67 |
| 2062 | 125,473,761 | - | - | - | - | 3,471,540 | 3,471,540 | 36.14 |
| 2063 | 125,473,761 | - | - | - | - | 890,715 | 890,715 | 140.87 |
| | | \$ 2,446,392,135 | \$ 55,000,000 | | \$ 139,071,372 | | \$ 125,473,761 | |

| | |
|----------------------------|-------------|
| AVERAGE (MATURITY) LIFE | 28.74 YEARS |
| NET INTEREST RATE | 5.319% |
| COST SAVINGS | - |
| AVERAGE ANNUAL REQUIREMENT | \$3,659,773 |

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
 Upper Trinity Regional WD
 51082 - Taylor Regional Water Treatment Plant Expansion

| Budget Items | Previous Commitments | Local and Other Funds | This Commitment | Total |
|--|------------------------|------------------------|------------------------|-------------------------|
| Construction | | | | |
| Construction | \$60,784,825.00 | \$18,955,000.00 | \$60,314,735.00 | \$133,339,310.00 |
| Subtotal for Construction | \$60,784,825.00 | \$18,955,000.00 | \$60,314,735.00 | \$133,339,310.00 |
| Basic Engineering Services | | | | |
| Construction Engineering | \$2,026,600.00 | \$898,000.00 | | \$2,924,600.00 |
| Design | \$2,273,900.00 | \$914,500.00 | | \$3,188,400.00 |
| Subtotal for Basic Engineering Services | \$4,300,500.00 | \$1,812,500.00 | | \$6,113,000.00 |
| Special Services | | | | |
| Application | \$5,000.00 | \$5,000.00 | | \$10,000.00 |
| Environmental | \$8,500.00 | \$1,500.00 | | \$10,000.00 |
| Geotechnical | \$33,500.00 | \$2,500.00 | | \$36,000.00 |
| Permits | \$22,000.00 | \$3,000.00 | | \$25,000.00 |
| Project Management (by engineer) | \$1,195,000.00 | \$35,000.00 | | \$1,230,000.00 |
| Surveying | \$21,500.00 | \$2,500.00 | | \$24,000.00 |
| Subtotal for Special Services | \$1,285,500.00 | \$49,500.00 | | \$1,335,000.00 |
| Fiscal Services | | | | |
| Bond Counsel | \$274,588.00 | \$0.00 | \$153,800.00 | \$428,388.00 |
| Financial Advisor | \$181,030.00 | \$0.00 | \$111,465.00 | \$292,495.00 |
| Issuance Costs | \$29,450.00 | \$0.00 | \$0.00 | \$29,450.00 |
| Subtotal for Fiscal Services | \$485,068.00 | \$0.00 | \$265,265.00 | \$750,333.00 |
| Other | | | | |
| Administration | \$4,662,922.00 | \$1,550,000.00 | | \$6,212,922.00 |
| Subtotal for Other | \$4,662,922.00 | \$1,550,000.00 | | \$6,212,922.00 |
| Contingency | | | | |
| Contingency | \$4,736,185.00 | \$5,000,000.00 | | \$9,736,185.00 |
| Subtotal for Contingency | \$4,736,185.00 | \$5,000,000.00 | | \$9,736,185.00 |
| Total | \$76,255,000.00 | \$27,367,000.00 | \$60,580,000.00 | \$164,202,000.00 |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TWDB RESOLUTION NO. 23-059
APPROVING AN APPLICATION FROM THE UPPER TRINITY REGIONAL WATER
DISTRICT
TO INCREASE THE TEXAS WATER DEVELOPMENT BOARD'S INTEREST IN
THE UPPER TRINITY REGIONAL WATER DISTRICT TAYLOR WATER TREATMENT
PLANT WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND
FOR TEXAS

(25 -)

Recitals:

The Texas Water Development Board (TWDB), under the authority of Chapter 15, Subchapter H of the Texas Water Code, is authorized to use the Board Participation Account of the State Water Implementation Revenue Fund for Texas (SWIRFT) to encourage optimum regional development of projects through the acquisition of an interest in new water supply project facilities and the sale, transfer, or lease of its interest in those facilities.

At its July 25, 2023 meeting, the TWDB, by TWDB Resolution No. 23-059, made a commitment to the Upper Trinity Regional Water District (District) to acquire and sell an ownership interest in Project No. 51082 (Project), not to exceed eighty percent (80%) of the total Project cost, in an amount not to exceed \$76,255,000 from the Board Participation Account of the SWIRFT, all as is more specifically set forth in TWDB Resolution No. 23-059 and accompanying documentation, to which documents express reference is made.

The TWDB and the District executed a Master Agreement on November 3, 2023, that set forth the duties, responsibilities, and liabilities of the TWDB and the District with regard to the Board Participation commitment.

The Project is now expected to cost \$171,048,750 and the District has requested that the TWDB amend TWDB Resolution No. 23-059 to increase the TWDB's ownership interest in the Project by \$60,580,000.

The District will finance at least twenty percent (20%) of the total project cost from sources other than the Board Participation Account of the SWIRFT, pursuant to 31 § 363.1308.

The District will purchase the TWDB's interest in the Project from the proceeds of a future bond issue, other revenues, or other lawful sources of funds in accordance with a Master Agreement to be executed between the District and the TWDB.

The District has offered a pledge of water system revenues as sufficient security for its obligation to purchase the TWDB's interest in the Project.

The TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project.

The Project will aid in addressing the long-term needs of the District's northeast service area all as is more specifically set forth in the recommendations of the TWDB's staff, to which documents express reference is made.

Findings:

1. The TWDB finds that the amendment to increase the Texas Water Development Board's Interest in the Upper Trinity Regional Water District Taylor Water Treatment Plant is reasonable and that the request is in the public interest.
2. 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.
3. It is reasonable to expect that the TWDB will recover its investment in the Project because the revenue to be generated by the projected number of customers served by the Project will be sufficient to purchase the excess capacity owned by the TWDB in accordance with 31 TAC § 363.1308(c)(1).
4. The cost of the Project exceeds the current financing capabilities of the area to be served by the Project, in accordance with 31 TAC § 363.1308(c)(2).
5. The optimum regional development cannot be reasonably financed by local interest based on an assessment of the estimated cost to construct the Project and the revenue to be generated by the projected number of customers of the facility, in accordance with 31 TAC § 363.1308(c)(3).
6. The public interest will be served by the TWDB's acquisition of an interest in the Project because the cost of the Project to the public will be reduced by the Board's participation in the Project, in accordance with 31 TAC § 363.1308(c)(4).
7. The Project contemplates the optimum regional development that is reasonably required under all existing circumstances of the site because the design capacity of the components of the Project are sufficient to meet the foreseeable needs of the area, in accordance with 31 TAC § 363.1308(c)(5).
8. 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).

9. A water conservation plan has been submitted and implemented in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
10. 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:

1. An additional commitment is made by the TWDB to acquire and sell an ownership interest in the Upper Trinity Regional Water District Taylor Water Treatment Plant, not to exceed eighty percent (80%) of the total Project cost based on an application filed by Upper Regional Water Trinity District, in an amount not to exceed the projected schedule of \$60,580,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a. \$55,000,000, to expire on December 31, 2025;
 - b. \$5,580,000, to expire on December 31, 2026;
2. The Executive Administrator is authorized to negotiate and execute amendments to the Master Agreement to set forth the duties, responsibilities, and liabilities of the TWDB and the District with regard to the Board Participation commitment.

All terms and conditions of TWDB Resolution No. 23-059 shall remain in full force and effect except as follows:

The following conditions are added to TWDB Resolution 23-059:

1. Before closing, the District shall submit to the escrow agent a closing memo signed by the Executive Administrator.

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

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FROM UPPER TRINITY REGIONAL WATER DISTRICT
FOR THE TEXAS WATER DEVELOPMENT BOARD'S
ACQUISITION AND SALE OF AN INTEREST IN
UPPER TRINITY REGIONAL WATER DISTRICT TAYLOR WATER TREATMENT PLANT
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

(23-059)

Recitals:

The Texas Water Development Board (TWDB), under the authority of Chapter 15, Subchapter H of the Texas Water Code, is authorized to use the Board Participation Account of the State Water Implementation Revenue Fund for Texas (SWIRFT) to encourage optimum regional development of projects through the acquisition of an interest in new water supply project facilities and the sale, transfer, or lease of its interest in those facilities.

The Upper Trinity Regional Water District (District) has filed an application with the TWDB requesting that the TWDB acquire an interest in the Upper Trinity Regional Water District Taylor Water Treatment Plant, Project No. 51082 (Project), not to exceed eighty percent (80%) of the total Project cost, in order to enable the acquisition of excess capacity for the optimum regional development of the Project, using the Board Participation Account of the SWIRFT.

The Project is expected to cost \$95,318,750 of which the TWDB's share, pursuant to this commitment, will not exceed \$76,255,000.

The District will finance at least twenty percent (20%) of the total project cost from sources other than the Board Participation Account of the SWIRFT, pursuant to 31 TAC § 363.1308.

The District will purchase the TWDB's interest in the Project from the proceeds of a future bond issue, other revenues, or other lawful sources of funds in accordance with a Master Agreement to be executed between the District and the TWDB.

The District has offered a pledge of water system revenues as sufficient security for its obligation to purchase the TWDB's interest in the Project.

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.

The TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project.

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.
2. It is reasonable to expect that the TWDB will recover its investment in the Project because the revenue to be generated by the projected number of customers served by the Project will be sufficient to purchase the excess capacity owned by the TWDB in accordance with 31 TAC § 363.1308(c)(1).
3. The cost of the Project exceeds the current financing capabilities of the area to be served by the Project, in accordance with 31 TAC § 363.1308(c)(2).
4. The optimum regional development cannot be reasonably financed by local interest based on an assessment of the estimated cost to construct the Project and the revenue to be generated by the projected number of customers of the facility, in accordance with 31 TAC § 363.1308(c)(3).
5. The public interest will be served by the TWDB's acquisition of an interest in the Project because the cost of the Project to the public will be reduced by the Board's participation in the Project, in accordance with 31 TAC § 363.1308(c)(4).
6. The Project contemplates the optimum regional development that is reasonably required under all existing circumstances of the site because the design capacity of the components of the Project are sufficient to meet the foreseeable needs of the area, in accordance with 31 TAC § 363.1308(c)(5).
7. 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).
8. A water conservation plan has been submitted and implemented in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
9. The District satisfactorily completed all requests by the Executive Administrator or a regional water planning group for information relevant to the Project, including a water infrastructure financing survey under Texas Water Code § 16.053(q) in accordance with Texas Water Code § 15.435(g) and 31 TAC § 363.1309(b)(2).
10. 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:

1. A commitment is made by the TWDB to acquire and sell an ownership interest in the Upper Trinity Regional Water District Taylor Water Treatment Plant, not to exceed eighty percent (80%) of the total Project cost based on an application filed by Upper Trinity Regional Water District, in an amount not to exceed the projected schedule of \$76,255,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a. \$18,080,000 Proposed Series 2023, to expire on December 31, 2023;
 - b. \$22,320,000 Proposed Series 2024, to expire on December 31, 2024;
 - c. \$20,220,000 Proposed Series 2025, to expire on December 31, 2025; and
 - d. 15,635,000 Proposed Series 2026, to expire on December 31, 2026.
2. The Executive Administrator is authorized to negotiate and execute a Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the District.

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 the District has complied with all of the requirements of the laws under which the Obligations were issued, that the Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that the 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 circumstance, 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. This commitment is contingent upon the District providing a current proforma to the Executive Administrator each year prior to closing.
6. 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 of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

The Following Conditions Must Be Included in the Master Agreement:

7. The Master Agreement must include a provision stating that the District shall have the right to make an early purchase of all or a portion of the TWDB's ownership interest in the Project, on or after the specified call date that is on or after the first interest payment date 10 years from the dated date by making principal payments in excess of the scheduled principal payments. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator.
8. The Master Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Master Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
9. Financial assistance proceeds are public funds and, as such, the Master Agreement must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
10. Financial assistance 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 Master Agreement 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 sewer sludge, contaminated sediments, and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
11. The Master Agreement 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.

12. The District agrees to take such actions as are necessary to assure, or to refrain from such actions as would materially adversely affect, the excludability from gross income for Federal income tax purposes of interest payable on such obligations as are issued by the TWDB to finance its acquisition of an interest in the Project.
13. The Master Agreement must contain a provision stating that the District shall 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.
14. The District will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
15. The District must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.

Pledge Conditions:

16. The Master Agreement must set forth the District's pledge of water system revenues to secure the District's obligation to purchase the TWDB's interest in the Project and require the District to levy a tax and/or to maintain and collect sufficient rates and charges to produce revenues in an amount sufficient to purchase the TWDB's interest in the Project.

Conditions to Close or for Release of Funds:

17. Before closing the District and the TWDB will execute a Master Agreement that will set forth the responsibilities, duties, and liabilities of each party.
18. Before closing, the District will provide an attorney's opinion that is satisfactory and acceptable to the Executive Administrator as to any impact of the Project on the tax-exempt status of any bonds issued by the TWDB to fund its acquisition of an interest in the Project.
19. Before closing, the District must submit executed contracts between the District and the contracting parties to the Project regarding the contract revenues pledged to the payment of the District's obligation to purchase the TWDB's interest in the Project, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges, and maintenance of revenues sufficient to meet the District's obligations arising from the Project.

20. Before closing, if not previously provided with the application, the District shall submit executed contracts for engineering, and, if applicable, financial advisor and legal 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.
21. Before 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.

Special Conditions:

22. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued 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.
23. 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 District has the right to use the water that the Project financed by the TWDB will provide.
24. 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.
25. The Master Agreement must include a provision requiring that, before any action by the District to convey its interest to another entity, the conveyance and the assumption of the interest must be approved by the TWDB.

APPROVED and ordered of record this the 25th day of July 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup

Brooke T. Paup, Chairwoman

DATE SIGNED: 7/26/03

ATTEST:

Jeff Walker

Jeff Walker, 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.



Upper Trinity Regional Water District Denton County

