



PROJECT FUNDING REQUEST

BOARD DATE: July 24, 2025

Team Manager: Bill Blaik

ACTION REQUESTED

Consider approving by resolution a request from the North Texas Municipal Water District (Collin, Dallas, Denton, Fannin, Grayson, Hopkins, Hunt, Kaufman, Rains, and Rockwall Counties) for \$641,695,00 in financing from the State Water Implementation Fund for Texas program for the construction of a water system project.

STAFF RECOMMENDATION



Approve



No Action

BACKGROUND

The North Texas Municipal Water District (District) provides water services to a population of approximately 2,222,000 residents. The District's member cities include Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse, and Wylie.

PROJECT NEED AND DESCRIPTION

The District needs to increase the capacity of the current water supply from Lake Texoma to address the growing water demand of their rapidly growing service area. The District has water supply available in Lake Texoma that can be used to help meet this increasing demand; however, additional infrastructure is required to fully utilize the water supply.

The District intends to construct a 27-mile long pipeline that will generally run parallel to their existing pipeline that conveys water from the Lake Texoma Pump Station to the Texoma Balancing Reservoir near Howe, Texas. The new pipeline will be an 84-inch polyurethane-coated, mortar-lined steel pipe and will have two delivery points at the City of Sherman Water Treatment Plant and at the Rayburn Electric Cooperative's Rayburn Energy Station. The District also intends to construct another 84-inch polyurethane-coated, mortar-lined steel pipeline that is approximately 9 miles long. This pipeline will connect the expanded Leonard Water Treatment Plant to the existing 96-inch Lake Texoma Outfall and then to the Wylie Water Treatment Plant Pipeline. Both of these pipelines are needed to allow the District the ability to provide treated water to its member and customer cities from the available water supply from Lake Texoma.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE DECEMBER 31, 2025
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PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	August 31, 2026
Design Phase Completion	November 30, 2026
Start of Construction	March 31, 2026
Construction Completion	February 29, 2028

KEY ISSUES

The District submitted a second State Water Implementation Fund for Texas program application. Both requests are included on this agenda and in the financial analysis presented in Attachment 1.

LEGAL/SPECIAL CONDITIONS

- Water rights certification
- Notice of change in legal status
- Notice of conveyance

Attachments:

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

Financial Review

North Texas Municipal Water District

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2024

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	Cities*: 2.26%	State: 1.49%
Median Household Income as % of State	95%	100%
Days of Cash on Hand (3-year Average)	201 days	30-149 days
Net Fixed Assets/ Annual Depreciation	33 years	12-24 years
Debt Service Coverage Ratio	1.02x	1.0x
Debt-to-Operating Revenues	8.28x	4.00-5.99x
Unemployment Rate (April, 2025)	Cities*: 3.38%	State: 3.7%
Working Capital Ratio	4.63	> 1.0
Cash Balance Ratio	17.85%	0-9.99%

* The 13 members of the District are Allen, Farmersville, Forney, Frisco, Garland, McKinney, Mesquite, Plano, Princeton, Richardson, Rockwall, Royse, and Wylie.

Key Risk Score Strengths

- With 201 days of cash on hand, the District has ample cash reserves to handle fiscal emergencies.
- The City's high fixed assets-to-depreciation ratio indicates well-maintained infrastructure and a good reinvestment strategy, supporting long-term service delivery and financial stability.
- The City's working capital ratio is above the benchmark, indicating its robust liquidity position and ample resources to cover its short-term liabilities efficiently. This financial stability supports ongoing infrastructure projects, public services, and economic development without excessive reliance on short-term borrowing.

Key Risk Score Concerns

- The District will meet coverage in their first year of principal payment; however, the District is projected to require a slight increase in rates to meet coverage. The projected increase to the wholesale water rate is 0.40 cents per 1,000 gallons and will need to be implemented in preparation for the second year of repayment. The District contracts with its member cities and customers to pay amounts equal to the District's operating and maintenance expenses, debt service requirements, and any other obligations payable from revenues of the District.

PLEDGE

Legal Pledge Name	Water System Revenue
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 checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Customer	Annual Minimum (1,000 Gallons)	Current Rate per 1,000 gallons	Projected Rate (2026)
Member Cities	103,304,146	\$3.69	\$4.09

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the District could save approximately \$37,536,983 over the life of the financing.

Project Data Summary

Responsible Authority	North Texas MWD
Program	SWIFT
Commitment Number	L1002218
Project Number	51103
List Year	2025
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$641,695,000 North Texas Municipal Water District Water System Revenue Bonds, Series 2025A
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Low-Interest
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
Bill Blaik	Rand Zeolla	Cody Cockayne	Gayla Duaine	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
North Texas Municipal Water District

\$239,060,000 North Texas Municipal Water District Water System Revenue Bonds Series 2025B*

Dated Date:	11/1/2025	Source:	SWIFT-LOW-30YR
Delivery Date:	11/1/2025	IUP Year:	2025
First Interest:	3/1/2026	Case:	Revenue
First Principal:	9/1/2026	Admin.Fee:	\$0
Last Principal:	9/1/2055	Admin. Fee Payment Date:	N/A
Fiscal Year End:	09/30	Required Coverage:	1.0

\$641,695,000 North Texas Municipal Water District Water Revenue Bonds Series 2025A

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First Interest:	3/1/2026	Case:	Revenue
First Principal:	9/1/2026	Admin.Fee:	\$0
Last Principal:	9/1/2055	Admin. Fee Payment Date:	N/A
Fiscal Year End:	09/30	Required Coverage:	1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$239,060,000 ISSUE				\$641,695,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2026	\$262,260,993	\$211,216,275	\$6,110,000	2.81%	\$8,036,315	\$14,146,315	\$16,405,000	2.81%	\$21,571,325	\$37,976,325	\$263,338,915	1.00
2027	263,428,407	211,266,910	4,685,000	2.77%	9,471,887	14,156,887	12,580,000	2.77%	25,424,610	38,004,610	263,428,407	1.00
2028	263,428,407	208,251,398	4,825,000	2.78%	9,342,113	14,167,113	12,950,000	2.78%	25,076,144	38,026,144	260,444,655	1.01
2029	263,428,407	207,396,675	4,970,000	2.80%	9,207,978	14,177,978	13,335,000	2.80%	24,716,134	38,051,134	259,625,787	1.01
2030	263,428,407	206,449,723	5,120,000	2.85%	9,068,818	14,188,818	13,740,000	2.85%	24,342,754	38,082,754	258,721,294	1.02
2031	263,428,407	208,014,816	5,275,000	2.92%	8,922,898	14,197,898	14,165,000	2.92%	23,951,164	38,116,164	260,328,877	1.01
2032	263,428,407	208,246,833	5,440,000	2.99%	8,768,868	14,208,868	14,605,000	2.99%	23,537,546	38,142,546	260,598,247	1.01
2033	263,428,407	186,043,630	5,615,000	3.05%	8,606,212	14,221,212	15,070,000	3.05%	23,100,857	38,170,857	238,435,698	1.10
2034	263,428,407	185,968,023	5,795,000	3.17%	8,434,954	14,229,954	15,555,000	3.17%	22,641,222	38,196,222	238,394,199	1.11
2035	263,428,407	180,639,753	5,985,000	3.26%	8,251,253	14,236,253	16,070,000	3.26%	22,148,128	38,218,128	233,094,133	1.13
2036	263,428,407	163,559,854	6,190,000	3.46%	8,056,142	14,246,142	16,610,000	3.46%	21,624,246	38,234,246	216,040,241	1.22
2037	263,428,407	156,669,679	6,405,000	3.57%	7,841,968	14,246,968	17,195,000	3.57%	21,049,540	38,244,540	209,161,187	1.26
2038	263,428,407	156,706,317	6,635,000	3.69%	7,613,309	14,248,309	17,815,000	3.69%	20,435,679	38,250,679	209,205,304	1.26
2039	263,428,407	150,207,418	6,880,000	3.80%	7,368,478	14,248,478	18,475,000	3.80%	19,778,305	38,253,305	202,709,201	1.30
2040	263,428,407	144,146,340	7,145,000	3.90%	7,107,038	14,252,038	19,175,000	3.90%	19,076,255	38,251,255	196,649,632	1.34
2041	263,428,407	137,638,062	7,425,000	4.01%	6,828,383	14,253,383	19,925,000	4.01%	18,328,430	38,253,430	190,144,874	1.39
2042	263,428,407	137,599,215	7,720,000	4.12%	6,530,640	14,250,640	20,720,000	4.12%	17,529,438	38,249,438	190,099,293	1.39
2043	263,428,407	137,578,612	8,040,000	4.23%	6,212,576	14,252,576	21,575,000	4.23%	16,675,774	38,250,774	190,081,962	1.39
2044	263,428,407	137,566,220	8,375,000	4.29%	5,872,484	14,247,484	22,475,000	4.29%	15,763,151	38,238,151	190,051,855	1.39
2045	263,428,407	130,209,474	8,725,000	4.37%	5,513,197	14,238,197	23,425,000	4.37%	14,798,974	38,223,974	182,671,644	1.44
2046	263,428,407	130,147,504	9,105,000	4.55%	5,131,914	14,236,914	24,440,000	4.55%	13,775,301	38,215,301	182,599,719	1.44
2047	263,428,407	115,127,231	9,510,000	4.55%	4,717,637	14,227,637	25,525,000	4.55%	12,663,281	38,188,281	167,543,148	1.57
2048	263,428,407	71,450,412	9,930,000	4.55%	4,284,932	14,214,932	26,655,000	4.55%	11,501,894	38,156,894	123,822,237	2.13
2049	263,428,407	44,157,273	10,370,000	4.55%	3,833,117	14,203,117	27,840,000	4.55%	10,289,091	38,129,091	96,489,480	2.73
2050	263,428,407	32,185,083	10,830,000	4.55%	3,361,282	14,191,282	29,075,000	4.55%	9,022,371	38,097,371	84,473,735	3.12
2051	263,428,407	32,122,693	11,315,000	4.63%	2,868,517	14,183,517	30,365,000	4.63%	7,699,459	38,064,459	84,370,668	3.12
2052	263,428,407	29,645,615	11,830,000	4.63%	2,344,632	14,174,632	31,750,000	4.63%	6,293,559	38,043,559	81,863,806	3.22
2053	263,428,407	29,576,186	12,365,000	4.63%	1,796,903	14,161,903	33,195,000	4.63%	4,823,534	38,018,534	81,756,623	3.22
2054	263,428,407	-	12,930,000	4.63%	1,224,404	14,154,404	34,705,000	4.63%	3,286,606	37,991,606	52,146,009	5.05
2055	263,428,407	-	13,515,000	4.63%	625,745	14,140,745	36,280,000	4.63%	1,679,764	37,959,764	52,100,509	5.06
\$ 3,949,787,220			\$239,060,000		\$187,244,584	\$426,304,584	\$641,695,000		\$502,604,532	\$1,144,299,532	\$5,520,391,335	

* North Texas MWD new funding request for project #51050

\$239,060,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	18.05 YEARS
NET INTEREST RATE	4.340%
COST SAVINGS	\$13,984,980
AVERAGE ANNUAL REQUIREMENT	\$14,210,153

\$641,695,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	18.05 YEARS
NET INTEREST RATE	4.340%
COST SAVINGS	\$37,536,983
AVERAGE ANNUAL REQUIREMENT	\$38,143,318

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$184,013,045

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
 North Texas Municipal Water District
 51103 - North System Raw Water Pipelines

Budget Items	TWDB Funds	Local Funds	Total
Construction			
Construction	\$435,345,000	\$51,959,124	\$487,304,124
Subtotal for Construction	\$435,345,000	\$51,959,124	\$487,304,124
Basic Engineering Services			
Basic Engineering Other (Preconstruction/Procurement)	\$0	\$1,500,000	\$1,500,000
Construction Engineering	\$0	\$7,344,532	\$7,344,532
Design	\$0	\$16,492,615	\$16,492,615
Subtotal for Basic Engineering Services	\$0	\$25,337,147	\$25,337,147
Special Services			
Special Service Other (Construction Management & Inspection Services)	\$20,630,000	\$1,147,303	\$21,777,303
Subtotal for Special Services	\$20,630,000	\$1,147,303	\$21,777,303
Fiscal Services			
Bond Counsel	\$795,000	\$0	\$795,000
Bond Reserve Fund	\$38,145,000	\$0	\$38,145,000
Financial Advisor	\$570,000	\$0	\$570,000
Issuance Costs	\$20,000	\$0	\$20,000
Subtotal for Fiscal Services	\$39,530,000	\$0	\$39,530,000
Other			
Land/Easements Acquisition	\$0	\$19,655,368	\$19,655,368
Subtotal for Other	\$0	\$19,655,368	\$19,655,368
Contingency			
Contingency	\$146,190,000	\$0	\$146,190,000
Subtotal for Contingency	\$146,190,000	\$0	\$146,190,000
Total	\$641,695,000	\$98,098,942	\$739,793,942

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$641,695,000 TO NORTH TEXAS MUNICIPAL WATER DISTRICT
THROUGH THE PROPOSED PURCHASE OF
\$641,695,000 NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM
REVENUE BONDS, PROPOSED SERIES 2025A

(25-)

Recitals:

The North Texas Municipal Water District (District), located in Collin, Dallas, Denton, Fannin, Grayson, Hopkins, Hunt, Kaufman, Rains, and Rockwall Counties, has filed an application for financial assistance in the amount of \$641,695,000 to finance the construction of a water supply project identified as Project No. 51103 (Project).

The District qualifies for financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$641,695,000 North Texas Municipal Water District Water System Revenue Bonds, Proposed Series 2025A (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 District has offered a pledge of net revenues 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 District, 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 District has adopted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
5. The District 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 North Texas Municipal Water District for financial assistance in the amount of \$641,695,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of \$641,695,000 North Texas Municipal Water District Water System Revenue Bonds, Proposed Series 2025A. 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 District 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 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 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 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.

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 District will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. The Obligations must provide that the District 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 District to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. 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 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 District's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to the bonds under SEC Rule 15c2-12.
12. The Obligations must require the District to levy a tax 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.
13. The Obligations must require the District 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.

14. 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.
15. 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.
16. Financial assistance proceeds shall not be used by the District when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations must provide that the District is solely responsible for liability resulting from acts or omissions of the District, 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 District, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
17. The Obligations must require the District 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.
18. 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).
19. The District 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.
20. The District 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.
21. The Obligations must require the District to submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
22. The Obligations must include a provision that, if the collateral or credit pledged by the District securing the Obligations is rated by a nationally-recognized statistical rating agency, the District, 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:

23. The Obligations must prohibit the District 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).
24. 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.
25. The Obligations must require the District 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 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 the 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 financial assistance with other money of the District, provided that the District 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 District 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.
- 26. 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.
 - 27. 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 section 149(b) of the Code.
 - 28. The Obligations must contain a covenant that the District 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").
 - 29. The Obligations must provide that neither the District 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 District by the TWDB.

Pledge Conditions:

- 30. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.
- 31. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding North Texas Municipal Water District Water System Revenue Bonds, Series 2023.

Conditions To Close Or For Release Of Funds:

- 32. Before closing, the District must 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.

33. Before closing, if not previously provided with the application, the District 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 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.
35. Before closing, the District 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 District shall submit to the escrow agent a closing memo signed by the Executive Administrator.
37. Before 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.
38. Before closing, the District'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 District when rendering this opinion.
39. 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.
40. 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.

Special Conditions:

41. 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.

42. The District must notify the Executive Administrator before 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.
43. The Obligations must include a provision requiring that, before 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 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:

Threshold Type:

Apparent Loss GCD		Real Loss GCD	
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.



North Texas Municipal Water District Collin County

