

# Texas Water Development Board

## PROJECT FUNDING REQUEST

BOARD DATE: August 26, 2015

TEAM MANAGER: Clay Schultz

<b>APPLICANT</b>	Port O'Connor Improvement District
<b>TYPE OF ASSISTANCE</b>	\$2,815,000 Loan
<b>LEGAL PLEDGE</b>	First Lien on the Net Revenues of the Water and Wastewater System

**STAFF RECOMMENDATION**

Approve                       No Action

**ACTION REQUESTED**

Approve, by resolution, a request from the **Port O'Connor Improvement District (Calhoun County)** for a \$2,815,000 loan from the Texas Water Development Fund for the planning, design, and construction of water system improvements.

**PROJECT**

Water System Improvements  
Project Number 21750

**BACKGROUND**

Port O'Connor is located in Calhoun County, approximately 40 miles southeast of Victoria. It is situated on the southern point of Matagorda Bay and is bounded by the Intracoastal Waterway on the east. The Port O'Connor Improvement District (District) was created in 1977 as the Port O'Connor Municipal Utility District. The name was officially changed to Port O'Connor Improvement District on June 14, 2013.

The District's public water system serves approximately 1,721 connections and an estimated population of 1,312. Additionally, the District entered into an interlocal agreement with La Salle Water Control and Improvement District 1-A to provide service to an additional 67 connections (201 residents). The District purchases treated water from the Guadalupe Blanco River Authority and operates one groundwater well.

The population of the District's area is highly variable with all connections fully active during the summer months. During the winter, a large portion of the connections are either inactive or have extremely reduced flows. Therefore, the estimated full-time population is less than the connection count.

The District is requesting funding from the Texas Water Development Fund to finance various water system improvements to improve and maintain service and address compliance issues.

<b>COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON AUGUST 31, 2016</b>
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## **FINANCIAL**

### Key Issues

None.

### Pledge and Repayment

The District is pledging a first lien on the net revenues of the water and wastewater system to repay the proposed loan. The District's combined average monthly water and sewer bill is approximately \$164. In anticipation of the proposed debt, rates for the combined bill were increased by approximately \$80 in January 2014. Customers pay a base fee of \$50 per month for each water connection and each wastewater connection. An additional fee is assessed for every 1,000 gallons of usage. Current rates and charges are sufficient to meet debt service requirements.

### Cost Savings

Based on a 20-year maturity schedule, current interest rates, and a loan amount of \$2,815,000, the District could save approximately \$80,657 over the life of the loan.

### Internal Risk Score

Staff assigns a 2C to the District and the proposed project to be funded by the Texas Water Development Board. A risk score of 2C means that the District's repayment capacity is sufficient to cover the existing and proposed debt. The District's earnings trends and coverage ratios are marginal and are more susceptible to slight deviations in economic conditions. Changes in economic, financial or business conditions or any other adverse circumstances may weaken the District's capacity to meet its financial obligations.

A relatively low median household income, high unemployment, a high monthly water and sewer bill, and a large amount of total debt contribute to the 2C risk rating. The median household income of the District's service area is \$38,527 compared to the median for the State overall of \$51,900. The unemployment rate is 6.6% compared to the State's rate of 4.1%. Currently, the average water and sewer bill represents approximately 5% of the median household income. This is substantially higher than the 2% benchmark for assessing affordability of rates. In addition, total debt per capita (general obligation debt and the proposed financing) is approximately \$5,800, which is considered high.

Several factors mitigate the above-mentioned circumstances. Total connections have been stable over the last several years. The September 2014 audit shows that the District's Net Position is approximately \$10.5 million. Of this amount, \$2.2 million is unrestricted and represents resources available to fund operations for the coming year.

**LEGAL**

Key Issues

None.

Conditions

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

- Alteration of legal status;
- Conveyance and assumption;
- United States Iron and Steel;
- Emergency discovery conditions; and,
- Migratory Bird Treaty Act.

- Attachments:
1. Project Data Summary
  2. Debt Service Schedule
  3. Engineering/Environmental Review
  4. Project Budget
  5. Resolution (15- )
  6. Water Conservation Review
  7. Location Map

<b>Responsible Authority</b>	Port O'Connor Improvement District
<b>Program</b>	Texas Water Development Fund - WDF
<b>Commitment Codes</b>	L1000440
<b>Project Number</b>	21750
<b>Intended Use Plan Year</b>	N/A
<b>Fund Number</b>	371
<b>Type of Pledge</b>	2-Revenue
<b>Revenue Pledge Level</b>	First
<b>Legal Description</b>	\$2,815,000 Water and Sewer System Revenue Bonds, Proposed Series 2015
<b>Tax-Exempt or Taxable</b>	Tax-Exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	No
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	N/A
<b>Population</b>	1,312
<b>Rural</b>	Yes
<b>Water Connections</b>	1,721
<b>Wastewater Connections</b>	1,361
<b>Qualifies as Disadvantaged</b>	No
<b>Disadvantaged Level</b>	9 – N/A
<b>Clean Water State Revolving Fund Type</b>	N/A
<b>Financial, Managerial and Technical Review Complete?</b>	N/A
<b>SWIFT Financing Type</b>	N/A
<b>SWIFT Characteristic</b>	N/A
<b>Phase Committing</b>	Planning, Design and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2B
<b>External Ratings</b>	
<b>Standard and Poor's</b>	Non-Rated
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

Team Manager	Clay Schultz
Financial Analyst	Maxine Gilford
Engineering Reviewer	John Muras
Environmental Reviewer	William Alfaro
Attorney	Alexis Lorick

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Port O'Connor Improvement District

**\$2,815,000 Water and Sewer System Revenue Bonds, Proposed Series 2015**

<b>Dated Date:</b> 12/1/2015	<b>Source:</b> WDF
<b>Delivery Date:</b> 12/1/2015	<b>Rate:</b> 3.69%
<b>First Interest:</b> 6/1/2016	<b>Insurance:</b> No
<b>First Principal:</b> 12/1/2016	<b>Case:</b> Revenue Only
<b>Last Principal:</b> 12/1/2035	<b>Admin.Fee:</b> \$ -
<b>Fiscal Year End:</b> 09/30	<b>Admin. Fee Payment Date:</b> N/A
<b>Required Coverage:</b> 1.0	

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$2,815,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2016	269,000	-	-		51,937	51,937	51,937	5.18
2017	269,000	-	100,000	3.69%	102,029	202,029	202,029	1.33
2018	269,000	-	100,000	3.69%	98,339	198,339	198,339	1.36
2019	269,000	-	105,000	3.69%	94,556	199,556	199,556	1.35
2020	269,000	-	110,000	3.69%	90,590	200,590	200,590	1.34
2021	269,000	-	115,000	3.69%	86,438	201,438	201,438	1.34
2022	269,000	-	115,000	3.69%	82,195	197,195	197,195	1.36
2023	269,000	-	120,000	3.69%	77,859	197,859	197,859	1.36
2024	269,000	-	125,000	3.69%	73,339	198,339	198,339	1.36
2025	269,000	-	130,000	3.69%	68,634	198,634	198,634	1.35
2026	269,000	-	135,000	3.69%	63,745	198,745	198,745	1.35
2027	269,000	-	140,000	3.69%	58,671	198,671	198,671	1.35
2028	269,000	-	145,000	3.69%	53,413	198,413	198,413	1.36
2029	269,000	-	150,000	3.69%	47,970	197,970	197,970	1.36
2030	269,000	-	155,000	3.69%	42,343	197,343	197,343	1.36
2031	269,000	-	160,000	3.69%	36,531	196,531	196,531	1.37
2032	269,000	-	170,000	3.69%	30,443	200,443	200,443	1.34
2033	269,000	-	175,000	3.69%	24,077	199,077	199,077	1.35
2034	269,000	-	180,000	3.69%	17,528	197,528	197,528	1.36
2035	269,000	-	185,000	3.69%	10,793	195,793	195,793	1.37
2036	269,000	-	200,000	3.69%	3,690	203,690	203,690	1.32
		\$ -	\$ 2,815,000		\$ 1,215,117	\$ 4,030,117	\$ 4,030,117	

<b>AVERAGE (MATURITY) LIFE</b>	<b>11.7 YEARS</b>
<b>NET INTEREST RATE</b>	<b>3.690%</b>
<b>COST SAVINGS</b>	<b>\$80,657</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$191,910</b>

**Port O'Connor ID**  
**Engineering and Environmental Review**

**Engineering:**Key Issues

None.

Project Need / Description

**Project Need:** The Port O'Connor Improvement District is proposing various water distribution improvements. The system improvements are needed to enhance and maintain service to the area. A portion of the project will also address compliance concerns related to lack of flushing valves on dead end water mains.

**Project Description:** The proposed project includes water treatment improvements at the water plant and a distribution system improvements project to replace undersized water lines. The proposed improvements are expected to reduce line flushing, improve pressure and increase disinfection throughout the system.

Project Schedule

<b>Project Task</b>	<b>Schedule Date</b>
Closing	12/1/2015
Engineering Feasibility Report Completion (End of Planning Phase)	8/1/2015
Start of Construction	4/1/2016
Construction Completion	12/1/2020

**Environmental:**Key Issues

None known at this time.

Environmental Summary

An Environmental Determination (ED) for this project was issued on May 5, 2015. As required by 31 Texas Administrative Code (TAC) §363.14, environmental review of the proposed project has been completed. In addition to the standard emergency discovery conditions for threatened and endangered species and cultural resources, the project must comply with the following condition:

- To comply with the Migratory Bird Treaty Act, vegetation clearing activities should be performed outside the April – July migratory bird nesting season. If construction activities must be scheduled during the nesting season, the proposed site should be surveyed for migratory bird nests prior to construction. Any vegetation where occupied nests are located should not be disturbed until the eggs have hatched and the young have fledged.

**Port O'Connor ID  
21750 - Phase I Distribution System Improvements**

<b>Budget Items</b>	<b>TWDB Funds</b>	<b>Total Cost</b>
<b>Construction</b>		
Construction	\$1,910,000	\$1,910,000
<b>Construction Total</b>	<b>\$1,910,000</b>	<b>\$1,910,000</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$24,400	\$24,400
Design	\$153,050	\$153,050
Planning	\$20,000	\$20,000
<b>Basic Engineering Services Total</b>	<b>\$197,450</b>	<b>\$197,450</b>
<b>Special Services</b>		
Geotechnical	\$25,550	\$25,550
Surveying	\$116,000	\$116,000
<b>Special Services Total</b>	<b>\$141,550</b>	<b>\$141,550</b>
<b>Contingency</b>		
Contingency	\$377,000	\$377,000
<b>Contingency Total</b>	<b>\$377,000</b>	<b>\$377,000</b>
<b>Fiscal Services</b>		
Bond Counsel	\$70,375	\$70,375
Financial Advisor	\$56,300	\$56,300
Fiscal/Legal	\$24,853	\$24,853
Issuance Costs	\$37,472	\$37,472
<b>Fiscal Services Total</b>	<b>\$189,000</b>	<b>\$189,000</b>
<b>Grand Total</b>	<b>\$2,815,000</b>	<b>\$2,815,000</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO  
PORT O'CONNOR IMPROVEMENT DISTRICT  
FROM THE FINANCIAL ASSISTANCE ACCOUNT OF  
THE TEXAS WATER DEVELOPMENT FUND II  
THROUGH THE PROPOSED PURCHASE OF  
\$2,815,000 PORT O'CONNOR IMPROVEMENT DISTRICT  
WATER AND SEWER SYSTEM REVENUE BONDS  
PROPOSED SERIES 2015

(15- )

WHEREAS, the Port O'Connor Improvement District (District) has filed an application for financial assistance in the amount of \$2,815,000 from the Financial Assistance Account of the Texas Water Development Fund II, established by Texas Water Code § 17.959, to finance planning, design, and construction of water system improvements, identified as Project No. 21750; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$2,815,000 through the TWDB's purchase of \$2,815,000 Port O'Connor Improvement District Water and Sewer System Revenue Bonds, Proposed Series 2015 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the District has offered a pledge of water and sewer system revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.933; and

WHEREAS, 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; and
2. the availability of revenue to the District, from all sources, for the ultimate repayment of the cost of the water supply project, including interest.

WHEREAS, the TWDB hereby finds:

1. that the public interest requires state assistance in the water supply project, in accordance with Texas Water Code § 17.125(a)(1);

2. that the tax and/or revenue pledged by the District will be sufficient to meet all the Obligations assumed by the District during the succeeding period of not more than 50 years, in accordance with Texas Water Code § 17.125(a)(2);
3. that the District has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the application and financial assistance requested meet the requirements of Chapter 17, Subchapters D, E, and L, Water Code, and the TWDB's rules set forth in 31 TAC Chapter 363, Subchapter A;
5. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j); and
6. that the current water audit required by Texas Water Code § 16.0121 has been completed by the District and filed with the TWDB if the District is a retail public utility providing potable water, in accordance with Texas Water Code § 16.053(j); and
7. that the Executive Administrator issued a favorable environmental determination on May 5, 2015, such findings being subject to the standard emergency discovery conditions for threatened and endangered species and cultural resources in the Project contract documents. The TWDB concurs with the environmental finding issued by the Executive Administrator.

NOW THEREFORE, based on these considerations and findings, the Texas Water Development Board resolves as follows:

A commitment is made by the TWDB to Port O'Connor Improvement District for financial assistance in the amount of \$2,815,000 from the Financial Assistance Account, to be evidenced by the Board's purchase of \$2,815,000 Port O'Connor Improvement District Water and Sewer System Revenue Bonds, Proposed Series 2015. This commitment will expire on August 31, 2016.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws

under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the District;

3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 363;
4. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and on any date beginning on or after the first interest payment date which is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption;
5. 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, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the District to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
7. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) to redeem, in inverse annual order, the Obligations owned by the TWDB; (2) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (3) eligible project costs as authorized by the Executive Administrator;
8. the Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
9. loan proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256 and the Public Funds Collateral Act, Government Code, Chapter 2257;

10. loan proceeds shall not be used by the District when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the District agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
11. prior to closing, the District shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements;
12. prior to closing, and if required under the TWDB's financial assistance program and not previously provided with the application, the District shall submit an executed engineering contract as appropriate for the project scope of work, and an executed financial advisor contract and executed bond counsel contract as appropriate for the work to be performed in obtaining the TWDB's financial assistance for the project, in a form and substance that are satisfactory to the Executive Administrator. Fees to be reimbursed under any consulting contract must be reasonable in relation to the services performed, must be reflected in the contract, and must be acceptable to the Executive Administrator;
13. prior to closing, when any portion of loan proceeds are 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;
14. the Executive Administrator may require that the District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
15. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;

#### Conditions Related To Tax-Exempt Status

16. 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;

17. the District's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;
18. the Obligations must include a provision prohibiting the District from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
19. the Obligations must provide that no portion of the proceeds of the loan will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of § 148(a) of the Code and Regulations, including to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (Source Series Bonds), other than Nonpurpose Investments acquired with:
  - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations;
20. the Obligations must include a provision requiring the District take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 148 of the Code. The Obligations must provide that the District will:
  - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;

- b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The District shall maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
- 21. 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;
  - 22. the Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
  - 23. 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;
  - 24. the transcript must include evidence that the information reporting requirements of § 149(e) of the Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of § 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply;
  - 25. the Obligations must provide that neither the District nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the District by the TWDB;

#### Revenue Pledge

- 26. the Obligations must require the accumulation of a reserve fund of no less than average

annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;

27. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are a) determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant; or b) the District certifies that the District is expected to continue to meet or exceed the net system revenue test with a minimum coverage of 1.25 times the average annual debt service requirement. An authorized representative of the District must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

28. 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;
29. the Obligations must include a provision requiring that, prior to any action by the District to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB;
30. the Obligations must contain a covenant that the District will abide by all applicable construction contract requirements related to the use of iron and steel products and manufactured goods produced in the United States, as required by Texas Water Code § 17.18;
31. the City must comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources, as more fully specified in the final environmental finding of the Executive Administrator; and
32. the City must comply with the Migratory Bird Treaty Act and vegetation clearing activities should be performed outside the April through July migratory bird nesting season. If construction activities must be scheduled during the nesting season, the proposed site should first be surveyed for migratory bird nests prior to construction. Any vegetation where occupied nests are located shall not be disturbed until the eggs have hatched and the young have fledged.

APPROVED and ordered of record this, the 26th day of August, 2015.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Bech K. Bruun, Chairman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Kevin Patteson  
Executive Administrator

## WATER CONSERVATION REVIEW

Entity: \_\_\_\_\_

Review date: \_\_\_\_\_

**WATER CONSERVATION PLAN DATE:** **Approvable**      **Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD	Water Loss Percent
<b>Baseline</b>				
<b>5-year Goal</b>				
<b>10-year Goal</b>				

**WATER LOSS AUDIT YEAR:**

Total water loss (GPCD): \_\_\_\_\_      Total water loss (percent): \_\_\_\_\_      Wholesale Water  
 Total no. of connections: \_\_\_\_\_      Length of mains (miles): \_\_\_\_\_      Connections per mile: \_\_\_\_\_  
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): \_\_\_\_\_

**WATER LOSS THRESHOLDS:**

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :						
If population ≤ 10K, connections/mile ≥ 32 :						
If population > 10K :						

Does the applicant meet Water Loss Threshold requirements?      Yes      No      NA

**ADDITIONAL INFORMATION:**

**STAFF NOTES AND RECOMMENDATIONS:**

## DEFINITIONS

**Adopted** refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

**Apparent loss** refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

**Approvable** refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

**Best Management Practices** are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

**GPCD** means gallons per capita per day.

**Infrastructure Leakage Index (ILI)** is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a benchmarking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

**NA** means not applicable.

**Produced water** is the total amount of water purchased or produced by the utility.

**Real loss** comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

**Residential GPCD** is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

**Total baseline GPCD** is the amount of all water purchased or produced by the utility divided by the service area population and then divided by 365.

**Total water loss** is the sum of the apparent and real water losses.

**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**Water Loss Thresholds** are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

# Port O'Connor Improvement District, Calhoun County

