

**TO:** Board Members

**THROUGH:** Kevin Patteson, Executive Administrator  
 Les Trobman, General Counsel  
 Jeff Walker, Deputy Executive Administrator, Water Supply Infrastructure

**FROM:** Mireya Loewe, Team Manager, South Region  
 Joe Reynolds, Assistant General Counsel

**DATE:** November 25, 2015

**SUBJECT:** Request by the Port Mansfield Public Utility District to Extend its Commitment and to Change the Loan Repayment Pledge (Project No. 62649)

**ACTION REQUESTED**

Consider approving by resolution, a request from the Port Mansfield Public Utility District (Willacy County) to amend TWDB Resolution No. 14-113 by 1) extending the commitment period for financing water system improvements through the Drinking Water State Revolving Fund, and 2) by changing the loan repayment pledge for the approved commitment.

**BACKGROUND**

On December 11, 2014, the Port Mansfield Public Utility District (District) received a \$600,000 commitment consisting of a \$220,000 loan (L1000362) and \$380,000 in loan forgiveness (LF1000363) from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of a project to replace its three (3) ground storage tanks with a single 350,000 gallon ground storage tank. In addition, the project will replace the two (2) corrosion-damaged high service pumps and associated piping. These improvements, along with other improvements planned by the District, will help improve its water system and come into compliance with TCEQ drinking water requirements.

At the time of the commitment, the District had not contracted a financial advisor or a bond counsel. In the course of working towards closing the commitment prior to its expiration date of December 31, 2014, the District contracted a financial advisor and bond counsel. The District originally pledged a combination of tax and net revenues for repayment of the loan. The District’s new advisors informed the District that it lacked the legal authority to pledge tax revenues for the repayment of the loan and recommended a pledge of only net revenues of the water and wastewater system.

### **KEY ISSUES**

Based on the District's enabling legislation, the District does not have the authority to issue Combination Tax and Revenue Certificates of Obligations. The District's enabling authority is for General Referendum, which requires the District to obtain voter approval of the issuance. With such a low issuance amount of \$220,000, an election would not be cost effective.

The District now proposes to pledge net revenues of the water and sewer system for repayment of the proposed loan. The District's current combined average water and sewer monthly rate is \$72.64 per connection, which reflects a rate increase that was implemented in November 2014. This will allow the District to meet its debt service obligations and maintain the required debt service coverage. The current commitment expires December 31, 2015; therefore, the District is requesting a six-month extension to complete the loan-closing process.

### **RECOMMENDATION**

The Executive Administrator recommends amending TWDB Resolution No. 14-113 to 1) extend the commitment expiration from December 31, 2015 to June 30, 2016 for the DWSRF commitment (L1000362 and LF1000363) and 2) to change the loan (L1000362) repayment pledge from combination tax and net revenues to only net revenues of the water and wastewater system.

This recommendation has been reviewed by legal counsel and is in compliance with applicable statutes and Board rules.

Attachment(s):

1. Debt service schedule
2. Resolution (15-xxx)
3. Resolution (14-113)
4. Letter requesting change in pledge and extension

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Port Mansfield PUD  
Net Revenues Water and Sewer System

**Dated Date:** 3/1/2016  
**Delivery Date:** 3/1/2016  
**First Interest:** 9/1/2016  
**First Principal:** 3/1/2017  
**Last Principal:** 3/1/2046  
**Fiscal Year End:** 05/31  
**Required Coverage:** 1.0

**Source:** DWSRF  
**Rate:** 2.35%  
**Insurance:** No  
**Case:** Revenues  
**Admin.Fee:** \$ 4,841  
**Admin. Fee Payment Date:** 3/1/2016

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$220,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2017	24,130	-	6,000	0.09%	4,642	10,642	10,642	2.27
2018	24,130	-	6,000	0.40%	4,637	10,637	10,637	2.27
2019	24,130	-	6,000	0.64%	4,613	10,613	10,613	2.27
2020	24,130	-	6,000	0.93%	4,574	10,574	10,574	2.28
2021	24,130	-	6,000	1.26%	4,519	10,519	10,519	2.29
2022	24,130	-	6,000	1.52%	4,443	10,443	10,443	2.31
2023	24,130	-	6,000	1.66%	4,352	10,352	10,352	2.33
2024	24,130	-	6,000	1.79%	4,252	10,252	10,252	2.35
2025	24,130	-	6,000	1.91%	4,145	10,145	10,145	2.38
2026	24,130	-	6,000	2.02%	4,030	10,030	10,030	2.41
2027	24,130	-	6,000	2.11%	3,909	9,909	9,909	2.44
2028	24,130	-	6,000	2.20%	3,782	9,782	9,782	2.47
2029	24,130	-	7,000	2.28%	3,650	10,650	10,650	2.27
2030	24,130	-	7,000	2.35%	3,491	10,491	10,491	2.30
2031	24,130	-	7,000	2.42%	3,326	10,326	10,326	2.34
2032	24,130	-	7,000	2.48%	3,157	10,157	10,157	2.38
2033	24,130	-	7,000	2.53%	2,983	9,983	9,983	2.42
2034	24,130	-	7,000	2.57%	2,806	9,806	9,806	2.46
2035	24,130	-	8,000	2.61%	2,626	10,626	10,626	2.27
2036	24,130	-	8,000	2.64%	2,418	10,418	10,418	2.32
2037	24,130	-	8,000	2.67%	2,206	10,206	10,206	2.36
2038	24,130	-	8,000	2.70%	1,993	9,993	9,993	2.41
2039	24,130	-	8,000	2.72%	1,777	9,777	9,777	2.47
2040	24,130	-	9,000	2.75%	1,559	10,559	10,559	2.29
2041	24,130	-	9,000	2.77%	1,312	10,312	10,312	2.34
2042	24,130	-	9,000	2.78%	1,062	10,062	10,062	2.40
2043	24,130	-	9,000	2.79%	812	9,812	9,812	2.46
2044	24,130	-	10,000	2.80%	561	10,561	10,561	2.28
2045	24,130	-	10,000	2.81%	281	10,281	10,281	2.35
2046	24,130	-	10,000	0.00%	-	10,000	10,000	2.41
	\$	-	\$ 220,000		\$ 87,919	\$ 307,919	\$ 307,919	

<b>AVERAGE (MATURITY) LIFE</b>	<b>17.03 YEARS</b>
<b>NET INTEREST RATE</b>	<b>2.346%</b>
<b>COST SAVINGS</b>	<b>\$54,419</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$10,264</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
AMENDING TWDB RESOLUTION NO. 14-113  
TO CHANGE THE PLEDGE AND GRANT AN EXTENSION OF TIME IN WHICH TO CLOSE ON  
THE \$220,000 PORT MANSFIELD PUBLIC UTILITY DISTRICT WATER AND SEWER SYSTEM  
REVENUE BONDS, PROPOSED SERIES 2016 AND \$380,000 IN LOAN FORGIVENESS TO THE  
PORT MANSFIELD PUBLIC UTILITY DISTRICT

(15- )

WHEREAS, at its December 11, 2014 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 14-113, made a commitment to provide financial assistance to Port Mansfield Public Utility District (District), located in Willacy County, Texas for the purpose of financing the planning, design, and construction of certain water system improvements to the District's water system in the amount of \$600,000, consisting of the TWDB's purchase of \$220,000 Port Mansfield Public Utility District Combination Tax and Net Revenue Certificates of Obligation, Proposed Series 2015 and the execution of a Loan Forgiveness Agreement in the amount of \$380,000 from the Drinking Water State Revolving Fund program, all as is more specifically set forth in the TWDB's Resolution and accompanying documentation, to which documents express reference is made; and

WHEREAS, by letter dated October 20, 2015, the District has requested that the TWDB amend the previous resolution, TWDB Resolution No. 14-113, to change the District's loan repayment pledge from a combination of tax and net revenues to net revenues of the water and sewer system, and to extend the commitment to June 30, 2016 in order to ensure that all closing documentation reflects the change in the pledge; and

WHEREAS, the TWDB hereby finds that the amendments to the commitment for this loan are reasonable and that the request is in the public interest and will serve a public purpose; and

WHEREAS, in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law;

NOW, THEREFORE, based on these considerations and findings, the TWDB resolves as follows:

1. the commitment made by the TWDB to the Port Mansfield Public Utility District for financial assistance in the amount of \$600,000 from the Drinking Water State Revolving Fund in part through the TWDB's proposed purchase of \$220,000 Port Mansfield Public Utility District Combination Tax and Net Revenue Certificates of Obligation, Proposed Series 2015 be amended to reflect the TWDB's proposed purchase of \$220,000 Port Mansfield Public Utility District Water and Sewer System Revenue Bonds, Proposed Series 2016;
2. Condition No. 34 of TWDB Resolution No. 14-113 is deleted;
3. TWDB Resolution 14-113 is further amended to extend the commitment from December 31, 2015 to June 30, 2016; and

4. all other terms and conditions of TWDB Resolution No. 14-113 shall remain in full force and effect.

PROVIDED, however, that TWDB Resolution No. 14-113 is further conditioned by deleting Condition No. 34, adding new Conditions No. 34 through 36 as follows, and renumbering the remaining conditions accordingly:

34. 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;
35. if the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations; and
36. 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.

APPROVED and ordered of record this the 14<sup>th</sup> day of December, 2015.

TEXAS WATER DEVELOPMENT BOARD

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

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

ATTEST:

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

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$600,000 TO PORT MANSFIELD PUBLIC UTILITY DISTRICT  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$220,000 PORT MANSFIELD PUBLIC UTILITY DISTRICT COMBINATION TAX AND  
NET REVENUE CERTIFICATES OF OBLIGATION,  
PROPOSED SERIES 2015  
AND  
\$380,000 IN LOAN FORGIVENESS**

(14-113)

**WHEREAS, the Port Mansfield Public Utility District (District), located in Willacy County, Texas has filed an application for financial assistance in the amount of \$600,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62649; and**

**WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$220,000 Port Mansfield Public Utility District Combination Tax and Net Revenue Certificates Of Obligation, Proposed Series 2015 (together with all authorizing documents (Obligations)), and the execution of a Loan Forgiveness Agreement in an amount of \$380,000, 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 tax and net revenues as sufficient security for the repayment of the Obligations; and**

**WHEREAS, the TWDB hereby finds:**

- 1. that the revenue and/or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;**
- 2. that the application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.* as well as state law, in accordance with Texas Water Code § 15.607;**
- 3. that the District has submitted a proposed program of water conservation 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 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);**

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the District and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that the District meets the definition of Disadvantaged Community in 31 TAC § 371.1(24) and is therefore eligible for subsidy through the DWSRF;
7. that the District meets the definition of a small water system in accordance with 31 TAC § 371.1(60) and the current Intended Use Plan, and is therefore eligible for subsidy through the DWSRF; and
8. that the Executive Administrator issued a Categorical Exclusion on September 15, 2014, 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 findings, the TWDB resolves as follows:**

**A commitment is made by the TWDB to the Port Mansfield Public Utility District for financial assistance in the amount of \$600,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$220,000 Port Mansfield Public Utility District Combination Tax and Net Revenue Certificates Of Obligation, Proposed Series 2015 and the execution of a Loan Forgiveness Agreement in the amount of \$380,000. This commitment will expire on December 31, 2015.**

**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 371;
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, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;
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 not previously provided with the application, the District shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
13. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the District shall execute an escrow 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;

#### State Revolving Fund Conditions

26. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
27. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The District, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
28. the Obligations must include a provision stating that the District shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District shall obtain a Data Universal Numbering System (DUNS) Number

and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;

29. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the District will adhere to the approved project schedule;
30. The must contain a covenant that the District will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by the 2014 Federal Appropriations Act and related State Revolving Fund Policy Guidelines;

**Drinking Water State Revolving Fund Conditions**

31. prior to or at closing, the District shall pay a 2.25% origination fee to the TWDB calculated pursuant to 31 TAC Chapter 371;
32. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the District has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;
33. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;

**Pledge Conditions for the Loan**

34. the Obligations must contain a provision that provides as follows:
  - a. if system revenues are actually on deposit in the Interest and Sinking Fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, then the amount of taxes which otherwise would have been required to be levied and collected may be reduced to the extent and by the amount of revenues then on deposit in the Interest and Sinking Fund; or
  - b. if surplus revenues are based upon budgeted amounts:
    - i. the Obligations must include a requirement that the District transfer and deposit in the Interest and Sinking Fund each month an amount of not less than 1/12th of the annual debt service on the Obligations until the amount on deposit in the Interest and Sinking Fund equals the amount required for annual debt service on the Obligations; further, that the ordinance

authorizing the issuance of the Obligations must include a requirement that the District shall not transfer any funds from the District's pledged system revenues to any fund other than the Interest and Sinking Fund until such time as an amount equal to the annual debt service on the Obligations for the then-current fiscal year has been deposited in the Interest and Sinking Fund;

- ii. the Obligations must include a requirement that for each year the Obligations are outstanding, and prior to the time taxes are to be levied for such year, the District shall establish, adopt, and maintain an annual budget that provides for either the monthly deposit of sufficient surplus pledged revenues and/or tax revenues, the monthly deposit of any other legally available funds on hand at the time of the adoption of the annual budget, or a combination thereof, into the Interest and Sinking Fund for the repayment of the Obligations; and
- iii. the Obligations must include a requirement that the District shall at all times maintain and collect sufficient rates and charges in conjunction with any other legally available funds so that after payment of the costs of operating and maintaining the system, it produces revenues in an amount not less than 1.10 times debt service requirements of all outstanding Obligations of the District and other obligations of the District which are secured in whole or in part by the pledged revenues, for which the District is budgeting the repayment of such Obligations, or the District shall provide documentation which evidences the levy and collection of an ad valorem tax rate dedicated to the Interest and Sinking Fund, in conjunction with any other legally available funds, sufficient for the repayment of debt service requirements;

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

**Special Conditions:**

- 35. the loan is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC Chapter 371;
- 36. 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;
- 37. prior to closing, the District shall adopt and implement the water conservation program approved by the TWDB;
- 38. 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;

39. prior to closing, the District shall execute a Loan Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
40. the Loan Forgiveness Agreement must include a provision stating that the District shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;
41. prior to the release of funds, the District shall provide a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the project, as determined by the schedule; and
42. the District 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.

APPROVED and ordered of record this 11<sup>th</sup> day of December, 2014.

TEXAS WATER DEVELOPMENT BOARD

  
\_\_\_\_\_  
Carlos Rubinstein, Chairman

DATE SIGNED: 12/11/14

ATTEST:

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



# Port Mansfield

*Ronald D. Mills*

*Port Director  
General Manager*

October 20, 2015

*Willacy County  
Navigation District*

*Thomas Rains, Jr.  
Chairman*

*Robert Hulien  
Pro-Tem Chairman*

*Kay Hicks  
Secretary*

*Pro-Secretary*

*Mark Brown  
Member*

*Port Mansfield Public  
Utility District*

*Doug Trapp  
President*

*Arland Lewis  
Vice-President*

*Charles Petty  
Member*

*JS "Bubba" Garst  
Member*

*Dale Hicks  
Member*

Mireya Loewe  
Team Manager, South Region  
Regional Water Planning and Development  
Texas Water Development Board  
P.O. Box 13231  
Austin, TX 78711-3231  
(512) 475-0590

Ref: TWDB Project No. 62649

Ms. Loewe,

Due to unforeseen delays in processing the loan paperwork for TWDB Project No. 62649 the Port Mansfield Public Utility District is requesting an extension on the Closing. It is expected that the final details will be transacted between our Financial Analyst Cris Vela and the TWDB Staff in the immediate future. Due to that we are requesting a six (6) month extension on the closing to insure that all documentation is in order before Closing

Additionally, we are seeking a change of repayment from an approved Combination Tax and Revenue Pledge to a Water and Sewer System Net Revenue Pledge from the Port Mansfield Public Utility District.

Thank you for your continued support and feel free to contact me any time at (956)465-9641 (c) or [rmills@portofportmansfield.com](mailto:rmills@portofportmansfield.com).

Ronald Mills  
Port Director/General Manager

400 W Hidalgo, Ste 200  
Raymondville, TX 78580

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