

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: February 18, 2016

TEAM MANAGER: Nancy Richards

APPLICANT	North Fort Bend Water Authority
TYPE OF ASSISTANCE	\$9,420,000 Loan \$1,632,000 Loan Forgiveness
LEGAL PLEDGE	Junior lien on the net revenues of the system

STAFF RECOMMENDATION

Approve No Action

Approve, by resolution, a request from **North Fort Bend Regional Water Authority (Fort Bend County)** for financial assistance for \$11,052,000 consisting of a \$9,420,000 loan and \$1,632,000 in loan forgiveness from the Clean Water State Revolving Fund to finance construction costs for improvements to the Grand Lakes Regional Wastewater Treatment Plant.

PROJECT

Grand Lakes Reclaimed Water System
Project Number 73721

BACKGROUND

The North Fort Bend Regional Water Authority (Authority) is requesting financial assistance to upgrade the Grand Lakes Municipal Utility District No. 4's Grand Lakes Regional Wastewater Treatment Plant effluent to Type 1 Standards. They will distribute water through Grand Lakes Municipal Utility Districts (MUD Nos. 1, 2 and 4 - each one an independent Political Subdivision) for irrigation of green spaces and other reuse activities. The planning phase was funded and completed by the Authority; the TWDB financial assistance will be used to cover construction. The Authority will own the tertiary treatment system, reuse pipe system, and reuse water.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE ON AUGUST 31, 2016

FINANCIAL

Key Issues

The North Fort Bend Water Authority has a \$555,845,000 multi-year loan commitment from the State Water Implementation Revenue Fund for Texas to finance the planning, acquisition, design, and construction of its share of the Northeast Water Purification Plant expansion and the Second Source Transmission Line.

Pledge and Repayment

The Authority is pledging junior lien on the net revenues of the system to cover the proposed debt. The pledged revenues consist of net revenues and additional coverage amounts transferred from the Authority's Coverage Fund to its Revenue Fund. The Authority intends to review the net revenues on an annual basis to ensure the necessary revenues are in place to repay the proposed debt service.

Principal Forgiveness

The Authority received \$1,632,000 in loan forgiveness subsidy from the fiscal year 2016 Clean Water State Revolving Fund Program for a green project.

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Authority could save approximately \$2,786,532 over the life of the loan. The Authority is also saving \$1,632,000 in loan forgiveness for a total of \$4,418,532.

Internal Risk Score

Staff assigns a risk score of 2A to the Authority, which means the applicant's repayment capacity is strong. The applicant's earnings trends and coverage ratios, while sound, may be more susceptible to adverse effects of changes in circumstances and economic conditions than the higher rated obligations.

The median household income for the service area is \$85,297. This is well above the State average of \$52,576. The Authority is in good financial condition and has experienced significant growth over the years. The Authority has \$29,698,209 in unrestricted funds. This represents more than two years of operating expenses. The Authority encompasses approximately 90,153 acres (140.9 square miles) with 69 utility districts, two cities, and 140 producing wells that are subject to an Authority pumpage fee. The Authority continues to experience positive upward trends in net income, customer growth and net assets.

LEGAL

Key Issues

None.

CONDITIONS

Standard tax-exempt, revenues, Clean Water State Revolving Fund conditions and further conditions as follows:

- Executed Loan Forgiveness Agreement;
- Fiscal sustainability and;
- Return of surplus forgiveness funds.

- Attachments:
1. Project Data Summary
 3. Engineering/Environmental Review
 4. Project Budget
 5. Resolution (16-)
 6. Water Conservation Review
 7. Location Map

PROJECT DATA SUMMARY

Responsible Authority	North Fort Bend Water Authority
Program	Clean Water State Revolving Fund
Commitment Code	L1000510 & LF1000509
Project Number	73721
Intended Use Plan Year	2016
Fund Number	651
Type of Pledge	5
Revenue Pledge Level	Second
Legal Description	\$9,420,000 Water System Junior Lien Revenue Bonds, Proposed Series 2016; \$1,632,000 Loan Forgiveness
Tax-exempt or Taxable	Tax-exempt
Refinance	N/A
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay= Escrow Release
Population	237,000
Rural	No
Water Connections	Wholesale Provider
Wastewater Connections	Wholesale Provider
Qualifies as Disadvantaged	No
Disadvantaged Level	N/A
Clean Water State Revolving Fund Type	Equivalency
SWIFT Financing Type	N/A
SWIFT Project Type	N/A
Financial, Managerial, and Technical Review Complete?	N/A
Phase Committing	Construction
Pre-Design	N/A
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	N/A
Internal Risk Score	2A
External Ratings (for SRF rates)	
Standard and Poor's	A+
Moody's	Non Rated
Fitch	A+
Special Issues	None

Project Team

Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	James Bronikowski
Environmental Reviewer	Jean Devlin
Attorney	Annette Mass

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY

North Fort Bend Water Authority

\$9,420,000 Water System Junior Lien Revenue Bonds Proposed Series 2016

Dated Date: 8/1/2016
Delivery Date: 8/1/2016
First Interest: 2/1/2017
First Principal: 8/1/2017
Last Principal: 8/1/2046
Fiscal Year End: 12/31
Required Coverage: 1.0

Source: CWSRF-EQUIVALENCY
Rate: 1.59%
Insurance: No
Case: -
Admin.Fee: \$ 171,105
Admin. Fee Payment Date: 8/1/2016

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$9,420,000 ISSUE		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	TOTAL PAYMENT		
2017	60,253,422	21,732,281	275,000	0.00%	119,584	394,584	22,126,865	2.72
2018	60,253,422	54,482,519	275,000	0.00%	119,584	394,584	54,877,103	1.10
2019	60,253,422	54,345,158	275,000	0.00%	119,584	394,584	54,739,742	1.10
2020	60,253,422	54,171,332	275,000	0.00%	119,584	394,584	54,565,916	1.10
2021	60,253,422	53,961,550	275,000	0.14%	119,584	394,584	54,356,134	1.11
2022	60,253,422	53,712,563	275,000	0.35%	119,199	394,199	54,106,762	1.11
2023	60,253,422	53,433,973	280,000	0.56%	118,236	398,236	53,832,209	1.12
2024	60,253,422	53,102,820	280,000	0.72%	116,668	396,668	53,499,488	1.13
2025	60,253,422	52,747,376	280,000	0.84%	114,652	394,652	53,142,028	1.13
2026	60,253,422	52,383,539	285,000	0.98%	112,300	397,300	52,780,839	1.14
2027	60,253,422	51,997,882	285,000	1.10%	109,507	394,507	52,392,389	1.15
2028	60,253,422	51,566,075	290,000	1.19%	106,372	396,372	51,962,447	1.16
2029	60,253,422	51,095,574	295,000	1.27%	102,921	397,921	51,493,495	1.17
2030	60,253,422	50,603,080	295,000	1.36%	99,175	394,175	50,997,255	1.18
2031	60,253,422	50,087,031	300,000	1.43%	95,163	395,163	50,482,194	1.19
2032	60,253,422	49,547,659	305,000	1.48%	90,873	395,873	49,943,532	1.21
2033	60,253,422	48,919,493	310,000	1.53%	86,359	396,359	49,315,852	1.22
2034	60,253,422	48,278,569	315,000	1.58%	81,616	396,616	48,675,185	1.24
2035	60,253,422	47,626,348	320,000	1.63%	76,639	396,639	48,022,987	1.25
2036	60,253,422	36,336,387	325,000	1.68%	71,423	396,423	36,732,810	1.64
2037	60,253,422	31,449,916	330,000	1.73%	65,963	395,963	31,845,879	1.89
2038	60,253,422	24,840,184	335,000	1.77%	60,254	395,254	25,235,438	2.39
2039	60,253,422	24,228,788	340,000	1.79%	54,324	394,324	24,623,112	2.45
2040	60,253,422	23,611,262	350,000	1.81%	48,238	398,238	24,009,500	2.51
2041	60,253,422	22,987,796	355,000	1.83%	41,903	396,903	23,384,699	2.58
2042	60,253,422	22,358,964	360,000	1.85%	35,407	395,407	22,754,371	2.65
2043	60,253,422	21,725,152	370,000	1.86%	28,747	398,747	22,123,899	2.72
2044	60,253,422	21,087,312	375,000	1.87%	21,865	396,865	21,484,177	2.80
2045	60,253,422	20,446,601	380,000	1.88%	14,852	394,852	20,841,453	2.89
2046	60,253,422	19,718,209	410,000	1.88%	7,708	417,708	20,135,917	2.99
		\$ 1,222,585,393	\$ 9,420,000		\$ 2,478,275	\$ 11,898,275	\$ 1,234,483,668	

AVERAGE (MATURITY) LIFE	16.5 YEARS
NET INTEREST RATE	1.595%
COST SAVINGS	\$2,786,532
AVERAGE ANNUAL REQUIREMENT	\$41,149,456



**North Fort Bend WA
73721 Grand Lakes Reclaimed Water System
Engineering and Environmental Review**

Engineering:

Key Issues:

None known at this time.

Project Need/Description

Project Need: The North Fort Bend Water Authority (Authority) has identified several customers that have a demand for the reuse of treated effluent as a source for the irrigation of green spaces.

Project Description: The Authority is seeking financial assistance for the construction phase funding of the Grand Lakes Reclaimed Water System. This proposed reuse system will treat effluent from the Grand Lakes MUD 4 Wastewater Treatment Plant (WWTP) to Type I Standards and distribute the water throughout Grand Lakes MUDs 1, 2, and 4 for irrigation of green spaces and other reuse activities throughout the MUDs. This system is anticipated to supply 0.59 million gallons of water per day through approximately 52,000 linear feet of purple pipe. The Authority will own the tertiary treatment system, reuse pipe system, and reuse water.

Project Schedule:

Project Task	Schedule Date
Closing	8/1/2016
Start of Construction	10/31/2016
Construction Completion	10/31/2017

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

Pursuant to the requirements of 31 Texas Administrative Code (TAC) §375, all financial assistance shall be conditioned to read that funding for construction costs for specific project elements will not be released until the environmental review has been completed and a favorable Finding of No Significant Impact (FNSI) has been issued. A subsequent Affirmation of Commitment will be necessary for this loan in order to comply with the National Environmental Policy Act.



Project Budget Summary
 North Fort Bend WA
 73721 - Grand Lakes Reclaimed Water
 System

Budget Items	This Commitment	TWDB Funds	Total
Construction			
Construction	\$9,280,000.00	\$9,280,000.00	\$9,280,000.00
Subtotal for Construction	\$9,280,000.00	\$9,280,000.00	\$9,280,000.00
Fiscal Services			
Loan Origination Fee	\$171,105.00	\$171,105.00	\$171,105.00
Subtotal for Fiscal Services	\$171,105.00	\$171,105.00	\$171,105.00
Contingency			
Contingency	\$1,600,895.00	\$1,600,895.00	\$1,600,895.00
Subtotal for Contingency	\$1,600,895.00	\$1,600,895.00	\$1,600,895.00
Total	\$11,052,000.00	\$11,052,000.00	\$11,052,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$11,052,000 TO NORTH FORT BEND WATER AUTHORITY
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$9,420,000 NORTH FORT BEND WATER AUTHORITY WATER SYSTEM JUNIOR LIEN
REVENUE BONDS,
PROPOSED SERIES 2016
AND
\$1,632,000 IN LOAN FORGIVENESS

(16-)

WHEREAS, the North Fort Bend Water Authority (Authority) has filed an application for financial assistance in the amount of \$11,052,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73721; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$9,420,000 North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2016 (together with all authorizing documents, "Obligations"), and the execution of a Loan Forgiveness Agreement in an amount of \$1,632,000 all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the Authority has offered a pledge of a junior lien on system revenue as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the revenue pledged by the Authority will be sufficient to meet all the Obligations assumed by the Authority, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the Authority 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 Authority has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007; and
5. that the TWDB has made a timely and concerted effort to solicit projects that address green infrastructure, water, or energy efficiency improvements and other environmentally

innovative activities and has determined that the entire Project, or a portion of the Project, satisfies the EPA's criteria for Green Projects.

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

A commitment is made by the TWDB to the North Fort Bend Water Authority for financial assistance in the amount of \$11,052,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$9,420,000 North Fort Bend Water Authority Water System Junior Lien Revenue Bonds, Proposed Series 2016 and the execution of a Loan Forgiveness Agreement in the amount of \$1,632,000. 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 Authority;
3. this commitment is contingent upon the Authority's compliance with all applicable requirements contained in 31 TAC Chapter 375;
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 Authority, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the Authority's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by 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 Authority's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to such bonds under SEC Rule 15c2-12;
6. the Obligations must contain a provision requiring the Authority 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 Authority 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 Authority 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 Authority 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 Authority, 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 Authority 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 Authority 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 Authority 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 Authority execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

Conditions Related To Tax-Exempt Status

15. the Authority's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the Authority when rendering this opinion;
16. the Authority'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 Authority when rendering this opinion;
17. the Obligations must include a provision prohibiting the Authority 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);
18. 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;
19. the Obligations must include a provision requiring the Authority 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 Authority will:

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the Authority, provided that the Authority 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 Authority 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;
20. the Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
 21. the Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of § 149(b) of the Code;
 22. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
 23. 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;

24. the Obligations must provide that neither the Authority 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 Authority by the TWDB;

State Revolving Fund Conditions

25. the Authority shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
26. 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 Authority, 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;
27. the Obligations must include a provision stating that the Authority 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 Authority 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;
28. 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 Authority will adhere to the approved project schedule;
29. the Obligations and Loan Forgiveness Agreement must contain a covenant that the Authority 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;
30. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;
31. the Authority shall submit, prior to the release of funds, 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;

Clean Water State Revolving Fund Conditions

32. prior to or at closing, the Authority shall pay a 1.85% origination fee to the TWDB calculated pursuant 31 TAC Chapter 375;
33. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution;
34. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Authority 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;
35. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)(C), the Authority must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq.*;

Pledge Conditions For The Loan

36. 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;
37. if the Authority 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;
38. the Obligations must contain a provision providing that no additional Series of Junior Lien Bonds or Junior Lien Notes shall be issued, nor shall any Junior Lien Obligations be incurred, unless there shall have been submitted to the Trustee:

(a) Historical Pledged Revenues. Pledged Revenues for the most recent Fiscal Year or 12 consecutive months out of the most recent 18 months, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, shall be certified by an independent certified public accountant for the Authority to have been at least equal to 110% of Maximum Annual Debt Service Requirements on all outstanding Parity Bonds, Parity Notes and Parity Obligations and on all Junior Lien Bonds, Junior Lien Notes and Junior Lien Obligations that will be outstanding after the issuance of such Series of Junior Lien Bonds or Junior Lien Notes or incurrence of such Junior Lien Obligations; or

(b) Proforma Pledged Revenues. The certification of an independent nationally recognized rate consultant to the effect that, based upon a recent increase in rates or charges imposed by the Authority, the Pledged Revenues of the Authority for the prior Fiscal Year or 12 consecutive months out of the most recent 18 months, calculated as if such increase in rates or charges had been effective during such a period, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, would have produced Pledged Revenues equal to at least 120% of Maximum Annual Debt Service Requirements for outstanding Parity Bonds, Parity Notes and Parity Obligations and for Junior Lien Bonds, Junior Lien Notes and Junior Lien Obligations that will be outstanding after the issuance of such Series of Junior Lien Bonds or Junior Lien Notes or incurrence of such Junior Lien Obligations; or

(c) Projected Pledged Revenues. The certification of an independent nationally recognized rate consultant to the effect that, based on the certification of an independent professional engineer described below, the projected Pledged Revenues for the first future Fiscal Year for which interest has not been capitalized for the Series of Junior Lien Bonds or Junior Lien Notes to be issued or Junior Lien Obligations to be incurred, plus the amount in the Improvement Fund on the last Business Day for the most recent Fiscal Year, will be at least equal to 120% of Maximum Annual Debt Service Requirements on all outstanding Parity Bonds, Parity Notes and Parity Obligations and on all Junior Lien Bonds, Junior Lien Notes and Junior Lien Obligations that will be outstanding after the issuance of such Series of Junior Lien Bonds or Junior Lien Notes or incurrence of such Junior Lien Obligations. Such certification may rely on the certification of an independent professional engineer that forecasts the levels of (i) water pumpage within the Authority and within its Groundwater Reduction Plan during a forecast period; and/or (ii) water sales by the Authority during a forecast period based upon such engineer's evaluation of the Authority's anticipated construction and placement into service of components of the System that will permit the Authority to increase its sales of water during the forecast period;

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

Special Conditions:

39. prior to closing, the Authority 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 Authority shall return any loan forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator; and
41. prior to final disbursement, the Authority Entity shall submit to the TWDB certification that it has developed and is currently implementing a fiscal sustainability plan for critical assets part of the treatment works receiving financial assistance as outlined in 33 U.S.C. §1383.

APPROVED and ordered of record this 18th day of February, 2016.

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
Baseline				
5-year Goal				
10-year Goal				

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.

**North Fort Bend Water Authority,
Fort Bend County**

