

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 21, 2016

TEAM MANAGER: Mireya Loewe

APPLICANT	Sabine River Authority
TYPE OF ASSISTANCE	\$18,825,000 Loan, Proposed Series 2017 Taxable \$33,310,000 Loan, Proposed Series 2018 Taxable \$22,865,000 Loan, Proposed Series 2019 Taxable
LEGAL PLEDGE	First Lien on Net System Revenues

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the Sabine River Authority (Orange and Newton Counties) for \$75,000,000 multi-year, low interest loan commitment from the State Water Implementation Revenue Fund for Texas to finance the planning, acquisition, design, and construction of a new raw water pump station along the Sabine River.

PROJECT

Sabine River Authority Pump Station
Project Number 51033

BACKGROUND

Passed by the 83rd Legislature and approved by Texas voters through a constitutional amendment, the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT) were created to provide affordable, alternative financing options to develop projects that are recommended water management strategies in the State Water Plan. The program, referred to as SWIFT, provides financing through low interest loans, deferral of loan repayments, and incremental repurchase terms for projects with state ownership aspects. SWIFT projects presented for consideration have been scored and ranked utilizing a prioritization criteria outlined in Texas Administrative Code Title 31 §363.1304 and are included on the prioritized list of projects approved by the Board on April 11, 2016.

The Sabine River Authority (Authority) was created by the Legislature in 1949 as an official agency of the State of Texas. It is a political subdivision with boundaries that comprise all of the area lying within the watershed of the Sabine River and its tributary streams within Texas, which include all or parts of twenty-one counties. The Authority has four operational facilities divisions: the Gulf Coast Division, the Iron Bridge (Dam and Lake Tawakoni) Division, the Toledo Bend (Reservoir) Division, and the Lake Fork (Dam and Reservoir) Division.

Multi-Year Commitment:	Expiration Date
\$18,825,000 Series 2017	December 31, 2017
\$33,310,000 Series 2018	December 31, 2018
\$22,865,000 Series 2019	December 31, 2019

The proposed project will be in the Gulf Coast Division (GCD), whose main endeavor is to supply fresh water to municipal and industrial users in the lower Sabine Basin. The GCD has one small municipal customer, the City of Rose, and nine large industrial customers: International Paper; E.I. Du Pont De Nemours & Co.; NRG Energy Co., Inc.; Lanxess Co.; Entergy Texas Inc.; Firestone Polymers, LLC; Chevron Phillips Chemical Co.; Honeywell International Inc.; and Gerdau Ameristeel US, Inc.

The project will not only benefit GCD customers by improving the reliability of the river water intake, but it will also conserve water from the Toledo Bend Reservoir (TBR). This is because the Authority must release TBR water when the Sabine River flows are insufficient to pump water the at the current GCD pump station.

FINANCIAL

Key Issues

None.

Multi-year Commitment

The SWIFT program has the ability to offer applicants multi-year commitments. This flexibility allows the Texas Water Development Board (TWDB) to manage program demand while allowing the applicant to fund large projects over time. Each annual commitment installment has its own expiration date and applicable subsidies will be applied for a maximum of five funding year cycles from the time of initial Board Commitment.

The Authority has requested a multi-year commitment over a period of three years, 2017 through 2019. The subsidy rate of 20% applicable to 30-year loans will be applied to all series through 2020.

Pledge and Repayment

The Authority is pledging net system revenues as repayment of this loan request. However, the Authority intends to repay the proposed debt with revenues from the GCD exclusively. For this reason and in preparation for this project, the Authority increased the water rates of its GCD customers by 15%, effective January 1, 2016. It also plans additional annual rate increases of 23.5% for eight (8) industrial customers from 2017 to 2020, and of 8% for one other industrial customer from 2017 to 2028.

Cost Savings

Based on a 30-year maturity and current interest rates for the proposed 2017 bond series, the Authority could save approximately \$2,718,312 over the life of the loan.

Internal Risk Score

Staff assigns a 2B to the Authority, and the proposed project to be funded by the Texas Water Development Board. This means that the Authority's payment capacity is adequate to cover existing and proposed debt.

The Authority's financial sustainability indicators are strong. These indicators show the Authority's short-term and long-term ability to repay the debt. With the increase in water rates, the Authority produces net revenues of 2.5 times the annual debt service requirements for the first year of principal repayment. This higher coverage level indicates greater flexibility to

withstand unexpected expenses or declines in demand while still assuring repayment of debt. Additionally, the long-term condition of the system is sound with an asset condition ratio of 44 years. This shows a high level of reinvestment in the Authority's long-term assets to generate future revenues.

The Authority also scored high on another indicator showing the overall health of the Authority. Overall, the Authority has been able to retain its revenues, as evidenced by the increase in the fund balance over the last five years relative to revenues.

The Authority's socioeconomic indicators are below the state's averages overall. The service area consists of Newton and Orange Counties. The median household income (MHI) for Newton is \$36,890, which is 70% of the state's MHI, and Orange County's is \$48,766, or 93% of the state's MHI. The average unemployment rates for Newton and Orange Counties are 6.5% and 6.1%, respectively, both higher than the state's 4.2%.

The Authority maintains good liquidity with cash and short-term investments equal to 756 days of operating reserves. An amount over 250 days is considered to be a very high level of liquidity. Added liquidity provides greater stability to the Authority by providing the resources needed to cover short-term, unplanned needs.

The Authority has one current outstanding debt that is held by the TWDB. Including the proposed debt, the per capita debt will be low at \$451 for the initial 2017 bond issuance of \$18,825,000. The future debt that is part of this commitment will increase the per capita debt to \$1,023.

Staff's risk score is based on the Authority's liquidity position, low median household income and high unemployment rate in its service county areas, rate increases for the GCD customers, and low debt per capita. The Authority is assigned a risk score of 2B.

LEGAL

Key Issues

None

Conditions

Standard SWIFT, taxable and revenue conditions and further conditioned as follows:

- Conveyance, and
- Conversion.

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

Project Data Summary

Responsible Authority	Sabine River Authority
Program	State Water Implementation Fund for Texas
Commitment Code	LM17050 LM18050 LM19050
Project Number	51033
Intended Use Plan/Fund Year	2016
Fund Number	361
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$18,825,000 Sabine River Authority Revenue Bonds, Proposed Series 2017 \$33,310,000 Proposed Series 2018 \$22,865,000 Proposed Series 2019
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	615,497
Rural	Yes
Water Connections	N/A -Wholesale provider
Wastewater Connections	N/A - Wholesale provider
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	Low-Interest Loan
SWIFT Characteristic	Conservation
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	No
Internal Risk Score	2B
External Ratings (for SRF rates)	
Standard and Poor's	Non-Rated
Moody's	Non-Rated
Fitch	Non-Rated
Special Issues	Multi-year Commitment

Project Team

Team Manager	Mireya Loewe
Financial Analyst	Javier Pena
Engineering Reviewer	Lacey Bodnar
Environmental Reviewer	Jean Devlin
Attorney	Joe Reynolds

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Sabine River Authority

\$18,825,000 System Revenue Bonds, Proposed Series 2017

Dated Date:	12/1/2017	Source:	SWIFT-LOW-30YR
Delivery Date:	12/1/2017	Rate:	3.39%
First Interest:	2/15/2018	Insurance:	No
First Principal:	8/15/2020	Case:	Revenue
Last Principal:	8/15/2047	Admin.Fee:	\$ -
Fiscal Year End:	08/31	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	Existing Debt	2018-2019 \$56,175,000 FUTURE DEBT SERVICE		\$18,825,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT			
2018	6,836,442	1,342,195	-	-	0.00%	418,482	418,482	1,760,677	3.88
2019	7,274,901	1,346,731	-	-	0.00%	593,125	593,125	1,939,856	3.75
2020	8,067,501	1,345,286	859,582	430,000	1.43%	593,125	1,023,125	3,227,993	2.50
2021	9,039,667	1,343,187	1,808,262	440,000	1.67%	586,976	1,026,976	4,178,425	2.16
2022	10,233,060	1,345,434	2,819,464	445,000	1.82%	579,628	1,024,628	5,189,526	1.97
2023	11,699,090	1,346,700	3,342,683	455,000	2.02%	571,529	1,026,529	5,715,912	2.05
2024	11,757,863	1,341,985	3,345,105	465,000	2.06%	562,338	1,027,338	5,714,428	2.06
2025	11,821,338	1,346,616	3,343,511	480,000	2.18%	552,759	1,032,759	5,722,886	2.07
2026	11,889,891	1,344,939	3,343,310	490,000	2.34%	542,295	1,032,295	5,720,544	2.08
2027	11,963,928	1,342,281	3,339,588	505,000	2.86%	530,829	1,035,829	5,717,698	2.09
2028	12,043,888	1,343,642	3,342,873	520,000	2.86%	516,386	1,036,386	5,722,901	2.10
2029	12,130,245	1,343,695	3,343,346	540,000	2.86%	501,514	1,041,514	5,728,555	2.12
2030	12,223,511	1,342,440	3,345,641	555,000	2.86%	486,070	1,041,070	5,729,151	2.13
2031	12,324,238	1,344,877	3,340,973	575,000	2.86%	470,197	1,045,197	5,731,047	2.15
2032	12,324,238	1,345,679	3,346,621	595,000	3.27%	453,752	1,048,752	5,741,052	2.15
2033	12,324,238	1,344,846	3,340,205	615,000	3.27%	434,295	1,049,295	5,734,346	2.15
2034	12,324,238	1,342,378	3,342,069	640,000	3.27%	414,185	1,054,185	5,738,632	2.15
2035	12,324,238	1,343,275	3,341,869	665,000	3.27%	393,257	1,058,257	5,743,401	2.15
2036	12,324,238	1,342,210	3,339,918	690,000	3.27%	371,511	1,061,511	5,743,639	2.15
2037	12,324,238	1,314,848	3,342,356	715,000	3.59%	348,948	1,063,948	5,721,152	2.15
2038	12,324,238		3,341,891	745,000	3.59%	323,280	1,068,280	4,410,171	2.79
2039	12,324,238		3,338,524	775,000	3.59%	296,534	1,071,534	4,410,058	2.79
2040	12,324,238		3,342,253	810,000	3.59%	268,712	1,078,712	4,420,965	2.79
2041	12,324,238		3,343,617	840,000	3.59%	239,633	1,079,633	4,423,250	2.79
2042	12,324,238		3,343,522	875,000	3.59%	209,477	1,084,477	4,427,999	2.78
2043	12,324,238		3,344,456	915,000	3.59%	178,064	1,093,064	4,437,520	2.78
2044	12,324,238		3,341,210	950,000	3.59%	145,216	1,095,216	4,436,426	2.78
2045	12,324,238		3,343,784	990,000	3.59%	111,111	1,101,111	4,444,895	2.77
2046	12,324,238		3,346,760	1,030,000	3.59%	75,570	1,105,570	4,452,330	2.77
2047	12,324,238		3,344,929	1,075,000	3.59%	38,593	1,113,593	4,458,522	2.76
			\$ 89,058,322	\$ 18,825,000		\$ 11,807,379	\$ 30,632,379	\$ 146,543,945	

AVERAGE (MATURITY) LIFE	18.49 YEARS
NET INTEREST RATE	3.391%
COST SAVINGS	\$2,718,312
AVERAGE ANNUAL REQUIREMENT	\$4,884,798

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable.



Sabine River Authority
51033 Sabine River Authority Pump Station
Engineering and Environmental Review

Engineering:

Key Issues:

None known at this time.

Project Need/Description

Need: The Sabine River Authority (SRA) has an existing raw water pump station on the Sabine River, which was constructed in 1934, that pumps water into its Gulf Coast Division Canal System. The infrastructure and location of the pump station, as well as changes within the river, have sometimes limited the SRA's ability to draw water from the river. During natural low flow and drought conditions, the SRA has had to release water from the upstream Toledo Bend Reservoir to raise the level of the river at the main pump station's intake canal so that water could be pumped.

Description: SRA plans to construct a new 85 million gallons per day (MGD) raw water pump station along the Sabine River, approximately 10.5 miles upstream of the existing pump station. The new location will eliminate the need to release water from the Toledo Bend Reservoir during periods of low flow at the river. To accommodate projected future pumping expansions, the raw water intake and pump station wet well structure will be designed and constructed with a capacity of 285 MGD. The project also includes construction approximately eight miles of conveyance pipeline to transport the diverted water from the proposed pump station to SRA's existing canal system. The conveyance system will consist of both large diameter pipeline and open canal sections.

Project Schedule:

Project Task	Schedule Date
Closing Date	11/30/2016
Estimated Date to Submit Environmental Planning Documents	06/02/2017
Estimated Date to Submit Engineering Planning Documents	03/12/2018
Estimated Date for Completion of Design	06/01/2018
Estimated Start of Construction	08/01/2018
Estimated End of Construction	11/01/2020

Environmental Section:

Key Issues:

None known at this time.

Environmental Summary:

Pursuant to the requirements of 31 Texas Administrative Code (TAC) §363.14, all financial assistance shall be conditioned to read that funding for acquisition, design, and construction costs for specific project elements will not be released until the environmental review has been completed and a favorable Environmental Determination (ED) has been issued.



Project Budget Summary

Sabine River Authority

51033 - Sabine River Authority Pump Station

Budget Items	TWDB Funds 2017	TWDB Funds 2018	TWDB Funds 2019	Total Project Costs
Construction				
Construction	\$7,966,500	\$26,555,000	\$18,588,500	\$53,110,000
Subtotal for Construction	\$7,966,500	\$26,555,000	\$18,588,500	\$53,110,000
Basic Engineering Services				
Construction Engineering	\$138,000	\$460,000	\$322,000	\$920,000
Design	\$2,740,000	\$0	\$0	\$2,740,000
Planning	\$920,000	\$0	\$0	\$920,000
Subtotal for Basic Engineering Services	\$3,798,000	\$460,000	\$322,000	\$4,580,000
Special Services				
Application	\$50,000	\$0	\$0	\$50,000
Environmental	\$500,000	\$0	\$0	\$500,000
Geotechnical	\$200,000	\$0	\$0	\$200,000
Inspection	\$375,000	\$1,250,000	\$875,000	\$2,500,000
O&M Manual	\$0	\$30,000	\$90,000	\$120,000
Surveying	\$350,000	\$0	\$0	\$350,000
Testing	\$120,000	\$400,000	\$280,000	\$800,000
Subtotal for Special Services	\$1,595,000	\$1,680,000	\$1,245,000	\$4,520,000
Fiscal Services				
Bond Counsel	\$87,062	\$106,638	\$93,581	\$287,281
Financial Advisor	\$72,975	\$108,120	\$83,662	\$264,757
Fiscal/Legal	\$8,283	\$9,730	\$8,687	\$26,700
Issuance Costs	\$9,500	\$9,500	\$9,500	\$28,500
Subtotal for Fiscal Services	\$177,820	\$233,988	\$195,430	\$607,238
Other				
Administration - Travel, Miscellaneous	\$10,000	\$10,000	\$10,000	\$30,000
Land/Easements Acquisition	\$1,360,000	\$0	\$0	\$1,360,000
Other (Power)	\$1,000,000	\$0	\$0	\$1,000,000
Other (Special Services - Intake Modeling)	\$100,000	\$0	\$0	\$100,000
Subtotal for Other	\$2,470,000	\$10,000	\$10,000	\$2,490,000
Contingency				
Contingency	\$2,817,680	\$4,371,012	\$2,504,070	\$9,692,762
Subtotal for Contingency	\$2,817,680	\$4,371,012	\$2,504,070	\$9,692,762
Total	\$18,825,000	\$33,310,000	\$22,865,000	\$75,000,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
SABINE RIVER AUTHORITY
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$75,000,000 SABINE RIVER AUTHORITY
REVENUE BONDS,
PROPOSED SERIES 2017 THROUGH PROPOSED SERIES 2019

(16-)

WHEREAS, the Sabine River Authority (Authority) has filed an application for financial assistance in the amount of \$75,000,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design and construction of certain water supply project(s) identified as Project No. 51033; and

WHEREAS, the Authority seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$75,000,000 Sabine River Authority Revenue Bonds, Proposed Series 2017 through Proposed Series 2019 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff; and

WHEREAS, the Authority has offered a pledge of a first lien on net 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 § 363.1307;

WHEREAS, interest rate subsidies are available to the Authority at the following levels: 35.0% for a loan of a term of 20 years, 25.0% for a loan of a term of 21 to 25 years, and 20.0% for a loan of a term of 26 to 30 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the Authority, pursuant to this Resolution; and

WHEREAS, the TWDB hereby finds:

1. that the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M;
2. that the project is a recommended water management strategy in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that a water conservation plan has been submitted and implemented in accordance with Texas Water Code § 11.1271 and 31 TAC § 363.1309(b)(1);

4. that the Authority satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);
5. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the Authority and filed with the TWDB in accordance with 31 TAC § 358.6;
6. that the Authority has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

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

a commitment is made by the TWDB to Sabine River Authority for financial assistance in the amount of \$75,000,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of Sabine River Authority Revenue Bonds as follows:

- a) \$18,825,000 Proposed Series 2017, to expire on December 31, 2017;
- b) \$33,310,000 Proposed Series 2018, to expire on December 31, 2018;
- c) \$22,865,000 Proposed Series 2019, to expire on December 31, 2019.

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 continued compliance with all applicable laws, rules, policies and guidance as these may be amended from time to time to adapt to a change in law, in circumstances, or any other legal requirement;
4. this commitment is contingent upon the Authority executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;

5. the Authority shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2), and shall require the paying agent/registrar to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments;

The Following Conditions Must Be Included in the Obligations:

6. 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;
7. the Obligations must include a provision wherein 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;
8. 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;
9. the Obligations must include a provision requiring the Authority to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) 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 (2) eligible costs for the project as authorized by the Executive Administrator;
10. 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;
11. 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;

12. 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, recycling 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;
13. the Obligations must include a provision stating that the Authority shall report to the TWDB the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
14. the Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry form in accordance with 31 TAC § 363.42(c)(1);

Pledge Conditions For The Loan

15. 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;
16. 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 Authority certifies that the Authority 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 Authority must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

Conditions to Close or for Release of Funds:

17. 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;

18. 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;
19. prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority 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;

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

20. the Authority 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; and
21. the Obligations must include a provision requiring that, prior to any action by the Authority to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.

APPROVED and ordered of record this, the 21st day of July, 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
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.

Sabine River Authority, Newton and Orange Counties

