

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: December 13, 2018

TEAM MANAGER: Mireya Loewe

APPLICANT	North Alamo Water Supply Corporation
TYPE OF ASSISTANCE	\$8,821,350 Grant (EDAP) \$3,055,000 Zero Percent Interest (CWSRF Taxable) \$1,440,000 Financing (CWSRF Taxable) \$500,000 Principal Forgiveness Agreement (CWSRF)
LEGAL PLEDGE	Parity Lien on the Net Revenues of the Water and Wastewater System and Mortgage Deed of Trust

STAFF RECOMMENDATION

Approve No Action

ACTION REQUESTED

Approve by resolution, a request from the North Alamo Water Supply Corporation (Hidalgo County) for \$13,816,350 in financial assistance consisting of \$4,495,000 in financing and \$500,000 in principal forgiveness from the Clean Water State Revolving Fund, and \$8,821,350 in grant funding from the Economically Distressed Areas Program for construction of a wastewater collection and treatment system to provide first-time wastewater service to eight unincorporated subdivisions north of the City of Weslaco.

PROJECT

North Weslaco Colonias Wastewater System
Project Number 10445

BACKGROUND

The North Alamo Water Supply Corporation (Corporation) serves an area that covers 973 square miles in northeast Hidalgo County, Willacy County and northwest Cameron County. The Corporation serves an estimated population of nearly 180,000. It has more than 44,900 connections, including residences, businesses, 24 schools, and six other public water systems.

In December 2014, the Corporation received a \$1,568,000 grant from the Economically Distressed Areas Program (EDAP) for planning, acquisition, and design (PAD) of a project to provide first-time wastewater service to ten subdivisions located north of the City of Weslaco: Cruz Azul #3 and #5, La Paloma #1 and #2, Los Alamos, Mesquite Acres, Olivarez #4, Puesta Del Sol, Sunrise 2, and Sunrise Hill. Water service is already provided to these areas by the Corporation. The project included a wastewater collection system for the ten subdivisions, which would serve approximately 867 connections with an estimated population of 3,260. It also included a 0.7 million-gallon-per-day (MGD) wastewater

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE JUNE 30, 2019.

treatment plant (WWTP) and a force main to the WWTP. The PAD was completed in March 2018.

Due to a limited availability of grant funding to make the project affordable, the Corporation will phase the construction of the project. The current funding request will be used to construct a wastewater collection system for eight of the subdivisions (Puesta Del Sol, Sunrise Hill, Sunrise 2, Olivarez 4, La Paloma #1, La Paloma #2, Cielo Azul #3, Los Alamos) and a 0.7 MGD WWTP. These eight subdivisions currently include about 785 connections with a population of approximately 2,949. The Corporation intends to pursue additional grant and principal forgiveness funding in the future to complete the construction of the collection system for the remaining two subdivisions

FINANCIAL

Key Issues

The Corporation submitted a \$15.8 million application to the EDAP for the construction of the full project. Due to the demand and limited amount of available EDAP funding, the Corporation is being offered \$8,821,350 in EDAP grant funding. In addition, the Corporation and the project are eligible to receive \$3,055,000 in zero percent interest financing and \$500,000 in principal forgiveness as a small/rural entity under the Clean Water State Revolving Fund (CWSRF). In addition to the EDAP and CWSRF small/rural funding, the Corporation is requesting a taxable CWSRF equivalency loan to complete the first construction phase.

Pledge and Repayment

The Corporation is pledging a first lien on the net revenues of the water and wastewater system for the repayment of the proposed financing. The Corporation's current combined average monthly water and wastewater rate is \$61.85. Based on staff's analysis of financial documentation received, current system revenues are sufficient to meet the existing and proposed debt service.

Principal Forgiveness

The Corporation and the proposed project qualifies for \$500,000 in principal forgiveness and \$3,055,000 in financing at zero percent interest as a small/rural entity.

Cost Savings

Based on a 20-year maturity and current interest rates, the City could save approximately \$2,034,923 over the life of the financing. The City is also saving \$500,000 in principal forgiveness as a small/rural entity and \$8,821,350 in grant funding.

Nuisance Determination

On April 24, 2012, the Texas Department of State Health Services issued an opinion that a nuisance dangerous to the public health and safety exists in the project area. This qualifies the applicant for a grant greater than 50% of the project costs.

Grant to Loan Calculation

Pursuant to TWDB's rules, the capital component methodology is used to calculate the EDAP loan amount when an applicant has an existing system and related debt.

The Corporation's existing debt service for wastewater projects is an average of \$7.89 per connection. The additional debt service for the proposed non-EDAP financing for the project would result in a projected capital component of \$65.76 for the project area. Because the additional non-EDAP financing for the project will maintain the capital component at or above the current capital component, the Corporation is eligible for a 100 percent grant allocation for the EDAP-eligible cost of the project.

Internal Risk Score

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

The results of the Corporation's financial sustainability indicators are strong. These more heavily weighted risk score indicators show the Corporation's short-term and long-term ability to repay the debt. The revenues available for debt service provide a strong coverage ratio, representing 3.62 times the current and proposed debt service in the first year of principal repayment. In addition, the Corporation's level of reinvestment in the assets of the utility's infrastructure is adequate with an asset condition ratio of 23 years. An asset condition ratio of 12 to 24 years is considered typical. Although the Corporation is seeking construction funding to provide first time sewer service to residents within their service area, the Corporation currently owns and operates water treatment plants, wastewater treatment plants, and sewer collection systems.

The City's socioeconomic indicators are mixed when compared to the state overall. The population of Hidalgo County, where the project is located, has increased at an average annual rate of 1.12 percent since 2010, compared to an increase at an annual rate of 1.17 percent for the population of the state overall. The median household income (MHI) for the project area is \$26,306, which is 48 percent of the median for the state overall. The average, unadjusted, unemployment rate for Hidalgo County was 6.2 percent in September 2018, compared to 3.7 percent in the state overall.

Based on Hidalgo County's MHI and the current utility system rates, the Corporation has a household cost factor of 2.82 percent for water and wastewater service. The industry benchmark for the household cost factor is 2 percent for the two services.

Since the Corporation does not have taxing authority, all debt is supported by the utility system. The utility system self-supporting debt compared to operating revenues, including the proposed financing, is low at 0.76. A debt to operating revenues ratio of 4 to 6 is considered typical for utility systems. Additionally, the system maintains a strong level of reserves with unrestricted cash and short-term investments of approximately 199 days of the operating expenses of the utility system. Any amount between 30 and 150 days is considered to be a moderate level of liquidity.

The financial management of the utility system is strong. The Corporation reviews the utility system rates annually and adjusts as necessary to meet all debt service requirements. Furthermore, the Corporation maintains fully funded reserve funds and

funds a reserve fund dedicated to the future replacement and maintenance of fixed assets. The strong coverage ratio, proactive management, and continued long-term financial planning further support the assigned risk score of 2B.

LEGAL

Key Issues

None.

Model Subdivision Rules

Based on the information provided, the TWDB'S legal staff has determined that the County has adopted and is adequately enforcing the provisions of 31 TAC Chapter 364, the Model Subdivision Rules.

Conditions

Standard Clean Water State Revolving Fund, taxable, net system revenue conditions, standard Economically Distressed Areas Program, grant conditions, and further conditioned as follows:

- Notification of conversion and conveyance;
- Executed grant agreement;
- Return surplus grant funds;
- Executed principal forgiveness agreement; and
- Return surplus principal forgiveness funds.

- Attachments:
1. Project Data Summary
 2. Debt Service Schedule
 3. Engineering/Environmental Review
 4. Project Budget
 5. Loan-to-Grant Calculation
 6. Resolution (18-)
 7. Resolution (18-)
 8. Water Conservation Review
 9. Location Map

Project Data Summary

Responsible Authority	North Alamo Water Supply Corporation
Program	Economically Distressed Areas Program and Clean Water State Revolving Fund
Commitment Code	G1000925; LF1000926; L1000927; L1000928
Project Number	10445
Intended Use Plan Year	2019
Type of Pledge	2- Revenue
Revenue Pledge Level	First
Legal Description	\$8,821,350 Grant; \$3,055,000 Loan Agreement (Taxable); \$1,440,000 Loan Agreement (Taxable); and \$500,000 Principal Forgiveness Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow
Population	180,000 System; 2,949 Current Project Phase
Rural	Yes
Water Connections	45,790
Wastewater Connections	3,800 System 785 Current Project Phase
Qualifies as Disadvantaged	Yes
Disadvantaged Level	9
Clean Water State Revolving Fund Type	Equivalency
SWIFT Financing Type	N/A
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	Yes
Funding Phase Code	Construction
Pre-Design	No
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	Small/Rural Project – qualifies as 0%

Project Team

Team Manager	Mireya Loewe
Financial Analyst	Ben Munguia
Engineering Reviewer	Donald Dawkins
Environmental Reviewer	Lauren Dill
Attorney	Joe Reynolds



**North Alamo WSC
10445 North Weslaco Colonias Wastewater System
Engineering and Environmental Review**

Engineering:Key Issues:

None.

Project Need/Description

Need: Ten unincorporated subdivisions, located north of the City of Weslaco and within the North Alamo Water Supply Corporation's (Corporation) service area, currently utilize failing septic systems and pit privis.

Project Description: The first phase of the project, which was previously funded and has been completed, included the planning, acquisition, and design of a project to provide first time sewer service to ten unincorporated subdivisions north of the City of Weslaco. The project included a wastewater collection system and a 0.7 million-gallon-per-day (MGD) wastewater treatment plant, which would serve about 867 connections with a population of approximately 3,260.

The current funding request will be used to construct the 0.7 MGD wastewater treatment plant and a wastewater collection system in eight of the subdivisions (Puesta Del Sol, Sunrise Hill, Sunrise 2, Olivarez 4, La Paloma #1, La Paloma #2, Cielo Azul #3, Los Alamos), which will serve about 785 connections with a population of approximately 2,949. The Corporation plans to pursue additional funding in the future to construct the collection system in the remaining two subdivisions.

Project Schedule:

Project Task	Schedule Date
Closing	3/15/2019
Start of Construction	5/4/2019
Construction Completion	8/3/2020

Environmental Section:Key Issues:

None.

Environmental Summary:

As required by 31 Texas Administrative Code § 363.14, the environmental review for the proposed project has been completed. An Environmental Determination was issued on October 14, 2016. In addition to the standard emergency discovery conditions for threatened and endangered species and cultural resources, the project must comply with the following conditions:

- In order to ensure compliance with the Migratory Bird Treaty Act, contract documents will include provisions that prohibit the clearing of shrubs or trees during the March to August migratory bird nesting season. Contractors will be made aware of the potential of encountering migratory birds (either nesting or wintering) in the proposed project site and be instructed to avoid negatively impacting them. If vegetation clearing and/or construction in a potential bird nesting area must be scheduled during the nesting season, contract documents will require that the vegetation area to be impacted be surveyed

for active nests by a qualified biologist. If active nests are observed during surveys, the contract documents will require that a 150-foot buffer of vegetation remain around the nests until the young have fledged or the nest is abandoned.

- As per agreement with Texas Parks and Wildlife Department, and to ensure compliance with Parks and Wildlife Code § 68.015, for the protection of state-listed threatened amphibian species [black-spotted newt (*Notophthalmus meridionalis*) and South Texas siren (*Siren* sp. 1)], open cut trenching will not be used for pipeline crossing of ditches and canals. In addition, material and equipment staging areas will not be located in aquatic areas.



Project Budget Summary
North Alamo WSC
10445 - North Weslaco Colonias Wastewater System

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Total
Construction				
Construction	\$0.00	\$12,398,889.00	\$12,398,889.00	\$12,398,889.00
Hook-ups			\$0.00	\$0.00
Subtotal for Construction	\$0.00	\$12,398,889.00	\$12,398,889.00	\$12,398,889.00
Basic Engineering Services				
Construction Engineering	\$0.00	\$185,300.00	\$185,300.00	\$185,300.00
Design	\$526,800.00	\$0.00	\$526,800.00	\$526,800.00
Planning	\$104,000.00	\$0.00	\$104,000.00	\$104,000.00
Subtotal for Basic Engineering Services	\$630,800.00	\$185,300.00	\$816,100.00	\$816,100.00
Special Services				
Application	\$32,000.00	\$17,000.00	\$49,000.00	\$49,000.00
Environmental	\$78,000.00	\$0.00	\$78,000.00	\$78,000.00
Geotechnical	\$57,000.00	\$10,075.00	\$67,075.00	\$67,075.00
Inspection	\$0.00	\$173,700.00	\$173,700.00	\$173,700.00
O&M Manual	\$0.00	\$13,000.00	\$13,000.00	\$13,000.00
Permits	\$47,000.00	\$0.00	\$47,000.00	\$47,000.00
Project Management (by engineer)	\$15,000.00	\$0.00	\$15,000.00	\$15,000.00
Surveying	\$172,000.00	\$60,900.00	\$232,900.00	\$232,900.00
Testing	\$0.00	\$52,500.00	\$52,500.00	\$52,500.00
Subtotal for Special Services	\$401,000.00	\$327,175.00	\$728,175.00	\$728,175.00
Fiscal Services				
Loan Origination Fee	\$0.00	\$77,310.00	\$77,310.00	\$77,310.00
Subtotal for Fiscal Services	\$0.00	\$77,310.00	\$77,310.00	\$77,310.00
Other				
Administration	\$21,000.00	\$0.00	\$21,000.00	\$21,000.00
Land/Easements Acquisition	\$295,000.00	\$0.00	\$295,000.00	\$295,000.00
Project Legal Expenses	\$65,000.00	\$0.00	\$65,000.00	\$65,000.00
Subtotal for Other	\$381,000.00	\$0.00	\$381,000.00	\$381,000.00
Contingency				
Contingency	\$155,200.00	\$827,676.00	\$982,876.00	\$982,876.00
Subtotal for Contingency	\$155,200.00	\$827,676.00	\$982,876.00	\$982,876.00
Total	\$1,568,000.00	\$13,816,350.00	\$15,384,350.00	\$15,384,350.00

North Alamo Water Supply Corporation
ESTIMATED WASTEWATER LOAN AMOUNT
CAPITAL COMPONENT WITH ADDITIONAL DEBT
TO BE USED FOR ILLUSTRATIVE PURPOSES ONLY

CAPITAL COMPONENT METHODOLOGY

Current Wastewater System Average Annual Debt Service	\$44,622.00	
Divided by the Current Number of Connections (LUEs)	471	
Divided by 12 Months Produces		
MONTHLY CURRENT SYSTEM CAPITAL COMPONENT	\$7.89	
LESS OTHER DEBT TO BE INCURRED AS A RESULT OF THIS PROJECT		
Include any additional debt (Non-EDAP Eligible) to be incurred Assuming a 20-Year Maturity Schedule and	\$4,495,000.00	
Insert applicable Lending Rate	1.07%	
Produces an Estimated Annual Debt Service	\$250,926.61	
Number of additional non-edap connections to be added at the end of construction (LUE)	87	
Divided by the Total Number of Connections (LUEs) in the Project at the end of Construction	785	
Divided by 12 Months Produces		
MONTHLY CAPITAL COMPONENT OF ADDITIONAL LOAN	\$26.64	
Monthly Capital Component of Current System	\$7.89	
Minus Monthly Capital Component of Additional Loan	\$26.64	
PRODUCES AN OVERALL MONTHLY CAPITAL COMPONENT	(\$18.74)	
Times Number of EDAP-eligible Connections (LUEs) at the end of Construction	698	
Times 12 Months Produces		
Produces an Estimated Annual Debt Service for the Economically Distressed Area	(\$156,989.19)	
Assuming a 20-Year Maturity Schedule and Insert current TWDB applicable estimated Lending Rate	3.88%	
PRODUCES AN EDAP LOAN		(\$2,156,385.49)
(ROUNDED TO THE NEAREST 5,000)	-2155000	
EDAP GRANT	\$ 8,821,350.00	

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$4,995,000 TO NORTH ALAMO WATER SUPPLY CORPORATION
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
A PROMISSORY NOTE IN THE AMOUNT OF \$1,440,000 AND EXECUTION OF A LOAN
AGREEMENT, A PROMISSORY NOTE IN THE AMOUNT OF \$3,055,000 AND EXECUTION OF
A LOAN AGREEMENT
AND
\$500,000 IN PRINCIPAL FORGIVENESS

(18 -)

WHEREAS, the North Alamo Water Supply Corporation (Corporation), located in Hidalgo County, has filed an application for financial assistance in the amount of \$4,995,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 10445; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of a Promissory Note in the amount of \$1,440,000 and execution of a related Loan Agreement, a Promissory Note in the amount of \$3,055,000 and execution of a related Loan Agreement (together with all authorizing documents, (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$500,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the Corporation has offered a pledge of a parity lien on the net revenues of the water and wastewater system and a mortgage deed of trust 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 Corporation will be sufficient to meet all the Obligations assumed by the Corporation, 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 Corporation 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 Corporation has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;
5. that the Corporation qualifies as a “small” or “rural” system as determined by the applicable Intended Use Plan, and the project is therefore eligible for principal forgiveness in the amount of \$500,000 and a zero percent loan in the amount of \$3,055,000;

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

A commitment is made by the TWDB to the North Alamo Water Supply Corporation for financial assistance in the amount of \$4,995,000 from the Clean Water State Revolving Fund through the TWDB’s proposed purchase of:

- a) a Promissory Note and execution of a Loan Agreement in the amount of \$1,440,000;
- b) a Promissory Note and execution of a Loan Agreement in the amount of \$3,055,000; and
- c) the execution of a Principal Forgiveness Agreement in the amount of \$500,000.

This commitment will expire on June 30, 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 Corporation;
3. this commitment is contingent upon the Corporation’s compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the Corporation agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein;
5. 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;

6. the Corporation, 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 Corporation'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 Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12;
7. the Obligations must contain a provision requiring the Corporation to levy a tax and/or maintain and collect sufficient rates and charges, as applicable, to produce system funds 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;
8. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the Corporation to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting 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) deposit into a reserve fund;
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 Corporation 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 Corporation 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 Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
13. prior to closing, the Corporation shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and/or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements;
14. prior to closing, and if not previously provided with the application, the Corporation 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;
15. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation 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;
16. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

State Revolving Fund Conditions

17. the Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
18. 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 Corporation, 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;

19. the Obligations must include a provision stating that the Corporation 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 Corporation 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;
20. 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 Corporation will adhere to the approved project schedule;
21. the Obligations and Principal Forgiveness Agreement must contain a covenant that the Corporation 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 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;
22. 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;
23. the Corporation 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 projected useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions

24. the Corporation shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375;
25. 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;
26. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Corporation 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;

27. 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 Corporation 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* and 33 U.S.C. § 1382(b)(14).

Water Supply Corporation Conditions

28. the Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:
 - a. a first or parity lien on the net revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System;
29. upon closing or within 20 days after closing, the Corporation must file a Deed of Trust with the County Clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the County Clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB;
30. upon closing or within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply and/or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office;
31. prior to closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgagee title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgagee title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution;
32. prior to closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary;

33. prior to release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions;
34. prior to closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation is a nonprofit Corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers;
35. prior to closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's loan, then the Corporation must execute a Parity Agreement with each entity that holds such debt that is acceptable in form and substance to the Executive Administrator; and
36. the Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval;

Pledge Conditions for the Loan

37. 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;
38. if the Corporation 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;
39. 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 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;

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

Special Conditions:

40. the Corporation must notify the Executive Administrator in writing, thirty (30) days prior to taking any actions to alter its legal status in any manner.
41. the Obligations must include a provision requiring that the Corporation notify the Executive Administrator in writing prior to any action by it 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;
42. prior to closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator; and
43. the Principal Forgiveness Agreement must include a provision stating that the Corporation shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator.

APPROVED and ordered of record this 13th day of December, 2018.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING
AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$8,821,350 TO
NORTH ALAMO WATER SUPPLY CORPORATION
FROM THE ECONOMICALLY DISTRESSED AREAS PROGRAM ACCOUNT OF THE
TEXAS WATER DEVELOPMENT FUND II
THROUGH THE EXECUTION OF A GRANT AGREEMENT
IN THE AMOUNT OF \$8,821,350

(18-__)

WHEREAS, North Alamo Water Supply Corporation (Corporation), located in Hidalgo County, Texas, has filed an application seeking financial assistance in the amount of \$8,821,350 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, to finance the construction of certain wastewater system improvements, identified as Project No. 10445; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (the TWDB) through a grant of \$8,821,350 from the Economically Distressed Areas Program Account of the Texas Water Development Fund II, all as is more specifically set forth in the application and in recommendations of TWDB's staff; and

WHEREAS, the TWDB has carefully considered all matters required by law and, in particular, the following:

1. the feasibility of creating a conservation and reclamation district to provide and finance the water supply or sewer services, in accordance with Texas Water Code § 16.346;
2. the need of the economically distressed area to be served by the water supply and sewer services in relation to the need of other political subdivisions requiring economically distressed areas financing, and the relative costs and benefits of all applications, in accordance with Texas Water Code § 17.929(a)(1);
3. the availability to the political subdivision of revenue from alternative sources for the payment of the cost of the proposed project, in accordance with Texas Water Code § 17.929(a)(2);
4. financing of the proposed water supply or sewer project, in accordance with Texas Water Code § 17.929(a)(3);
5. the feasibility of achieving cost savings by providing a regional facility for water supply and wastewater service and the feasibility of financing the facilities by using funds from the economically distressed areas account or any other financial assistance, in accordance with Texas Water Code § 17.929(a)(5);

6. the rates, fees and charges that the average customer to be served by the project will be able to pay, sources of funding available to the Corporation, and any local funds of the Corporation, in accordance with Texas Water Code § 17.933(d)(1);
7. sources of funding available to the Corporation from federal and private funds and from other state funds, in accordance with Texas Water Code § 17.933(d)(2);
8. any local funds of the Corporation to be served by the project if the economically distressed area to be served is within the boundary of the Corporation, in accordance with Texas Water Code § 17.933(d)(3);
9. the just, fair, and reasonable charges for water and wastewater service as provided in the Texas Water Code, in accordance with Texas Water Code § 17.933(d)(4);

WHEREAS, the TWDB hereby finds:

1. that the Corporation 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;
2. that the area to be served by the proposed project has a median household income that is not greater than 75 percent of the median state household income for the most recent year for which statistics are available, in accordance with Texas Water Code § 17.929(b);
3. that the County has adopted model subdivision rules as promulgated by the TWDB pursuant to Texas Water Code § 16.343 and the manner of enforcement, in accordance with Texas Water Code § 17.929(a)(4);
4. that the Corporation has considered cost-effective innovative, nonconventional methods of treatment and will evaluate alternatives in greater detail through the planning phase of the project, in accordance with Texas Water Code § 17.189(b); and
5. that the public interest will benefit from state assistance in the financing of the treatment works, in accordance with Texas Water Code § 17.277.

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

A commitment is made by the TWDB to the North Alamo Water Supply Corporation for financial assistance in the amount of \$8,821,350 from the Economically Distressed Areas Account of the Texas Water Development Fund II through a grant of \$8,821,350. This commitment will expire on June 30, 2019.

This 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 Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 363;
3. the Grant Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Grant Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect;
4. grant funds are public funds and, as such, the Grant Agreement 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;
5. grant funds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Grant Agreement shall include an environmental indemnification provision wherein the Corporation 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 Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;
6. prior to closing, and if not previously provided with the application, the Corporation 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, under the contract, and acceptable to the Executive Administrator;
7. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation 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;
8. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive

Administrator;

Water Supply Corporation Conditions

9. prior to release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions;
10. prior to closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended or repealed without the prior written consent of the Executive Administrator;
 - b. the Corporation is a nonprofit entity; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers;
11. the Grant Agreement shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any obligation or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval;

EDAP Conditions

12. the Grant Agreement must include a provision that requires compliance with Texas Water Code § 16.356 that no revenues received from rates or fees collected from the water/wastewater system to be constructed through this commitment shall be used for any purposes other than utility purposes and that the annual financial statement prepared by the Corporation under Business Organizations Code § 22.352 shall include a specific report on compliance with this condition;
13. prior to the release of funds provided for construction, the Corporation must provide the TWDB with evidence satisfactory to the Executive Administrator that the Corporation has received and will maintain a designation as an authorized agent of the Texas Commission on Environmental Quality, in compliance with Texas Health and Safety Code § 366.035; and
14. the Grant Agreement must include a provision that requires the Corporation

adequately enforce the authority granted to the Corporation by Texas Water Code § 17.934(a)(2) to require and ensure that all property owners capable of receiving service from the system constructed with the funds provided by this resolution are actually connected to the sewer system constructed by these funds within a reasonable period of time not to exceed 90 days from the date the Corporation notifies the property owner that service is available; provided, however, that the Executive Administrator may extend this time upon written request for good cause shown.

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

Special Conditions:

15. the Corporation must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner;
16. the Grant Agreement must include a provision requiring that, prior to any action by the Corporation 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;
17. prior to closing, the Corporation and the Executive Administrator shall execute an Agreement that sets forth the terms and uses of the grant funds; and
18. the Grant Agreement must include a provision stating that the Corporation shall return any grant funds that are determined to be Surplus Funds in a manner determined by the Executive Administrator.

APPROVED and ordered of record this 13th day of December, 2018.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, 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.



North Alamo Water Supply Corporation Hidalgo County

