

# Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: May 9, 2019

TEAM MANAGER: Nancy Richards

<b>APPLICANT</b>	Harris County Municipal Utility District No. 148
<b>TYPE OF ASSISTANCE</b>	\$4,060,000 Financing
<b>LEGAL PLEDGE</b>	Unlimited Tax

## STAFF RECOMMENDATION

Approve       No Action

Approve by resolution a request from Harris County Municipal Utility District No. 148 (Harris County) for \$4,060,000 in financing from the Clean Water State Revolving Fund for construction of wastewater system improvements.

## PROJECT

Wastewater Treatment Plant Expansion  
Project Number 73832

## BACKGROUND

The Harris County Municipal Utility District No. 148 (District) is located northeast of downtown Houston, Texas. The District provides water and wastewater service for 1,775 connections and services a population of 5,401.

The District plans to expand the existing 0.55 million gallons per day (MGD) treatment plant to 0.95 MGD, modifying the existing lift station, and adding new structures to meet the permitted demand in the District.

## FINANCIAL

### Key Issues

The District has requested 12 months of capitalized interest for debt service at an estimated cost of \$91,350.

### Pledge and Repayment

The District is pledging unlimited tax for the repayment of the proposed financing. The District's current Interest and Sinking (I&S) rate is \$0.605 and is estimated to require an additional \$0.06 increase to meet current and proposed debt. Based on staff's analysis of financial documentation received, the additional I&S tax increase should be sufficient to meet the existing and proposed debt service.

**COMMITMENT PERIOD: ONE (1) YEAR TO EXPIRE ON MAY 31, 2020**

### Cost Savings

Based on a 20-year maturity and current interest rates, the District could save approximately \$1,087,483 over the life of the financing.

### Internal Risk Score

Staff assigns a 2A to the District and the proposed project to be funded by the Texas Water Development Board. This means that the District's repayment capacity is strong.

The results of the District's financial sustainability indicators are adequate. These heavily weighted risk score indicators show the District's short-term and long-term ability to repay the debt. The revenues available for debt service provide a coverage ratio of 0.91 and will increase to 1.0 times with the proposed I&S increase. In addition, the District continues to reinvest in the assets of the utility's infrastructure, which results in an asset condition ratio of 19 years. An asset condition ratio of 12 to 24 years is considered typical.

The District's socioeconomic indicators are higher when compared to the state overall. The population of Harris County has increased at an average annual rate of 4.69 percent since 2010, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. The District's median household income is \$76,387, which is 134 percent of the median for the state overall. The average, unadjusted, unemployment rate for the City of Houston was 4.1 percent in February 2019, compared to 3.90 percent in the state overall.

The household cost factor compares the annual cost of water and wastewater services, including any anticipated rate increases required to pay the proposed debt, to the median household income for the service area. The District's household cost factor is 0.88 percent. The industry benchmark for the household cost factor is 2 percent for two services.

The District maintains a strong liquidity position with cash and short-term investments equal to 309 days of operating expenses. An amount between 150 and 250 days is a strong level of liquidity, which provides the District the resources needed to cover short-term, unplanned needs.

The financial management of the system is strong. The District reviews its tax and system rates annually to ensure that revenues are available to meet its debt service requirements and the maintenance and operational needs of the system. Furthermore, the unlimited tax pledge and positive system revenues support the assigned risk score of 2A.

## **LEGAL**

### Key Issues

None.

**CONDITIONS**

Standard Clean Water State Revolving Fund, tax-exempt, unlimited ad valorem tax conditions, and additional conditions as follows:

- Conversion and conveyance.

Attachments: 1. Project Data Summary  
2. Debt Service Schedule  
3. Engineering/Environmental Review  
4. Project Budget  
5. Resolution (19- )  
6. Water Conservation Review  
7. Location Map

**PROJECT DATA SUMMARY**

<b>Responsible Authority</b>	Harris County Municipal Utility District No. 148
<b>Program</b>	Clean Water State Revolving Fund
<b>Commitment Code</b>	L1000983
<b>Project Number</b>	73832
<b>Intended Use Plan Year</b>	2019
<b>Type of Pledge</b>	3-Tax
<b>Revenue Pledge Level</b>	N/A
<b>Legal Description</b>	\$4,060,000 Harris County Municipal Utility District No. 148 Unlimited Tax Bonds, Proposed Series 2019
<b>Tax-exempt or Taxable</b>	Tax-exempt
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay <> Escrow
<b>Population</b>	5,401
<b>Rural</b>	No
<b>Water Connections</b>	1,775
<b>Wastewater Connections</b>	1,775
<b>Qualifies as Disadvantaged</b>	No
<b>Clean Water State Revolving Fund Type</b>	Equivalency
<b>Financial, Managerial, and Technical Review Complete?</b>	N/A
<b>Funding Phase Code</b>	Construction
<b>Pre-Design</b>	No
<b>Project Consistent with Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Adopted
<b>Water Rights Certification Required</b>	No
<b>Internal Risk Score</b>	2A
<b>External Ratings (for SRF rates)</b>	
<b>Standard and Poor's</b>	BBB
<b>Moody's</b>	Non-Rated
<b>Fitch</b>	Non-Rated
<b>Special Issues</b>	None

**Project Team**

Manager	Nancy Richards
Financial Analyst	Charles R. Nichols
Engineering Reviewer	Mike Cook
Environmental Reviewer	Sara Sopczynski
Attorney	Annette Mass

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Harris County Municipal Utility District No. 148

**\$4,060,000 Harris County Municipal Utility District No. 148 Unlimited Tax Bonds, Proposed Series 2019.**

**Dated Date:** 8/1/2019  
**Delivery Date:** 8/1/2019  
**First Interest:** 2/1/2020  
**First Principal:** 8/1/2020  
**Last Principal:** 8/1/2040  
**Fiscal Year End:** 08/31  
**Required Coverage:** 1.0

**Source:** CWSRF-EQUIVALENCY  
**Rate:** 1.99%  
**IUP Year:** 2019  
**Case:** Tax  
**Admin.Fee:** \$69,828  
**Admin. Fee Payment Date:** 8/1/2019  
**Total Assessed Valuation:** \$178,635,891

FISCAL YEAR	REQUIRED TAX RATE	TAX REVENUES WITH COLL. @ 90%	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$4,060,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE	
					PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			
2020	\$0.662	\$1,063,984	\$1,063,984	\$978,190	\$5,000	1.99%	\$80,794	\$85,794	\$1,063,984	1.00
2021	0.660	1,060,692	1,060,692	974,997	5,000	1.99%	80,695	85,695	1,060,692	1.00
2022	0.666	1,071,039	1,071,039	985,444	5,000	1.99%	80,595	85,595	1,071,039	1.00
2023	0.663	1,065,166	1,065,166	979,670	5,000	1.99%	80,496	85,496	1,065,166	1.00
2024	0.664	1,067,530	1,067,530	982,134	5,000	1.99%	80,396	85,396	1,067,530	1.00
2025	0.662	1,063,957	1,063,957	978,660	5,000	1.99%	80,297	85,297	1,063,957	1.00
2026	0.665	1,069,584	1,069,584	984,387	5,000	1.99%	80,197	85,197	1,069,584	1.00
2027	0.616	989,634	989,634	819,536	90,000	1.99%	80,098	170,098	989,634	1.00
2028	0.615	989,111	989,111	820,804	90,000	1.99%	78,307	168,307	989,111	1.00
2029	0.614	987,685	987,685	821,169	90,000	1.99%	76,516	166,516	987,685	1.00
2030	0.616	990,328	990,328	820,603	95,000	1.99%	74,725	169,725	990,328	1.00
2031	0.617	991,974	991,974	819,140	100,000	1.99%	72,834	172,834	991,974	1.00
2032	0.616	990,844	990,844	825,000	95,000	1.99%	70,844	165,844	990,844	1.00
2033	0.617	992,054	992,054	823,100	100,000	1.99%	68,954	168,954	992,054	1.00
2034	0.617	992,064	992,064	825,100	100,000	1.99%	66,964	166,964	992,064	1.00
2035	0.619	995,874	995,874	825,900	105,000	1.99%	64,974	169,974	995,874	1.00
2036	0.621	997,796	997,796	829,912	105,000	1.99%	62,884	167,884	997,796	1.00
2037	0.621	997,708	997,708	836,913	100,000	1.99%	60,795	160,795	997,708	1.00
2038	0.631	1,013,805	1,013,805	-	955,000	1.99%	58,805	1,013,805	1,013,805	1.00
2039	0.637	1,024,800	1,024,800	-	985,000	1.99%	39,800	1,024,800	1,024,800	1.00
2040	0.644	1,035,199	1,035,199	-	1,015,000	1.99%	20,199	1,035,199	1,035,199	1.00
			\$22,522,542	\$15,930,659	\$4,060,000		\$1,460,163	\$5,520,163	\$21,450,822	

<b>AVERAGE (MATURITY) LIFE</b>	<b>18.07 YEARS</b>
<b>NET INTEREST RATE</b>	<b>1.990%</b>
<b>COST SAVINGS</b>	<b>\$1,087,483</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$1,021,468</b>

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. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.

**Harris Co MUD # 148  
73832 Wastewater Treatment Plant Expansion  
Engineering and Environmental Review**

**Engineering:**

Key Issues:

None.

Project Need/Description

Need: The Harris County Municipal Utility District No.148 (District) needs to expand capacity at its wastewater treatment plant due to increased demand in the service area.

Project Description: The District plans to expand the existing 0.55 million gallons per day (MGD) treatment plant to 0.95 MGD, modifying the existing lift station, adding new structures to meet the permitted demand in the District.

**Project Schedule:**

<b>Project Task</b>	<b>Schedule Date</b>
Closing	8/1/2019
Engineering Feasibility Report Completion (End of Planning Phase)	8/30/2019
Design Phase Complete	9/27/2019
Start of Construction	3/16/2020
Construction Completion	3/15/2021

**Environmental Section:**

Key Issues:

None.

Environmental Summary:

As set forth in the preliminary environmental information submitted by the applicant, there are no known environmental, social, or permitting issues that would preclude construction of the project. Based on this initial environmental review, it is not anticipated that the proposed project's primary environmental impacts should be significant or adverse, nor should they affect project implementation.

Pursuant to the requirements of 31 Texas Administrative Code § 375.61, 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 environmental determination has been issued.



**Project Budget Summary**  
 Harris Co MUD # 148  
 73832 - Wastewater Treatment Plant Expansion

Budget Items	This Commitment	Total
<b>Construction</b>		
Construction	\$3,100,000.00	\$3,100,000.00
<b>Subtotal for Construction</b>	<b>\$3,100,000.00</b>	<b>\$3,100,000.00</b>
<b>Special Services</b>		
Application	\$4,060.00	\$4,060.00
<b>Subtotal for Special Services</b>	<b>\$4,060.00</b>	<b>\$4,060.00</b>
<b>Fiscal Services</b>		
Bond Counsel	\$65,750.00	\$65,750.00
Capitalized Interest	\$91,350.00	\$91,350.00
Financial Advisor	\$81,200.00	\$81,200.00
Issuance Costs	\$12,000.00	\$12,000.00
Loan Origination Fee	\$69,828.00	\$69,828.00
<b>Subtotal for Fiscal Services</b>	<b>\$320,128.00</b>	<b>\$320,128.00</b>
<b>Contingency</b>		
Contingency	\$635,812.00	\$635,812.00
<b>Subtotal for Contingency</b>	<b>\$635,812.00</b>	<b>\$635,812.00</b>
<b>Total</b>	<b>\$4,060,000.00</b>	<b>\$4,060,000.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$4,060,000 TO THE HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148  
FROM THE CLEAN WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
\$4,060,000 HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 148 UNLIMITED  
TAX BONDS,  
PROPOSED SERIES 2019

(19 - )

WHEREAS, the Harris County Municipal Utility District No. 148 (District), located in Harris County has filed an application for financial assistance in the amount of \$4,060,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain wastewater system improvements identified as Project No. 73832; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$4,060,000 Harris County Municipal Utility District No. 148 Unlimited Tax Bonds, Proposed Series 2019 (together with all authorizing documents, "Obligations"), all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the District has offered a pledge of unlimited tax as sufficient security for the repayment of the Obligations; and

WHEREAS, the TWDB hereby finds:

1. that the taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the 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 District has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the District has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007.

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

A commitment is made by the TWDB to the Harris County Municipal Utility District No. 148 for financial assistance in the amount of \$4,060,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$4,060,000 Harris County Municipal Utility District No. 148 Unlimited Tax Bonds, Proposed Series 2019. This commitment will expire on May 31, 2020.

Such commitment is conditioned as follows:

Standard Conditions

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all of the requirements of the laws under which said Obligations were issued have been complied with; that said Obligations were issued in conformity with the Constitution and laws of the State of Texas; and that said Obligations are valid and binding obligations of the District;
3. this commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the District 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 District, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the District's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and

determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;

7. the Obligations must contain a provision requiring the District 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 District 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 District to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project 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 District when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the District agrees to indemnify, hold harmless and protect the TWDB

from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

13. prior to closing, the District 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 District shall submit executed contracts for engineering, and, if applicable, financial advisor and bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
15. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the District shall execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB;
16. the Executive Administrator may require that the District execute a separate financing agreement in form and substance acceptable to the Executive Administrator;

#### Conditions Related to Tax-Exempt Status

17. the District's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the District when rendering this opinion;
18. the District's bond counsel opinion must also state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;
19. the Obligations must include a provision prohibiting the District from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code of 1986, as amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);

20. 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 section 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 section 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;
21. the Obligations must include a provision requiring the District take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the District will:
- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and retain all records of such accounting for at least six years after the final Computation Date. The District may, however, to the extent permitted by law, commingle Gross Proceeds of its loan with other money of the District, provided that the District separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its loan, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the rulings thereunder. The District shall maintain a copy of such calculations for at least six years after the final Computation Date;

- c. as additional consideration for the making of the loan, and in order to induce the making of the loan by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any interest and any penalty required by the Regulations;
- 22. the Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes;
- 23. the Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code;
- 24. the transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the District's reasonable expectations regarding the use, expenditure and investment of the proceeds of the Obligations;
- 25. the Obligations must contain a provision that the District will refrain from using from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code (relating to advance refundings);
- 26. the transcript must include evidence that the information reporting requirements of section 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 section 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;
- 27. the Obligations must provide that neither the District nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the District by the TWDB;

### State Revolving Fund Conditions

28. the District shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
29. the Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The District, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;
30. the Obligations must include a provision stating that the District shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
31. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the District will adhere to the approved project schedule;
32. the Obligations must contain a covenant that the District will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;
33. 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;
34. the District 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

35. the District shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375;
36. 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;
37. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the District must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program;
38. 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 District 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).

Pledge Conditions for the Loan

39. the Obligations must contain a provision that for each year the Bonds are outstanding, the District will levy a debt service tax rate, and collect taxes sufficient for the repayment of annual principal and interest requirements on the Obligations;

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

Special Conditions:

40. the District 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 District 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.

APPROVED and ordered of record this 9th day of May, 2019.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Peter M. Lake, Chairman

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

ATTEST:

\_\_\_\_\_  
Jeff Walker, Executive Administrator

Water  
 Wastewater  
 Other

## WATER CONSERVATION REVIEW

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

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

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

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

**WATER LOSS AUDIT YEAR:**

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

**WATER LOSS THRESHOLDS:**

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

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.

# Harris County MUD #148 Harris County

