

# Texas Water Development Board

## PROJECT FUNDING REQUEST

**BOARD DATE:** May 11, 2022

**Team Manager:** Jeff Taylor

### ACTION REQUESTED

Approve by resolution a request from the M&M Water Supply Corporation (Angelina County) for \$1,269,700 in financial assistance consisting of \$889,000 in financing and \$380,700 in principal forgiveness from the Drinking Water State Revolving Fund for planning, design, and construction of a water system improvement project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The M&M Water Supply Corporation (Corporation) is located in Angelina County in Lufkin, Texas. The Corporation provides water services to a population of approximately 3,189 residents and 1,191 connections.

### PROJECT NEED AND DESCRIPTION

The Corporation is currently experiencing elevated total trihalomethane (TTHM) levels in their water supply and are under an agreed order with the Texas Commission on Environmental Quality (TCEQ) due to failure to comply with the maximum contaminant level (MCL) for TTHM.

The Corporation intends to resolve the issue with TTHMs exceeding the MCL by installing mixers into their existing elevated storage tanks. The Corporation also plans to reduce the frequent replacement of the 150-pound chlorine cylinders by upgrading the system with a 1-ton chlorine cylinder.

### PROJECT SCHEDULE

Task	Schedule Date
Closing	June 15, 2022
Engineering Feasibility Report Completion (End of Planning Phase)	December 1, 2022
Design Phase	July 1, 2023
Start of Construction	September 1, 2023
Construction Completion	July 1, 2024

**COMMITMENT PERIOD:** SIX (6) MONTHS TO EXPIRE NOVEMBER 30, 2022

## **KEY ISSUES**

The Corporation is receiving \$305,700 in principal forgiveness and \$889,000 in zero percent financing as a disadvantaged community. Additionally, the Corporation will receive \$75,000 in principal forgiveness for an emergency preparedness evaluation.

The Corporation is requesting to fund the loan reserve fund with loan proceeds.

## **LEGAL**

### Special Conditions

- Adopt water conservation plan
- Conversion and conveyance
- Useful life certification
- Executed principal forgiveness agreement
- Return of unused principal forgiveness funds

### Attachments:

1. Financial Review
2. Project Budget
3. Resolution (22- )
4. Water Conservation Review
5. Location Map

# Financial Review

## M&M Water Supply Corporation

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2020

### Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: -0.04%	State: 1.49%
Top 10 Customers % of Total Revenue	8%	10-15%
Median Household Income as % of State	72%	100%
Days of Cash on Hand (3-year Average)	340 days	30-149 days
Net Fixed Assets/ Annual Depreciation	8 years	12-24 years
Debt Service Coverage Ratio	2.60x	1.0x
Debt-to-Operating Revenues	1.55x	4.00-5.99x
Unemployment Rate (February, 2022)	Angelina Co.: 5.70%	State: 4.70%
Working Capital Ratio	11.23	> 1.0

### Key Risk Score Strengths

- Debt service coverage ratio of 2.60 shows that the Corporation has sufficient revenues to cover current debt service as well as the debt service on the proposed TWDB loan.
- A high working capital ratio provides the Corporation with ample resources to cover short-term liabilities and shows a strong liquidity position.
- Days of cash on hand of 340 days exceeds the state benchmark and indicates that the Corporation has sufficient cash reserves available for fiscal emergencies.

### Key Risk Score Concerns

- The County where the Corporation resides has a higher unemployment rate than the state and a slightly negative population change. Despite the slight drop in population in the county, the Corporation is seeing an increase in connections. Additionally, the State Water Plan projects the Corporation's service area population to increase.

### PLEDGE

Legal Pledge Name	Net Revenue of the Water System
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

### RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	5,335	\$49.92	\$49.92	2.35	2.35

### Cost Savings

Based on a 25-year maturity schedule and current interest rates, the Corporation could save approximately \$467,004 over the life of the financing. The Corporation is also saving \$380,700 in principal forgiveness.

<b>Responsible Authority</b>	M & M WSC
<b>Program</b>	DWSRF
<b>Commitment Number</b>	L1001507, LF1001508
<b>Project Number</b>	62921
<b>List Year</b>	2022
<b>Type of Pledge</b>	Revenue Pledge
<b>Pledge Level (if applicable)</b>	First Lien
<b>Legal Description</b>	\$889,000 M&M Water Supply Corporation, Water Revenue Loan Agreement, \$380,700 Principal Forgiveness
<b>Tax-exempt or Taxable</b>	Taxable
<b>Refinance</b>	No
<b>Outlay Requirement</b>	Yes
<b>Disbursement Method</b>	Escrow
<b>Outlay Type</b>	Outlay = Escrow Release
<b>Qualifies as Disadvantaged</b>	Yes
<b>State Revolving Fund Type</b>	Equivalency
<b>Financial Managerial &amp; Technical Complete</b>	Yes
<b>Phases Funded</b>	Planning, Design, and Construction
<b>Pre-Design</b>	Yes
<b>Project Consistent with State Water Plan</b>	Yes
<b>Water Conservation Plan</b>	Approvable
<b>Overall Risk Score</b>	2B

### PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Jeff Taylor	Rand Zeolla	Cody Cockayne	Gayla Duaine	Annette Mass

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
M&M WSC

\$889,000 M&M Water Supply Corporation, Water Revenue Loan Agreement

<b>Dated Date:</b>	6/15/2022	<b>Source:</b>	DWSRF-EQUIVALENCY
<b>Delivery Date:</b>	6/15/2022	<b>Rate:</b>	0.00%
<b>First Interest:</b>	9/15/2022	<b>IUP Year:</b>	2022
<b>First Principal:</b>	3/15/2023	<b>Case:</b>	Revenue
<b>Last Principal:</b>	3/15/2047	<b>Admin.Fee:</b>	\$17,431
<b>Fiscal Year End:</b>	09/30	<b>Admin. Fee Payment Date:</b>	6/15/2022
<b>Required Coverage:</b>	1.0		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$889,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			
2022	\$239,637	\$57,037	\$0	-	\$0	\$0	\$57,037	4.20
2023	239,637	57,126	35,000	-	-	35,000	92,126	2.60
2024	239,637	34,755	35,000	-	-	35,000	69,755	3.44
2025	239,637	-	35,000	-	-	35,000	35,000	6.85
2026	239,637	-	35,000	-	-	35,000	35,000	6.85
2027	239,637	-	35,000	-	-	35,000	35,000	6.85
2028	239,637	-	35,000	-	-	35,000	35,000	6.85
2029	239,637	-	35,000	-	-	35,000	35,000	6.85
2030	239,637	-	35,000	-	-	35,000	35,000	6.85
2031	239,637	-	35,000	-	-	35,000	35,000	6.85
2032	239,637	-	35,000	-	-	35,000	35,000	6.85
2033	239,637	-	35,000	-	-	35,000	35,000	6.85
2034	239,637	-	36,000	-	-	36,000	36,000	6.66
2035	239,637	-	36,000	-	-	36,000	36,000	6.66
2036	239,637	-	36,000	-	-	36,000	36,000	6.66
2037	239,637	-	36,000	-	-	36,000	36,000	6.66
2038	239,637	-	36,000	-	-	36,000	36,000	6.66
2039	239,637	-	36,000	-	-	36,000	36,000	6.66
2040	239,637	-	36,000	-	-	36,000	36,000	6.66
2041	239,637	-	36,000	-	-	36,000	36,000	6.66
2042	239,637	-	36,000	-	-	36,000	36,000	6.66
2043	239,637	-	36,000	-	-	36,000	36,000	6.66
2044	239,637	-	36,000	-	-	36,000	36,000	6.66
2045	239,637	-	36,000	-	-	36,000	36,000	6.66
2046	239,637	-	36,000	-	-	36,000	36,000	6.66
2047	239,637	-	36,000	-	-	36,000	36,000	6.66
		\$148,918	\$889,000		\$0	\$889,000	\$1,037,918	

AVERAGE (MATURITY) LIFE	12.84 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$467,044
AVERAGE ANNUAL REQUIREMENT	\$39,920

*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.*



**Project Budget Summary**  
**M & M WSC**  
**62921 - M&M WSC - Water System**  
**Improvements**

Budget Items	TWDB Funds	Total
<b>Construction</b>		
Construction	\$773,000.00	\$773,000.00
<b>Subtotal for Construction</b>	<b>\$773,000.00</b>	<b>\$773,000.00</b>
<b>Basic Engineering Services</b>		
Construction Engineering	\$49,000.00	\$49,000.00
Design	\$75,000.00	\$75,000.00
Planning	\$40,000.00	\$40,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$164,000.00</b>	<b>\$164,000.00</b>
<b>Fiscal Services</b>		
Bond Counsel	\$30,000.00	\$30,000.00
Reserve Fund	\$35,500.00	\$35,500.00
Financial Advisor	\$33,750.00	\$33,750.00
Fiscal/Legal	\$5,250.00	\$5,250.00
Issuance Costs	\$6,000.00	\$6,000.00
Loan Origination Fee	\$17,431.00	\$17,431.00
<b>Subtotal for Fiscal Services</b>	<b>\$127,931.00</b>	<b>\$127,931.00</b>
<b>Other</b>		
Other (Emergency Preparedness Plan)	\$75,000.00	\$75,000.00
<b>Subtotal for Other</b>	<b>\$75,000.00</b>	<b>\$75,000.00</b>
<b>Contingency</b>		
Contingency	\$129,769.00	\$129,769.00
<b>Subtotal for Contingency</b>	<b>\$129,769.00</b>	<b>\$129,769.00</b>
<b>Total</b>	<b>\$1,269,700.00</b>	<b>\$1,269,700.00</b>

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$1,269,700 TO THE M & M WATER SUPPLY CORPORATION  
FROM THE DRINKING WATER STATE REVOLVING FUND  
THROUGH THE PROPOSED PURCHASE OF  
A PROMISSORY NOTE IN THE AMOUNT OF \$889,000 AND EXECUTION OF A LOAN  
AGREEMENT  
AND  
\$380,700 PRINCIPAL FORGIVENESS

(22 - )

WHEREAS, the M & M Water Supply Corporation (Corporation), located in Angelina County, has filed an application for financial assistance in the amount of \$1,269,700 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design and construction of certain water system improvements identified as Project No. 62921; 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 \$889,000 and execution of a Loan Agreement and \$380,700 in Principal Forgiveness, 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 system revenue 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 § 371.13; 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 Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the Corporation has submitted a proposed program of water conservation for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;
4. that the TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the

project will be addressed in a manner that is consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j);

5. that a current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the Corporation and filed with the TWDB in accordance with Texas Water Code § 16.053(j);
6. that the Corporation meets the definition of “Disadvantaged Community” in 31 TAC § 371.1(23) and is therefore eligible for principal forgiveness in the amount of \$305,700; the Corporation is also receiving \$75,000 in principal forgiveness to conduct an emergency preparedness evaluation; and the Corporation qualifies as a “small” or “rural” system as determined by the applicable IUP, and the Project is therefore eligible for a reduced interest rate;

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

A commitment is made by the TWDB to the M & M Water Supply Corporation for financial assistance in the amount of \$1,269,700 from the Drinking Water State Revolving Fund through the TWDB’s proposed purchase of a Promissory Note in the amount of \$889,000 and execution of a Loan Agreement and \$380,700 in principal forgiveness. This commitment will expire on November 30, 2022.

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. prior to closing, the Corporation must submit to the Executive Administrator an attorney’s opinion confirming the legal authority for the Corporation to incur the Obligations that is acceptable to the Executive Administrator;
3. this commitment is contingent upon the Corporation’s compliance with all applicable requirements contained in 31 TAC Chapter 371;
4. the Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement;
5. 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;

6. the Obligations must contain a provision requiring the Corporation to levy a tax and/or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
7. the Obligations must include a provision requiring the 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;
8. 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 in a manner as approved by the Executive Administrator;
9. 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;
10. 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;
11. 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;

12. prior to closing, the Corporation 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;
13. 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;
14. 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;
15. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
16. the TWDB retains the option to purchase the Obligations in separate lots and/or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator;
17. the Obligations must provide that the Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
18. the Obligations must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;
19. the Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project;

#### State Revolving Fund Conditions

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

21. 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;
22. 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;
23. 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;
24. 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 § 371.4 and related State Revolving Fund Policy Guidelines;

#### Drinking Water State Revolving Fund Conditions

25. prior to or at closing, the Corporation shall pay an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371;
26. prior to closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the Corporation has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations;
27. 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;

#### 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 gross 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 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 Corporation certifies that the Corporation 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 Corporation must provide the calculations, identifying reasonable assumptions, in a manner and format that is acceptable to the Executive Administrator.

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

Special Conditions:

40. prior to closing, the Corporation shall adopt and implement the water conservation program approved by the TWDB.
41. 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;
42. 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;
43. prior to the release of funds, the Corporation shall provide a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average estimated useful life of the project, as determined by the schedule;
44. prior to closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator; and
45. 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 11th day of May, 2022.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Brooke T. Paup, Chairwoman

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

ATTEST:

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Jeff Walker, Executive Administrator

Water  
Wastewater  
Other

# WATER CONSERVATION REVIEW

Review Date:

Project ID:

Entity:

Other entity:

**WATER CONSERVATION PLAN DATE:**

Approvable

Adopted

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

**WATER LOSS AUDIT YEAR:**

Service connections:  
Retail population:

Length of main lines (miles):  
Connections per mile:

Water Loss  
(gal/connection/day):  
Water Loss GPCD:  
ILI<sup>1</sup>:

*1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections*

**WATER LOSS THRESHOLDS**

Water Loss Project:

Wholesale Adjusted:

Threshold Type

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss Threshold Gallons per connection per day

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 losses** are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

**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 3,000 connections and a connection density of more than 16 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 bench marking 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.

**Real losses** are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

**Residential GPCD** is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

**Total GPCD** is the amount of total system input volume divided by the retail population 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 GPCD** is the amount of water loss divided by the retail population divided by 365.

**Water Loss per Connection per Day** Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

**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.

**Wholesale Adjusted** represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.



# M&M Water Supply Corporation Angelina County

