

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: December 7, 2023

Team Manager: Tom Barnett

ACTION REQUESTED

Consider approving by resolution a) a request from the City of Liberty Hill (Williamson County) for \$28,550,000 in financial assistance consisting of \$18,550,000 in financing and \$10,000,000 in principal forgiveness from the Drinking Water State Revolving Fund for planning, acquisition, design, and construction of a direct potable reuse project; b) a waiver from the requirement to include funds to mitigate water loss as part of this project; and c) a waiver from the requirement that the project be consistent with the state and regional water plans.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The City of Liberty Hill (City) is located approximately 30 miles northwest of Austin. The City has 1,491 water and 1,663 wastewater connections and a water service population of approximately 2,063. The City also provides wastewater treatment for nearly 14,000 connections outside its city limits for residents of Georgetown and Leander.

PROJECT NEED AND DESCRIPTION

The City has received an enforcement order from the Texas Commission on Environmental Quality (TCEQ) for failure to maintain surface waters in an aesthetically attractive condition and for plant exceedances contributing to algae blooms in the South Fork of the San Gabriel River near the outfall of the existing South Fork Wastewater Treatment Plant (WWTP). The City needs to decrease the nutrient load in the river in order to achieve improved water quality. The City is also actively working to secure additional water supplies to meet the near-term and long-term projected water demands for this high-growth area.

The City's proposed new direct potable reuse (DPR) water treatment plant (WTP) will use treated effluent from the City's existing South Fork WWTP to help meet the potable water demands of this fast-growing area. In addition, the DPR will improve water quality in the South Fork San Gabriel River by minimizing or potentially eliminating the discharge of treated effluent from the South Fork WWTP to the river and the nutrient loads associated with those discharges. The project will include a planning phase pilot study for a reverse osmosis (RO) treatment system that will be part of the new DPR WTP. It will also include a new deep injection well for RO brine waste stream disposal, land acquisition for the WTP site, and development of an asset management plan.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE JUNE 30, 2024
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PROJECT SCHEDULE

Task	Schedule Date
Closing	March 1, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	September 1, 2025
Design Phase Completion	April 15, 2026
Start of Construction	July 1, 2026
Construction Completion	June 30, 2028

KEY ISSUES

The City qualified to receive \$10,000,000 in principal forgiveness under the 2023 Drinking Water State Revolving Fund Intended Use Plan, comprised of \$6,000,000 as a disadvantaged community and \$4,000,000 for incorporating green project components that address water efficiency. They also qualified for \$3,060,000 in zero-percent financing for a portion of the proposed loan amount as a disadvantaged small/rural community.

The City is above its threshold for real water loss and has requested a waiver from the requirement that the project include funds to mitigate water loss. The City plans to conduct a leak detection survey to identify major sources of water loss in its system and submit that to TWDB for review by the end of 2024. The City also plans to dedicate funds to address water loss when issues are discovered.

The City has also requested a waiver from the requirement that the project be consistent with the state and regional water plans. The consistency issue is due to direct reuse not being identified as an existing source or recommended strategy supply for the City in the 2021 Brazos G Regional Water Plan (RWP) and 2022 State Water Plan. The Brazos G Regional Water Planning Group (RWPG) considered and voted unanimously to support the consistency waiver request at their May 31, 2023 regular meeting and submitted a letter of support to the Executive Administrator (EA) on June 9, 2023 (Attachment 6). The RWPG's letter stipulates that their support is limited to the City reusing 2,684 acre-feet per year that they determined the City legally has the right to capture. The RWPG concluded that the proposed project would not be a material deviation from the adopted 2021 Brazos G RWP.

The TCEQ provided a letter dated October 2, 2023, noting that the proposed project is located within the Edwards Aquifer contributing zone and a Class I permit would be required for a deep injection well for the RO brine waste stream disposal. During the project's planning phase, the City will need to coordinate with TCEQ's Underground Injection Control and Edwards Aquifer Protection programs as well as the EPA's Groundwater / Underground Injection Control Section before finalizing the injection well location.

LEGAL/SPECIAL CONDITIONS

- City certification for extension of temporary period for investment of proceeds
- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

Attachments

1. Financial Review
2. Project Budget
3. Resolution (23-)
4. Water Conservation Review
5. Water loss waiver request letter
6. Region G consistency waiver support letter
7. Location Map

Financial Review City of Liberty Hill

Risk Score: 2A

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 14.19%	State: 1.49%
Top 10 Customers % of Total Revenue	0.19%	10-15%
Median Household Income as % of State	75%	100%
Days of Cash on Hand (3-year Average)	3,160 days	30-149 days
Net Fixed Assets/ Annual Depreciation	30 years	12-24 years
Debt Service Coverage Ratio	2.45x	1.00x
Debt-to-Operating Revenues	6.78x	4.00-5.99x
Unemployment Rate (September 2023)	County: 3.7%	State: 4.1%
Working Capital Ratio	57.07	> 1.00

Key Risk Score Strengths

- The City has a strong debt service coverage ratio indicating that its water and sewer system revenues are sufficient to cover the existing and proposed debt. Additionally, the City's revenues have increased by 105 percent over the previous five years.
- The top 10 customers make up 0.19 percent of the total water system revenue, indicating the City isn't reliant on a few customers to support its water system.
- The City's days of cash on hand is above the benchmark, indicating that they can cover operating expenses with cash on hand.
- A high working capital ratio shows a strong liquidity position, indicating the City can use its existing assets to cover its current liabilities.

Key Risk Score Concerns

- The City has a high debt-to-operating-revenues ratio due to the purchase of a wastewater treatment facility from the Lower Colorado River Authority and the construction of several capital additions to expand its water, sewer, and wastewater treatment capacity. However, the household cost factor is still within the current benchmarks.

PLEDGE

Legal Pledge Name	Water and Sewer System Revenues
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 (Year 2023)	Current Household Cost Factor	Projected Household Cost Factor
Water	5,969	\$66.54	\$66.54	1.73	1.73
Sewer	5,969	\$48.81	\$48.81		

Cost Savings

Based on a 24- year maturity schedule and current interest rates, the City could save approximately \$5,064,823 over the life of the financing. The City is also saving \$10,000,000 in principal forgiveness.

Project Data Summary

Responsible Authority	Liberty Hill
Program	DWSRF
Commitment Number	L1001692, L1001693, LF1001694
Project Number	62939
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$3,060,000 City of Liberty Hill, Texas, Water and Sewer System Revenue Bonds, Series 2024A, \$15,490,000 City of Liberty Hill, Texas, Water and Sewer System Revenue Bonds, Series 2024B, \$10,000,000 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	No
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Tom Barnett	Jacob Berdoll	Connie Townsend	Tim Harlow	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Liberty Hill

\$3,060,000 City of Liberty Hill, Texas, Water and Sewer System Revenue Bonds, Series 2024A
Dated Date: 3/1/2024 **Source:** DWSRF-EQUIVALENCY
Delivery Date: 3/1/2024 **IUP Year:** 2023
First Interest: 8/15/2024 **Case:** Revenue
First Principal: 2/15/2025 **Admin.Fee:** \$60,000
Last Principal: 2/15/2049 **Admin. Fee Payment Date:** 3/1/2024
Fiscal Year End: 09/30 **Required Coverage:** 1.0

\$15,490,000 City of Liberty Hill, Texas, Water and Sewer System Revenue Bonds, Series 2024B
Dated Date: 3/1/2024 **Source:** DWSRF-EQUIVALENCY
Delivery Date: 3/1/2024 **IUP Year:** 2023
First Interest: 8/15/2024 **Case:** Revenue
First Principal: 2/15/2025 **Admin.Fee:** \$303,725
Last Principal: 2/15/2049 **Admin. Fee Payment Date:** 3/1/2024
Fiscal Year End: 09/30 **Required Coverage:** 1.0

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$3,060,000 ISSUE				\$15,490,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	\$10,170,195	\$3,161,925	\$0	-	\$0	\$0	-	\$165,257	\$165,257	\$3,327,182	3.06	
2025	10,170,195	3,159,762	105,000	-	-	105,000	1.99%	357,536	882,536	4,147,298	2.45	
2026	10,170,195	3,156,373	105,000	-	-	105,000	1.90%	347,277	877,277	4,138,650	2.46	
2027	10,170,195	3,160,395	105,000	-	-	105,000	1.84%	337,274	877,274	4,142,669	2.45	
2028	10,170,195	3,161,420	105,000	-	-	105,000	1.81%	327,374	872,374	4,138,794	2.46	
2029	10,170,195	3,164,406	110,000	-	-	110,000	1.79%	317,519	867,519	4,141,925	2.46	
2030	10,170,195	3,159,215	110,000	-	-	110,000	1.76%	307,713	862,713	4,131,927	2.46	
2031	10,170,195	3,155,984	110,000	-	-	110,000	1.76%	297,901	857,901	4,123,885	2.47	
2032	10,170,195	2,619,570	110,000	-	-	110,000	1.76%	287,957	857,957	3,587,527	2.83	
2033	10,170,195	2,627,603	115,000	-	-	115,000	1.79%	277,794	852,794	3,595,397	2.83	
2034	10,170,195	2,351,738	115,000	-	-	115,000	1.94%	267,022	847,022	3,313,760	3.07	
2035	10,170,195	2,348,313	115,000	-	-	115,000	2.10%	255,254	840,254	3,303,566	3.08	
2036	10,170,195	2,347,625	120,000	-	-	120,000	2.25%	242,417	837,417	3,305,042	3.08	
2037	10,170,195	2,354,425	120,000	-	-	120,000	2.39%	228,494	833,494	3,307,919	3.07	
2038	10,170,195	2,018,363	120,000	-	-	120,000	2.49%	213,607	828,607	2,966,970	3.43	
2039	10,170,195	2,012,988	125,000	-	-	125,000	2.54%	198,013	823,013	2,961,001	3.43	
2040	10,170,195	2,015,500	125,000	-	-	125,000	2.59%	181,852	816,852	2,957,352	3.44	
2041	10,170,195	1,375,500	125,000	-	-	125,000	2.62%	165,180	810,180	2,310,680	4.40	
2042	10,170,195	1,376,950	130,000	-	-	130,000	2.67%	147,986	802,986	2,309,936	4.40	
2043	10,170,195	1,376,800	130,000	-	-	130,000	2.70%	130,197	800,197	2,306,997	4.41	
2044	10,170,195	-	135,000	-	-	135,000	2.74%	111,767	796,767	931,767	10.91	
2045	10,170,195	-	140,000	-	-	140,000	2.76%	92,723	792,723	932,723	10.90	
2046	10,170,195	-	140,000	-	-	140,000	2.79%	73,088	788,088	928,088	10.96	
2047	10,170,195	-	145,000	-	-	145,000	2.81%	52,858	782,858	927,858	10.96	
2048	10,170,195	-	145,000	-	-	145,000	2.83%	32,059	777,059	922,059	11.03	
2049	10,170,195	-	155,000	-	-	155,000	2.85%	10,759	765,759	920,759	11.05	
		\$ 50,104,852	\$3,060,000			\$0	\$3,060,000	\$15,490,000	\$5,426,874	\$20,916,874	\$74,081,727	

\$3,060,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	13.77 YEARS
NET INTEREST RATE	0.000%
COST SAVINGS	\$1,705,395
AVERAGE ANNUAL REQUIREMENT	\$117,692

\$15,490,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	13.75 YEARS
NET INTEREST RATE	2.548%
COST SAVINGS	\$3,359,428
AVERAGE ANNUAL REQUIREMENT	\$804,495

TOTAL AVERAGE ANNUAL REQUIREMENTS	
	\$2,849,297

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
City of Liberty Hill
62939 - Direct Potable Reuse

Budget Items	TWDB Funds	Local Funds	Total
Construction			
Construction	\$18,722,500.00	\$0.00	\$18,722,500.00
Subtotal for Construction	\$18,722,500.00	\$0.00	\$18,722,500.00
Basic Engineering Services			
Construction Engineering	\$540,000.00	\$0.00	\$540,000.00
Design	\$1,800,000.00	\$0.00	\$1,800,000.00
Planning	\$180,000.00	\$0.00	\$180,000.00
Subtotal for Basic Engineering Services	\$2,520,000.00	\$0.00	\$2,520,000.00
Special Services			
Environmental	\$100,000.00	\$0.00	\$100,000.00
Permits	\$75,000.00	\$0.00	\$75,000.00
Surveying	\$25,000.00	\$0.00	\$25,000.00
Geotechnical	\$20,000.00	\$0.00	\$20,000.00
Project Management (by engineer)	\$100,000.00	\$0.00	\$100,000.00
Inspection	\$150,000.00	\$0.00	\$150,000.00
Testing	\$25,000.00	\$0.00	\$25,000.00
O&M Manual	\$1,000.00	\$0.00	\$1,000.00
Pilot Study	\$1,500,000.00	\$0.00	\$1,500,000.00
Asset Management Plan	\$20,000.00	\$0.00	\$20,000.00
Subtotal for Special Services	\$2,016,000.00	\$0.00	\$2,016,000.00
Other			
Land/Easement Acquisition	\$1,150,000.00	\$0.00	\$1,150,000.00
Subtotal for Other	\$1,150,000.00	\$0.00	\$1,150,000.00
Fiscal Services			
Bond Counsel	\$0.00	\$100,000.00	\$100,000.00
Financial Advisor	\$0.00	\$40,000.00	\$40,000.00
Fiscal/Legal	\$0.00	\$60,000.00	\$60,000.00
Issuance Costs	\$0.00	\$30,000.00	\$30,000.00
Loan Origination Fee	\$363,725.00	\$0.00	\$363,725.00
Subtotal for Fiscal Services	\$363,725.00	\$230,000.00	\$593,725.00
Contingency			
Contingency	\$3,777,775.00	\$0.00	\$3,777,775.00
Subtotal for Contingency	\$3,777,775.00	\$0.00	\$3,777,775.00
Total	\$28,550,000.00	\$230,000.00	\$28,780,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$28,550,000 TO THE CITY OF LIBERTY HILL
FROM THE DRINKING WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$3,060,000 CITY OF LIBERTY HILL, TEXAS
WATER AND SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2024A,
\$15,490,000 CITY OF LIBERTY HILL, TEXAS
WATER AND SEWER SYSTEM REVENUE BONDS, PROPOSED SERIES 2024B,
AND
\$10,000,000 IN PRINCIPAL FORGIVENESS

(23 -)

Recitals:

The City of Liberty Hill (City), located in Williamson County, Texas, has filed an application for financial assistance in the amount of \$28,550,000 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, acquisition, design, and construction of certain water system improvements identified as Project No. 62939.

The City seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024A, \$15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024B, (together with all authorizing documents (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$10,000,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The City has offered a pledge of net revenues of the City's water and sewer system as sufficient security for the repayment of the Obligations.

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.

The City is requesting a waiver of the requirement that the project be addressed in a manner that is consistent with the state and regional water plans because the project would not be a material deviation from the 2021 Brazos G Plan and the project has received the support of Regional Water Planning Region G.

The City is requesting a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate the City's system water loss because the City's strategy to investigate for water loss and plan for making repairs when issues are discovered will help to mitigate the City's real water loss.

Findings:

1. The revenue pledged by the City will be sufficient to meet all the Obligations assumed by the City, in accordance with Texas Water Code § 15.607.
2. 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. The term of the Obligations does not exceed the expected useful life of the project proposed by the City.
4. The City 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.
5. A current water audit required by Texas Water Code § 16.0121 and 31 TAC § 358.6 has been completed by the City and filed with the TWDB in accordance with Texas Water Code § 16.053(j).
6. Based on the conditions described above, the City is satisfactorily addressing its system water loss which supports a waiver of the requirement that a portion of the financial assistance received from the TWDB be used to mitigate system water loss in accordance with Texas Water Code § 16.0121(g).
7. The City meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(23) and is therefore eligible for principal forgiveness in the amount of \$6,000,000.
8. The City meets the definition of a "small" or "rural" disadvantaged community in the applicable IUP and is therefore eligible for funding with a reduced interest rate in an amount, including the origination fee, not to exceed \$3,060,000.
9. The TWDB has determined that the entire Project, or a portion of the Project, satisfies the applicable Intended Use Plan's criteria for Green Projects and is eligible for Principal Forgiveness in the amount of \$4,000,000.
10. The conditions, as described above, warrant a waiver of the requirements that the TWDB determine that the needs to be addressed by the project will be addressed in a manner that is consistent with the State Water Plan, and with the approved Regional Water Plan that includes the area that will benefit from the proposed project.

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

1. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.053(j), pursuant to Texas Water Code § 16.053(k).
2. For the reasons stated above, the TWDB hereby waives the requirements of Texas Water Code § 16.0121(g).
3. A commitment is made by the TWDB to the City of Liberty Hill for financial assistance in the amount of \$28,550,000 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of \$3,060,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024A, \$15,490,000 City of Liberty Hill, Texas Water and Sewer System Revenue Bonds, Proposed Series 2024B, and the execution of a Principal Forgiveness Agreement in the amount of \$10,000,000. This commitment will expire on June 30, 2024.

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 as determined by the TWDB. 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.
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 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 City.
3. This commitment is contingent upon the City's compliance with all applicable requirements contained in 31 TAC Chapter 371.
4. The Obligations must provide that the City agrees to comply with all the conditions set forth in the TWDB Resolution.
5. The Series 2024B Obligations must provide that the Obligations can be called for early redemption 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 Series 2024A Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after ten years from the dated date of the Obligations, at a redemption price of par.

7. The City, 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 City'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 City's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to such bonds under SEC Rule 15c2-12.
8. The Obligations must contain a provision requiring the City to levy a tax 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.
9. The Obligations must include a provision requiring the City to use any financial assistance 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 City to submit a final accounting and disposition of any unused funds.
10. The Obligations must include a provision requiring the City to use any financial assistance 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 approved by the Executive Administrator.
11. 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 will be of no force and effect.
12. The financial assistance is public funds and, as such, the Obligations must include a provision requiring that these proceeds must 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.
13. Proceeds of this commitment must not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must include a provision that states the City is solely responsible for liability resulting from acts or omissions of the City, its employees, contractors, or agents arising from the sampling, analysis, transport, storage, treatment, recycling,

and disposition of any contaminated sewage sludge, contaminated sediments or contaminated media that may be generated by the City, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.

14. Before closing, the City must submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements.
15. Before closing, and if not previously provided with the application, the City must 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.
16. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the City must execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator, and must submit that executed agreement to the TWDB.
17. The Executive Administrator may require that the City execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
18. 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.
19. The Obligations must provide that the City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
20. The Obligations must provide that the City 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.
21. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
22. The City must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).

23. The Obligations must provide that the City will submit annually, an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Conditions Related to Tax-Exempt Status:

24. The City'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 City when rendering this opinion.
25. The City'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 City when rendering this opinion.
26. The Obligations must include a provision prohibiting the City from using the proceeds of this financial assistance 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).
27. The Obligations must provide that no portion of the proceeds of the financial assistance 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 financial assistance (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.
28. The Obligations must include a provision requiring the City 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 to satisfy the

requirements of section 148 of the Code. The Obligations must provide that the City 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 City may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the City, provided that the City 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 financial assistance, 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 City must 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 financial assistance, and to induce the making of the financial assistance 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; and
 - 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.
29. The Obligations must include a provision prohibiting the City from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
 30. The Obligations must provide that the City will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.
 31. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the City's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations.

32. The Obligations must contain a provision that the City will refrain 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).
33. 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.
34. The Obligations must provide that neither the City 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 City by the TWDB.
35. The City's federal tax certificate must provide that the weighted average maturity of the Obligations purchased by the TWDB does not exceed 120% of the weighted average reasonably expected economic life of the Project.

State Revolving Fund Conditions:

36. The City must submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.
37. The Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects must 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 City, all contractors, and all sub-contractors must 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 must insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB.
38. The Obligations must include a provision stating that the City must 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 City must obtain a Unique Entity Identification Number and must register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.

39. The Obligations must provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and must provide that the City will adhere to the approved project schedule.
40. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City 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.
41. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.
42. The Obligations and Principal Forgiveness Agreement must contain a covenant that the City will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58.

Drinking Water State Revolving Fund Conditions:

43. The City will pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.
44. Before 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 City 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.
45. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the City 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.

Pledge Conditions for the Financial Assistance:

46. The Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements of the Obligations and the annual debt service requirement of all additional debt, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations.
47. If the City has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any financial assistance made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB must be at least on a parity with lien or liens

securing such outstanding obligations.

48. 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 of the Obligations and the annual debt service requirement of all additional debt 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:

49. The three (3) year temporary period identified at condition 27 may be extended to a five (5) year temporary period if, before closing, the City and a licensed architect or engineer provide a certification to the Executive Administrator that the longer period is necessary to complete the project.
50. Before closing, the City must execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.
51. The Principal Forgiveness Agreement must include a provision stating that the City will 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 7th day of December 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

Review Date:

Project ID:

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

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

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline			
5-year Goal			
10-year Goal			

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI¹:

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.

GCD means gallons per connection 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.



August 29, 2023

Mr. Jeff Walker, Executive Administrator
Texas Water Development Board
Water Supply & Infrastructure – Regional Water Planning and Development
Stephen F. Austin Building
1700 N. Congress Avenue, 5th Floor
Austin, Texas 78711-3231

Re: City of Liberty Hill water loss waiver request

Dear Mr. Walker:

We are writing to formally request a water loss waiver for our upcoming Drinking Water State Revolving Fund loan application with the Texas Water Development Board (TWDB). The City of Liberty Hill is, and has been, actively working to decrease the water loss in their water system.

Liberty Hill has upgraded 96% of the water meters in their system with automatic read meters, which provide more accurate meter readings than the older meters replaced. As the City's operating budget allows, they intend to replace the remaining large meters in their system with the new automatic read meters as well. This improvement is helping the City lower reported water loss.

In addition to these measures, the City of Liberty Hill agrees to perform a formal water loss survey to identify major sources of water loss in the system. The City will begin working on this study by January 1, 2024. The City will complete the water loss study by December 31, 2024, and will submit to the TWDB a copy of the completed water loss study report. Please note that the City does not intend to use TWDB funds to complete this water loss study.

In summary, Liberty Hill has been and will continue to be very proactive in addressing water loss in their system. The City will continue to budget funds to further improve water loss as well as completing the water loss study in the year 2024. This plan will include a strategy for which areas of the system to investigate for water loss and a plan for making repairs when issues are discovered. The City of Liberty Hill greatly appreciates the TWDB making water system projects possible for our residents.

Please feel free to contact us if you have any follow-up questions regarding this waiver request.

Sincerely,

Trey Evans

Water Superintendent, Liberty Hill

CC: Connie Townsend, TWDB (electronic only)

**P.O. Box 1920
Liberty Hill, TX 78642
512-778-5449
www.libertyhilltx.gov**

BRAZOS G

WATER PLANNING GROUP

VOTING MEMBERS

Wayne Wilson, Chair
 Gail Peek, Vice-Chair
 David Collinsworth,
 Secretary/Treasurer
 Dirk Aaron
 Dale Adams
 Ryan Bayle
 Charles Beseda
 David Blackburn
 Jim Briggs
 Luci Dunn
 Scott Felton
 Alan Gardenhire
 Zach Holland
 Gary Myers
 Jennifer Nations
 Gary Newman
 Lynn Smith
 Dale Spurgin
 Kathy Turner Jones
 Lisa Tyer
 Patrick Wagner
 Kenny Weldon
 Gary Westbrook

COUNTIES

Bell
 Bosque
 Brazos
 Burleson
 Callahan
 Comanche
 Coryell
 Eastland
 Erath
 Falls
 Fisher
 Grimes
 Hamilton
 Haskell
 Hill
 Hood
 Johnson
 Jones
 Kent
 Knox
 Lampasas
 Lee
 Limestone
 McLennan
 Milam
 Nolan
 Palo Pinto
 Robertson
 Shackelford
 Somervell
 Stephens
 Stonewall
 Taylor
 Throckmorton
 Washington
 Williamson

BRAZOS RIVER AUTHORITY, Administrative Agent
 P.O. Box 7555 • Waco, Texas 76714-7555
 (254) 761-3100 • Fax (254) 761-3204
 BrazosGinfo@brazos.org
 www.brazoswater.org

June 9, 2023

Mr. Jeff Walker
 Executive Administrator
 Texas Water Development Board
 P.O. Box 13231
 Austin, Texas 78711-3231

Re: Consistency Waiver Letter Request – City of Liberty Hill Direct Potable Reuse Project

Dear Mr. Walker,

At the March 8, 2023, meeting of the Brazos G Regional Water Planning Group (RWPG), a representative (Mr. Aaron J. Laughlin, P.E., Steger Bizzell Engineering, Inc.) for the City of Liberty Hill (collectively referred to hereafter as the “City”) requested the RWPG’s support for a consistency waiver to the 2021 Brazos G Regional Water Plan (2021 Brazos G Plan) for three projects: the Direct Potable Reuse (DPR) Project, the Edwards Aquifer Well Field Project, and the Gandy Tract Pond Project. The City subsequently contacted the RWPG’s technical consultant (Carollo Engineers, Inc., or Carollo) to initiate the process of compiling the information necessary to support the RWPG’s review.

Upon the City receiving a 60-day extension to their loan application deadline from the Texas Water Development Board (TWDB), the City notified the RWPG that the City’s initial focus would be on responding to items requested in TWDB’s March 9, 2023, letter to the City. On March 30, 2023, the City submitted a response letter to TWDB with a copy provided to the RWPG. Included in that March 30, 2023, letter was the City’s request to withdraw their loan application for the Gandy Tract Pond project. The letter also stated the City planned to proceed with seeking funding assistance for the remaining DPR and Edwards Aquifer Well Field projects, for which additional clarifying information was provided by the City to TWDB and the RWPG. Subsequent to discussions with Carollo on May 15, 2023, the City submitted an email to Carollo containing additional information relating to the City’s proposed DPR and Edwards Aquifer Well Field projects.

The focus of this letter is solely upon the findings of the RWPG as they relate to the City’s consistency waiver request for the City’s proposed Direct Potable Reuse Project.

The proposed DPR project consists of constructing a direct-potable reuse water treatment plant to treat effluent water from the City’s existing South Fork Wastewater Treatment Plant (WWTP) to drinking water quality standards. This WWTP, according to the City, serves customers in the Liberty Hill wastewater certificate of convenience and necessity (CCN) service area that are provided water service by the cities of Liberty Hill, Georgetown, and Leander. The place of use would be the City’s CCN service area, within the Brazos G Region, the Brazos River Basin, in Williamson County. The current capacity

of the WWTP is 2.0 million gallons per day (MGD) (~2,240 acre-feet per year, or ac-ft/yr), with an ultimate permitted capacity of 4.0 MGD (~4,480 ac-ft/yr). The City has requested up to 3,808 ac-ft/yr of treated water supply as a result of this project.

The RWPG met on May 31, 2023. The resolution unanimously adopted by the RWPG at this meeting regarding this waiver request is as follows:

“The Brazos G RWPG supports the consistency waiver request for the City of Liberty Hill’s Direct Potable Reuse Project in an amount not to exceed 2,684 ac-ft/yr, conditional upon additional documentation being provided by the City to the Brazos G RWPG and Texas Water Development Board indicating ownership or the legal extension of the right to use the 2,684 ac-ft/yr.”

It was further noted that the requested documentation must be received by the RWPG prior to the Chair signing and submitting the letter to TWDB.

Carollo has communicated with the City’s representative and has performed an availability assessment of the supply under consideration for the proposed DPR project in terms of physical and legal availability. As noted previously, the WWTP’s current physical capacity is 2.0 MGD (~2,240 ac-ft/yr), with an ultimate permitted capacity of 4.0 MGD (~4,480 ac-ft/yr).

Regarding legal availability, Carollo’s review noted that, for the purposes of the 2021 Region G Plan, the Water Availability Model (WAM) employed by the Brazos G RWPG includes an assumption of 100% reuse (no return flows) for each water right. Carollo indicated that a DPR project would not be inconsistent with the 2021 Region G Plan if the owner of the water right(s) were identified as the sponsor/participant or a project sponsor that has obtained (or been extended) the legal right to direct reuse.

While the City identified the DPR Project’s source as the treated wastewater effluent from the City’s existing South Fork WWTP, the City did not provide documentation regarding the City’s legal right to reuse. However, Carollo identified a total of 2,684 ac-ft/yr of water sources legally available to the City for reuse, namely:

1. 112 ac-ft/yr from the City’s existing groundwater supply from the Trinity Aquifer; and
2. 2,572 ac-ft/yr from three contracts (included as Attachment 1 to this letter) between the City and the Brazos River Authority:
 - A 2004 BRA contract for 600-ac-ft/yr;
 - A 2019 BRA contract for an additional 600 ac-ft/yr; and
 - A 2022 BRA contract for an additional 1,372 ac-ft/yr.

Beyond the groundwater developed by the City, the three surface water contracts with BRA include language that explicitly extends the right of use to direct reuse (flange to flange) of the water available to the City for municipal use under each agreement. These contracts are based upon supply established by House Bill 1437, conveying stored water in Lake Travis from the Lower Colorado River Authority to the BRA, implemented via Phase 1 of the Brushy Creek Regional Utility Authority (BCRUA) strategy (BCRUA Phase 1 was assumed as complete for the purposes of the 2021 Brazos G Plan, Vol. II, p.9.3-6).

During the May 31, 2023, meeting of the RWPG, the City submitted an email to Carollo (included as Attachment 2 to this letter) stating:

“...please accept this email as our request to use 2,684 ac-ft we currently have with BRA for surface water supply as our source for limitations in the DPR project.”

It has thus been assumed that the City's intent with this email was to confirm the sources *totaling 2,684 ac-ft/yr*, comprised of the aforementioned 112 ac-ft/yr of groundwater supply *and* the 2, 572 ac-ft/yr contracted surface water supply the City has with BRA.

Although DPR is not specifically recommended as a water management strategy for the City of Liberty Hill, the RWPG believes that sufficient physical and legal supplies to meet a portion of the City's customer demands could be available, pending an appropriate permitting process for DPR, and would not be a material deviation from the 2021 Brazos G Plan. The related technical consultant presentation to the RWPG is enclosed as Attachment 3 for reference.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

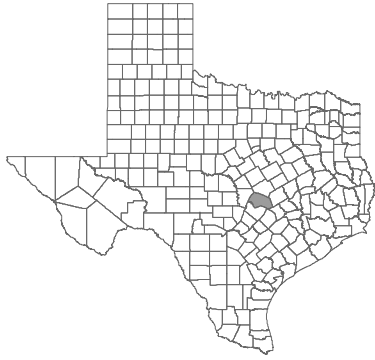


Wayne Wilson

Chair, Brazos G Regional Water Planning Group

Enclosures

cc: Mr. Lann Bookout, TWDB, Planner, Regional Water Planning



City of Liberty Hill Williamson County

