



PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2024

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the Upper Trinity Regional Water District (Fannin, Collin, Cooke, Dallas, Denton, Grayson, Hunt, and Wise Counties) for \$320,845,000 in multi-year Board Participation financing from the State Water Implementation Revenue Fund for Texas for construction of a water supply project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Upper Trinity Regional Water District (District) is in Denton County approximately 30 miles north of Dallas, along Interstate Highway 35E. The District provides wholesale treated water services to 19 member entities supplying over 29 million gallons per day to residents and non-residents in the service area.

In 2002, the District initiated engineering and planning studies for the Lake Ralph Hall project necessary to support the Water Rights Permit application and to document existing project site conditions. In March 2008, the Texas Water Development Board (TWDB) approved a \$10,400,000 commitment to the District planning, land acquisition, environmental and permitting of the project and in 2013 the Texas Commission on Environmental Quality granted to the District Water Rights Permit No. 5821 for the project.

In July 2015, the TWDB approved a \$44,680,000 commitment to the District to finalize the permitting with the United States Army Corps of Engineers (USACE) and begin preliminary design, mitigation, and land acquisition.

In January 2020, the District received its Section 404 permit for the Lake Ralph Hall project to discharge dredged and fill material into waters of the United States (Permit Number SWF-2003- 00336) from the USACE. The District received Section 408 authorization in 2017.

In July 2019, the TWDB approved a \$44,500,000 commitment to the District for additional mitigation and land acquisition costs. And in August 2020, the TWDB approved a \$413,000,000 multi-year commitment for design and construction of Lake Ralph Hall Reservoir.

Multi-Year Commitment:	Expiration Date
\$260,625,000 Proposed Series 2024	December 31, 2024
\$60,220,000 Proposed Series 2025	December 31, 2025

Previous TWDB funding commitments for the project, totaling \$513,580,000, allowed the District to finalize the permitting with the USACE and begin preliminary design of the dam/spillway, roads, bridge, utilities, pump station/outlet works, and raw water pipeline. Construction on the project began in 2021. The District has since experienced significant construction cost increases due to inflation and needs additional funding for completion of the project.

PROJECT NEED AND DESCRIPTION

The District currently supplies treated water to users in Fannin, Collin, Cooke, Dallas, Denton, Grayson, Hunt, and Wise Counties. The District also provides direct reuse for irrigation in Denton County. Due to reduced water supplies from Dallas Water Utility and Chapman Lake, the District's currently available supplies range from 54,995 acre-feet per year in 2020 to 41,002 acre-feet per year in 2070. To offset changes in existing supplies and to meet projected demands, the District will need to develop an additional 94,203 acre-feet per year of water supply through year 2070.

The District is proposing to continue to construct Lake Ralph Hall reservoir in Fannin County. The proposed reservoir will provide a firm yield of approximately 39,205 acre-feet and up to an additional 21,283 acre-feet of indirect reuse. This will help the district maintain projected demands of water supply through the year 2070. This request provides for additional construction funding for Lake Ralph Hall reservoir. This does not increase the Texas Water Development Board's (TWDB) ownership interest in the project. TWDB's ownership interest in the project will not exceed 80 percent of the total project cost.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	September 27, 2019
Design Phase Completion	August 16, 2024
Start of Construction	June 16, 2021
Construction Completion	September 20, 2026

KEY ISSUES

Financing will be provided through a Master Agreement, which sets out the responsibilities, duties and liabilities of the District and the Texas Water Development Board (TWDB). Under the Master Agreement the TWDB will purchase up to 80 percent of the project based on the amount of TWDB Board Participation funds provided as compared to the total amount of funds spent on the project. The District obligates itself to purchase the TWDB's interest in the project under a payment schedule attached to the Master Agreement, which provides that the District will make payments of principal and interest.

The District's obligation to purchase the TWDB's interest in the Board Participation project is secured by a subordinate lien pledge on the net revenues of the water system. The District is unable to pledge a first lien on the net revenues because of the variable nature of repurchase obligation included in the Master Agreement.

The financial analysis presented in Attachment 1 includes both of the District's funding requests.

LEGAL/SPECIAL CONDITIONS

- Conversion and conveyance

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (24-)
4. Water Conservation Review
5. Location Map

Financial Review

Upper Trinity Regional Water District

Risk Score: 2B

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 1.86%	State: 1.49%
Top 10 Customers % of Total Revenue	87%	10-15%
Median Household Income as % of State	115%	100%
Days of Cash on Hand (3-year Average)	1,015 days	30-149 days
Net Fixed Assets/ Annual Depreciation	25 years	12-24 years
Debt Service Coverage Ratio	0.40x	1.00x
Debt-to-Operating Revenues	20.04	4.00-5.99x
Unemployment Rate (April 2024)	(Collin, Denton, Dallas Counties): 3.30%	State: 3.50%
Working Capital Ratio	1.9	> 1.0

Key Risk Score Strengths

- The District has a high working capital ratio that allows it to pay off its short-term debt with short-term assets, demonstrating a strong liquidity position.
- The District also has a positive cash balance ratio at 72.77 percent, which is above the benchmark indicating an overall upward trend in funds. This is reflected in the District's cash and cash equivalents increasing from \$47,963,961 to 111,227,177 in five years.

Key Risk Score Concerns

- The debt-to-operating revenues ratio is above the benchmark due to system revenues supporting all water infrastructure debt, which is needed to accommodate future population growth. The District's operating revenues have increased by an average of eight percent annually over the previous five years and rates are adjusted annually based on revenues needed to meet debt service and operating expenses.
- The District's pledge of system revenues is derived from contract revenues from the District's member entities. Contracts between the District and participants in the system allow for the redetermination of annual payment requirements at the end of each fiscal year. Charges split between the entities include annual debt service for outstanding obligations, operation and maintenance of existing facilities, and cost of additional capital improvement. In a no-growth scenario using 2023 audited numbers, the District will need annual rate increases starting in 2032 before maxing out at a projected "demand charge" for fixed costs of \$1,274,285 in 2042. The demand charge is how Upper Trinity charges its customers for fixed costs, which includes debt service, and is based on subscribed million gallons a day.
- The top 10 customers make up 87 percent of total water revenue with the largest of these being the Town of Flower Mound at approximately 30 percent. Since the District is a wholesaler, the top 10 customers are solely made up of municipalities and water supply districts.

PLEDGE

Legal Pledge Name	Water 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 type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Monthly Wholesale Use	Gallons/Month	Current Demand Charge	Projected Demand Charge (2042)
WATER	1,361,891,000	\$500,155	\$1,274,285

Project Data Summary

Responsible Authority	Upper Trinity Regional WD
Program	SWIFT
Commitment Number	LB2401840, LB2501840
Project Number	51001
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	Third Lien
Legal Description	Master Agreement between Texas Water Development Board and Upper Trinity Regional Water District.
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Board Participation
Financial Managerial & Technical Complete	N/A
Phases Funded	Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Jacob Berdoll	Joel Smith	Kylie Beard	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Upper Trinity Regional Water District

\$260,625,000 Upper Trinity Regional Water District Board Participation Series 2024A
Dated Date: 11/1/2024
Delivery Date: 11/1/2024
First Interest: 2/1/2025
First Principal: 8/1/2045
Last Principal: 8/1/2059
Fiscal Year End: 9/30
Required Coverage: 1.0

Source: SWIFT-PARTICIPATION
Rate: 4.94%
Insurance: N/A
Case: System Revenues
Admin.Fee: \$ -
Admin. Fee Payment Date: N/A

\$40,000,000 Upper Trinity Regional Water District Board Participation Series 2024B
Dated Date: 11/1/2024
Delivery Date: 11/1/2024
First Interest: 2/1/2025
First Principal: 8/1/2045
Last Principal: 8/1/2059
Fiscal Year End: 9/30
Required Coverage: 1.0

Source: SWIFT-PARTICIPATION
Rate: 4.94%
Insurance: N/A
Case: System Revenues
Admin.Fee: \$ -
Admin. Fee Payment Date: N/A

															\$60,220,000			\$122,000,000		
															PROPOSED SERIES			PROPOSED SERIES		
															2025			2025-2028		
															PID \$1001			PID \$1001		
															TOTAL			TOTAL		
															PAYMENT			PAYMENT		
															DEBT			ACTUAL		
															SERVICE			COVERAGE		
FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT* DEBT SERVICE	PRINCIPAL PAYMENT	\$260,625,000 ISSUE RATE	INTEREST PAYMENT	DEFERRED INTEREST	REPAYMENT	INTEREST PAID	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	DEFERRED INTEREST	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL PAYMENT	TOTAL PAYMENT	DEBT SERVICE	ACTUAL COVERAGE	
2025	47,447,727	37,205,076	-	-	9,629,539	(9,629,539)	-	-	-	-	-	1,477,919	(1,477,919)	-	-	-	-	37,205,076	1.28	
2026	47,447,727	36,570,536	-	-	12,839,385	(12,839,385)	-	-	-	-	-	1,970,559	(1,970,559)	-	-	-	-	36,570,536	1.30	
2027	47,447,727	35,940,402	-	-	12,839,385	(11,555,447)	-	1,283,939	1,283,939	-	-	1,970,559	(1,773,503)	197,056	197,056	-	-	37,421,397	1.27	
2028	47,447,727	36,883,474	-	-	12,839,385	(10,271,508)	-	2,567,877	2,567,877	-	-	1,970,559	(1,576,447)	394,112	394,112	356,910	237,071	40,439,444	1.17	
2029	47,447,727	38,550,025	-	-	12,839,385	(9,429,539)	-	3,209,846	3,209,846	-	-	1,970,559	(1,477,919)	492,640	492,640	713,820	711,888	43,678,218	1.09	
2030	47,447,727	39,490,912	-	-	12,839,385	(8,345,600)	-	4,493,785	4,493,785	-	-	1,970,559	(1,280,863)	689,696	689,696	1,028,849	1,258,849	46,825,516	1.01	
2031	60,810,958	50,661,847	-	-	12,839,385	(6,740,677)	-	6,098,708	6,098,708	-	-	1,970,559	(1,034,543)	936,016	936,016	1,286,620	1,866,620	60,810,958	1.00	
2032	70,309,052	56,803,156	-	-	12,839,385	(4,814,769)	-	8,024,616	8,024,616	-	-	1,970,559	(738,960)	1,231,599	1,231,599	1,695,323	2,554,338	70,309,052	1.00	
2033	79,885,824	62,740,738	-	-	12,839,385	(2,888,862)	-	9,950,523	9,950,523	-	-	1,970,559	(443,376)	1,527,183	1,527,183	2,327,692	2,798,854	79,885,824	1.00	
2034	91,974,329	71,071,082	-	-	12,839,385	(962,954)	-	11,876,431	11,876,431	-	-	1,970,559	(147,792)	1,822,767	1,822,767	2,766,053	4,437,997	91,974,329	1.00	
2035	100,834,279	77,212,012	-	-	12,839,385	-	-	12,839,385	12,839,385	-	-	1,970,559	-	1,970,559	1,970,559	3,301,418	5,510,905	100,834,279	1.00	
2036	108,928,394	84,128,394	-	-	12,839,385	-	-	12,839,385	12,839,385	-	-	1,970,559	-	1,970,559	1,970,559	3,569,100	6,429,302	108,928,394	1.00	
2037	126,853,763	95,099,840	-	-	12,839,385	5,548,449	-	18,387,834	18,387,834	-	-	1,970,559	851,563	2,822,122	2,822,122	3,569,100	6,974,867	126,853,763	1.00	
2038	146,095,154	105,141,767	-	-	12,839,385	11,096,897	-	23,936,282	23,936,282	-	-	1,970,559	1,703,126	3,673,685	3,673,685	5,111,461	8,231,599	146,095,154	1.00	
2039	154,379,499	109,787,067	-	-	12,839,385	11,096,897	-	23,936,282	23,936,282	-	-	1,970,559	1,703,126	3,673,685	3,673,685	6,653,822	10,328,643	154,379,499	1.00	
2040	159,336,141	112,892,299	-	-	12,839,385	11,096,897	-	23,936,282	23,936,282	-	-	1,970,559	1,703,126	3,673,685	3,673,685	6,653,822	11,180,053	159,336,141	1.00	
2041	164,764,324	117,238,351	-	-	12,839,385	11,096,897	-	23,936,282	23,936,282	-	-	1,970,559	1,703,126	3,673,685	3,673,685	6,653,822	13,062,184	164,764,324	1.00	
2042	168,959,978	121,175,883	-	-	12,839,385	11,096,897	-	23,936,282	23,936,282	-	-	1,970,559	1,703,126	3,673,685	3,673,685	6,653,822	13,520,306	168,959,978	1.00	
2043	168,959,978	121,091,138	-	-	12,839,385	11,096,897	-	23,936,282	23,936,282	-	-	1,970,559	1,703,126	3,673,685	3,673,685	6,653,822	13,520,306	168,959,978	1.00	
2044	168,959,978	114,447,476	-	-	12,839,385	5,548,449	-	18,387,834	18,387,834	-	-	1,970,559	851,563	2,822,122	2,822,122	6,653,822	13,520,306	168,959,978	1.08	
2045	168,959,978	118,108,348	12,210,000	4.780%	12,839,385	25,040,385	-	23,936,282	25,040,385	1,875,000	4.780%	1,970,559	-	1,970,559	3,845,559	16,610,574	16,610,574	168,959,978	1.03	
2046	168,959,978	113,528,355	12,795,000	4.780%	12,255,747	-	-	12,255,747	25,050,747	1,965,000	4.780%	1,880,934	-	1,880,934	3,845,934	6,359,100	12,298,934	161,083,071	1.05	
2047	168,959,978	113,238,462	13,410,000	4.780%	11,644,146	-	-	11,644,146	25,054,146	2,055,000	4.780%	1,787,007	-	1,787,007	3,842,007	6,337,338	12,250,306	160,722,759	1.05	
2048	168,959,978	112,232,769	14,050,000	4.780%	11,003,148	-	-	11,003,148	25,053,148	2,155,000	4.780%	1,688,778	-	1,688,778	3,843,778	6,313,484	12,600,558	160,043,737	1.06	
2049	168,959,978	111,334,718	14,720,000	4.780%	10,331,558	-	-	10,331,558	25,051,558	2,260,000	4.780%	1,585,769	-	1,585,769	3,845,769	6,280,749	12,559,449	159,292,243	1.06	
2050	168,959,978	110,241,954	15,425,000	4.910%	9,627,942	-	-	9,627,942	25,052,942	2,365,000	4.910%	1,477,741	-	1,477,741	3,842,741	6,269,055	12,724,268	158,380,960	1.07	
2051	168,959,978	107,770,915	16,180,000	4.910%	8,870,575	-	-	8,870,575	25,050,575	2,485,000	4.910%	1,361,620	-	1,361,620	3,846,620	6,237,824	12,620,591	155,586,523	1.09	
2052	168,959,978	106,195,394	16,975,000	4.910%	8,076,137	-	-	8,076,137	25,051,137	2,605,000	4.910%	1,239,606	-	1,239,606	3,844,606	6,207,428	12,634,006	153,932,571	1.10	
2053	168,959,978	104,874,116	17,810,000	4.910%	7,242,664	-	-	7,242,664	25,052,664	2,735,000	4.910%	1,111,701	-	1,111,701	3,845,701	6,171,394	12,575,641	152,531,316	1.11	
2054	168,959,978	102,916,105	18,685,000	4.910%	6,368,193	-	-	6,368,193	25,053,193	2,865,000	4.910%	977,412	-	977,412	3,842,412	6,139,427	12,522,305	150,947,417	1.12	
2055	168,959,978	50,924,748	19,600,000	5.030%	5,450,760	-	-	5,450,760	25,050,760	3,010,000	5.030%	836,741	-	836,741	3,846,741	6,100,639	12,465,119	98,388,006	1.72	
2056	168,959,978	40,739,397	20,585,000	5.030%	4,464,880	-	-	4,464,880	25,049,880	3,160,000	5.030%	685,338	-	685,338	3,845,338	6,059,736	12,403,703	98,088,053	1.92	
2057	168,959,978	28,171,701	21,620,000	5.030%	3,429,454	-	-	3,429,454	25,049,454	3,320,000	5.030%	526,390	-	526,390	3,846,390	6,001,673	12,336,379	75,409,596	2.24	
2058	168,959,978	17,119,072	22,710,000	5.030%	2,341,968	-	-	2,341,968	25,051,968	3,485,000	5.030%	359,394	-	359,394	3,844,394	6,220,192	12,251,921	64,230,944	2.63	
2059	168,959,978	9,183,316	23,850,000	5.030%	1,199,655	-	-	1,199,655	25,049,655	3,660,000	5.030%	184,098	-	184,098	3,844,098	5,915,637	12,163,518	56,156,224	3.01	
2060	168,959,978	6,077,736	-	-	-	-	-	-	-	-	-	-	-	-	-	5,858,158	12,080,267	24,016,161	7.04	
2061	168,959,978	2,575,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,130,057	10,075,057	15.78	
2062	168,959,978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,154,139	4,154,139	40.67	
2063	168,959,978	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	886,079	886,079	171.35	
		\$ 2,779,372,580	\$	260,625,000			\$ 368,724,064	\$	(0)			\$ 40,000,000			\$ 56,591,625	\$	0	\$ 56,591,625	\$ 56,591,625	\$ 3,998,509,260

*Includes debt service for upcoming Upper Trinity multiyear commitments from previously committed projects.

\$260,625,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.64 YEARS
NET INTEREST RATE	4.941%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$17,981,402

\$40,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.64 YEARS
NET INTEREST RATE	4.941%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$2,799,761

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$102,525,878



Project Budget Summary
Upper Trinity Regional WD
51001 - Lake Ralph Hall Reservoir

Budget Items	This Commitment	Previous Commitments	TWDB Funds	Local and Other Funds	Total
Construction					
Construction	\$298,888,585.00	\$376,616,894.45	\$675,505,479.45	\$53,642,143.00	\$729,147,622.45
Subtotal for Construction	\$298,888,585.00	\$376,616,894.45	\$675,505,479.45	\$53,642,143.00	\$729,147,622.45
Basic Engineering Services					
Construction Engineering		\$2,414,533.00	\$2,414,533.00	\$0.00	\$2,414,533.00
Design		\$17,092,455.69	\$17,092,455.69	\$0.00	\$17,092,455.69
Planning		\$23,051,978.86	\$23,051,978.86	\$0.00	\$23,051,978.86
Subtotal for Basic Engineering Services		\$42,558,967.55	\$42,558,967.55	\$0.00	\$42,558,967.55
Special Services					
Environmental		\$3,290,686.00	\$3,290,686.00	\$0.00	\$3,290,686.00
Geotechnical		\$259,456.00	\$259,456.00	\$0.00	\$259,456.00
Permits		\$1,237,640.00	\$1,237,640.00	\$0.00	\$1,237,640.00
Project Management		\$1,000,000.00	\$1,000,000.00	\$0.00	\$1,000,000.00
Inspection		\$3,742,390.34	\$3,742,390.34	\$0.00	\$3,742,390.34
Pilot Testing		\$153,274.00	\$153,274.00	\$0.00	\$153,274.00
Paying Agent		\$350.00	\$350.00	\$0.00	\$350.00
Surveying		\$5,193,619.74	\$5,193,619.74	\$0.00	\$5,193,619.74
Subtotal for Special Services		\$14,877,416.08	\$14,877,416.08	\$0.00	\$14,877,416.08
Fiscal Services					
Bond Counsel	\$464,400.00	\$919,092.00	\$1,383,492.00	\$0.00	\$1,383,492.00
Financial Advisor	\$374,000.00	\$622,308.00	\$996,308.00	\$0.00	\$996,308.00
Fiscal/Legal		\$34,250.00	\$34,250.00	\$0.00	\$34,250.00
Issuance Costs	\$9,500.00	\$92,760.00	\$102,260.00	\$0.00	\$102,260.00
Subtotal for Fiscal Services	\$847,900.00	\$1,668,410.00	\$2,516,310.00	\$0.00	\$2,516,310.00
Other					
Administration	\$2,695,653.00	\$5,054,819.00	\$7,750,472.00	\$895,328.00	\$8,645,800.00
Land/Easements Acquisition		\$43,007,084.92	\$43,007,084.92	\$0.00	\$43,007,084.92
Utility Relocation & Project Site Management		\$25,044,688.52	\$25,044,688.52	\$0.00	\$25,044,688.52
Project Legal Expenses		\$1,863,956.48	\$1,863,956.48	\$0.00	\$1,863,956.48
Subtotal for Other	\$2,695,653.00	\$74,970,548.92	\$77,666,201.92	\$895,328.00	\$78,561,529.92
Contingency					
Contingency	\$18,412,862.00	\$2,887,763.00	\$21,300,625.00	\$6,059,719.00	\$27,360,344.00
Subtotal for Contingency	\$18,412,862.00	\$2,887,763.00	\$21,300,625.00	\$6,059,719.00	\$27,360,344.00
Total	\$320,845,000.00	\$513,580,000.00	\$834,425,000.00	\$60,597,190.00	\$895,022,190.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FROM
UPPER TRINITY REGIONAL WATER DISTRICT
TO INCREASE THE TEXAS WATER DEVELOPMENT BOARD'S INTEREST IN
THE LAKE RALPH HALL RESERVOIR
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR
TEXAS

(24 -)

Recitals:

The Texas Water Development Board (TWDB), under the authority of Chapter 15, Subchapter H of the Texas Water Code, is authorized to use the Board Participation Account of the State Water Implementation Revenue Fund for Texas (SWIRFT) to encourage optimum regional development of projects through the acquisition of an interest in new water supply project facilities and the sale, transfer, or lease of its interest in those facilities.

At its July 23, 2015 meeting, the TWDB, by TWDB Resolution No.15-089A (Resolution), made a commitment to the District to acquire and sell an ownership interest in the Project, not to exceed eighty percent (80%) of the total Project cost, in an amount not to exceed \$15,565,000 from the Board Participation Account of the SWIRFT, all as is more specifically set forth in the Resolution and accompanying documentation, to which documents express reference is made.

The TWDB and the District executed a Master Agreement on October 1, 2015, that set forth the duties responsibilities, and liabilities of the TWDB and the District with regard to the Board Participation commitment.

At its July 22, 2019 meeting, the TWDB by TWDB Resolution No. 19-074, made a further commitment to the District to increase the TWDB's ownership interest in the Project in an amount not to exceed \$61,065,000 or eighty percent (80%) of the then total Project cost.

At its August 5, 2020 meeting, the TWDB by TWDB Resolution No. 20-080, made a further commitment to the District to increase the TWDB's ownership interest in the Project in an amount not to exceed \$398,000,000 or eighty percent (80%) of the then total Project cost.

The Project is now expected to cost \$986,232,079 and the District has requested that the TWDB amend TWDB Resolution No. 15-089A, as amended by TWDB Resolution Nos. 19-074 and 20-080, to increase the TWDB's ownership interest in the Project, by \$320,845,000 for a total TWDB ownership interest of \$779,911,900, or eighty percent (80%) of the total project cost.

The District will purchase the TWDB's interest in the Project from the proceeds of a future bond issue, other revenues, or other lawful sources of funds in accordance with a Master Agreement to be executed between the District and the TWDB.

The District has offered a pledge of a subordinate lien on system revenue as sufficient security for its obligation to purchase the TWDB's interest in the Project.

The TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project.

The Project will aid in addressing the long-term needs and develop a municipal water supply reservoir for the growing District service area.

Findings:

1. That the application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.
2. It is reasonable to expect that the TWDB will recover its investment in the Project because the revenue to be generated by the projected number of customers served by the Project will be sufficient to purchase the excess capacity owned by the TWDB in accordance with 31 TAC § 363.1308(c)(1).
3. The cost of the Project exceeds the current financing capabilities of the area to be served by the Project, in accordance with 31 TAC § 363.1308(c)(2).
4. The optimum regional development cannot be reasonably financed by local interest based on an assessment of the estimated cost to construct the Project and the revenue to be generated by the projected number of customers of the facility, in accordance with 31 TAC § 363.1308(c)(3).
5. The public interest will be served by the TWDB's acquisition of an interest in the Project because the cost of the Project to the public will be reduced by the Board's participation in the Project, in accordance with 31 TAC § 363.1308(c)(4).
6. The Project contemplates the optimum regional development that is reasonably required under all existing circumstances of the site because the design capacity of the components of the Project are sufficient to meet the foreseeable needs of the area, in accordance with 31 TAC § 363.1308(c)(5).

7. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
8. That a water conservation plan has been submitted and implemented in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
9. That the District has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

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

1. A commitment is made by the TWDB to acquire and sell an ownership interest in the Lake Ralph Hall Reservoir, not to exceed eighty percent (80%) of the total Project cost based on an application filed by Upper Trinity Regional Water District, in an amount not to exceed the projected schedule of \$320,845,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a. \$260,625,000, to expire on December 31, 2024; and
 - b. \$60,220,000, to expire on December 31, 2025.
2. The Executive Administrator is authorized to negotiate and execute a Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the District.

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

4. This commitment is contingent upon the District providing a current proforma to the Executive Administrator each year prior to closing.

The Following Conditions Must Be Included in the Master Agreement:

5. The Master Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Master Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
6. Loan proceeds are public funds and, as such, the Master Agreement must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
7. 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 Master Agreement 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, recycling, and disposition of any contaminated sewer 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.
8. The Master Agreement must include a provision stating that the District shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.
9. The District agrees to take such actions as are necessary to assure, or to refrain from such actions as would materially adversely affect, the excludability from gross income for Federal income tax purposes of interest payable on such obligations as are issued by the TWDB to finance its acquisition of an interest in the Project.
10. The Master Agreement must include a provision stating that the District shall have the right to make an early purchase of all or a portion of the TWDB's ownership interest in the Project, on or after the specified call date that is on or after the first interest payment date 10 years from the dated date by making principal payments in excess of the scheduled principal payments. Such early

purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator.

11. The Master Agreement must contain a provision stating that the District shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.
12. The Master Agreement must require that the District covenants to establish, fix, and maintain rates and charges to its customers that will produce revenues not less than the amounts required:
 - a. to pay the Operation and Maintenance Expenses of the System;
 - b. to pay debt service on all of the District's Prior Lien Revenue Bonds; and
 - c. to provide sufficient funds on a timely basis to enable the purchase of the TWDB's interest in the Project in accordance with the terms and Schedules provided for in this Agreement and, specifically, to provide for amortization of any bonds that may be issued for such purchase by the District in the future.
14. The Master Agreement must require that the provisions of the Master Agreement relating to the District's revenues are subject to the provisions regarding the District's revenues in the District's resolutions authorizing the District's Prior Lien Revenue Bonds.

Conditions to Close or for Release of Funds:

17. Prior to closing, the District and the TWDB will execute a Master Agreement that will set forth the responsibilities, duties, and liabilities of each party.
18. Prior to closing, the District will provide an attorney's opinion that is satisfactory and acceptable to the Executive Administrator as to any impact of the Project on the tax-exempt status of any bonds issued by the TWDB to fund its acquisition of an interest in the Project.
19. Prior to closing, the District must submit executed contracts between the District and the contracting parties to the Project regarding the contract revenues pledged to the payment of the District's obligation to purchase the TWDB's interest in the Project, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges, and maintenance of revenues sufficient to meet the District's obligations arising from the Project.
20. Prior to closing, if not previously provided with the application, the District shall

submit executed contracts for engineering, and, if applicable, financial advisor and legal counsel, 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.

21. Prior to closing, when any portion of financial assistance is to be held in escrow or in trust, the District shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.

Special Conditions:

28. The District must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility.
29. The Master Agreement must include a provision requiring that, prior to any action by the District to convey its interest to another entity, the conveyance and the assumption of the interest must be approved by the TWDB.

APPROVED and ordered of record this the 23rd day of July 2024.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Interim 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
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:

ILI:

Real Loss GMD:

WATER LOSS THRESHOLDS

Water Loss Project:

Waiver Requested:

Wholesale Adjusted:

Threshold Type:

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold

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.

GMD means gallons per mile 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 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.



Upper Trinity Regional WD Fannin County

