



PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2024

Team Manager: Nancy Richards

ACTION REQUESTED

Consider approving by resolution a request from the Brazosport Water Supply Corporation (Brazoria County) for \$747,500,000 in financing from the State Water Implementation Revenue Fund for Texas for planning, acquisition, design, and construction of a reservoir expansion project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The Brazosport Water Supply Corporation (BWSC) was created in October 2022 for the purpose of providing water supply service to one or more political subdivisions which service municipalities and private corporations. BWSC is to be operated for the benefit of the Brazosport Water Authority (BWA) and The Dow Chemical Company (Dow). Membership of BWSC's board of directors consists of five members: three members from BWA and two from Dow.

PROJECT NEED AND DESCRIPTION

The BWA, a wholesale water provider, and Dow are seeking to mitigate extended drought conditions and increase the reliability of the raw water supply in Brazoria County. BWSC was incorporated to expand the Dow Harris Reservoir and Pump Station. BWSC will store and supply water to BWA and Dow's Texas operations site in Freeport. BWA and Dow currently use the Brazoria and Harris Reservoirs, both operated by Dow, with an approximate combined storage capacity of 27,000 acre-feet of surface water primarily drawn from the Brazos River. The project is being developed to increase the total river water pumping and storage capacity available for use by BWA and its customers, Dow, and other industrial users. Additional storage capacity will provide more flexibility in managing surface water resources and increase drought resilience during conditions when pumping from the Brazos River may be limited or curtailed. BWA and Dow seek to increase the river water pumping and storage capacity to maximize the utility and reliability of existing water rights, water supplies, and infrastructure. The proposed reservoir will provide six months of total storage available through the two existing reservoirs and the proposed reservoir to help mitigate extended drought conditions and increase the reliability of the regional water supply.

Multi-year Commitment	Expiration
\$335,890,000 Proposed Taxable Series 2024B	December 31, 2024
\$237,580,000 Proposed Taxable Series 2025	December 31, 2025
\$94,770,000 Proposed Taxable Series 2026	December 31, 2026
\$79,260,000 Proposed Taxable Series 2027	December 31, 2027

The proposed Dow Reservoir and Pump Station Expansion Project, now known as the Harris Expansion Project, would provide additional water storage capacity by constructing an off-channel reservoir and associated infrastructure, including a 150,000 gallons per minute pumping station, located immediately north of the existing Harris Reservoir site in Brazoria County. The off-channel reservoir will include an approximately 2,000-acre impoundment with a storage capacity of 50,000 acre-feet. BWSC agrees to allocate the reservoir storage capacity in the following proportional amounts: 15 percent BWA and 85 percent Dow. This project will almost triple the total storage capacity available.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 15, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	December 31, 2024
Design Phase Completion	December 31, 2024
Start of Construction	January 2, 2025
Construction Completion	May 31, 2028

KEY ISSUES

- The US Army Corps of Engineers issued the Record of Decision for this overall project in November 2023.
- BWSC is requesting bond proceeds to include a reserve fund in the request. The reserve fund will be based on maximum annual debt service payments and replenished over a 12-month period, if needed.
- Dow owns the existing Harris and Brazoria Reservoirs located in Brazoria County. BWSC will own the Harris Expansion reservoir. Per the operating services agreement, Dow will operate the reservoir, as it currently does with the Harris and Brazoria Reservoirs.
- BWSC received a commitment at the June board meeting for a \$2,500,000 DFund commitment for pre-construction planning. The financial analysis includes both the DFund and potential SWIFT issuances.

LEGAL/SPECIAL CONDITIONS

- Water rights determination
- Conversion or conveyance

Attachments:

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

Financial Review Brazosport Water Supply Corporation

Risk Score:

Brazosport Water Authority (BWA): 2B

DOW Chemical Company: 2B

Audit Reviewed: FY 2023

Key Indicators

Indicator	DOW	BWA	Benchmark
Population Growth, Average Annual 2010-2020	County: 1.74%	County: 1.74%	State: 1.49%
Cash Balance Ratio	0.71%	-3.59%	0-9.99%
Median Household Income as % of State	N.A	116%	100%
Days of Cash on Hand (3-year Average)	26 days	480 days	30-149 days
Net Fixed Assets/ Annual Depreciation	8 Years	22 years	12-24 years
Debt Service Coverage Ratio	1.96X	0.84x	1.0x
Debt-to-Operating Revenues	0.33X	9.14X	4.00-5.99x
Unemployment Rate (April 2024)	County:3.50%	County: 3.50%	State: 4.10%
Working Capital Ratio	1.79	11.21	> 1.0

Key Risk Score Strengths

- Both the BWA's and Dow's working capital ratios meet and exceed the benchmark. BWA and Dow have resources to cover current and short-term liabilities, demonstrating a strong liquidity position.
- BWA has sufficient system revenues to meet the proposed contractual obligation. BWA's system revenues increased approximately 56 percent from 2018 to 2023. BWA's system revenues totaled \$13,299,897 in 2018 and \$20,732,450 in 2023.
- Dow's debt to operating revenues are below the benchmark indicating Dow has the ability to maintain the contractual obligations. In 2023, its operating revenues totaled \$44.6 billion and has \$14.7 billion in existing and proposed debt.

Key Risk Score Concerns

- BWA has a high debt to operating revenues ratio due to the contractual obligations and all outstanding debt is supported by system revenues. BWA reviews water rates annually and implements rates as necessary to maintain debt service coverage. BWA will need a rate increase of approximately \$0.61 by 2032 to meet debt service coverage for the proposed debt.
- BWA's cash balance decreased from \$8,017,958 in 2018 to \$7,272,791 in 2023, primarily due to an increase in capital assets and capital improvements to its water system.
- Dow's cash on hand is below the benchmark. However, it has other liquidity sources if needed such as investments and committed lines of credit totaling \$9.8 billion. Dow's liquidity sources, including cash and cash equivalents total \$12.8 billion in 2023.
- Dow has sufficient net sales to support the contractual obligations. However, the accuracy of Dow's water rates is uncertain, as are rate increases and frequency. Dow's water revenues account for less than one percent of the total operating revenues. The majority of Dow's operating revenues are made up of other business segments, such as industrial intermediates and infrastructure, packaging and specialty plastics, and performance materials and coatings. However, all of Dow's net sales revenues will be available to support the contractual obligations.

PLEDGE

Legal Pledge Name	Contract Revenues
Type of Pledge	<input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input checked="" 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-Brazosport Water Authority

Average Monthly wholesale Use	Gallons/Month	Avg. Current Rate Per 1,000 Gallons	Avg. Projected Rate per 1,000 Gallons (2032)
WATER	459,717,500	\$4.24	\$4.85

Rates and Charges- DOW Chemical Company

Average Monthly Wholesale Use	Gallons/Month	*Avg. Current Raw Water Rate per 1,000 Gallons	*Avg. Current Treated Water Rate per 1,000 Gallons	*Avg. Projected Raw Water Rate per 1,000 Gallons	*Avg. Projected Treated Water Rate per 1,000 Gallons
WATER	2,762,707,000	\$1.30	\$2.78	\$1.30	\$2.78

* These are water rate estimates provided by Dow. Dow's raw water rates vary from \$0.48 to \$2.78 per 1,000 Gallons and treated water rates vary from \$1.07 to \$9.01 per 1,000 Gallons.

Cost Savings

Based on a 30-year maturity schedule and current interest rates, BWSC could save approximately \$89,706,095 over the life of the financing.

Project Data Summary

Responsible Authority	Brazosport WSC
Program	SWIFT
Commitment Number	LM2401831, LM2501831, LM2601831, LM2701831
Project Number	21818
List Year	2024
Type of Pledge	Contract Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$335,890,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) Proposed Series 2024B, \$237,580,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) Proposed Series 2025, \$94,770,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) Proposed Series 2026, \$79,260,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) Proposed Series 2027.
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Low-Interest
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Acquisition, Design, and 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
Nancy Richards	Chelsea Duran	Lucia Loera	Britt Paredes	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Brazosport Water Supply Corporation

\$335,890,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project), Proposed Taxable Series 2024B

Dated Date: 11/15/2024 Delivery Date: 11/15/2024 First Interest: 2/15/2025 First Principal: 2/15/2029 Last Principal: 2/15/2053 Fiscal Year End: 09/30 Required Coverage: 1.0	Source: SWIFT-LOW-30YR Rate: 5.18% IUP Year: 2024 Case: Revenue Admin.Fee: 0 Admin. Fee Payment Date: N/A
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CURRENT		CURRENT	**\$335,890,000 ISSUE				*\$411,610,000 ISSUE SERIES 2025-2027		
FISCAL YEAR	NET SYSTEM REVENUES	DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2025	\$3,397,528,427	\$995,192,504	\$0	-	\$12,858,176	\$12,858,176	\$0	\$1,008,050,680	3.37
2026	3,397,528,427	700,005,528	-	-	17,144,235	17,144,235	9,130,922	726,280,685	4.68
2027	3,397,528,427	1,840,249,633	-	-	17,144,235	17,144,235	15,830,300	1,873,224,168	1.81
2028	3,397,528,427	1,210,902,009	-	-	17,144,235	17,144,235	20,116,812	1,248,163,056	2.72
2029	3,397,528,427	1,713,230,378	6,980,000	4.64%	16,982,299	23,962,299	21,139,457	1,758,332,133	1.93
2030	3,397,528,427	1,396,801,008	7,315,000	4.66%	16,649,924	23,964,924	25,964,355	1,446,730,286	2.35
2031	3,397,528,427	481,030,957	7,665,000	4.68%	16,300,123	23,965,123	27,887,060	532,883,139	6.38
2032	3,397,528,427	1,481,792,476	8,030,000	4.70%	15,932,057	23,962,057	29,490,312	1,535,244,844	2.21
2033	3,397,528,427	1,050,697,360	8,420,000	4.71%	15,545,061	23,965,061	29,490,383	1,104,152,804	3.08
2034	3,397,528,427	932,856,168	8,825,000	4.74%	15,137,618	23,962,618	29,487,299	986,306,084	3.44
2035	3,397,528,427	400,524,608	9,255,000	4.79%	14,706,808	23,961,808	29,482,753	453,969,169	7.48
2036	3,397,528,427	403,686,830	9,715,000	4.83%	14,250,533	23,965,533	29,469,786	457,122,149	7.43
2037	3,397,528,427	402,212,835	10,195,000	4.88%	13,767,158	23,962,158	29,466,467	455,641,460	7.46
2038	3,397,528,427	402,212,485	10,710,000	4.92%	13,254,934	23,964,934	29,455,760	455,633,179	7.46
2039	3,397,528,427	960,210,185	11,250,000	4.97%	12,711,906	23,961,906	29,450,526	1,013,622,616	3.35
2040	3,397,528,427	955,210,685	11,835,000	5.14%	12,128,184	23,963,184	29,429,818	1,008,603,687	3.37
2041	3,397,528,427	1,070,616,830	12,460,000	5.14%	11,503,802	23,963,802	29,409,225	1,123,989,856	3.02
2042	3,397,528,427	1,548,085,109	13,115,000	5.14%	10,846,525	23,961,525	29,407,009	1,601,453,642	2.12
2043	3,397,528,427	235,251,380	13,810,000	5.14%	10,154,552	23,964,552	29,405,729	288,621,661	11.77
2044	3,397,528,427	728,295,150	14,540,000	5.14%	9,425,957	23,965,957	29,398,457	781,659,564	4.35
2045	3,397,528,427	217,493,651	15,315,000	5.27%	8,648,729	23,963,729	29,391,652	270,849,032	12.54
2046	3,397,528,427	-	16,145,000	5.27%	7,819,758	23,964,758	29,372,150	53,336,907	63.70
2047	3,397,528,427	-	17,015,000	5.27%	6,945,992	23,960,992	29,367,714	53,328,705	63.71
2048	3,397,528,427	-	17,940,000	5.27%	6,024,928	23,964,928	29,365,182	53,330,110	63.71
2049	3,397,528,427	-	18,910,000	5.27%	5,053,930	23,963,930	29,366,526	53,330,456	63.71
2050	3,397,528,427	-	19,935,000	5.27%	4,030,364	23,965,364	29,363,713	53,329,077	63.71
2051	3,397,528,427	-	21,010,000	5.27%	2,951,464	23,961,464	29,368,451	53,329,915	63.71
2052	3,397,528,427	-	22,150,000	5.27%	1,814,198	23,964,198	29,362,446	53,326,643	63.71
2053	3,397,528,427	-	23,350,000	5.27%	615,273	23,965,273	29,367,140	53,332,413	63.70
		\$19,126,557,769	\$335,890,000		\$327,492,953	\$663,382,953	\$814,677,870	\$20,557,178,121	

*Issue Series 2025- 2027 totals the remaining amount of current 2024 multi-year commitment, LM2501831 \$237,580,000, LM 2601831 \$94,770,000, and LM2701831 \$79,260,000.

**includes 2024 series for commitment LM2401831.

AVERAGE (MATURITY) LIFE	18.83 YEARS
NET INTEREST RATE	5.179%
COST SAVINGS	\$89,706,094
AVERAGE ANNUAL REQUIREMENT	\$22,875,274

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
Brazosport WSC
21818 - Dow Reservoir and Pump Station Expansion

Budget Items	Previous Commitments	TWDB Funds	Total
Construction			
Construction		\$402,347,000	\$402,347,000
Subtotal for Construction		\$402,347,000	\$402,347,000
Basic Engineering Services			
Construction Engineering		\$12,612,000	\$12,612,000
Design		\$0	\$0
Planning	\$2,081,000	\$419,000	\$2,500,000
Subtotal for Basic Engineering Services	\$2,081,000	\$13,031,000	\$15,112,000
Special Services			
Geotechnical		\$2,820,000	\$2,820,000
Inspection		\$4,200,000	\$4,200,000
O&M Manual		\$110,000	\$110,000
Permits		\$110,000	\$110,000
Project Management (by engineer)		\$23,995,000	\$23,995,000
Surveying		\$1,066,000	\$1,066,000
Subtotal for Special Services		\$32,301,000	\$32,301,000
Fiscal Services			
Bond Counsel	\$100,000	\$2,468,825	\$2,568,825
Bond Reserve Fund	\$250,000	\$72,806,000	\$73,056,000
Capitalized Interest		\$94,816,000	\$94,816,000
Financial Advisor	\$33,125	\$953,425	\$986,550
Fiscal/Legal	\$6,000	\$79,750	\$85,750
Issuance Costs	\$29,875	\$9,171,000	\$9,200,875
Subtotal for Fiscal Services	\$419,000	\$180,295,000	\$180,714,000
Other			
Administration		\$5,000,000	\$5,000,000
Land/Easements Acquisition		\$74,060,000	\$74,060,000
Subtotal for Other		\$79,060,000	\$79,060,000
Contingency			
Contingency		\$40,466,000	\$40,466,000
Subtotal for Contingency		\$40,466,000	\$40,466,000
Total	\$2,500,000	\$747,500,000	\$750,000,000

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
BRAZOSPORT WATER SUPPLY CORPORATION
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$747,500,000
BRAZOSPORT WATER SUPPLY CORPORATION BRAZOSPORT WATER SUPPLY
CORPORATION COMBINED FEE REVENUE BONDS
(BWSC RESERVOIR PROJECT),
PROPOSED TAXABLE SERIES 2024B,
PROPOSED TAXABLE SERIES 2025,
PROPOSED TAXABLE SERIES 2026
AND
PROPOSED TAXABLE SERIES 2027

(24-)

Recitals:

The Brazosport Water Supply Corporation (Corporation), located in Brazoria and Fort Bend Counties, has filed an application for financial assistance in the amount of \$747,500,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design, and construction of a water supply project identified as Project No. 21818 (Project).

The Corporation seeks financial assistance from the Texas Water Development Board (TWDB) in the amount of \$747,500,000 in the form of a multi-year commitment through the TWDB's proposed purchase of \$747,500,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project), Proposed Taxable Series 2024B, through 2027 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The Corporation has offered a pledge of contract revenue 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 § 363.1307.

Subject to the Corporation's use of an approved debt service structure, interest rate subsidies are available to the Corporation for State Fiscal Year 2024 at up to the following levels: 20% for financial assistance for a term of 20 years, 14% for financial assistance for a term of 21 to 25 years, and 10% for financial assistance for a term of 26 to 30 years. The interest rate subsidy applicable to each subsequent proposed series may be different than the interest rate subsidy available for State Fiscal Year 2024 and

will be set through each financing agreement executed between the TWDB and the Corporation.

The interest rate subsidies provided above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond issuance and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program.

At its June 12, 2024 meeting, TWDB, by TWDB Resolution No. 24-037, made a commitment to provide financial assistance in the amount of \$2,500,000 to the Corporation from the Financial Assistance Account of the Texas Water Development Fund II to finance water system improvements, to be secured by the TWDB's purchase of \$2,500,000 Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project), Proposed Taxable Series 2024A for Project No. 21818, all as is more specifically set forth in the TWDB's Resolution and accompanying documentation, to which documents express reference is made.

Findings:

1. 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. 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).
3. The Corporation has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules.
4. The Corporation acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related 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 commits to the following:

The TWDB will provide financial assistance to Brazosport Water Supply Corporation in the amount of \$747,500,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of Brazosport Water Supply Corporation Combined Fee Revenue Bonds (BWSC Reservoir Project) as follows:

- a. \$335,890,000, Proposed Taxable Series 2024B, to expire on December 31, 2024;
- b. \$237,580,000, Proposed Taxable Series 2025, to expire on December 31, 2025;
- c. \$94,770,000, Proposed Taxable Series 2026, to expire on December 31, 2026; and
- d. \$79,260,000, Proposed Taxable Series 2027, to expire on December 31, 2027.

The commitment is subject to the following:

Standard Conditions:

- 1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.
- 2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the Corporation has complied with all of the requirements of the laws under which the Obligations were issued, that the Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that the Obligations are valid and binding obligations of the Corporation.
- 3. This commitment is contingent upon the Corporation'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 circumstances, or any other legal requirement.
- 4. This commitment is contingent upon the Corporation executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting the executed agreement to the TWDB consistent with the terms and conditions described in it.
- 5. Interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator.
- 6. The Corporation shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

Required Obligation Conditions:

7. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that 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.
8. The Obligations must provide that the Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. The Obligations must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
10. The Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein the Corporation, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the Corporation's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the 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 SEC rule 15c2-12, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Corporation's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to the bonds under SEC Rule 15c2-12.
12. The Obligations must include a provision requiring the Corporation to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
13. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
14. Financial assistance proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

15. Financial assistance proceeds shall not be used by the Corporation when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall include a provision that states the Corporation is solely responsible for liability resulting from acts or omissions of the Corporation, 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 Corporation, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
16. The Obligations must include a provision stating that the Corporation 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.
17. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).
18. The Obligations must contain a provision stating that the Corporation 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.
19. The Obligations must provide that the Corporation will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
20. The Obligations must include a provision that if the collateral or credit pledged by the Corporation securing the Obligations is rated by a nationally-recognized statistical rating agency, the Corporation, or other obligated person, will not discontinue the rating issued by a nationally-recognized statistical rating agency until the underlying Obligations are retired or no longer held by TWDB.

Water Supply Corporation Conditions:

21. The Obligations must include a provision stating that the Corporation's indebtedness to the TWDB shall be secured by:
 - a. a first or parity lien on the gross revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System.

22. The Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging, or otherwise impairing the revenues of the System in any manner with respect to the payment of any obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt; and that the Corporation shall in no way encumber, pledge, or otherwise impair its title to the land used by or for the System or any interests in the System, including improvements and facilities of the System, without prior TWDB approval.

Pledge Conditions:

23. The Obligations must require the accumulation of a reserve fund of no less than maximum annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations.
24. The Obligations must contain a provision requiring that, upon request by the Executive Administrator, the Corporation shall submit annual audits of contracting parties for the Executive Administrator's review.
25. The Obligations must contain a provision requiring the Corporation to maintain and enforce the contracts with its customers so that the revenues paid to the Corporation by its customers are sufficient to meet the revenue requirements of the Corporation's obligations arising from the operation of the water system.
26. The Obligations must contain a provision that the pledged contract revenues from the Corporation may not be pledged to the payment of any additional parity obligations of the Corporation secured by a pledge of the same contract revenues unless the Corporation demonstrates to the Executive Administrator's satisfaction that the pledged contract revenues will be sufficient for the repayment of all Obligations and additional parity obligations.

Conditions To Close Or For Release Of Funds:

27. Before closing, if not previously provided with the application, the Corporation shall submit executed contracts for engineering and, if applicable, financial advisor and bond 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.
28. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the Corporation shall execute an escrow agreement or trust agreement,

approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.

29. Before closing, the Corporation shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.
30. Before closing, the Corporation must submit to the Executive Administrator an attorney's opinion acceptable to the Executive Administrator confirming the legal authority for the Corporation to encumber its system.
31. Within 20 days after closing, the Corporation must file a Deed of Trust with the county clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the county clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB.
32. Within 20 days after closing, the Corporation must file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply owned or to be acquired by the Corporation. A copy of the recorded security instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office.
33. Before closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgage title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgage title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution.
34. Before closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary.
35. Before closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted to the TWDB, the bylaws shall not be altered, amended, or repealed without the prior written consent of the Executive Administrator; and

- b. the Corporation is a nonprofit Corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers.
- 36. Before closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's financial assistance, then the Corporation must execute a Parity Agreement with each entity that holds the debt acceptable in form and substance to the Executive Administrator.
- 37. Before closing, the Corporation must submit executed contracts between the Corporation and the contracting parties regarding the contract revenues pledged to the payment of the Corporation's Obligations, in form and substance acceptable to the Executive Administrator. The contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges and collection of revenues sufficient to meet the Corporation's debt service obligations and additional parity obligations.

Special Conditions:

- 38. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the Corporation has the right to use the water that the Project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction.
- 39. Before the release of construction funds for that portion of a Project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the Corporation has the right to use the water that the Project financed by the TWDB will provide.
- 40. The Corporation must notify the Executive Administrator before 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.
- 41. The Obligations must include a provision requiring that, before any action by the Corporation to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.

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.



Brazosport WSC Brazoria County

