



PROJECT FUNDING REQUEST

BOARD DATE: July 23, 2024

Team Manager: William Alfaro

ACTION REQUESTED

Consider approving by resolution a request from the City of Corpus Christi (Nueces County) for \$535,110,000 multi-year financing from the State Water Implementation Revenue Fund for Texas for planning, acquisition, design, and construction of a seawater desalination plant.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

The City of Corpus Christi (City) is located in Nueces County approximately 130 miles southeast of San Antonio. The City provides water and wastewater services to a population of approximately 500,000 residents and 109,891 connections.

The City supplies water for municipal and industrial use in a seven-county service area. Major raw (untreated) water customers include municipal customers of Alice Water Authority, Beeville Water Supply District, City of Mathis, and San Patricio Municipal Water District; and two industries. Treated, potable water customers include Nueces County Water Improvement District No. 4 (Port Aransas), San Patricio Municipal Water District, South Texas Water Authority, and the Violet Water Supply Corporation. Indirectly through some of these major customers, other municipalities served include: Kingsville, Robstown, Banquete, Odem, Taft, Portland, Gregory, Ingleside, Aransas Pass, Port Aransas, Rockport, Agua Dulce, Three Rivers, Fulton, Bishop, Riviera, and Driscoll.

The City obtains its raw water solely from surface water sources. These surface water bodies are: Lake Corpus Christi, Choke Canyon Reservoir, Lake Texana, and the Colorado River.

The O.N. Stevens Water Treatment Plant (WTP), located in Calallen, is the only water treatment facility for the City. All raw water is pumped directly to the WTP from either the Nueces River or Lake Texana (via the Mary Rhodes Pipeline). The WTP has a permitted capacity of 167 million gallons per day (MGD), well above the current peak summer demand of around 100 MGD. Approximately 25 billion gallons of water are treated each year.

Multi-Year Commitment	Expiration Date
\$10,000,000 Proposed Series 2024	December 31, 2024
\$210,045,000 Proposed Series 2025	December 31, 2025
\$210,045,000 Proposed Series 2026	December 31, 2026
\$105,020,000 Proposed Series 2027	December 31, 2027

In 2015, in an effort to secure reliable water supplies to cover the projected water demands, the City began its seawater desalination project definition activities and considered multiple seawater desalination options. These options considered siting, product water quality, distribution strategies, concentrate management approaches, plant ownership, and procurement strategies. The City documented additional demands of large industrial customers, which agreed to a voluntary surcharge to finance the development of drought-proof water supplies and established criteria for launching the implementation phase of the project based on water demand reaching 75 percent of the system's water supply firm yield.

In July 2017, the City received a commitment for \$2.75 million in financing from the State Water Implementation Revenue Fund for Texas (SWIRFT) to conduct planning for the development of a seawater desalination project. This included tasks such as plant siting evaluation, source water characterization, analysis of concentrate management methods, evaluation of cost allocation strategies, economic impact and cost modeling, public outreach, evaluation and selection of a project procurement methodology, and submittal of discharge permit applications to the Texas Commission on Environmental Quality (TCEQ) for two seawater desalination plants.

Several of these planning tasks have been completed, including selection of two sites for two seawater desalination plants, one in the Inner Harbor Ship Channel, and the other in the La Quinta Channel in the Coastal Bend. Through the planning process, the City has determined that the first to be built would be the Inner Harbor Ship Channel seawater desalination plant with an initial capacity of 20 MGD and an ultimate capacity of 30 MGD. In the future, as water needs increase, the La Quinta Channel seawater desalination plant would be built with an initial capacity of 20 MGD and an ultimate capacity of 40 MGD. As a result of the planning work, the City anticipates procuring the post planning phases as a Design-Build project. In this type of procurement, bidders typically have the flexibility of offering alternative designs to meet the project production goals.

In January 2020, the City submitted to TCEQ for the two proposed seawater desalination plants: two Texas Pollutant Discharge Elimination System (TPDES) applications, two Diversion (water rights) Authorization requests, and a Concentrate Disposal White Paper in support of the TPDES applications.

In July 2020, the City received \$222,475,000 in multi-year financing from the State Water Implementation Revenue Fund for Texas for permitting for two plants, continuation of the planning, site acquisition, design, and construction of a seawater desalination plant.

PROJECT NEED AND DESCRIPTION

As the projected water demand of the City of Corpus Christi's (City) customers continues to increase, the City needs to secure additional sources of water to improve the regional water supply system's reliability, particularly in response to drought conditions. In addition, water demand in the Coastal Bend region grows in relatively large increments when large industrial users come online; therefore, the City needs to ensure that the total water supply capacity exceeds water demand by 25 percent as a safeguard to accommodate the large demand increases.

The City is requesting additional financing from the State Water Implementation Revenue Fund for Texas for the continuation of a proposed seawater desalination plant. The

project includes completion of the permitting process plus acquisition of the site, design, and construction of the Inner Harbor Ship Channel seawater desalination plant, which will be located on the south bank of the Inner Harbor Ship Channel, approximately 1.5 miles from the channel entrance. The Inner Harbor Ship Channel seawater desalination plant will have an initial capacity of 20 million gallons per day (MGD); however, intake and discharge facilities will be designed to accommodate a future expansion to 30 MGD. The plant will be designed to produce potable water and it will be fully integrated into the City's regional water system.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	January 1, 2026
Design Phase Completion	March 1, 2026
Start of Construction	April 1, 2026
Construction Completion	March 1, 2028

KEY ISSUES

The completion of the environmental review for the proposed project is dependent on issuance of a permit by the United States Army Corps of Engineers (USACE) under Section 404 of the Clean Water Act/Section 10 of the Rivers and Harbors Act of 1899. The City submitted an Individual Permit application to the USACE and the USACE subsequently published the public notice for the permit application on January 16, 2024. The 30-day public comment period for the permit application expired on February 16, 2024, and 473 public comments were received during the 30-day public comment period. The City responded to all public comments by the May 9, 2024 deadline, and the USACE is now reviewing the City's comment responses.

In addition, the proposed project involves a known public controversy related to environmental justice impacts. On behalf of the residents of the Hillcrest Residents Association and the Citizens Alliance for Fairness and Progress, Earthjustice filed a Title VI civil rights complaint on October 26, 2022, against the City for the siting of the proposed project in the Hillcrest neighborhood. The complaint was referred to the United States Department of Justice on December 12, 2023. The United States Department of Housing and Urban Development is currently investigating this issue.

LEGAL/SPECIAL CONDITIONS

- Water rights determination

Attachments:

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

Financial Review

City of Corpus Christi

Risk Score: 2A

Audit Reviewed: FY 2023

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 0.41%	State: 1.49%
Top 10 Customers % of Total Revenue	40%	10-15%
Median Household Income as % of State	91%	100%
Days of Cash on Hand (3-year Average)	285 days	30-149 days
Net Fixed Assets/ Annual Depreciation	27 years	12-24 years
Debt Service Coverage Ratio	1.29x	1.0x
Debt-to-Operating Revenues	5.91x	4.00-5.99x
Unemployment Rate (April 2024)	City: 3.80%	State: 3.50%
Working Capital Ratio	2.25	> 1.0

Key Risk Score Strengths

- Water system revenues are sufficient to cover the existing, proposed and unclosed debt. The system revenue has grown by approximately 21 percent over the past five years.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City's days of cash on hand is above the benchmark, indicating the City can pay its operating expenses with the cash it has available.

Key Risk Score Concerns

- The population growth of the City is below the benchmark over the past 10 years; however, regional water plan projections expect the region to grow by approximately 8 percent over the next 10 years.
- The top 10 customers of the water system are over the benchmark with the top customer being Valero at 8 percent. A stress test was done removing the revenues from Valero, and an approximately \$4 rate increase would be projected by 2029.

PLEDGE

Legal Pledge Name	Utility 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 (2025)	Current Household Cost Factor	Projected Household Cost Factor
WATER	6,000	\$38.76	\$38.76	1.99	1.99
WASTEWATER	5,000	\$54.64	\$54.64		

TAXES

	2023 Tax Year Rate	Max Projected Tax Rate (Year 2023)	Maximum Allowable Rate	3-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.3788	\$0.3788	\$2.50	98%	\$31,017,580,789
Interest & Sinking	\$0.2209	\$0.2209			
Total Tax Rate	\$0.5997	\$0.5997			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the City could save approximately \$932,378 over the life of the financing.

Project Data Summary

Responsible Authority	City of Corpus Christi
Program	SWIFT
Commitment Number	LM2401837, LM2501837, LM2601837, LM2701837
Project Number	51052
List Year	2024
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$10,000,000 City of Corpus Christi, Texas Utility System Senior Lien Revenue Improvement Bonds, Series 2024C, \$210,045,000 City of Corpus Christi, Texas Utility System Senior Lien Revenue Improvement Bonds, Series 2025, \$210,045,000 City of Corpus Christi, Texas Utility System Senior Lien Revenue Improvement Bonds, Series 2026, \$105,020,000 City of Corpus Christi, Texas Utility System Senior Lien Revenue Improvement Bonds, Series 2027
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	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	2A

PROJECT TEAM				
Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
William Alfaro	Arnoldo Rubio	Sam Kiger	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
City of Corpus Christi

<u>\$10,000,000 City of Corpus Christi, Texas Utility System Senior Lien Revenue Improvement Bonds, Series 2024C</u>			
Dated Date:	11/1/2024	Source:	SWIFT-LOW-30YR
Delivery Date:	11/1/2024	Rate:	3.99%
First Interest:	7/15/2025	IUP Year:	2024
First Principal:	7/15/2026	Case:	System Revenue
Last Principal:	7/15/2054	Admin.Fee:	\$0
Fiscal Year End:	09/30	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0		

CURRENT		CURRENT	\$10,000,000 ISSUE				UNCLOSED PREVIOUS	\$525,110,000 FUTURE MULTI-YEAR		
FISCAL YEAR	NET SYSTEM REVENUES	DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	COMMITMENT LM241158	COMMITMENTS 2025 - 2027	TOTAL DEBT SERVICE	COVERAGE
2025	\$115,796,674	\$68,562,021	-	-	\$268,891	\$268,891	\$5,673,507	-	\$74,504,418	1.55
2026	115,796,674	69,556,982	\$205,000	3.24%	381,105	586,105	12,376,191	\$6,960,122	89,479,399	1.29
2027	115,796,674	62,116,134	210,000	3.14%	374,463	584,463	12,375,737	20,646,921	95,723,254	1.21
2028	115,796,674	64,345,163	220,000	3.13%	367,869	587,869	12,375,222	30,850,855	108,159,109	1.07
2029	115,796,674	62,680,014	225,000	3.13%	360,983	585,983	12,375,772	34,187,697	109,829,466	1.05
2030	115,796,674	56,203,705	230,000	3.13%	353,941	583,941	12,371,784	34,181,478	103,340,907	1.12
2031	115,796,674	59,747,677	240,000	3.14%	346,742	586,742	12,373,258	34,184,897	106,892,572	1.08
2032	115,796,674	56,169,351	245,000	3.16%	339,206	584,206	12,374,374	34,186,957	103,314,886	1.12
2033	115,796,674	52,039,724	255,000	3.18%	331,464	586,464	12,374,422	34,180,957	99,181,565	1.17
2034	115,796,674	51,149,757	265,000	3.19%	323,355	588,355	12,373,179	34,185,265	98,296,554	1.18
2035	115,796,674	51,138,560	270,000	3.28%	314,901	584,901	12,375,974	34,183,495	98,282,929	1.18
2036	115,796,674	51,310,648	280,000	3.38%	306,045	586,045	12,372,866	34,181,092	98,450,651	1.18
2037	115,796,674	62,529,723	290,000	3.49%	296,581	586,581	12,372,770	34,186,825	109,675,899	1.06
2038	115,796,674	62,542,902	300,000	3.62%	286,460	586,460	12,374,182	34,188,102	109,691,645	1.06
2039	115,796,674	62,531,135	310,000	3.69%	275,600	585,600	12,374,855	34,184,851	109,676,440	1.06
2040	115,796,674	56,953,073	320,000	3.73%	264,161	584,161	12,372,607	34,179,875	104,089,715	1.11
2041	115,796,674	52,774,392	335,000	3.81%	252,225	587,225	12,373,780	34,185,090	99,920,486	1.16
2042	115,796,674	52,752,364	345,000	3.86%	239,462	584,462	12,374,794	34,182,067	99,893,686	1.16
2043	115,796,674	41,572,625	360,000	3.90%	226,145	586,145	12,371,856	34,182,177	88,712,802	1.31
2044	115,796,674	35,752,947	375,000	3.94%	212,105	587,105	12,375,066	34,182,121	82,897,238	1.40
2045	115,796,674	35,757,185	390,000	4.12%	197,330	587,330	12,373,412	34,180,803	82,898,729	1.40
2046	115,796,674	21,217,525	405,000	4.12%	181,262	586,262	12,374,748	34,180,403	68,358,937	1.69
2047	115,796,674	21,219,019	420,000	4.12%	164,576	584,576	12,372,076	34,184,672	68,360,342	1.69
2048	115,796,674	21,220,465	440,000	4.12%	147,272	587,272	12,374,984	34,183,892	68,366,612	1.69
2049	115,796,674	21,215,789	460,000	4.12%	129,144	589,144	12,372,648	34,180,822	68,358,402	1.69
2050	115,796,674	18,642,196	475,000	4.23%	110,192	585,192	12,374,656	34,182,972	65,785,015	1.76
2051	115,796,674	12,776,894	495,000	4.23%	90,099	585,099	12,374,118	34,187,354	59,923,464	1.93
2052	115,796,674	12,782,144	520,000	4.23%	69,161	589,161	12,375,603	34,182,787	59,929,693	1.93
2053	115,796,674	6,773,331	540,000	4.23%	47,165	587,165	12,373,264	34,187,050	53,920,809	2.15
2054	115,796,674	-	575,000	4.23%	24,323	599,323	12,356,467	34,181,325	47,137,114	2.46
		\$1,304,033,441	\$10,000,000		\$7,282,219	\$17,282,219			\$2,633,052,739	

AVERAGE (MATURITY) LIFE	18.24 YEARS
NET INTEREST RATE	3.993%
COST SAVINGS	\$932,378
AVERAGE ANNUAL REQUIREMENT	\$576,074

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

Corpus Christi

51052 - Seawater Desalination

Budget Items	Previous Commitments	This Commitment	Total
Construction			
Construction	\$158,750,000.00	\$385,118,973.00	\$543,868,973.00
Subtotal for Construction	\$158,750,000.00	\$385,118,973.00	\$543,868,973.00
Basic Engineering Services			
Construction Engineering	\$6,000,000.00	\$7,890,072.00	\$13,890,072.00
Design	\$16,000,000.00	\$21,040,192.00	\$37,040,192.00
Planning	\$1,021,780.00	\$1,855,482.00	\$2,877,262.00
Subtotal for Basic Engineering Services	\$23,021,780.00	\$30,785,746.00	\$53,807,526.00
Special Services			
Application	\$98,610.00	\$47,800.00	\$146,410.00
Environmental	\$395,000.00	\$300,000.00	\$695,000.00
Permits	\$876,319.00	\$1,131,233.00	\$2,007,552.00
Project Management (by engineer)	\$241,027.00	\$24,528,275.00	\$24,769,302.00
Special Service Other (Mitigation Expenses)	\$755,000.00	\$0.00	\$755,000.00
Inspection		\$6,000,000.00	\$6,000,000.00
Geotechnical		\$269,641.00	\$269,641.00
Pilot Testing		\$4,000,000.00	\$4,000,000.00
Surveying	\$201,000.00	\$471,725.00	\$672,725.00
Testing	\$71,000.00	\$0.00	\$71,000.00
Water Distribution Modeling	\$324,000.00	\$0.00	\$324,000.00
Subtotal for Special Services	\$2,961,956.00	\$36,748,674.00	\$39,710,630.00
Fiscal Services			
Bond Counsel	\$258,173.75	\$603,971.00	\$862,144.75
Financial Advisor	\$376,013.75	\$838,577.00	\$1,214,590.75
Fiscal/Legal	\$9,500.00	\$46,300.00	\$55,800.00
Issuance Costs	\$28,350.00	\$386,926.00	\$415,276.00
Subtotal for Fiscal Services	\$672,037.50	\$1,875,774.00	\$2,547,811.50
Other			
Land/Easements Acquisition	\$1,400,000.00	\$5,000,000.00	\$6,400,000.00
Project Legal Expenses	\$1,195,000.00	\$4,255,000.00	\$5,450,000.00
Administration		\$5,450,000.00	\$5,450,000.00
Subtotal for Other	\$2,595,000.00	\$14,705,000.00	\$17,300,000.00
Contingency			
Contingency	\$37,224,226.50	\$65,875,833.00	\$103,100,059.50
Subtotal for Contingency	\$37,224,226.50	\$65,875,833.00	\$103,100,059.50
Total	\$225,225,000.00	\$535,110,000.00	\$760,335,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE TO
THE CITY OF CORPUS CHRISTI
IN THE FORM OF A MULTI-YEAR COMMITMENT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF \$535,110,000 CITY OF CORPUS
CHRISTI, TEXAS UTILITY SYSTEM SENIOR LIEN REVENUE IMPROVEMENT
BONDS, PROPOSED SERIES 2024C, PROPOSED SERIES 2025, PROPOSED
SERIES 2026, AND PROPOSED SERIES 2027

(24-)

Recitals:

The City of Corpus Christi (City), located in Nueces County, has filed an application for financial assistance in the amount of \$535,110,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning, acquisition, design, and construction of a water supply project(s) identified as Project No. 51052 (Project).

The City seeks financial assistance from the Texas Water Development Board (TWDB) in the form of a multi-year commitment through the TWDB's proposed purchase of \$535,110,000 City of Corpus Christi, Texas Utility System Senior Lien Revenue Improvement Bonds, Proposed Series 2024C, Series 2025, Series 2026, and Series 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 City has offered a pledge of a senior lien on the net revenues of the City's utility 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 § 363.1307.

Subject to the City's use of an approved debt service structure, interest rate subsidies are available to the City for State Fiscal Year 2024 at up to the following levels: 25% for financial assistance for a term of 20 years, 18% for financial assistance for a term of 21 to 25 years, and 14% 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 City.

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.

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 City has submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
4. The City has completed its current water audit and filed it with the TWDB in accordance with Texas Water Code § 16.0121 and 31 TAC § 358.6.
5. The City 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 Corpus Christi in the amount of \$535,110,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of City of Corpus Christi, Texas Utility System Senior Lien Revenue Improvement Bonds as follows:

- a. \$10,000,000 Proposed Series 2024C, to expire on December 31, 2024;
- b. \$210,045,000 Proposed Series 2025, to expire on December 31, 2025;
- c. \$210,045,000 Proposed Series 2026, to expire on December 31, 2026;
- d. \$105,020,000 Proposed 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 City 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 City.

3. This commitment is contingent upon the City'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 City 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 City shall use a paying agent/registrars in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrars 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 City will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. 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.
10. The Obligations must contain a provision requiring the City to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein 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 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 City's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the City is an obligated person with respect to the bonds under SEC Rule 15c2-12.

12. The Obligations must contain a provision requiring the City to levy a tax or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
13. The Obligations must include a provision requiring the City 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.
14. 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.
15. 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.
16. Financial assistance proceeds shall not be used by the City when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall 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.
17. The Obligations must include a provision stating that the City 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.

18. 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).
19. The Obligations must contain a provision stating that the City 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.
20. The City must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Government Code § 2.103 and Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.
21. 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.
22. The Obligations must include a provision that if the collateral or credit pledged by the City securing the Obligations is rated by a nationally-recognized statistical rating agency, the City, 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.

Tax-Exempt Conditions:

23. 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 as amended (Code) and the Treasury Regulations promulgated under it (Regulations).
24. 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 that were used, directly or indirectly, to acquire Nonpurpose Investments, as defined in the Code and Regulations, that produce a yield materially higher than the yield on the TWDB's bonds issued to provide 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 the 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 the amounts do not exceed the lesser 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.
25. The Obligations must include a provision that the City must take all necessary steps to comply with the requirement that amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the 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 the 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 the Gross Proceeds and the obligations acquired with the Gross Proceeds;
 - 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 associated rulings. The City shall maintain a copy of the calculations for at least six years after the final Computation Date;
 - c. pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date as additional consideration for providing financial assistance and in order to induce providing 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 of TWDB's Bonds for federal income tax purposes;
 - d. exercise reasonable diligence to ensure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time, including payment to the United States of any interest and any penalty required by the Regulations.

26. 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.
27. 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.
28. The Obligations must contain a covenant that the City will refrain from using the proceeds of the Obligations to pay debt service on another issue of the borrower’s obligations in contravention of section 149(d) of the Code (related to “advance refundings”).
29. The Obligations must provide that neither the City nor a party related to it 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.

Pledge Conditions:

30. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.
31. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding \$2,750,000 City of Corpus Christi, Texas Utility System Junior Lien Revenue Improvement Bonds Series 2017.

Conditions To Close Or For Release Of Funds:

32. Before closing, the City shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.
33. Before closing, if not previously provided with the application, the City 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.
34. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the City 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.

35. Before closing, the City 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.
36. Before closing, 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.
37. Before closing, the City's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the City when rendering this opinion.
38. 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.
39. The transcript must include evidence that the information reporting requirements of section 149(e) of the Internal Revenue 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.

Special Conditions:

40. 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 City 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.
41. 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 City has the right to use the water that the Project financed by the TWDB will provide.

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.



City of Corpus Christi Nueces County

