PROJECT FUNDING REQUEST

BOARD DATE: October 17, 2024 **Team Manager:** William Alfaro

ACTION REQUESTED
Consider approving by resolution a request from the South Texas Water Authority (Kleberg County) for $7,737,207 in financial assistance consisting of $2,360,000 in financing and $5,377,207 in principal forgiveness from the Drinking Water State Revolving Fund Program for planning, design, and construction of a water system improvements project.

STAFF RECOMMENDATION
☒ Approve ☐ No Action

BACKGROUND
The South Texas Water Authority (Authority) is located in Kingsville, approximately 40 miles southwest of Corpus Christi. The Authority provides water services to multiple water systems in the surrounding counties as a wholesale water provider, including Nueces County Water Control Improvement District No.5, the City of Kingsville, the City of Driscoll, the City of Agua Dulce, the City of Bishop, the Ricardo Water Supply Corporation, and the Nueces Water Supply Corporation. The service area includes approximately 49,534 residents and 14,763 connections.

PROJECT NEED AND DESCRIPTION
The Authority needs to address several violations identified by the Texas Commission on Environmental Quality and system sustainability concerns across five pump stations in the Ricardo Water Supply Corporation (RWSC) and Nueces Water Supply Corporation (NWSC) service areas. These violations include water system outages, dilapidated pumping stations, water leaks, and pressure loss. Specifically, the Ricardo pumps need to be demolished and replaced, and emergency power generators installed to prevent outages. The Nueces pumps require replacement due to persistent leaks that necessitate constant maintenance.

The proposed project includes improvements to five pump stations within the service area of the RWSC and NWSC. Furthermore, the project will include other minor improvements such as sandblasting, coating, and insulation of existing equipment, electrical upgrades to the supervisory control and data acquisition system, emergency backup generator replacement, perimeter fence replacement and repair, and miscellaneous piping and pump replacement and repair.

PROJECT SCHEDULE

Task	Schedule Date
Closing	February 1, 2025
Engineering Feasibility Report Completion (End of Planning Phase)	May 2, 2025
Design Phase Completion	July 7, 2025
Start of Construction	September 1, 2025
Construction Completion	January 2, 2026

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE APRIL 30, 2025

KEY ISSUES
The Authority qualifies for $5,377,207 in principal forgiveness as a disadvantaged community through the Drinking Water State Revolving Fund.

LEGAL/SPECIAL CONDITIONS
- Executed principal forgiveness agreement
- Return of surplus principal forgiveness funds

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

Attachment 1

Financial Review
South Texas Water Authority
(RWSC and NWSC)

Risk Score:
NWSC: 2B
RWSC: 2B

Audit Reviewed: FY 2023

Key Indicators

Indicator	Ricardo	Nueces	Benchmark
Population Growth, Average Annual 2010- 2020	County: -0.32%	County: 0.37%	State: 1.49%
Top 10 Customers % of Total Revenue	3%	18%	10-15%
Median Household Income as % of State	74%	64%	100%
Days of Cash on Hand (3-year Average)	436	600 days	30-149 days
Net Fixed Assets/ Annual Depreciation	19 years	9 years	12-24 years
Debt Service Coverage Ratio	2.70X	1.71x	1.0x
Debt-to-Operating Revenues	3.23	0.88	4.00-5.99x
Unemployment Rate (July 2024)	County: 5.00%	County: 4.60%	State: 4.40%
Working Capital Ratio	8.25	10.39	> 1.0
Cash Balance Ratio	16.46%	18.34%	0-9.99%

Key Risk Score Strengths

- NWSC and RWSCs debt to operating revenues are below the benchmark, indicating that each WSC can cover the proposed debt and, possibly, additional debt.
- Each WSC has sufficient system revenues to cover the proposed debt. Additionally, each WSC's cash balance ratio is above the benchmark, indicating a strong liquidity position.
- A high working capital ratio provides both WSCs with ample resources to cover short-term liabilities, demonstrating solid short term financial health.

Key Risk Score Concerns

- NWSC and RWSC have high household cost factors, and both are over the benchmark. However, both NWSC and RWSC will not need a rate increase to meet coverage. Each of NWSC and RWSC's connections has increased over the last few years. The 2022 State Water Plan projects an approximate 24 percent population increase. Continuation to increase the number of connections for each WSC can help reduce household cost factors.
- NWSC's top 10 customers make up approximately 18 percent of the total water revenues, with Coastal Bend Detention Center making up roughly 11 percent. A stress test was conducted to remove Geo Group Inc. from the water revenues, and the result indicates the WSC would need a projected rate increase of approximately $4.00 by 2037. These rate projections include NWSC's most recent rate increase, occurred on February 1, 2024.

PLEDGE

Legal Pledge Name	Contract Revenues
Type of Pledge	☐ Tax ☐ Revenue ☐ Tax & Revenue ☒ Contract ☐ Other
Revenue Pledge Level	☒ First ☐ Second ☐ Third ☐ N/A

RATES AND CHARGES (NWSC)

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	7,000	$63.82	$63.82	2.79	2.79

RATES AND CHARGES (RWSC)

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	7,000	$78.39	$78.39	2.88	2.88

Cost Savings

Based on a 30-year maturity schedule and current interest rates, RWSC could save approximately $571,590 over the life of the financing. The WSC is also saving $3,387,640 in principal forgiveness.

Based on a 30-year maturity schedule and current interest rates, NWSC could save approximately $329,850 over the life of the financing. The WSC is also saving $1,989,567 in principal forgiveness.

Project Data Summary

Responsible Authority	South Texas Water Authority
Program	DWSRF
Commitment Number	L1001910, L1001911, LF1001912, LF1001913
Project Number	63025
List Year	2024
Type of Pledge	Contract Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	$875,000 South Texas Water Authority Contract Revenue Bonds (Nueces WSC), Proposed Series 2025, $1,485,000 South Texas Water Authority Contract Revenue Bonds (Ricardo WSC), Proposed Series 2025, $1,989,567 Nueces WSC Principal Forgiveness Agreement, $3,387,640 Ricardo WSC Principal Forgiveness Agreement
Tax-exempt or Taxable	Taxable
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay = Escrow Release
Qualifies as Disadvantaged	Yes
State Revolving Fund Type	Equivalency
Financial Managerial & Technical Complete	Yes
Phases Funded	Planning, 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**
William Alfaro	Chelsea Duran	Sam Kiger	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Nueces Water Supply Corporation

$875,000 South Texas Water Authority Contract Revenue Bonds (Nueces WSC), Proposed Series 2025

Dated Date:	**2/1/2025**	**Source:**	**DWSRF-EQUIVALENCY**
Delivery Date:	**2/1/2025**	**Rate:**	**3.97%**
First Interest:	**11/15/2025**	**IUP Year:**	**2024**
First Principal:	**11/15/2025**	**Case:**	**Contract Revenue**
Last Principal:	**11/15/2054**	**Admin. Fee:**	**$17,157**
Fiscal Year End:	**12/31**	**Admin. Fee Payment Date:**	**2/1/2025**
Required Coverage:	**1.0**		

FISCAL YEAR	CURRENT NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$875,000 ISSUE PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2025	$79,447	$0	$20,000	3.72%	$26,509	$46,509	$46,509	1.71
2026	$79,447	-	20,000	3.35%	32,860	52,860	52,860	1.50
2027	$79,447	-	20,000	3.28%	32,190	52,190	52,190	1.52
2028	$79,447	-	20,000	3.27%	31,534	51,534	51,534	1.54
2029	$79,447	-	20,000	3.23%	30,880	50,880	50,880	1.56
2030	$79,447	-	20,000	3.28%	30,234	50,234	50,234	1.58
2031	$79,447	-	20,000	3.32%	29,578	49,578	49,578	1.60
2032	$79,447	-	20,000	3.35%	28,914	48,914	48,914	1.62
2033	$79,447	-	20,000	3.48%	28,244	48,244	48,244	1.65
2034	$79,447	-	20,000	3.54%	27,548	47,548	47,548	1.67
2035	$79,447	-	20,000	3.62%	26,840	46,840	46,840	1.70
2036	$79,447	-	20,000	3.66%	26,116	46,116	46,116	1.72
2037	$79,447	-	30,000	3.68%	25,384	55,384	55,384	1.43
2038	$79,447	-	30,000	3.71%	24,280	54,280	54,280	1.46
2039	$79,447	-	30,000	3.74%	23,167	53,167	53,167	1.49
2040	$79,447	-	30,000	3.98%	22,045	52,045	52,045	1.53
2041	$79,447	-	30,000	4.00%	20,851	50,851	50,851	1.56
2042	$79,447	-	30,000	4.00%	19,651	49,651	49,651	1.60
2043	$79,447	-	30,000	4.01%	18,451	48,451	48,451	1.64
2044	$79,447	-	30,000	4.02%	17,248	47,248	47,248	1.68
2045	$79,447	-	30,000	4.03%	16,042	46,042	46,042	1.73
2046	$79,447	-	40,000	4.04%	14,833	54,833	54,833	1.45
2047	$79,447	-	40,000	4.04%	13,217	53,217	53,217	1.49
2048	$79,447	-	40,000	4.05%	11,601	51,601	51,601	1.54
2049	$79,447	-	40,000	4.06%	9,981	49,981	49,981	1.59
2050	$79,447	-	40,000	4.06%	8,357	48,357	48,357	1.64
2051	$79,447	-	40,000	4.07%	6,733	46,733	46,733	1.70
2052	$79,447	-	40,000	4.08%	5,105	45,105	45,105	1.76
2053	$79,447	-	40,000	4.08%	3,473	43,473	43,473	1.83
2054	$79,447	-	45,000	4.09%	1,841	46,841	46,841	1.70
		$0	$875,000		$613,693	$1,488,693	$1,488,693	

AVERAGE (MATURITY) LIFE	**17.69 YEARS**
NET INTEREST RATE	**3.966%**
COST SAVINGS	**$329,850**
AVERAGE ANNUAL REQUIREMENT	**$49,623**

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.

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Ricardo Water Supply Corporation

$1,485,000 South Texas Water Authority Contract Revenue Bonds (Ricardo WSC), Proposed Series

2025 Dated Date:	**2/1/2025**	**Source:**	**DWSRF-EQUIVALENCY**
Delivery Date:	**2/1/2025**	**Rate:**	**3.96%**
First Interest:	**11/15/2025**	**IUP Year:**	**2024**
First Principal:	**11/15/2025**	**Case:**	**Contract Revenue**
Last Principal:	**11/15/2054**	**Admin. Fee:**	**$29,118**
Fiscal Year End:	**12/31**	**Admin. Fee Payment Date:**	**2/1/2025**
Required Coverage:	**1.0**		

FISCAL YEAR	CURRENT NET SYSTEM REVENUES	CURRENT DEBT SERVICE	$1,485,000 ISSUE PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	TOTAL DEBT SERVICE	COVERAGE
2025	$286,043	$40,684	$20,000	3.72%	$45,127	$65,127	$105,811	2.70
2026	286,043	42,203	20,000	3.35%	56,460	76,460	118,663	2.41
2027	286,043	43,803	25,000	3.28%	55,790	80,790	124,593	2.30
2028	286,043	45,258	25,000	3.27%	54,970	79,970	125,228	2.28
2029	286,043	50,322	30,000	3.23%	54,152	84,152	134,474	2.13
2030	286,043	50,322	30,000	3.28%	53,183	83,183	133,505	2.14
2031	286,043	50,322	35,000	3.32%	52,199	87,199	137,521	2.08
2032	286,043	50,322	35,000	3.35%	51,037	86,037	136,359	2.10
2033	286,043	50,322	40,000	3.48%	49,865	89,865	140,187	2.04
2034	286,043	59,931	40,000	3.54%	48,473	88,473	148,403	1.93
2035	286,043	59,931	45,000	3.62%	47,057	92,057	151,987	1.88
2036	286,043	59,931	45,000	3.66%	45,428	90,428	150,358	1.90
2037	286,043	59,931	50,000	3.68%	43,781	93,781	153,711	1.86
2038	286,043	59,931	50,000	3.71%	41,941	91,941	151,871	1.88
2039	286,043	71,345	50,000	3.74%	40,086	90,086	161,431	1.77
2040	286,043	71,345	55,000	3.98%	38,216	93,216	164,561	1.74
2041	286,043	71,345	55,000	4.00%	36,027	91,027	162,372	1.76
2042	286,043	71,345	55,000	4.00%	33,827	88,827	160,172	1.79
2043	286,043	71,345	55,000	4.01%	31,627	86,627	157,972	1.81
2044	286,043	84,253	60,000	4.02%	29,421	89,421	173,674	1.65
2045	286,043	84,253	60,000	4.03%	27,009	87,009	171,262	1.67
2046	286,043	84,253	60,000	4.04%	24,591	84,591	168,844	1.69
2047	286,043	84,253	60,000	4.04%	22,167	82,167	166,420	1.72
2048	286,043	84,253	65,000	4.05%	19,743	84,743	168,996	1.69
2049	286,043	100,166	65,000	4.06%	17,111	82,111	182,277	1.57
2050	286,043	100,166	65,000	4.06%	14,472	79,472	179,638	1.59
2051	286,043	100,166	70,000	4.07%	11,833	81,833	181,999	1.57
2052	286,043	100,166	70,000	4.08%	8,984	78,984	179,150	1.60
2053	286,043	-	75,000	4.08%	6,128	81,128	81,128	3.53
2054	286,043	-	75,000	4.09%	3,068	78,068	78,068	3.66
		$1,901,866	$1,485,000		$1,063,763	$2,548,763	$4,450,629	

AVERAGE (MATURITY) LIFE	**18.07 YEARS**
NET INTEREST RATE	**3.965%**
COST SAVINGS	**$571,590**
AVERAGE ANNUAL REQUIREMENT	**$84,959**

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Attachment 2

Budget Summary

South Texas Water Authority

63025 - Pump Station Improvements

Budget Items	TWDB Funds	Total Project Cost
Construction		
Construction	$5,230,298	$5,230,298
Subtotal for Construction	**$5,230,298**	**$5,230,298**
Basic Engineering Services		
Design	$418,424	$418,424
Planning	$104,606	$104,606
Subtotal for Basic Engineering Services	**$523,030**	**$523,030**
Special Services		
Environmental	$5,000	$5,000
Inspection	$60,000	$60,000
Permits	$52,303	$52,303
Project Management (by engineer)	$104,606	$104,606
Surveying	$104,606	$104,606
Subtotal for Special Services	**$326,515**	**$326,515**
Fiscal Services		
Bond Counsel	$47,700	$47,700
Financial Advisor	$157,261	$157,261
Issuance Costs	$7,000	$7,000
Loan Origination Fee	$46,275	$46,275
Subtotal for Fiscal Services	**$258,236**	**$258,236**
Other		
Administration	$15,100	$15,100
Subtotal for Other	**$15,100**	**$15,100**
Contingency		
Contingency	$1,384,028	$1,384,028
Subtotal for Contingency	**$1,384,028**	**$1,384,028**
Total	**$7,737,207**	**$7,737,207**

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF $7,737,207 TO THE SOUTH TEXAS WATER AUTHORITY FROM THE DRINKING WATER STATE REVOLVING FUND THROUGH THE PROPOSED PURCHASE OF $875,000 SOUTH TEXAS WATER AUTHORITY CONTRACT REVENUE BONDS (NUECES WSC), PROPOSED SERIES 2025 AND THE EXECUTION OF A PRINCIPAL FORGIVENESS AGREEMENT IN THE AMOUNT OF $1,989,567 AND THROUGH THE PROPOSED PURCHASE OF $ 1,485,000 SOUTH TEXAS WATER AUTHORITY CONTRACT REVENUE BONDS (RICARDO WSC), PROPOSED SERIES 2025 AND THE EXECUTION OF A PRINCIPAL FORGIVENESS AGREEMENT IN THE AMOUNT OF $3,387,640

(24 -)

Recitals:

The South Texas Water Authority (Authority), located in Kleberg County, has filed an application for financial assistance in the amount of $7,737,207 from the Drinking Water State Revolving Fund (DWSRF) to finance the planning, design, and construction of certain water system improvements identified as Project No. 63025.

The Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of $875,000 South Texas Water Authority Contract Revenue Bonds (Nueces WSC), Proposed Series 2025 (Obligations), (together with all authorizing documents), and the execution of a Principal Forgiveness Agreement in an amount of $1,989,567, and through the proposed purchase of $1,485,000 South Texas Water Authority Contract Revenue Bonds (Ricardo WSC), Proposed Series 2025 (Obligations), (together with all authorizing documents), and the execution of a Principal Forgiveness Agreement in the amount of $3,387,640, all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The Authority has offered a pledge of contract revenues as sufficient security for the repayment of the Obligations.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 371.13.

Findings:

1. The revenue or taxes pledged by the Authority will be sufficient to meet all the Obligations assumed by the Authority, in accordance with Texas Water Code § 15.607.

2. The application and assistance applied for meet the requirements of the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq*., as well as state law, in accordance with Texas Water Code § 15.607.

3. The term of the Obligations does not exceed the expected useful life of the project proposed by the Authority.

4. The Authority has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs and conditions and that incorporates practices, techniques, or technology prescribed by the Texas Water Code and TWDB's rules.

5. The TWDB has approved a regional water plan for the region of the state that includes the area benefiting from the project and the needs to be addressed by the project will be addressed in a manner consistent with the approved regional and state water plans, as required by Texas Water Code § 16.053(j).

6. The Authority meets the definition of "Disadvantaged Community" in 31 TAC § 371.1(24) and is therefore eligible for principal forgiveness in the amount of $5,377,207.

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

A commitment is made by the TWDB to the South Texas Water Authority for financial assistance in the amount of $7,737,207 from the Drinking Water State Revolving Fund through the TWDB's proposed purchase of $875,000 South Texas Water Authority Contract Revenue Bonds (Nueces WSC), Proposed Series 2025 and the execution of a Principal Forgiveness Agreement in the amount of $1,989,567, and through the proposed purchase of $ 1,485,000 South Texas Water Authority Contract Revenue Bonds (Ricardo WSC), Proposed Series 2025 and the execution of a Principal Forgiveness Agreement in the amount of $3,387,640. This commitment will expire on April 30, 2025.

The commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.

2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all the requirements of the laws under which the Obligations were issued have been complied with; 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 Authority.

3. This commitment is contingent upon the Authority's compliance with all applicable requirements contained in 31 TAC Chapter 371.

4. The Obligations must provide that the Authority agrees to comply with all the conditions set forth in the TWDB Resolution.

5. 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.

6. The Authority, 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 Authority'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 the rule, this continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to those bonds under SEC Rule 15c2-12.

7. The Obligations must include a provision requiring the Authority to use any financial assistance proceeds from the Obligations that are determined to be remaining unused funds, which are those funds unspent after the original approved project is completed, for enhancements to the original project explicitly approved by the Executive Administrator, or, if no enhancements are authorized by the Executive Administrator, requiring the Authority to submit a final accounting and disposition of any unused funds.

8. The Obligations must include a provision requiring the Authority to use any financial assistance proceeds from the Obligations determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.

9. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.

10. Proceeds of this commitment are public funds. Therefore, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.

11. Proceeds of this commitment must not be used by the Authority when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must include a provision that states the Authority is solely responsible for liability resulting from acts or omissions of the Authority, 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 Authority, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.

12. Before closing, and if not previously provided with the application, the Authority shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel contracts for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.

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

14. The Executive Administrator may require the Authority to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.

15. The TWDB retains the option to purchase the Obligations in separate lots or on an installment basis, with delivery of the purchase price for each installment to be paid against delivery of the relevant installment of Obligations as approved by the Executive Administrator.

16. The Obligations must provide that the Authority will comply with all applicable TWDB laws and rules related to the use of the financial assistance.

17. The Obligations must provide that the Authority 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.

18. The Obligations must contain a provision requiring the Authority to maintain insurance coverage sufficient to protect the TWDB's interest in the project.

19. The Authority must immediately notify TWDB, in writing, of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f) (related to federal laws regulating firearms, firearm accessories, and firearm ammunition).

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

State Revolving Fund Conditions;

21. The Authority shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines.

22. The Obligations must include a provision stating that all laborers and mechanics employed by contractors and subcontractors for projects shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor’s implementing regulations. The Authority, all contractors, and all sub-contractors shall ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with the financial assistance made available shall insert in full in any contract in excess of $2,000 the contracts clauses as provided by the TWDB.

23. The Obligations must include a provision stating that the Authority shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The Authority shall obtain a Unique Entity Identification Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding.

24. The Obligations shall provide that all financial assistance proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and shall provide that the Authority will adhere to the approved project schedule.

25. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Authority will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 371.4 and related State Revolving Fund Policy Guidelines.

26. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Authority shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

27. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Authority will abide by all applicable requirements related to the Build America, Buy America Act, Public Law 117-58 and 2 CFR part 184.

Drinking Water State Revolving Fund Conditions;

28. The Authority shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant to 31 TAC Chapter 371.

29. Before closing, the Texas Commission on Environmental Quality, must make a determination, the form and substance of which is satisfactory to the Executive Administrator, that the Authority has demonstrated the necessary financial, managerial, and technical capabilities to proceed with the project or projects to be funded with the proceeds of these Obligations.

30. Before the release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Authority must provide documentation that it has met all applicable state procurement requirements as well as all federal procurement requirements under the Disadvantaged Business Enterprises program.

Pledge Conditions;

31. Upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review.

32. The Obligations must contain a provision requiring the Authority to maintain and enforce the terms and conditions set forth in the applicable Special Project Contract with Nueces Water Supply Corporation or Ricardo Water Supply Corporation (collectively the Corporations) so that the revenues paid to the Authority by the Corporations are sufficient to meet the revenue requirements for repayment of the Obligations purchased by the TWDB.

33. The Obligations must contain a provision that the pledged contract revenues from the Authority must not be pledged to the payment of any additional parity obligations of the Authority secured by a pledge of the same contract revenues unless the Authority 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.

34. Before closing, the Authority must submit executed contracts between the Authority and the contracting parties regarding the contract revenues pledged to the payment of the Authority’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 Authority’s debt service obligations and additional parity obligations.

Special Conditions:

35. Before closing, the Authority shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator.

36. The Principal Forgiveness Agreement must include a provision stating that the Authority shall return any principal forgiveness funds that are determined to be surplus funds.

APPROVED and ordered of record this 17th day of October, 2024.

TEXAS WATER DEVELOPMENT BOARD

____
Brooke T. Paup, Chairwoman

DATE SIGNED:
____

ATTEST:

____
Bryan McMath, Executive Administrator

☑ Water
☐ Wastewater
☐ Other ____________

WATER CONSERVATION REVIEW

Review Date: 09/13/2024
Project ID: 63025

Entity: South Texas Water Authority
Other entity:

WATER CONSERVATION PLAN DATE: 2024 ☐ **Approvable** ☑ **Adopted**

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

WATER LOSS AUDIT YEAR: NA

Service connections: NA
Retail population: NA
Length of main lines (miles): NA
Connections per mile: NA
Water Loss GCD: NA
Water Loss GPCD: NA
ILI: NA
Real Loss GMD: NA

WATER LOSS THRESHOLDS

Water Loss Project: ☐ Waiver Requested: ☐

Wholesale Adjusted: ☐

Threshold Type:
Not Applicable

Apparent Loss GCD		Real Loss GCD	
Reported	Threshold	Reported	Threshold
NA	NA	NA	NA

Does the applicant meet Water Loss Threshold Requirements? **Yes** ☐ **No** ☐ **NA** ☑

ADDITIONAL INFORMATION

The authority itself does not own or control any sources of water, but provides water it purchases from the City of Corpus Christi to its member districts. The authority's draft water conservation plan focuses on the operations of the authority's system, including consideration of external recommendations to help make the system more cost effective and efficient. These recommendations include upgrading their current cathodic system, which would then require almost no maintenance and will protect the transmission line from corrosion and future leaks, as well as inspecting the entire transmission line with the use of a SmartBall to detect leaks and map the pipeline, along with a second device to measure pipe wall thickness, features such as outlets, valves, and joints, and their location from the upstream joints. They are also considering modeling the entire distribution system to help identify problem areas. Finally, they recognize the need to educate customers about water conservation and commit to continue providing materials to schools and on their website, while also making use of water-wise vegetation and landscaping on their grounds.

STAFF NOTES AND RECOMMENDATIONS

The authority is not a retail public water supplier; therefore, a water loss audit is not required.

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.

South Texas Water Authority
Kleberg County