

GLOSSARY

Ad Valorem Tax – tax based on the assessed valuation of property.

Additional Bonds Test – A legal requirement that new bonds having a claim on revenues pledged to outstanding revenue bonds can only be issued if certain financial or other requirements are met. Typically, the TWDB requires that net revenues for the previous year be from 1.10 to 1.25 times what will be required to service outstanding debt and proposed debt service.

Alternative Delivery – Method of Project Delivery which uses an alternative process to the Design-Bid-Build process, such as the Design-Build process or the Construction Manager at Risk process.

Alternative Minimum Tax (AMT) – TWDB is able to provide AMT (Alternative Minimum Tax) and taxable proceeds for projects that are not eligible to receive tax-exempt proceeds under IRS code. TWDB can receive allocation under state Private Activity Bond authority as necessary. [AMT generally provide a loan rate higher than tax exempt proceeds but lower than taxable proceeds].

Alternate Additional Bonds Test – Similar to Additional Bonds Test with the exception that the test is based on projections using rates implemented 90 days prior to issuance of the additional bonds rather than historical figures.

Advance Refunding – The refunding of bonds where the refunded bonds are left outstanding but government securities are placed in a trust to meet the future debt service obligations. This is often done when bonds of high interest rates are not yet callable and new lower interest rate refunding bonds are sold. Federal arbitrage restrictions now greatly limit these opportunities. Technically, any refunded bonds, not actually refunded within 90 days after the new refunding bonds are sold, would be considered advance refunded bonds.

Arbitrage – Investment earnings representing the excess of interest earned on the investment of proceeds versus interest paid to the bondholder.

Assessed Valuation – The value of the property, by law assumed to be 100% of market value, used as a basis on which an ad valorem tax is levied, usually after any allowable exemptions are deducted.

Attorney General (AG) – Legal counsel to all boards and agencies of state government, issues legal opinions when requested by the Governor, heads of state agencies and other officials and agencies as provided by Texas statutes, sits as an ex-officio member of state committees and commissions, and defends challenges to state laws and suits against both state agencies and individual employees of the State.

Basis Point – Shorthand reference to 1/100 of 1 percent (0.01%) i.e., 100 bp = 1%.

Bond Counsel (BC) – An attorney specializing in the issuance of debt; prepares or obtains the documents necessary for a debt to be issued and sold.

Bond Insurance – Insurance purchased through a third-party to guarantee the timely payment of interest and principal of a bond issue should the issuer miss a payment. Insurance is usually purchased by the issuer where the cost of the issuance is offset by the lower interest rate that can be obtained by using the insurance company's rating as opposed to the underlying rating of the bonds.

Callable – Subject to payment of the principal amount of the bonds prior to the stated maturity date. The TWDB issues and purchases bonds with a ten (10) year call provision.

Capital Component – That component of the existing rate of a provider utility for the applicable utility service used to retire the long term capital debt of the system determined by calculating a monthly average of the existing annual long term capital debt payments of the utility service provider divided by the total number of living unit equivalents (LUE).

Capital Improvement Plan (CIP) – A short-range plan, usually four to ten years, which identifies capital projects and equipment purchases, provides a planning schedule and identifies options for financing the plan. Essentially, the plan provides a link between a municipality, school district, parks and recreation department and/or other local government entity and a comprehensive and strategic plans and the entity's annual budget.

Capitalized Interest – The portion of bond proceeds which are set aside to provide for the payment of interest until the project being financed is up and running and able to cover debt service from revenues. Not all bond issues capitalize interest. Historically the TWDB has allowed up to 12-36 months of capitalized interest to be funded through bond proceeds.

Categorical Exclusion (CE) – A category of actions which do not individually or cumulatively have a significant effect on the human environment and for which, therefore, neither an environmental assessment nor an environmental impact statement is required.

Certificate of Convenience and Necessity (CCN) – A permit issued by the Texas Commission on Environmental Quality (TCEQ) that authorizes and requires a retail public utility to provide continuous and adequate retail service to every customer who requests service in the specified geographic area.

Certificate of Obligation Bonds (COs) – Bonds that are secured by a pledge of the full faith and credit and the taxing power of the issuers.

Certified Public Accountant (CPA) – One who has been trained to do accounting and who has passed a state test and received the title of CPA. The title certifies the holder's qualification to practice accounting, audit, prepare reports and analyze accounting information.

Clean Water State Revolving Fund (CWSRF) – A federal and state funded loan program which provides below market cost funding for the construction of municipal wastewater facilities and implementation of nonpoint source pollution control and estuary protection projects.

Closing Date – *See Delivery Date*

Commercial and Government Entity (CAGE) – A unique identifier assigned to suppliers to various government or defense agencies, as well as to government agencies themselves and also various organizations. CAGE codes provide a standardized method of identifying a given facility at a specific location.

Commercial Paper – Unsecured promissory obligations issued by corporations and municipal governments, typically for a short period of time (up to 270 days).

Comparable Service Provider - A service provider that provides the same type of service as the provider utility for the proposed project to a similarly sized population, with a similar treatment capacity, and serving a population that has a similar per capita income based on available census data adjusted pursuant to the calculation set forth in the §371.24(b)(7) of this title (relating to Disadvantaged Community Program through Loan Subsidies) for adjusted median household income.

Construction – The erection, acquisition, alteration, remodel, rehabilitation, improvement, extension or other man-made change necessary for an eligible project or activity.

Construction Assistance (CA) – Division within the TWD B that includes Engineering Review, Environmental Review, and Inspection and Field Services.

Construction Funding – Funding of the construction costs after the substantial completion of the PAD elements of a project.

Coverage – The margin of safety for payment of debt service, reflecting the number of times by which annual net revenues exceeds annual debt service, usually associated with revenue bonds.

Coupon – Refers to the interest rate of a bond.

Current Refunding – The refunding of an outstanding bond issue by the issuance of new bonds when the refunded (old) issue is retired within 90 days after the refunding (new) issue is sold. A current refunding is less complicated and less costly than an advance refunding, since the current refunding does not require a paying agent to establish and maintain an escrow account,

bond rating on the refunded issue or verification of cash flow in the escrow account. The old bonds are retired.

CUSIP – A 9-character alphanumeric code which identifies a North American financial security for the purposes of facilitating clearing and settlement of trades. The Committee on Uniform Security Identification Procedures, which was established to develop a uniform method of identifying municipal, U.S. government and corporate securities.

Data Universal Number System (DUNS) – Is a system developed and regulated by Dun & Bradstreet (D&B) that assigns a unique numeric identifier, referred to as a "DUNS number" to a single business entity.

Dated Date – The date of a bond issue from which the original purchaser is entitled to receive interest. For bonds purchased by TWDB, the dated date and the delivery date are the same.

Debt Limit – Statutory or constitutional limit on the amount of debt that an issuer may incur (or may have outstanding at one time).

Debt Service – Principal and interest payment requirements.

Defeasance – Termination of the rights and interests of the bondholders with respect to the original issuer under a trust agreement, or indenture upon final payment, or provision for payment of all debt service premium, and other costs.

Delivery Date – The date on which bonds are delivered to the purchaser(s) and the bond proceeds are received by the Issuer. For bonds purchased by the TWDB, the date interest begins to accrue.

Delphis Hanover Scale – Replaced by MMD.

Design – The project phase during which the applicant prepares the project design documents including design surveys, plans, working drawings, specifications and any procedures and protocols to be used during the construction of the project.

Designated Management Agency (DMA) – A federal, state or local governmental agency that has legal authority of a sector or source contributing pollutants.

Disadvantaged Business Enterprises (DBE) – A business entity so certified in the United States by the government of the State in which it is located.

DFund – A state funded loan program that offers low cost financing for the planning, design, and construction of water and wastewater related projects and flood control projects.

Drinking Water State Revolving Fund (DWSRF) – A federal and state funded loan program which provides below market cost funding for the construction of drinking water systems to finance infrastructure improvements. The program also emphasizes providing funds to small and disadvantaged communities and to programs that encourage pollution prevention as a tool for ensuring safe drinking water.

Economically Distressed Areas Programs (EDAP) – A state funded loan and or grant program available for areas which:

- (A) water supply or sewer services are inadequate to meet minimal needs of residential users as defined by board rules;
- (B) financial resources are inadequate to provide water supply or sewer services that will satisfy those needs; and
- (C) an established residential subdivision was located on June 1, 2005, as determined by the board.

Engineering Feasibility Report (EFR) – Those necessary plans and studies that directly relate to the project and that are needed in order to assure compliance with the enforceable requirements of the Act and state statutes. These plans and studies address all relevant issues concerning the planning of all projects, except EDAP projects, in the planning period.

Environmental Affirmation – TWDB’s acceptance of the environmental determination made prior to the release of funds for design or construction for an equivalency project receiving pre-design financial assistance.

Environmental Assessment (EA) – A stand-alone document required to meet the environmental review requirements of TWDB’s CWSRF non-equivalency program (guidance document ED-001A) and state funding programs (guidance documents ED-001B and ED-001C).

Environmental Information Document (EID) – A stand-alone document required by the National Environmental Policy Act (NEPA) in order for projects not eligible to receive a Categorical Exclusion to meet the environmental review requirements of TWDB’s DWSRF and CWSRF equivalency programs (guidance documents DW-001 and SRF-009).

Environmental Impact Statement (EIS) – A document required by the National Environmental Policy Act (NEPA) for DWSRF and CWSRF equivalency projects that may significantly affect the quality of the human environment. An EIS may also be required by a separate lead agency (for example, the U.S. Army Corps of Engineers) for state-funded projects that have a federal nexus, such as federal funding or a required permit, and that may significantly affect the quality of the human environment.

Environmental Protection Agency (EPA) – An independent federal agency established to coordinate programs aimed at reducing pollution and protecting the environment.

Equivalency (Formerly known as Tier III) – Financial assistance for project construction made available through TWDB’s SRF programs is required to comply with grant requirements of the

U.S. Environmental Protection Agency (EPA) if the project will satisfy the equivalency requirement of the Fund's annual capitalization grant or is designated by the annual Intended Use Plan as requiring documented compliance with the federal cross-cutting environmental authorities (Authorities). Financial assistance is funded through Federal and State governments.

Extraterritorial Jurisdiction (ETJ) – The legal ability of a government to exercise authority beyond its normal boundaries.

Facility Planning – The studies and tasks that are required to be performed to determine the engineering feasibility of water or wastewater facilities for an economically distressed area, including the studies and tasks that may be required to be performed under Board Rules §355.73(b).

Federal Funding Accountability and Transparency Act (FFATA) – An Act of Congress that requires the full disclosure to the public of all entities or organizations receiving federal funds beginning in fiscal year (FY) 2007.

Financial Advisor – A professional who renders financial services to individuals, businesses and governments.

Financial Analyst (FA) – A person who performs financial analysis for external or internal clients as a core part of the job.

Final Accounting – An audit performed by TWDB to determine total eligible and ineligible construction costs to determine excess funds or overrun costs of a project.

Finding of No Significant Impact (FNSI) – A document prepared by a federal agency showing why a proposed action would not have a significant impact on the environment and thus would not require preparation of an Environmental Impact Statement. An FNSI is based on the results of an environmental assessment.

General Obligation Bonds (GO Bonds) – A common type of municipal bond in the United States that is secured by a state or local government's pledge to use legally available resources, including tax revenues, to repay bond holders.

Green Project – A project or components of a project that, when implemented, will result in energy efficiency, water efficiency, green infrastructure, or environmental innovation that are characterized as green projects either categorically or by utilizing a business case as approved by the executive administrator.

Intended Use Plan (IUP) – A document prepared annually by TWDB, after public review and comment, which identifies the intended uses of each SRF program funds and describes how those uses support the overall goals of the SRF programs.

Interest and Sinking Fund – Separate accumulation of cash or investments in a restricted fund for the purpose of assuring timely availability of monies for payment of debt service.

Inverted or Negative Yield Curve – Interest rate structure when short-term interest rates exceed long-term interest rates.

Legal Counsel (LC) – Acts as legal advisors during execution of an Equity Private Placements.

Level Debt Service – A maturity schedule that has increasing principal amounts and decreasing interest amounts maturing each year such that the debt service in all years are essentially the same, or “level”.

Living Unit Equivalent (LUEs) - The number of existing or projected residential rate payer equivalents for the provider utility in the area to be served by a proposed project which is calculated by dividing:

- (A) for existing provider utilities, the total historical annual water use of the provider utility, which includes the residential, commercial and institutional water use, by the historical average annual water use of an average residential connection of the provider utility, provided however, that in no event shall the number of LUE's for the project area be less than the number of service connections of the provider utility for the project area; or
- (B) for new provider utilities, the total estimated annual water use of the provider utility, which includes the residential, commercial and institutional water use, by the estimated average annual water use of an average residential connection of the provider utility, provided however, that in no event shall the number of LUE's for the project area be less than the estimated number of service connections of the provider utility for the project area.

Loan Closing – The time at which bonds are purchased and funds are delivered to the applicant. Funds may be placed in escrow or released as engineering, planning, and legal documents and criteria have been submitted by the applicant and approved by TWDB.

Marketability – A measure of the ease with which a security can be sold in the public market without an undue price concession.

MMD – Thompson Municipal Market Data produces an index of municipal interest rates by rating. This index is used by TWDB to set interest rates for SRF program loans.

Median Household Income (MHI) – Data about geographic areas and divides households into two equal segments with the first half of households earning less than the median household income and the other half earning more.

Model Subdivision Rules (MSRs) – A set of ordinances for a county or city to adopt to govern regulation of subdivisions and property development, specifically, the platting of water and wastewater services. The rules were promulgated by TWDB under the authority of Texas Water Code Sec. 16.343 as a requirement for counties, and in some cases cities, in order for political subdivisions in a county to access financial assistance through the Economically Distressed Areas Program.

Net Interest Cost – One of two traditional methods of calculating the interest cost when comparing bids for new issues of municipal securities. The total dollar amount of interest over the life of the bonds is adjusted by the amount of premium or discount bid, and then calculated to an average annual rate.

Non-Equivalency (Formerly known as Tier II) – Financial assistance for project construction made available through TWDB's SRF programs is required to comply with grant requirements of the U.S. Environmental Protection Agency (EPA) if the project will satisfy the equivalency requirement of the Fund's annual capitalization grant or is designated by the annual Intended Use Plan as requiring documented compliance with the state cross-cutting environmental authorities. Financial assistance is funded through State government.

Parity Debt – Securities issued with equal and ratable claim on the same underlying security and source of payment for debt service.

Plan of Study – A description and purpose of the project, including existing facilities, a map of the service area and drawings as necessary to locate and describe the project, a project schedule including proposed timing of funding needs for phases of project, a copy of current and future populations and projected water use or wastewater flows and a description of alternatives the applicant has considered.

Planning, Acquisition and Design Funding (PAD) –Funding of the design and predesign project costs in a single commitment or multiple funding commitments from TWDB, as the details of the project prescribe. This funding does not include construction costs until these phases are substantially complete.

Point – Shorthand reference to 1 percent also equal to 100 basis points.

Pre-Application Meeting – A required meeting with representatives from TWDB, the applicant, and consultants to acquaint the applicant with the procedures in preparing a loan application.

Predesign Funding Option – An alternative to PAD Funding which allows applicants to receive a single funding commitment from TWDB for planning, design, and construction, as the details of the project allow.

Preliminary Engineering Feasibility Report (PERF) – *See plan of study*

Pre-Design Closing – Delivery of 100% of the loan amount where part of the loan funds are escrowed with a financial institution until all of TWDB conditions related to the release of escrowed funds are met.

Primary Contact – Contact person for the any day to day project implementations that may occur.

Project Delivery – The process by which a construction project is brought to completion though the various stages of planning, design, and construction.

Project Engineer – Represents the political subdivision and/or entity’s contractor out in the field, help tradespeople interpret the job's designs, ensure the job is constructed according to the project plans, and assist project controls, including budgeting, scheduling, and planning. In some cases, the project engineer is the primary contact person with the TWDB Construction Engineer assigned to the project. In this role as primary contact, the Project Engineer is responsible for acting as liaison with the assigned TWDB personnel with regard to design and a project and with the execution of one or more simultaneous projects in accordance with a valid, executed contract, per TWDB policies and procedures and work instructions for customized and standardized plants.

Project Information Form (PIF) – The form that must be submitted by applicants for rating and ranking in an IUP.

Project Priority List (PPL) – That portion of the IUP listing eligible projects ranked according to their rating and that may be further prioritized as described in the applicable IUP.

Professional Engineer (PE) – An engineer who is registered or licensed within certain jurisdictions to offer professional services directly to the public.

Record of Decision (ROD) – A public document that explains which cleanup alternatives will be used to clean up a site.

Refunding – Sale of new issue, the proceeds of which are to be ultimately used to retire an outstanding issue. The purpose of refunding may be to (1) save interest costs, (2) extend the maturity of the debt, or (3) to eliminate existing restrictive covenants. (See also Advance and Current Refundings).

Regional Benchmark - The average capital component of all customers of no less than three comparable service providers.

Reimbursement Resolution – Resolution adopted to notify of the borrower’s official intent to reimburse expenditures paid prior to the bond issue.

Rural Water Assistance Fund – A state funded loan program that offers low cost financing and terms up to 40 years to rural water utilities for water and wastewater related projects. This program is primarily used for nonprofit water supply corporations.

Security and Exchange Commission (SEC) – A government commission created by Congress to regulate the securities markets and protect investors.

State Participation – A state funded program that enables the TWDB to assume a temporary ownership interest in a regional project by acquiring the excess capacity. It allows optimization of regional projects by providing for the ‘right sizing’ in consideration of future growth. The entity will purchase the capacity back from the TWDB on a deferred timetable.

Sufficiency of Funds – Letter from the consulting engineer to the staff engineer stating that the final project costs as bid and sources of funds are available to the borrower. This letter is required for closing.

System for Award Management (SAM) – A Federal Government owned and operated free web site that consolidates the capabilities in CCR/FedReg, ORCA, and EPLS.

Texas Commission on Environmental Quality (TCEQ) – The environmental agency for the state that strives to protect the state's public health and natural resources consistent with sustainable economic development.

Texas Department of State Health Services (TDSHS) – The state agency that issues a finding that a nuisance dangerous to the public health and safety exists resulting from water supply and sanitation problems in the area to be served by the proposed project. TWDB needs this finding prior to presenting a project to the Board for an EDAP commitment. Without the finding, grant funding is limited to 50% of project costs.

Texas Water Development Board (TWDB) – A state agency created in 1957 to provide loans to local governments for water supply projects. TWDB also supports regions in developing their regional water plans that will be incorporated into a statewide water plan for the orderly development, management and conservation of the state's water resources.

Tier II – *See Non-equivalency*

Tier III – *See Equivalency*

Traditional Project Delivery – The method of Project Delivery which uses the Design-Bid-Build process.

Transcript of Proceedings – Legal documents required that represent the actions taken to authorize, sell and deliver a municipal bond issue. Delivered to Finance after closing.

True Interest Cost (TIC) - One of two traditional methods of calculating interest cost to compare bids for new issues of municipal securities taking into account the time value of money used by TWDB as a measure of interest rates in calculating an average annual rate.

Water Conservation Plan (WCP) – A plan to ensure water use efficiency within your operation. The WCP should establish specific and quantified 5 and 10-year goals in gallons per capita per day (gpcd) for water use and water loss. The WCP must be revised every 5 years.

Water Infrastructure Fund (WIF) – A state funded loan program offering subsidized interest rates for projects identified in the State Water Plan.

Water Supply Corporation (WSC) – A non-profit, member-owned and member-controlled Corporation, organized under Chapter 67, Texas Water Code.