

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: April 11, 2022

Team Manager: Mireya Loewe

ACTION REQUESTED

Approve by resolution a request from the North Alamo Water Supply Corporation (Hidalgo, Cameron, and Willacy Counties) for \$15,340,000 in financial assistance consisting of \$11,090,000 in financing and \$4,250,000 in principal forgiveness from the Clean Water State Revolving Fund for planning, acquisition, design, and construction of a first-time sewer project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The North Alamo Water Supply Corporation's (Corporation) service area covers 973 square miles in northeast Hidalgo County, Willacy County, and northwest Cameron County. The Corporation serves an estimated population of 182,130. It serves 4,735 wastewater connections and 50,930 water connections, including residences, businesses, 24 schools, and six other public water systems. The Corporation operates seven surface water treatment plants, four brackish groundwater desalination plants, and five wastewater treatment plants.

PROJECT NEED AND DESCRIPTION

The Corporation intends to provide first-time sewer service to nine low-income subdivisions in its service area that were not included as part of the original phase of a project that brought first-time sewer service to an unincorporated area north of the City of Donna. The Hidalgo County Health and Human Services Department has declared that a public health nuisance exists in the subdivisions caused by the existing septic tank systems overflowing during wet weather events because they were installed in substandard lots in areas with a high water table.

The proposed project will provide first-time sewer service to nine subdivisions with approximately 419 connections and an estimated population of 1,634. The project includes construction of a collection system and expansion of the existing Donna Regional WWTP from its current capacity of 0.5 MGD to 0.99 MGD to service the additional connections.

COMMITMENT PERIOD: SIX (6) MONTHS TO EXPIRE OCTOBER 31, 2022

PROJECT SCHEDULE

Task	Schedule Date
Closing	September 1, 2022
Engineering Feasibility Report Completion (End of Planning Phase)	September 15, 2022
Design Phase Completion	January 31, 2023
Start of Construction	July 31, 2023
Construction Completion	August 31, 2025

KEY ISSUES

The project area qualified for \$4,250,000 in principal forgiveness as a disadvantaged community.

LEGAL

Special Conditions

- Executed Principal Forgiveness Agreement
- Notification of change in legal status
- Notification of conveyance
- Return of surplus funds
- Fiscal sustainability plan

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (22-)
4. Water Conservation Review
5. Location Map

Financial Review

North Alamo Water Supply Corporation

Risk Score: 2A

Audit Reviewed: FY 2020

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	District: 0.87%	State: 1.49%
Top 10 Customers % of Total Revenue	3.88%	10-15%
Median Household Income as % of State	62%	100%
Days of Cash on Hand (3-year Average)	487 days	30-149 days
Net Fixed Assets/ Annual Depreciation	21 years	12-24 years
Debt Service Coverage Ratio	2.67x	1.0x
Debt-to-Operating Revenues	1.61x	4.00-5.99x
Unemployment Rate (December 2021)	Cameron Co: 6.80% Hidalgo Co: 7.80% Willacy Co: 8.70% Average: 7.80%	State: 5.30%
Working Capital Ratio	3.29	> 1.0

Key Risk Score Strengths

- System revenues are sufficient to cover the existing and proposed debt. A test was done on the future debt the Corporation is intending to incur which includes USDA debt and a DWSRF closing, and system revenues are projected to not go below 1.93 times coverage.
- A high working capital ratio indicates the Corporation has high liquidity and ample resources to cover its short-term liabilities.

Key Risk Score Concerns

- The population growth of the three counties that the Corporation serves has slightly declined over the past ten years; however, based on TWDB projections the population the Corporation serves are projected to increase into the future.

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	Current Household Cost Factor	Projected Household Cost Factor
WATER	10,694	\$31.79	\$31.79	1.63	1.63
WASTEWATER	8,156	\$19.83	\$19.83		

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Corporation could save approximately \$2,856,750 over the life of the financing. The Corporation is also saving \$4,250,000 in principal forgiveness.

Project Data Summary

Responsible Authority	North Alamo WSC
Program	CWSRF
Commitment Number	L1001513, LF1001514
Project Number	73923
List Year	2022
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$11,090,000 North Alamo Water Supply Corporation Loan Agreement, Proposed Series 2022, \$4,250,000 Principal Forgiveness Agreement
Tax-exempt or Taxable	Tax-Exempt
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	N/A
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	N/A
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Mireya Loewe	Arnoldo Rubio	Donald Dawkins	Lauren Dill	Michael Perez

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
North Alamo Water Supply Corporation

\$11,090,000 North Alamo Water Supply Corporation Loan Agreement, Proposed Series 2022

Dated Date:	9/1/2022	Source:	CWSRF-EQUIVALENCY
Delivery Date:	9/1/2022	Rate:	1.99%
First Interest:	2/1/2023	IUP Year:	2022
First Principal:	8/1/2023	Case:	Surplus Revenue
Last Principal:	8/1/2052	Admin.Fee:	\$190,737
Fiscal Year End:	09/30	Admin. Fee Payment Date:	9/1/2022
Required Coverage:	1.0		

FISCAL YEAR	PROJECTED	CURRENT	\$11,090,000 ISSUE				TOTAL DEBT	
	NET SYSTEM REVENUES	DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	SERVICE	COVERAGE
2023	\$7,488,826	\$2,326,714	\$300,000	0.54%	\$175,844	\$475,844	\$2,802,558	2.67
2024	7,488,826	1,864,371	303,000	0.72%	190,210	493,210	2,357,581	3.18
2025	7,488,826	1,863,370	305,000	0.81%	188,028	493,028	2,356,398	3.18
2026	7,488,826	1,566,685	308,000	0.90%	185,557	493,557	2,060,242	3.63
2027	7,488,826	1,310,607	310,000	0.97%	182,785	492,785	1,803,392	4.15
2028	7,488,826	1,308,782	313,000	1.06%	179,778	492,778	1,801,560	4.16
2029	7,488,826	1,312,550	317,000	1.16%	176,461	493,461	1,806,011	4.15
2030	7,488,826	1,310,740	320,000	1.20%	172,783	492,783	1,803,523	4.15
2031	7,488,826	1,308,560	324,000	1.24%	168,943	492,943	1,801,503	4.16
2032	7,488,826	1,312,116	328,000	1.27%	164,926	492,926	1,805,042	4.15
2033	7,488,826	1,292,455	332,000	1.41%	160,760	492,760	1,785,215	4.19
2034	7,488,826	1,281,556	337,000	1.53%	156,079	493,079	1,774,635	4.22
2035	7,488,826	1,285,082	342,000	1.63%	150,923	492,923	1,778,005	4.21
2036	7,488,826	1,283,187	348,000	1.71%	145,348	493,348	1,776,535	4.22
2037	7,488,826	1,199,832	354,000	1.78%	139,398	493,398	1,693,230	4.42
2038	7,488,826	1,101,079	360,000	1.85%	133,096	493,096	1,594,175	4.70
2039	7,488,826	1,103,067	367,000	1.90%	126,436	493,436	1,596,503	4.69
2040	7,488,826	1,055,647	374,000	1.95%	119,463	493,463	1,549,110	4.83
2041	7,488,826	852,911	381,000	2.00%	112,170	493,170	1,346,081	5.56
2042	7,488,826	839,636	389,000	2.05%	104,550	493,550	1,333,186	5.62
2043	7,488,826	567,900	397,000	2.09%	96,576	493,576	1,061,476	7.06
2044	7,488,826	567,900	405,000	2.12%	88,279	493,279	1,061,179	7.06
2045	7,488,826	567,900	413,000	2.15%	79,693	492,693	1,060,593	7.06
2046	7,488,826	567,900	422,000	2.18%	70,813	492,813	1,060,713	7.06
2047	7,488,826	567,900	432,000	2.20%	61,613	493,613	1,061,513	7.05
2048	7,488,826	567,900	441,000	2.22%	52,109	493,109	1,061,009	7.06
2049	7,488,826	567,900	451,000	2.24%	42,319	493,319	1,061,219	7.06
2050	7,488,826	561,548	461,000	2.26%	32,217	493,217	1,054,765	7.10
2051	7,488,826	561,548	471,000	2.27%	21,798	492,798	1,054,346	7.10
2052	7,488,826	544,950	485,000	2.29%	11,107	496,107	1,041,057	7.19
		\$32,422,293	\$11,090,000		\$3,690,063	\$14,780,063	\$47,202,356	

AVERAGE (MATURITY) LIFE	16.69 YEARS
NET INTEREST RATE	1.994%
COST SAVINGS	\$9,735,815
AVERAGE ANNUAL REQUIREMENT	\$1,573,412

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
 North Alamo WSC
 73923 - Regional WWTP Phase 2

Budget Items	TWDB Funds	Total
Construction		
Construction	\$11,451,000.00	\$11,451,000.00
Subtotal for Construction	\$11,451,000.00	\$11,451,000.00
Basic Engineering Services		
Construction Engineering	\$137,000.00	\$137,000.00
Design	\$990,000.00	\$990,000.00
Planning	\$110,000.00	\$110,000.00
Subtotal for Basic Engineering Services	\$1,237,000.00	\$1,237,000.00
Special Services		
Application	\$40,000.00	\$40,000.00
Environmental	\$30,000.00	\$30,000.00
Geotechnical	\$75,000.00	\$75,000.00
I/I Studies/Sewer Evaluation	\$0.00	\$0.00
Inspection	\$220,000.00	\$220,000.00
O&M Manual	\$13,000.00	\$13,000.00
Permits	\$30,000.00	\$30,000.00
Surveying	\$100,000.00	\$100,000.00
Testing	\$200,000.00	\$200,000.00
Water Conservation Plan	\$0.00	\$0.00
Subtotal for Special Services	\$708,000.00	\$708,000.00
Fiscal Services		
Fiscal/Legal	\$35,000.00	\$35,000.00
Loan Origination Fee	\$190,737.00	\$190,737.00
Subtotal for Fiscal Services	\$225,737.00	\$225,737.00
Other		
Land/Easements Acquisition	\$150,000.00	\$150,000.00
Subtotal for Other	\$150,000.00	\$150,000.00
Contingency		
Contingency	\$1,568,263.00	\$1,568,263.00
Subtotal for Contingency	\$1,568,263.00	\$1,568,263.00
Total	\$15,340,000.00	\$15,340,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
 APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
 \$15,340,000 TO THE NORTH ALAMO WATER SUPPLY CORPORATION
 FROM THE CLEAN WATER STATE REVOLVING FUND
 THROUGH THE PROPOSED PURCHASE OF
 A PROMISSORY NOTE IN THE AMOUNT OF \$11,090,000 AND EXECUTION OF A
 LOAN AGREEMENT
 AND
 \$4,250,000 IN PRINCIPAL FORGIVENESS

(22 -)

WHEREAS, the North Alamo Water Supply Corporation (Corporation), located in Hidalgo County, has filed an application for financial assistance in the amount of \$15,340,000 from the Clean Water State Revolving Fund (CWSRF) to finance the planning, acquisition, design, and construction of certain wastewater system improvements identified as Project No. 73923; and

WHEREAS, the Corporation seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of a Promissory Note in the amount of \$11,090,000 and execution of a Loan Agreement (together with all authorizing documents, (Obligations)), and the execution of a Principal Forgiveness Agreement in an amount of \$4,250,000, all as is more specifically set forth in the application and in recommendations of the TWDB's staff; and

WHEREAS, the Corporation has offered a pledge of a parity lien on the net revenues of the water and wastewater system and a mortgaged deed of trust on the Corporation's system as sufficient security for the repayment of the Obligations; and

WHEREAS, 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 § 375.14; and

WHEREAS, the TWDB hereby finds:

1. that the revenue and/or taxes pledged by the Corporation will be sufficient to meet all the Obligations assumed by the Corporation, in accordance with Texas Water Code § 15.607;
2. that the application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.*, as well as state law, in accordance with Texas Water Code § 15.607;
3. that the Corporation has adopted and implemented a water conservation program for the more efficient use of water that will meet reasonably anticipated local needs

and conditions and that incorporates practices, techniques or technology prescribed by the Texas Water Code and TWDB's rules;

4. that the Corporation has considered cost-effective, innovative, and nonconventional methods of treatment, in accordance with Texas Water Code § 15.007;
5. that the Corporation meets the definition of a "Disadvantaged Community" in 31 TAC § 375.1(23) and is therefore eligible for principal forgiveness in the amount of \$4,250,000.

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

A commitment is made by the TWDB to the North Alamo Water Supply Corporation for financial assistance in the amount of \$15,340,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of a Promissory note in the amount of \$11,090,000 and execution of a Loan Agreement and the execution of a Principal Forgiveness Agreement in the amount of \$4,250,000. This commitment will expire on October 31, 2022.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. prior to closing, the Corporation must submit to the Executive Administrator an attorney's opinion confirming the legal authority for the Corporation to incur the Obligations that is acceptable to the Executive Administrator;
3. this commitment is contingent upon the Corporation's compliance with all applicable requirements contained in 31 TAC Chapter 375;
4. the Obligations must provide that the Corporation agrees to comply with all of the conditions set forth in the TWDB Resolution, which conditions are incorporated herein;
5. the Obligations must provide that the Corporation may prepay all or part of the amounts of principal and interest then due on the loan on any regularly scheduled payment date as specified in the Repayment Schedule, as revised, beginning no earlier than the first interest payment date that is 10 years from the date of the first delivery of funds from the TWDB to the Corporation pursuant to this Agreement;
6. the Corporation, or an obligated person for whom financial or operating data is presented to the TWDB in the application for financial assistance either individually or in combination with other issuers of the Corporation's Obligations or obligated

persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by 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 such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Corporation's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the Corporation is an obligated person with respect to such bonds under SEC Rule 15c2-12;

7. the Obligations must contain a provision requiring the Corporation to levy a tax and/or maintain and collect sufficient rates and charges, as applicable, to produce system funds 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;
8. the Obligations must include a provision requiring the Corporation to use any loan 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 that are explicitly approved by the Executive Administrator or if no enhancements are authorized by the Executive Administrator, requiring the Corporation to submit a final accounting and disposition of any unused funds;
9. the Obligations must include a provision requiring the Corporation to use any loan proceeds from the Obligations that are determined to be surplus funds remaining after completion of the project and completion of a final accounting in a manner as approved by the Executive Administrator;
10. 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;
11. loan 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;
12. loan proceeds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site. The Obligations shall include an environmental indemnification provision wherein the Corporation agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated

media that may be generated by the Corporation, its contractors, consultants, agents, officials and employees as a result of activities relating to the project to the extent permitted by law;

13. prior to closing, the Corporation shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges and/or the levy of an interest and sinking tax rate (if applicable) sufficient for the repayment of all system debt service requirements;
14. prior to closing, and if not previously provided with the application, the Corporation 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;
15. prior to closing, when any portion of the financial assistance is to be held in escrow or in trust, the Corporation 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;
16. the Executive Administrator may require that the Corporation execute a separate financing agreement in form and substance acceptable to the Executive Administrator;
17. the Obligations must provide that the Corporation will comply with all applicable TWDB laws and rules related to the use of the financial assistance;
18. the Obligations must provide that the Corporation must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources;
19. the Obligations must contain a provision requiring the Corporation to maintain insurance coverage sufficient to protect the TWDB's interest in the project;

State Revolving Fund Conditions:

20. the Corporation shall submit outlay reports with sufficient documentation on costs on a quarterly or monthly basis in accordance with TWDB outlay report guidelines;
21. 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 Corporation, 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 financial assistance made available as provided herein shall insert in full in any contract in excess of \$2,000 the contracts clauses as provided by the TWDB;

22. the Obligations must include a provision stating that the Corporation 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 Corporation shall obtain a Data Universal Numbering System (DUNS) Number and shall register with System for Award Management (SAM), and maintain current registration at all times during which the Obligations are outstanding;
23. the Obligations shall provide that all loan proceeds will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and also shall provide that the Corporation will adhere to the approved project schedule;
24. the Obligations and Principal Forgiveness Agreement must contain a covenant that the Corporation 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 § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines;
25. the Obligations must contain language detailing compliance with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction, as applicable, in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets;
26. The Obligations and Principal Forgiveness Agreement must contain a covenant that the Corporation shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216
27. the Corporation shall submit, prior to the release of funds, a schedule of the useful life of the project components prepared by an engineer as well as a certification by the applicant that the average weighted maturity of the obligations purchased by the TWDB does not exceed 120% of the average projected useful life of the project, as determined by the schedule;

Clean Water State Revolving Fund Conditions:

28. the Corporation shall pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375;

29. at the TWDB's option, the TWDB may fund the financial assistance under this Resolution with either available cash-on-hand or from bond proceeds. 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;
30. prior to release of funds for professional consultants including, but not limited to, the engineer, financial advisor, and bond counsel, as appropriate, the Corporation 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;
31. prior to release of funds for professional services related to architecture or engineering, including but not limited to contracts for program management, construction management, feasibility studies, preliminary engineering, design, engineering, surveying, mapping, or other architectural and engineering services as defined in 40 U.S.C. § 1102(2)(A)–(C), the Corporation must provide documentation that it has met all applicable federal procurement requirements as more specifically set forth in 40 U.S.C. § 1101 *et seq* and 33 U.S.C. § 1382(b)(14).

Water Supply Corporation Conditions:

32. the Corporation's indebtedness to the TWDB shall be evidenced by loans specifically secured by:
 - a. a first or parity lien on the net revenues of the Corporation's water system (System); and
 - b. a first or parity lien mortgage on the System;
33. upon closing or within 20 days after closing, the Corporation must file a Deed of Trust with the County Clerk of the county in which the property is located, as required by Business and Commerce Code, Chapter 9, or a Utility Security Instrument with the Secretary of State's Office and corresponding notice with the County Clerk, as required by Business and Commerce Code, Chapter 261, as evidence of the TWDB's security interest in the Corporation's System. Within thirty (30) days of the date of each filing, the Corporation shall submit a copy of the recorded instrument to the TWDB;
34. upon closing or within 20 days after closing, the Corporation file a security instrument with the Secretary of State's Office, as required by Business and Commerce Code, Chapter 9 or Chapter 261 to evidence the TWDB's security interest in any personal property directly related to water supply and/or sewer service, owned or to be acquired by the Corporation. A copy of the recorded security

instrument shall be submitted by the Corporation to the TWDB within thirty (30) days of its filing with the Secretary of State's Office;

35. prior to closing, the Corporation must obtain a commitment from a title insurance company in accordance with the standards established by the Texas Department of Insurance, resulting in the issuance of a mortgagee title insurance policy on the property owned in fee simple, upon which the TWDB will be given a first or parity lien mortgage. A copy of the mortgagee title insurance policy shall be submitted to the TWDB within thirty (30) days of its execution;
36. prior to closing, the Corporation must cure any defects or liens upon the property listed in Schedule C of the title insurance company commitment that the Executive Administrator deems necessary;
37. prior to release of funds for construction, the Corporation must provide the TWDB with evidence that the necessary acquisitions of land, leases, easements, and rights-of-way have been completed, or that the Corporation has the legal authority necessary to complete the acquisitions;
38. prior to closing, the Corporation must submit to the Executive Administrator evidence that the Corporation's bylaws have been amended to include the following requirements:
 - a. as long as the Corporation is indebted for a loan or loans made by or through the TWDB, the bylaws shall not be altered, amended or repealed without the prior written consent of the Executive Administrator; and
 - b. the Corporation is a nonprofit Corporation; no part of the income of the Corporation will be distributed to the Corporation's members, directors, or officers;
39. prior to closing, if the Corporation is pledging a lien on real property that is to be on parity with a lien or liens on real property securing debt that will remain outstanding after closing the TWDB's loan, then the Corporation must execute a Parity Agreement with each entity that holds such debt that is acceptable in form and substance to the Executive Administrator; and
40. the Obligations shall include a special covenant prohibiting the Corporation from encumbering, pledging or otherwise impairing the revenues of the System in any manner with respect to the payment of any Obligations or with respect to any liability, except for the payment of the following: (1) maintenance and operating expenses payable within the current fiscal year with current revenues; and (2) additional debt, and that the Corporation shall in no way encumber, pledge or otherwise impair its title to the land used by or for the System or any interests therein, including improvements and facilities of the System, without prior TWDB approval;

Pledge Conditions for the Loan:

41. the Obligations must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial sixty (60) months following the issuance of the Obligations;
42. if the Corporation has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the lien or liens securing the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;
43. the Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.25 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant;

PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

44. the Corporation must notify the Executive Administrator in writing, thirty (30) days prior to taking any actions to alter its legal status in any manner.
45. the Obligations must include a provision requiring that the Corporation notify the Executive Administrator in writing prior to any action by it to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB;
46. prior to closing, the Corporation shall execute a Principal Forgiveness Agreement in a form and substance acceptable to the Executive Administrator;
47. the Principal Forgiveness Agreement must include a provision stating that the Corporation shall return any principal forgiveness funds that are determined to be surplus funds in a manner determined by the Executive Administrator;
48. prior to final disbursement, the Corporation shall submit to the TWDB certification that it has developed and is currently implementing a fiscal sustainability plan for critical assets that are a part of the treatment works receiving financial assistance as outlined in 33 U.S.C. § 1383;

APPROVED and ordered of record this 11th day of April 2022.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, 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

Retail population:

Connections per mile:

(gal/connection/day):

Water Loss GPCD:

ILI¹:

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

WATER LOSS THRESHOLDS

Water Loss Project:

Wholesale Adjusted:

Threshold Type

Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Loss Threshold Gallons per connection per day	Real Loss Threshold Gallons per mile per day	Real Loss Threshold Gallons per connection per day

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.

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.

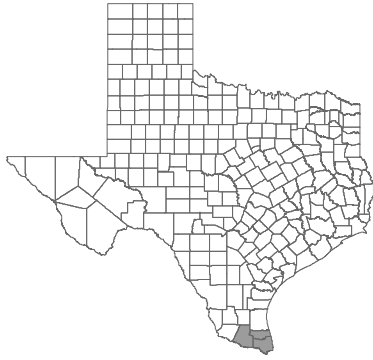
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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 size and 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.



North Alamo Water Supply Corporation Hidalgo, Cameron, & Willacy County

