

# Texas Water Development Board

## PROJECT FUNDING REQUEST

**BOARD DATE:** July 25, 2023

**Team Manager:** Tom Barnett

### ACTION REQUESTED

Consider approving by resolution a request from the Brushy Creek Regional Utility Authority (Travis and Williamson counties) for \$98,055,000 in multi-year financing from the State Water Implementation Revenue Fund for Texas for construction of a water supply project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The Brushy Creek Regional Utility Authority (Authority) is a regional partnership of the cities of Cedar Park, Leander, and Round Rock (Cities). The partnership was formed in 2007 to withdraw, treat, and deliver water from Lake Travis to provide a long-term, reliable new source of supply to the fast-growing Cities. Together, the Cities provide water and wastewater service to approximately 336,000 residents.

### PROJECT NEED AND DESCRIPTION

This financial assistance request is for additional funding for construction of Phase 1D and Phase 2 of the regional project. Phase 2 is a new deep water intake and pump station in Lake Travis to ensure the capacity and reliability of future water supplies to meet the increasing demands of the Cities. The existing floating intake on Lake Travis is vulnerable to prolonged drought conditions and was not able to produce water from 2013 to 2015 because low lake levels rendered the intake inoperable. Additionally, the existing floating intake is built-out and cannot be expanded further. Phase 1D is an expansion of the water treatment plant to accommodate increased supply from the Phase 2 raw water delivery system.

To address the current and projected water supply needs of the Cities, the Authority is requesting financial assistance for additional funds for active construction contracts for Phase 1D and Phase 2. The request also includes related costs for construction engineering, project management, and additional contingency.

### COMMITMENT PERIOD

| Multi-Year Commitment                          | Expiration Date   |
|--|-------------------|
| \$7,605,000 Proposed Series 2023 (Cedar Park)  | December 31, 2023 |
| \$41,750,000 Proposed Series 2023 (Round Rock) | December 31, 2023 |
| \$31,500,000 Proposed Series 2024 (Round Rock) | December 31, 2024 |
| \$17,200,000 Proposed Series 2026 (Round Rock) | December 31, 2026 |

## **PROJECT SCHEDULE**

| <b>Task</b>                       | <b>Schedule Date</b> |
|-----------------------------------|----------------------|
| Start of Construction             | January 11, 2019     |
| Design Phase Completion           | January 10, 2023     |
| First Closing for New Commitments | November 15, 2023    |
| Construction Completion           | February 16, 2027    |

## **KEY ISSUES**

This project has received previous TWDB funding for planning, acquisition, design, and construction of previously completed and ongoing phases. In 2008, the Authority received a funding commitment from the Texas Water Development Fund for \$182,020,000. The project subsequently received State Water Implementation Revenue Fund for Texas (SWIRFT) funding in 2017, 2018, and 2021 totaling \$227,135,000 utilizing low-interest, deferred, and multi-year funding options.

Phase 2 is currently under construction, and Phase 1D construction is scheduled to get underway in 2023. Cedar Park and Leander are funding construction of Phase 1D and Phase 2 using Series 2021 SWIRFT funds. Round Rock is now requesting SWIRFT funding for these projects with a multi-year commitment with closings scheduled to occur in 2023, 2024, and 2026. Cedar Park is requesting additional SWIRFT funds to be closed upon in 2023 due to inflationary cost escalation.

## **Attachments**

1. Financial Review
2. Project Budget
3. Resolution (23- )
4. Water Conservation Review
5. Location Map

# Financial Review

## Brushy Creek Regional Utility Authority (Cedar Park and Round Rock)

Risk Score:

Cedar Park: 2A

Round Rock: 2A

Audit Reviewed: FY 2022

**Key Indicators**

| Indicator                                   | Cedar Park     | Round Rock     | Benchmark       |
|---|----------------|----------------|-----------------|
| Population Growth, Average Annual 2010-2020 | 4.72%          | 1.81%          | State: 1.49%    |
| Top 10 Customers % of Total Revenue         | 7.39%          | 28.95%         | 10-15%          |
| Median Household Income as % of State       | 168%           | 134%           | 100%            |
| Days of Cash on Hand (3-year Average)       | 275 days       | 310 days       | 30-149 days     |
| Net Fixed Assets/ Annual Depreciation       | 23 years       | 17 years       | 12-24 years     |
| Debt Service Coverage Ratio                 | 3.29x          | 3.34x          | 1.0x            |
| Debt-to-Operating Revenues                  | 1.04x          | 2.29x          | 4.00-5.99x      |
| Unemployment Rate (April 2023)              | City:<br>2.90% | City:<br>2.90% | State:<br>3.70% |
| Working Capital Ratio                       | 3.61           | 5.04           | > 1.0           |

**Key Risk Score Strengths**

- Both Cities have sufficient utility system revenues to maintain debt service coverage without increasing rates.
- Both cities have a high working capital ratio that allows them to pay off their short-term debt with short-term assets, demonstrating a strong liquidity position.
- Cedar Park has a high population growth rate of 4.72 percent, which has caused its total assessed valuation to increase by \$4.3 billion in the last five years. This has allowed Cedar Park the ability to take on more tax supported debt for improvement projects, while reducing the tax burden on its citizens.

**Key Risk Score Concerns**

- Round Rock's top 10 customers as a percent of revenues total approximately 29 percent, with the top 5 customers accounting for nearly 22 percent. The top 5 customers include the City of Georgetown at 11 percent while the remaining 4 are municipal utility districts with less than 5 percent.

**PLEDGE**

|                      |  |
|----------------------|--|
| Legal Pledge Name    | Contract Revenues  |
| Type of Pledge       | <input type="checkbox"/> Tax <input type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input checked="" type="checkbox"/> Contract <input type="checkbox"/> Other |
| Revenue Pledge Level | <input checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A  |

**RATES AND CHARGES (Cedar Park)**

| Average Residential Use | Gallons/Month | Current Rates | Projected Rates (Year 2023) | Current Household Cost Factor | Projected Household Cost Factor |
|-------------------------|---------------|---------------|-----------------------------|-------------------------------|---------------------------------|
| Water                   | 9,184         | \$71.51       | \$71.51                     | 1.33                          | 1.33                            |
| Wastewater              | 5,890         | \$36.74       | \$36.74                     |                               |                                 |

**RATES AND CHARGES (Round Rock)**

| Average Residential Use | Gallons/Month | Current Rates | Projected Rates (Year 2023) | Current Household Cost Factor | Projected Household Cost Factor |
|-------------------------|---------------|---------------|-----------------------------|-------------------------------|---------------------------------|
| Water                   | 8,100         | \$67.25       | \$67.25                     | 1.51                          | 1.51                            |
| Wastewater              | 5,600         | \$36.74       | \$36.74                     |                               |                                 |

**TAXES (Cedar Park)**

|                         | 2022 Tax Year Rate | Max Projected Tax Rate (Year 2023) | Maximum Allowable Rate | 3-Year Avg Current Tax Collections | Assessed Valuation |
|-------------------------|--------------------|------------------------------------|------------------------|------------------------------------|--------------------|
| Maintenance & Operation | \$0.204            | \$0.204                            | \$1.50                 | 99.79%                             | \$14,624,089,459   |
| Interest & Sinking      | \$0.186            | \$0.186                            |                        |                                    |                    |
| Total Tax Rate          | \$0.390            | \$0.390                            |                        |                                    |                    |

**TAXES (Round Rock)**

|                         | 2022 Tax Year Rate | Max Projected Tax Rate (Year 2023) | Maximum Allowable Rate | 3-Year Avg Current Tax Collections | Assessed Valuation |
|-------------------------|--------------------|------------------------------------|------------------------|------------------------------------|--------------------|
| Maintenance & Operation | \$0.224            | \$0.224                            | \$1.50                 | 99.66%                             | \$21,878,044,511   |
| Interest & Sinking      | \$0.118            | \$0.118                            |                        |                                    |                    |
| Total Tax Rate          | \$0.342            | \$0.342                            |                        |                                    |                    |

### Cost Savings

Based on a 20-year maturity schedule and current interest rates, Cedar Park could save approximately \$663,191 over the life of the financing.

Based on a 25-year maturity schedule and current interest rates, Round Rock could save approximately \$4,656,415 over the life of the financing.

## Project Data Summary

|  |   |
|--|---|
| <b>Responsible Authority</b>                         | Brushy Creek Regional UA  |
| <b>Program</b>                                       | SWIFT   |
| <b>Commitment Number</b>                             | L1001680, LM231681, LM241681, LM261681  |
| <b>Project Number</b>                                | 51049   |
| <b>List Year</b>                                     | 2023  |
| <b>Type of Pledge</b>                                | Contract Revenue Pledge   |
| <b>Pledge Level (if applicable)</b>                  | First Lien  |
| <b>Legal Description</b>                             | \$7,605,000 Brushy Creek Regional Utility Authority, Contract Revenue Bonds Cedar Park, Series 2023, \$41,750,000 Brushy Creek Regional Utility Authority, Contract Revenue Bonds Round Rock, Series 2023, \$31,500,000 Brushy Creek Regional Utility Authority, Contract Revenue Bonds Round Rock, Series 2024, \$17,200,000 Brushy Creek Regional Utility Authority, Contract Revenue Bonds Round Rock, Series 2026 |
| <b>Tax-exempt or Taxable</b>                         | Tax-Exempt  |
| <b>Refinance</b>                                     | No  |
| <b>Outlay Requirement</b>                            | No  |
| <b>Disbursement Method</b>                           | Escrow  |
| <b>Outlay Type</b>                                   | Outlay <> Escrow Release  |
| <b>Qualifies as Disadvantaged</b>                    | No  |
| <b>Financial Managerial &amp; Technical Complete</b> | N/A   |
| <b>Phases Funded</b>                                 | Construction  |
| <b>Pre-Design</b>                                    | No  |
| <b>Project Consistent with State Water Plan</b>      | Yes   |
| <b>Water Conservation Plan</b>                       | Adopted   |
| <b>Overall Risk Score</b>                            | 2A  |

### PROJECT TEAM

| Team Manager | Financial Analyst | Engineering Reviewer | Environmental Reviewer | Attorney         |
|--------------|-------------------|----------------------|------------------------|------------------|
| Tom Barnett  | Jacob Berdoll     | Bill Blaik           | Tim Harlow             | Marshall Walters |

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Brushy Creek Regional Utility Authority

**\$7,605,000 Brushy Creek Regional Utility Authority, Contract Revenue Bonds Cedar Park, Series 2023**

|                    |            |                          |                  |
|--------------------|------------|--------------------------|------------------|
| Dated Date:        | 11/15/2023 | Source:                  | SWIFT-LOW-20YR   |
| Delivery Date:     | 11/15/2023 | Rate:                    | 2.88%            |
| First Interest:    | 2/1/2024   | IUP Year:                | 2023             |
| First Principal:   | 8/1/2024   | Case:                    | Contract Revenue |
| Last Principal:    | 8/1/2043   | Admin.Fee:               | \$0              |
| Fiscal Year End:   | 09/30      | Admin. Fee Payment Date: | N/A              |
| Required Coverage: | 1.0        |                          |                  |

| FISCAL YEAR | PROJECTED           | CURRENT      | \$7,605,000 ISSUE |               |                  |               | TOTAL DEBT   |          |
|-------------|---------------------|--------------|-------------------|---------------|------------------|---------------|--------------|----------|
|             | NET SYSTEM REVENUES | DEBT SERVICE | PRINCIPAL PAYMENT | INTEREST RATE | INTEREST PAYMENT | TOTAL PAYMENT | SERVICE      | COVERAGE |
| 2024        | \$15,597,887        | \$4,240,844  | \$355,000         | 2.63%         | \$146,588        | \$501,588     | \$4,742,432  | 3.29     |
| 2025        | 15,597,887          | 4,211,992    | 305,000           | 2.52%         | 196,804          | 501,804       | 4,713,795    | 3.31     |
| 2026        | 15,597,887          | 3,836,618    | 310,000           | 2.43%         | 189,118          | 499,118       | 4,335,735    | 3.60     |
| 2027        | 15,597,887          | 3,835,187    | 320,000           | 2.36%         | 181,585          | 501,585       | 4,336,772    | 3.60     |
| 2028        | 15,597,887          | 3,805,898    | 325,000           | 2.31%         | 174,033          | 499,033       | 4,304,930    | 3.62     |
| 2029        | 15,597,887          | 3,792,576    | 335,000           | 2.29%         | 166,525          | 501,525       | 4,294,101    | 3.63     |
| 2030        | 15,597,887          | 1,622,944    | 340,000           | 2.24%         | 158,854          | 498,854       | 2,121,797    | 7.35     |
| 2031        | 15,597,887          | 1,248,923    | 350,000           | 2.22%         | 151,238          | 501,238       | 1,750,161    | 8.91     |
| 2032        | 15,597,887          | 1,249,245    | 355,000           | 2.23%         | 143,468          | 498,468       | 1,747,712    | 8.92     |
| 2033        | 15,597,887          | 1,249,775    | 365,000           | 2.27%         | 135,551          | 500,551       | 1,750,326    | 8.91     |
| 2034        | 15,597,887          | 1,252,975    | 375,000           | 2.44%         | 127,266          | 502,266       | 1,755,241    | 8.89     |
| 2035        | 15,597,887          | 1,247,700    | 380,000           | 2.61%         | 118,116          | 498,116       | 1,745,816    | 8.93     |
| 2036        | 15,597,887          | 1,248,900    | 390,000           | 2.78%         | 108,198          | 498,198       | 1,747,098    | 8.93     |
| 2037        | 15,597,887          | 643,900      | 405,000           | 2.93%         | 97,356           | 502,356       | 1,146,256    | 13.61    |
| 2038        | 15,597,887          | 642,000      | 415,000           | 3.04%         | 85,489           | 500,489       | 1,142,489    | 13.65    |
| 2039        | 15,597,887          | 639,900      | 430,000           | 3.11%         | 72,873           | 502,873       | 1,142,773    | 13.65    |
| 2040        | 15,597,887          | 642,600      | 440,000           | 3.17%         | 59,500           | 499,500       | 1,142,100    | 13.66    |
| 2041        | 15,597,887          | -            | 455,000           | 3.20%         | 45,552           | 500,552       | 500,552      | 31.16    |
| 2042        | 15,597,887          | -            | 470,000           | 3.23%         | 30,992           | 500,992       | 500,992      | 31.13    |
| 2043        | 15,597,887          | -            | 485,000           | 3.26%         | 15,811           | 500,811       | 500,811      | 31.15    |
|             |                     | \$35,411,976 | \$7,605,000       |               | \$2,404,912      | \$10,009,912  | \$45,421,888 |          |

|                            |             |
|----------------------------|-------------|
| AVERAGE (MATURITY) LIFE    | 10.98 YEARS |
| NET INTEREST RATE          | 2.881%      |
| COST SAVINGS               | \$663,191   |
| AVERAGE ANNUAL REQUIREMENT | \$500,496   |

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ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
Brushy Creek Regional Utility Authority

\$41,750,000 Brushy Creek Regional Utility Authority, Contract Revenue Bonds Round Rock, Series 2023

|                    |            |                          |                  |
|--------------------|------------|--------------------------|------------------|
| Dated Date:        | 11/15/2023 | Source:                  | SWIFT-LOW-25YR   |
| Delivery Date:     | 11/15/2023 | Rate:                    | 3.39%            |
| First Interest:    | 2/1/2024   | IUP Year:                | 2023             |
| First Principal:   | 8/1/2024   | Case:                    | Contract Revenue |
| Last Principal:    | 8/1/2048   | Admin.Fee:               | \$0              |
| Fiscal Year End:   | 09/30      | Admin. Fee Payment Date: | N/A              |
| Required Coverage: | 1.0        |                          |                  |

| FISCAL YEAR | PROJECTED NET SYSTEM REVENUES | CURRENT DEBT SERVICE | \$41,750,000 ISSUE |               |                  |               | \$48,700,000 Series 2024 and 2026 |               | TOTAL DEBT SERVICE | COVERAGE |
|-------------|-------------------------------|----------------------|--------------------|---------------|------------------|---------------|-----------------------------------|---------------|--------------------|----------|
|             |                               |                      | PRINCIPAL PAYMENT  | INTEREST RATE | INTEREST PAYMENT | TOTAL PAYMENT | TOTAL PAYMENT                     | TOTAL PAYMENT |                    |          |
| 2024        | \$28,073,213                  | \$5,948,181          | \$1,530,000        | 2.87%         | \$939,119        | \$2,469,119   |                                   |               | \$8,417,300        | 3.34     |
| 2025        | 28,073,213                    | 5,952,331            | 1,195,000          | 2.75%         | 1,276,725        | 2,471,725     | \$ 2,030,067                      |               | 10,454,123         | 2.69     |
| 2026        | 28,073,213                    | 5,953,950            | 1,225,000          | 2.65%         | 1,243,862        | 2,468,862     | 2,031,807                         |               | 10,454,619         | 2.69     |
| 2027        | 28,073,213                    | 5,065,100            | 1,260,000          | 2.57%         | 1,211,400        | 2,471,400     | 3,146,942                         |               | 10,683,441         | 2.63     |
| 2028        | 28,073,213                    | 5,069,175            | 1,290,000          | 2.52%         | 1,179,018        | 2,469,018     | 3,149,093                         |               | 10,687,285         | 2.63     |
| 2029        | 28,073,213                    | 5,070,331            | 1,325,000          | 2.50%         | 1,146,510        | 2,471,510     | 3,149,684                         |               | 10,691,524         | 2.63     |
| 2030        | 28,073,213                    | 5,080,906            | 1,355,000          | 2.44%         | 1,113,385        | 2,468,385     | 3,149,427                         |               | 10,698,717         | 2.62     |
| 2031        | 28,073,213                    | 5,053,356            | 1,390,000          | 2.42%         | 1,080,323        | 2,470,323     | 3,147,947                         |               | 10,671,625         | 2.63     |
| 2032        | 28,073,213                    | 4,814,975            | 1,425,000          | 2.43%         | 1,046,685        | 2,471,685     | 3,150,840                         |               | 10,437,499         | 2.69     |
| 2033        | 28,073,213                    | 4,819,600            | 1,460,000          | 2.47%         | 1,012,057        | 2,472,057     | 3,147,402                         |               | 10,439,059         | 2.69     |
| 2034        | 28,073,213                    | 4,819,200            | 1,495,000          | 2.66%         | 975,995          | 2,470,995     | 3,152,352                         |               | 10,442,547         | 2.69     |
| 2035        | 28,073,213                    | 4,218,125            | 1,535,000          | 2.85%         | 936,228          | 2,471,228     | 3,149,876                         |               | 9,839,229          | 2.85     |
| 2036        | 28,073,213                    | 4,447,125            | 1,580,000          | 3.03%         | 892,481          | 2,472,481     | 3,147,795                         |               | 10,067,400         | 2.79     |
| 2037        | 28,073,213                    | 4,447,113            | 1,625,000          | 3.20%         | 844,607          | 2,469,607     | 3,150,575                         |               | 10,067,294         | 2.79     |
| 2038        | 28,073,213                    | 4,450,300            | 1,680,000          | 3.32%         | 792,607          | 2,472,607     | 3,152,799                         |               | 10,075,705         | 2.79     |
| 2039        | 28,073,213                    | 4,446,263            | 1,735,000          | 3.39%         | 736,831          | 2,471,831     | 3,149,215                         |               | 10,067,308         | 2.79     |
| 2040        | 28,073,213                    | -                    | 1,795,000          | 3.46%         | 678,014          | 2,473,014     | 3,150,729                         |               | 5,623,743          | 4.99     |
| 2041        | 28,073,213                    | -                    | 1,855,000          | 3.50%         | 615,907          | 2,470,907     | 3,152,359                         |               | 5,623,266          | 4.99     |
| 2042        | 28,073,213                    | -                    | 1,920,000          | 3.53%         | 550,982          | 2,470,982     | 3,154,177                         |               | 5,625,159          | 4.99     |
| 2043        | 28,073,213                    | -                    | 1,990,000          | 3.56%         | 483,206          | 2,473,206     | 3,151,297                         |               | 5,624,503          | 4.99     |
| 2044        | 28,073,213                    | -                    | 2,060,000          | 3.72%         | 412,362          | 2,472,362     | 3,148,647                         |               | 5,621,009          | 4.99     |
| 2045        | 28,073,213                    | -                    | 2,135,000          | 3.72%         | 335,730          | 2,470,730     | 3,146,405                         |               | 5,617,135          | 5.00     |
| 2046        | 28,073,213                    | -                    | 2,215,000          | 3.72%         | 256,308          | 2,471,308     | 3,150,891                         |               | 5,622,199          | 4.99     |
| 2047        | 28,073,213                    | -                    | 2,295,000          | 3.72%         | 173,910          | 2,468,910     | 3,145,179                         |               | 5,614,089          | 5.00     |
| 2048        | 28,073,213                    | -                    | 2,380,000          | 3.72%         | 88,536           | 2,468,536     | 3,154,495                         |               | 5,623,031          | 4.99     |
| 2049        | 28,073,213                    | -                    | -                  | -             | -                | -             | 3,147,935                         |               | 3,147,935          | 8.92     |
| 2050        | 28,073,213                    | -                    | -                  | -             | -                | -             | 1,120,951                         |               | 1,120,951          | 25.04    |
| 2051        | 28,073,213                    | -                    | -                  | -             | -                | -             | 1,119,006                         |               | 1,119,006          | 25.09    |
|             |                               | \$79,656,031         | \$41,750,000       |               | \$20,022,782     | \$61,772,782  | \$78,747,886                      |               | \$220,176,700      |          |

|                            |             |
|----------------------------|-------------|
| AVERAGE (MATURITY) LIFE    | 14.13 YEARS |
| NET INTEREST RATE          | 3.393%      |
| COST SAVINGS               | \$4,656,415 |
| AVERAGE ANNUAL REQUIREMENT | \$5,018,595 |

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## Project Budget Summary

### Brushy Creek Regional Utility Authority 51049 - Water Treatment and Distribution Project

| Budget Items                                   | Previous SWIFT Commitments | 2023 SWIFT Funding Commitments | Total                   |
|--|----------------------------|--------------------------------|-------------------------|
| <b>Construction</b>                            |                            |                                |                         |
| Construction                                   | \$181,968,968.61           | \$87,030,000.00                | \$268,998,968.61        |
| <b>Subtotal for Construction</b>               | <b>\$181,968,968.61</b>    | <b>\$87,030,000.00</b>         | <b>\$268,998,968.61</b> |
| <b>Basic Engineering Services</b>              |                            |                                |                         |
| Construction Engineering                       | \$20,430,127.31            | \$8,000,000.00                 | \$28,430,127.31         |
| Design   | \$11,182,727.82            | \$0.00                         | \$11,182,727.82         |
| Planning                                       | \$1,832,206.12             | \$0.00                         | \$1,832,206.12          |
| <b>Subtotal for Basic Engineering Services</b> | <b>\$33,445,061.25</b>     | <b>\$8,000,000.00</b>          | <b>\$41,445,061.25</b>  |
| <b>Special Services</b>                        |                            |                                |                         |
| Application                                    | \$0.00                     | \$23,080.00                    | \$23,080.00             |
| Environmental                                  | \$83,750.00                | \$0.00                         | \$83,750.00             |
| Geotechnical                                   | \$268,000.00               | \$0.00                         | \$268,000.00            |
| Inspection                                     | \$2,237,925.85             | \$0.00                         | \$2,237,925.85          |
| O&M Manual                                     | \$58,500.00                | \$0.00                         | \$58,500.00             |
| Permits  | \$187,792.19               | \$0.00                         | \$187,792.19            |
| Project Management (by engineer)               | \$28,332.48                | \$8,030.00                     | \$36,362.48             |
| Special Services                               | \$803,632.88               | \$0.00                         | \$803,632.88            |
| Surveying                                      | \$50,250.00                | \$0.00                         | \$50,250.00             |
| Testing  | \$605,658.00               | \$0.00                         | \$605,658.00            |
| <b>Subtotal for Special Services</b>           | <b>\$4,323,841.40</b>      | <b>\$31,110.00</b>             | <b>\$4,354,951.40</b>   |
| <b>Fiscal Services</b>                         |                            |                                |                         |
| Bond Counsel                                   | \$515,930.00               | \$233,000.00                   | \$748,930.00            |
| Financial Advisor                              | \$434,650.00               | \$250,000.00                   | \$684,650.00            |
| Fiscal/Legal                                   | \$29,524.50                | \$15,000.00                    | \$44,524.50             |
| Issuance Costs                                 | \$28,204.00                | \$15,000.00                    | \$43,204.00             |
| <b>Subtotal for Fiscal Services</b>            | <b>\$1,008,308.50</b>      | <b>\$513,000.00</b>            | <b>\$1,521,308.50</b>   |
| <b>Other</b>                                   |                            |                                |                         |
| Land/Easements Acquisition                     | \$437,985.67               | \$0.00                         | \$437,985.67            |
| Other (Electric Utility Services)              | \$1,167,666.54             | \$0.00                         | \$1,167,666.54          |
| Project Legal Expenses                         | \$116,651.03               | \$0.00                         | \$116,651.03            |
| <b>Subtotal for Other</b>                      | <b>\$1,722,303.24</b>      | <b>\$0.00</b>                  | <b>\$1,722,303.24</b>   |
| <b>Contingency</b>                             |                            |                                |                         |
| Contingency                                    | \$4,666,517.00             | \$2,480,890.00                 | \$7,147,407.00          |
| <b>Subtotal for Contingency</b>                | <b>\$4,666,517.00</b>      | <b>\$2,480,890.00</b>          | <b>\$7,147,407.00</b>   |
| <b>Total</b>                                   | <b>\$227,135,000.00</b>    | <b>\$98,055,000.00</b>         | <b>\$325,190,000.00</b> |

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$98,055,000 TO BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.  
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS  
THROUGH THE PROPOSED PURCHASE OF  
\$7,605,000 BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.  
CITY OF CEDAR PARK, TEXAS CONTRACT REVENUE BONDS,  
(BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT),  
PROPOSED SERIES 2023  
AND  
A MULTI-YEAR COMMITMENT OF  
\$90,450,000 BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.  
CITY OF ROUND ROCK, TEXAS CONTRACT REVENUE BONDS,  
(BRUSHY CREEK REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT),  
PROPOSED SERIES 2023, 2024, and 2026

(23- )

Recitals:

The Brushy Creek Regional Utility Authority, Inc. (Authority) has filed an application for financial assistance in the amount of \$98,055,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the construction of a water supply project identified as Project No. 51049 (Project).

The Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$7,605,000 Brushy Creek Regional Utility Authority, Inc. City of Cedar Park, Texas Contract Revenue Bonds, (Brushy Creek Regional Water Treatment and Distribution Project), Proposed Series 2023, and through a multi-year commitment, the proposed purchase of \$90,450,000 Brushy Creek Regional Utility Authority, Inc. City of Round Rock, Texas Contract Revenue Bonds, (Brushy Creek Regional Water Treatment and Distribution Project), Proposed Series 2023, 2024, and 2026 (together with all authorizing documents (Obligations)), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

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

Subject to the Authority's use of an approved debt service structure, interest rate subsidies are available to the Authority for State Fiscal Year 2023 at up to the following levels: 25% for financial assistance for a term of 20 years, 18% for financial assistance for a term of 21 to 25 years, and 14% for financial assistance for a term of 26 to 30 years. The interest rate subsidy applicable to each subsequent proposed series may be different than the interest rate subsidy available for State Fiscal Year 2023 and will be set through each financing agreement executed between the TWDB and the Authority.

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

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.
2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The Authority, a wholesale water supplier, and all other contracting parties have submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
4. The Authority acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

NOW THEREFORE, based on these findings, the TWDB commits to the following:

The TWDB will provide financial assistance to Brushy Creek Regional Utility Authority, Inc. in the amount of \$98,055,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of:

- a. \$7,605,000 Brushy Creek Regional Utility Authority, Inc. City of Cedar Park, Texas Contract Revenue Bonds, (Brushy Creek Regional Water Treatment and Distribution Project), Proposed Series 2023, to expire on December 31, 2023;
- b. \$41,750,000 Brushy Creek Regional Utility Authority, Inc. City of Round Rock, Texas Contract Revenue Bonds, (Brushy Creek Regional Water Treatment and Distribution Project), Proposed Series 2023, to expire on December 31, 2023;
- c. \$31,500,000 Brushy Creek Regional Utility Authority, Inc. City of Round Rock, Texas Contract Revenue Bonds, (Brushy Creek Regional Water Treatment and Distribution Project), Proposed Series 2024, to expire on December 31, 2024; and
- d. \$17,200,000 Brushy Creek Regional Utility Authority, Inc. City of Round Rock, Texas Contract Revenue Bonds, (Brushy Creek Regional Water Treatment and Distribution Project), Proposed Series 2026, to expire on December 31, 2026.

The commitment is subject to the following:

Standard Conditions:

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

Required Obligation Conditions:

7. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption.
8. The Obligations must provide that the Authority will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. 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.

10. The Obligations must contain a provision requiring the Authority to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein 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 SEC rule 15c2-12, the 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 the bonds under SEC Rule 15c2-12.
12. The Obligations must include a provision requiring the Authority to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
13. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
14. Financial assistance proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
15. Financial assistance proceeds shall not be used by the Authority when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall 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.
16. The Obligations must include a provision stating that the Authority shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.

17. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).
18. The Obligations must provide that the Authority will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Tax-Exempt Conditions:

19. The Obligations must include a provision prohibiting the Authority from using the proceeds of this financial assistance in a manner that would cause the Obligations to become "private activity bonds" within the meaning of section 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated under it (Regulations).
20. The Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments, as defined in the Code and Regulations, that produce a yield materially higher than the yield on the TWDB's bonds issued to provide the financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with;
  - a. proceeds of the TWDB's Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until the proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund within the meaning of section 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed the lesser of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations.
21. The Obligations must include a provision that the Authority must take all necessary steps to comply with the requirement that amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the Authority will:

- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and retain all records of the accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with the Gross Proceeds;
  - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the associated rulings. The Authority shall maintain a copy of the calculations for at least six years after the final Computation Date;
  - c. pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date as additional consideration for providing financial assistance and in order to induce providing financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners of TWDB's Bonds for federal income tax purposes;
  - d. exercise reasonable diligence to ensure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time, including payment to the United States of any interest and any penalty required by the Regulations.
22. The Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
  23. The Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.
  24. The Obligations must contain a covenant that the Authority will refrain from using the proceeds of the Obligations to pay debt service on another issue of the borrower's obligations in contravention of section 149(d) of the Code (related to "advance refundings").
  25. The Obligations must provide that neither the Authority nor a party related to it will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the Authority by the TWDB.

Pledge Conditions:

26. The Obligations must contain a provision requiring that, upon request by the Executive Administrator, the Authority shall submit annual audits of contracting parties for the Executive Administrator's review.
27. The Obligations must contain a provision requiring the Authority to maintain and enforce the contracts with its customers so that the revenues paid to the Authority by its customers are sufficient to meet the revenue requirements of the Authority's obligations arising from the operation of the water system.
28. The Obligations must contain a provision that the pledged contract revenues from the Authority may 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.

Conditions To Close or for Release of Funds:

29. Before closing, if not previously provided with the application, the Authority shall submit executed contracts for engineering and, if applicable, financial advisor and bond counsel for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
30. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
31. Before closing, the Authority shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.
32. Before closing, the Authority's bond counsel must prepare a written opinion that states that the interest on the Obligations is excludable from gross income or is exempt from federal income taxation. Bond counsel may rely on covenants and representations of the Authority when rendering this opinion.
33. Before closing, the Authority's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion.



34. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations.
35. The transcript must include evidence that the information reporting requirements of section 149(e) of the Internal Revenue Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.
36. 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.

APPROVED and ordered of record this, the 25th day of July 2023.

TEXAS WATER DEVELOPMENT BOARD

\_\_\_\_\_  
Brooke T. Paup, Chairwoman

DATE SIGNED: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Amanda Lavin, Assistant Executive Administrator

Review Date:

Project ID:

Water

Wastewater

Other

**WATER CONSERVATION REVIEW**

Entity:

Other entity:

**WATER CONSERVATION PLAN DATE:****Approvable****Adopted**

|                     | <b>Total GPCD</b> | <b>Residential GPCD</b> | <b>Water Loss GPCD</b> |
|---------------------|-------------------|-------------------------|------------------------|
| <b>Baseline</b>     |                   |                         |                        |
| <b>5-year Goal</b>  |                   |                         |                        |
| <b>10-year Goal</b> |                   |                         |                        |

**WATER LOSS AUDIT YEAR:**

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI<sup>1</sup>:

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<br>Gallons per connection<br>per day | Real Loss<br>Gallons per<br>mile per<br>day | Real Loss<br>Gallons per<br>connection<br>per day | Apparent<br>Loss<br>Threshold<br>Gallons per<br>connection<br>per day | Real Loss<br>Threshold<br>Gallons per<br>mile per day | Real Loss<br>Threshold<br>Gallons per<br>connection<br>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.

**GCD** means gallons per connection 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.

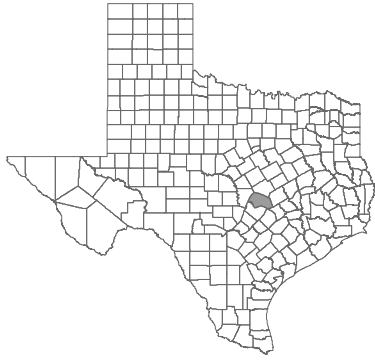
**Water loss** is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

**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.



# Brushy Creek Regional Utility Authority Williamson County

