

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 25, 2023

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the North Texas Municipal Water District (Collin, Dallas, Denton, Fannin, Grayson, Hopkins, Hunt, Kaufman, Rains and Rockwall counties) for \$532,390,000 in financing from the State Water Implementation Revenue Fund for Texas for acquisition and construction of a drinking water treatment plant expansion and system improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The North Texas Municipal Water District (District) provides wholesale water and wastewater services to a population of approximately 2,120,000 that includes 24 member cities, communities, and special utility districts in areas north and east of Dallas.

PROJECT NEED AND DESCRIPTION

The North Texas Municipal Water District's (District) service area population is projected to increase from 2.12 million to 3.3 million residents by 2060. The District must expand capacity of the raw water pump station at Bois d'Arc Lake Dam and Leonard Water Treatment Plant (WTP) to meet projected water needs.

The District is proposing to design and construct an expansion of the existing raw water pump station at Bois d'Arc Lake Dam, an additional cell of the terminal storage reservoir at Leonard WTP, expansion of Leonard WTP to 140 million gallons per day (MGD), and the expansion of the Leonard WTP high service pump station.

These improvements will increase capacity at the raw water pump station and Leonard WTP to meet projected demand, as well as enhancing redundancy, reliability, and operational flexibility.

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 29, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	May 8, 2023
Design Phase Completion	June 30, 2023
Start of Construction	January 8, 2024
Construction Completion	December 31, 2027

KEY ISSUES

None.

COMMITMENT PERIOD: FIVE (5) MONTHS TO EXPIRE DECEMBER 31, 2023

LEGAL/SPECIAL CONDITIONS

- Water rights
- Conversion and conveyance

Attachments

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

Financial Review

North Texas Municipal Water District

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	*Counties: 1.87%	State: 1.49%
Top 10 Customers % of Total Revenue	80%	10-15%
Median Household Income as % of State	95%	100%
Days of Cash on Hand (3-year Average)	209 days	30-149 days
Net Fixed Assets/ Annual Depreciation	41 years	12-24 years
Debt Service Coverage Ratio	.96x	1.0x
Debt-to-Operating Revenues	8.28x	4.00-5.99x
Unemployment Rate (April 2023)	*Counties: 3.4%	State: 3.7%
Cash Balance Ratio	6.43%	0-9.99%

* Includes the counties of Collin, Dallas, Denton, Fannin, Grayson, Hopkins, Hunt, Kaufman, Rains, and Rockwall

Key Risk Score Strengths

- A cash balance ratio of 6.43 percent indicates the District has increased its cash and cash equivalents over the last 5 years. Since 2017, the District has increased its cash and cash equivalents from \$78,913,780 to \$102,785,315.
- With 209 days of cash on hand, the District has ample cash reserves to handle fiscal emergencies.

Key Risk Score Concerns

- Debt service coverage ratio of 0.96x indicates that the District will need to raise rates to meet coverage. The projected increase to the wholesale water rate is 0.06 cents per 1,000 gallons and will need to be implemented in the first-year repayment. However, the District contracts with its member cities and customers to pay amounts equal to the District's operating and maintenance expenses, debt service requirements, and any other obligations payable from revenues of the District.

PLEDGE

Legal Pledge Name	Water System Revenue
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

Customer	Annual Minimum (1,000 Gallons)	Current Rate per 1,000 gallons	Projected Rate (2024)
Member Cities	101,759,093	\$3.39	\$3.45

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the District could save approximately \$40,844,643 over the life of the financing.

Project Data Summary

Responsible Authority	North Texas MWD
Program	SWIFT
Commitment Number	L1001666
Project Number	51050
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$532,390,000 North Texas Municipal Water District Water System Revenue Bonds Series 2023
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Low-Interest
Financial Managerial & Technical Complete	N/A
Phases Funded	Acquisition and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Rand Zeolla	Michael Brooks	Kylie Beard	Annette Mass

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
North Texas Municipal Water District

\$532,390,000 North Texas Municipal Water District Water System Revenue Bonds Series 2023

Dated Date:	11/29/2023	Source:	SWIFT-LOW-30YR
Delivery Date:	11/29/2023	Rate:	3.72%
First Interest:	3/1/2024	IUP Year:	2023
First Principal:	9/1/2024	Case:	Revenue
Last Principal:	9/1/2053	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	\$532,390,000 ISSUE				TOTAL DEBT SERVICE	COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	\$215,112,116	\$185,743,907	\$14,705,000	3.01%	\$13,994,361	\$28,699,361	\$214,443,268	1.00
2025	215,112,116	180,979,474	11,285,000	2.89%	18,079,328	29,364,328	210,343,802	1.02
2026	215,112,116	180,049,346	11,615,000	2.78%	17,753,192	29,368,192	209,417,537	1.03
2027	215,112,116	180,135,029	11,935,000	2.70%	17,430,295	29,365,295	209,500,323	1.03
2028	215,112,116	177,156,400	12,260,000	2.64%	17,108,050	29,368,050	206,524,449	1.04
2029	215,112,116	176,344,815	12,580,000	2.62%	16,784,386	29,364,386	205,709,200	1.05
2030	215,112,116	175,448,318	12,910,000	2.56%	16,454,790	29,364,790	204,813,108	1.05
2031	215,112,116	177,076,468	13,240,000	2.54%	16,124,294	29,364,294	206,440,762	1.04
2032	215,112,116	177,387,181	13,580,000	2.55%	15,787,998	29,367,998	206,755,178	1.04
2033	215,112,116	155,264,542	13,925,000	2.59%	15,441,708	29,366,708	184,631,250	1.17
2034	215,112,116	155,256,754	14,285,000	2.79%	15,081,050	29,366,050	184,622,804	1.17
2035	215,112,116	149,991,486	14,685,000	2.99%	14,682,499	29,367,499	179,358,984	1.20
2036	215,112,116	132,971,933	15,120,000	3.18%	14,243,417	29,363,417	162,335,350	1.33
2037	215,112,116	126,134,757	15,605,000	3.36%	13,762,601	29,367,601	155,502,358	1.38
2038	215,112,116	126,215,708	16,125,000	3.48%	13,238,273	29,363,273	155,578,981	1.38
2039	215,112,116	119,756,417	16,690,000	3.56%	12,677,123	29,367,123	149,123,540	1.44
2040	215,112,116	113,766,139	17,285,000	3.62%	12,082,959	29,367,959	143,134,098	1.50
2041	215,112,116	107,324,357	17,910,000	3.67%	11,457,242	29,367,242	136,691,599	1.57
2042	215,112,116	107,349,606	18,565,000	3.70%	10,799,945	29,364,945	136,714,551	1.57
2043	215,112,116	107,399,499	19,250,000	3.74%	10,113,040	29,363,040	136,762,539	1.57
2044	215,112,116	107,451,305	19,975,000	3.90%	9,393,090	29,368,090	136,819,395	1.57
2045	215,112,116	100,120,924	20,750,000	3.90%	8,614,065	29,364,065	129,484,989	1.66
2046	215,112,116	100,118,753	21,560,000	3.90%	7,804,815	29,364,815	129,483,568	1.66
2047	215,112,116	85,163,048	22,400,000	3.90%	6,963,975	29,363,975	114,527,023	1.88
2048	215,112,116	41,551,838	23,275,000	3.90%	6,090,375	29,365,375	70,917,213	3.03
2049	215,112,116	14,326,830	24,185,000	3.96%	5,182,650	29,367,650	43,694,480	4.92
2050	215,112,116	2,414,048	25,140,000	3.96%	4,224,924	29,364,924	31,778,972	6.77
2051	215,112,116	2,412,698	26,135,000	3.96%	3,229,380	29,364,380	31,777,078	6.77
2052	215,112,116	-	27,170,000	3.96%	2,194,434	29,364,434	29,364,434	7.33
2053	215,112,116	-	28,245,000	3.96%	1,118,502	29,363,502	29,363,502	7.33
		\$3,465,311,577	\$532,390,000		\$347,912,757	\$880,302,757	\$4,345,614,333	

AVERAGE (MATURITY) LIFE	17.58 YEARS
NET INTEREST RATE	3.716%
COST SAVINGS	\$40,844,644
AVERAGE ANNUAL REQUIREMENT	\$29,343,425

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 Texas MWD
51050 - Bois d'Arc Lake & DW Treatment Plant

Budget Items	Previous Commitments	This Commitment	TWDB Funds	Local and Other Funds	Total
Construction					
Construction	\$20,902,512.00	\$363,865,000.00	\$384,767,512.00	\$848,474,310.00	\$1,233,241,822.00
Construction Contracts	\$1,211,778,779.87	\$0.00	\$1,211,778,779.87	\$610,000.00	\$1,212,388,779.87
Subtotal for Construction	\$1,232,681,291.87	\$363,865,000.00	\$1,596,546,291.87	\$849,084,310.00	\$2,445,630,601.87
Basic Engineering Services					
Construction Engineering	\$21,408,359.00	\$0.00	\$21,408,359.00	\$1,961,000.00	\$23,369,359.00
Design	\$46,519,895.30	\$0.00	\$46,519,895.30	\$30,777,000.00	\$77,296,895.30
Planning	\$4,147,828.00	\$0.00	\$4,147,828.00	\$0.00	\$4,147,828.00
Basic Engineering Other **Procurement	\$0.00	\$1,200,000.00	\$1,200,000.00		\$1,200,000.00
Subtotal for Basic Engineering Services	\$72,076,082.30	\$1,200,000.00	\$73,276,082.30	\$32,738,000.00	\$106,014,082.30
Special Services					
Inspection	\$24,032,790.50	\$25,283,000.00	\$49,315,790.50	\$60,000.00	\$49,375,790.50
Permits	\$1,378,499.70	\$0.00	\$1,378,499.70	\$0.00	\$1,378,499.70
Subtotal for Special Services	\$25,411,290.20	\$25,283,000.00	\$50,694,290.20	\$60,000.00	\$50,754,290.20
Fiscal Services					
Bond Counsel	\$964,095.00	\$629,750.00	\$1,593,845.00	\$0.00	\$1,593,845.00
Bond Reserve Fund	\$60,265,463.62	\$30,844,000.00	\$91,109,463.62	\$0.00	\$91,109,463.62
Financial Advisor	\$2,370,509.00	\$442,290.00	\$2,812,799.00	\$0.00	\$2,812,799.00
Fiscal/Legal	\$160,646.00	\$0.00	\$160,646.00	\$0.00	\$160,646.00
Issuance Costs	\$0.00	\$165,960.00	\$165,960.00	\$0.00	\$165,960.00
Subtotal for Fiscal Services	\$63,760,713.62	\$32,082,000.00	\$95,842,713.62	\$0.00	\$95,842,713.62
Other					
Land/Easements Acquisition	\$38,234,968.75	\$0.00	\$38,234,968.75	\$0.00	\$38,234,968.75
Other- Mitigation & Relocation	\$44,355,653.26	\$0.00	\$44,355,653.26	\$0.00	\$44,355,653.26
Project Legal Expenses	\$460,000.00	\$800,000.00	\$1,260,000.00	\$0.00	\$1,260,000.00
Subtotal for Other	\$83,050,622.01	\$800,000.00	\$83,850,622.01	\$0.00	\$83,850,622.01
Contingency					
Contingency	\$0.00	\$109,160,000.00	\$109,160,000.00	\$0.00	\$109,160,000.00
Subtotal for Contingency	\$0.00	\$109,160,000.00	\$109,160,000.00	\$0.00	\$109,160,000.00
Total	\$1,476,980,000.00	\$532,390,000.00	\$2,009,370,000.00	\$881,882,310.00	\$2,891,252,310.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$532,390,000 TO NORTH TEXAS MUNICIPAL WATER DISTRICT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$532,390,000 NORTH TEXAS MUNICIPAL WATER DISTRICT WATER SYSTEM REVENUE
BONDS, PROPOSED SERIES 2023

(23-)

Recitals:

The North Texas Municipal Water District (District), located in Collin, Dallas, Denton, Fannin, Grayson, Hopkins, Hunt, Kaufman, Rains, and Rockwall Counties, has filed an application for financial assistance in the amount of \$532,390,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the acquisition and construction of a water supply project identified as Project No. 51050 (Project).

The District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$532,390,000 North Texas Municipal Water District Water System Revenue Bonds, Proposed Series 2023, (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 District has offered a pledge of net revenues as sufficient security for the repayment of the Obligations.

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307.

Subject to the District's use of an approved debt service structure, interest rate subsidies are available to the District 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 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 District has submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
4. The District 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 North Texas Municipal Water District in the amount of \$532,390,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of \$532,390,000 North Texas Municipal Water District Water System Revenue Bonds, Proposed Series 2023. This commitment will expire on December 31, 2023.

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 District 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 District.
3. This commitment is contingent upon the District'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 District 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 District 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 District will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. The Obligations must provide that the District 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 District to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein the District, 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 District'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 District's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to the bonds under SEC Rule 15c2-12.
12. The Obligations must contain a provision requiring the District to levy a tax or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
13. The Obligations must include a provision requiring the District to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.

14. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
15. Financial assistance proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
16. Financial assistance proceeds shall not be used by the District when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall include a provision that states the District is solely responsible for liability resulting from acts or omissions of the District, 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 District, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
17. The Obligations must include a provision stating that the District shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.
18. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).
19. The District must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.
20. The Obligations must provide that the District will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Tax-Exempt Conditions:

21. The Obligations must include a provision prohibiting the District 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).

22. 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.
23. The Obligations must include a provision that the District 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 District 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 District may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the District, provided that the District 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 District 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.
- 24. The Obligations must include a provision prohibiting the District from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
 - 25. The Obligations must provide that the District will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.
 - 26. The Obligations must contain a covenant that the District 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").
 - 27. The Obligations must provide that neither the District 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 District by the TWDB.
 - 28. The Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations.
 - 29. The Obligations shall be governed by the additional debt test and reserve requirement as provided in the outstanding North Texas Municipal Water District Regional Water System Revenue Bonds Series 2018.

Conditions To Close Or For Release Of Funds:

- 30. Before closing, the District shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.
- 31. Before closing, if not previously provided with the application, the District 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.

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

Special Conditions:

38. Before the release of construction funds for that portion of a Project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the District has the right to use the water that the Project financed by the TWDB will provide.
39. The District must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility.

40. The Obligations must include a provision requiring that, prior to any action by the District 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.

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

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

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

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.

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.



North Texas Municipal Water District Collin County

