



PROJECT FUNDING REQUEST

BOARD DATE: July 25, 2023

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the Upper Trinity Regional Water District (Denton County) for \$40,785,000 in multi-year Board Participation financing from the State Water Implementation Revenue Fund for Texas for planning, acquisition, design, and construction of a water pipeline project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The Upper Trinity Regional Water District (District) location is in Denton County approximately 30 miles north of Dallas along Interstate Highway 35E. The District provides wholesale treated water services to 19 direct public entities (members) supplying over 29 million gallons per day to residents and non-residents in the service area.

PROJECT NEED AND DESCRIPTION

The Upper Trinity Regional Water District (District) serves as a wholesale supplier of treated water to various member entities within its northeast service area. These entities include 3 cities and 2 special utility districts. The District projects an increase in water demand in the coming 15 years due to the rapid population growth in the region.

The District proposes to expand the Regional Treated Water System (RTWS) Northeast Transmission Pipeline, extending it to reach the City of Aubrey, and connect the northern service area to the District's Harpool water treatment plant. This project will supply approximately 22.8 million gallons per day (MGD) of additional treated water to the northern service area of the District. The project consists of the construction of approximately 30,500 linear feet of a 36-inch transmission line.

COMMITMENT PERIOD

Multi-year Commitment	Expiration date
\$5,810,000 Proposed Series 2023	December 31, 2023
\$10,235,000 Proposed Series 2024	December 31, 2024
\$13,300,000 Proposed Series 2025	December 31, 2025
\$11,440,000 Proposed Series 2026	December 31, 2026

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 21, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	May 1, 2024
Design Phase Completion	October 1, 2025
Start of Construction	January 1, 2026
Construction Completion	January 1, 2028

KEY ISSUES

The TWDB has previously committed \$38,820,000 for the first 2 phases of the RTWS Northeast Transmission Pipelines & Loop project.

Financing will be provided through a Master Agreement, which sets out the duties, responsibilities, and liabilities of the District and the Texas Water Development Board (TWDB). Under the Master Agreement, the TWDB will purchase up to 80 percent of the estimated budget of \$50,979,719, not to exceed \$40,785,000 of the project, based on the amount of TWDB Board Participation funds provided as compared to the total amount of funds spent on the project. The District obligates itself to purchase the TWDB's interest in the project under a payment schedule attached to the Master Agreement, which provides that the District will make payments of principal and interest.

The District's obligation to purchase the TWDB's interest in the Board Participation project is secured by a subordinate pledge on the revenues of the Regional Treated Water Supply System. The District is unable to pledge a first lien on the net revenues because of the variable nature of repurchase obligation included in the Master Agreement.

The financial analysis presented in Attachment 1 includes both of the District's funding requests on today's agenda.

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

Upper Trinity Regional Water District

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 1.86%	State: 1.49%
Top 10 Customers % of Total Revenue	87%	10-15%
Median Household Income as % of State	115%	100%
Days of Cash on Hand (3-year Average)	1,016 days	30-149 days
Net Fixed Assets/ Annual Depreciation	28 years	12-24 years
Debt Service Coverage Ratio	0.50x	1.0x
Debt-to-Operating Revenues	6.50	4.00-5.99x
Unemployment Rate (April 2023)	(Collin, Denton, Dallas Counties): 3.30%	State: 3.70%
Working Capital Ratio	1.814	> 1.0

Key Risk Score Strengths

- A high working capital ratio provides the District with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The District's days of cash on hand is above the benchmark, indicating that they can pay operating expenses with the cash available.
- The District's positive cash balance ratio is above the benchmark indicating an overall upward trend in funds, as reflected by the increase in cash balance from \$28,165,203 to \$68,903,919 over the previous 5 years.

Key Risk Score Concerns

- Debt-to-operating revenues ratio is above benchmark due to system revenues supporting all water infrastructure debt, which is needed to accommodate future population growth. The District's operating revenues have increased by an average of six percent over the previous five years and rates are adjusted annually based on revenues need to meet debt service and operating expenses.
- The District's pledge of system revenues is derived from contract revenues from the District's member entities. Contracts between the District and participants in the system allow for the redetermination of annual payment requirements at the end of each fiscal year. Charges split between the entities include annual debt service for outstanding obligations, operation and maintenance of existing facilities, and cost of additional capital improvement. In a no-growth scenario, using 2022 audited numbers, the District will need annual rate increases starting in 2032 before maxing out at a projected demand charge of \$871,390 in 2042.
- The top 10 customers make up 87 percent of total water revenue with the largest of these being the Town of Flower Mound at approximately 33 percent. Since the District is a wholesaler, the top 10 customers are solely made up of municipalities and water supply districts.

PLEDGE

Legal Pledge Name	Water 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 type="checkbox"/> First <input type="checkbox"/> Second <input checked="" type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Average Monthly Wholesale Use	Gallons/Month	Current Demand Charge	Projected Demand Charge (2042)
Water	1,283,289,917	\$472,195	\$871,390

Project Data Summary

Responsible Authority	Upper Trinity Regional WD
Program	SWIFT
Commitment Number	LB231663, LB241663, LB251663, LB261663
Project Number	51068
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	Third Lien
Legal Description	\$5,810,000 Upper Trinity Regional Water District Master Agreement Series 2023, \$10,235,000 Master Agreement Amendment Series 2024, \$13,300,000 Master Agreement Amendment Series 2025, \$11,440,000 Master Agreement Amendment Series 2026
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	Board Participation
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Thomas Quick	Jason Asbury	Kylie Beard	Breann Hunter

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Upper Trinity Regional Water District

\$18,080,000 Upper Trinity Regional Water District Master Agreement Series 2023

Dated Date: 11/21/2023
Delivery Date: 11/21/2023
First Interest: 8/1/2024
First Principal: 8/1/2044
Last Principal: 8/1/2058
Fiscal Year End: 9/30
Required Coverage: 1.0

Source: SWIFT-PARTICIPATION
Rate: 4.62%
Insurance: N/A
Case: System Revenues
Admin.Fee: \$-
Admin. Fee Payment Date: N/A

\$5,810,000 Upper Trinity Regional Water District Master Agreement Series 2023

Dated Date: 11/21/2023
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Rate: 4.62%
Insurance: N/A
Case: System Revenues
Admin.Fee: \$-
Admin. Fee Payment Date: N/A

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	\$18,080,000 ISSUE				\$5,810,000 ISSUE				\$58,175,000 PROPOSED SERIES 2024-2026		\$34,975,000 PROPOSED SERIES 2024-2026		DEBT SERVICE	ACTUAL COVERAGE		
				INTEREST RATE	INTEREST PAYMENT	DEFERRED INTEREST	REPAYMENT	INTEREST PAID	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	DEFERRED INTEREST	REPAYMENT	INTEREST PAYMENT			TOTAL PAYMENT	TOTAL PAYMENT
2024	32,250,557	24,776,281	-	-	-	579,274	-	-	-	-	-	186,181	-	-	-	-	-	24,776,281	1.31
2025	32,350,557	26,278,628	-	-	-	834,298	-	-	-	-	-	268,101	-	-	-	-	-	26,278,628	1.23
2026	32,350,557	25,700,187	-	-	-	834,298	-	-	-	-	-	268,101	-	-	-	-	-	25,700,187	1.26
2027	32,350,557	24,697,000	-	-	-	834,298	-	166,860	166,860	-	-	268,101	-	53,620	53,620	-	53,620	24,971,100	1.30
2028	32,350,557	22,297,233	-	-	-	834,298	-	166,860	166,860	-	-	268,101	-	187,670	187,670	249,540	166,047	25,935,300	1.25
2029	32,350,557	28,026,170	-	-	-	834,298	-	250,289	250,289	-	-	268,101	-	80,430	80,430	475,983	343,804	29,176,676	1.11
2030	32,350,557	27,742,076	-	-	-	834,298	-	333,719	333,719	-	-	268,101	-	107,240	107,240	776,130	556,150	29,515,316	1.10
2031	32,350,557	28,758,533	-	-	-	834,298	-	458,864	458,864	-	-	268,101	-	147,455	147,455	1,014,121	728,052	31,107,026	1.04
2032	33,866,911	30,700,322	-	-	-	834,298	-	584,009	584,009	-	-	268,101	-	187,670	187,670	1,402,166	992,722	33,866,911	1.00
2033	36,440,577	32,362,048	-	-	-	834,298	-	709,153	709,153	-	-	268,101	-	227,885	227,885	1,846,861	1,294,629	36,440,577	1.00
2034	40,986,405	35,920,009	-	-	-	834,298	-	834,298	834,298	-	-	268,101	-	268,101	268,101	2,335,381	1,628,617	40,986,405	1.00
2035	44,426,555	38,577,866	-	-	-	834,298	-	834,298	834,298	-	-	268,101	-	268,101	268,101	2,823,901	1,922,389	44,426,555	1.00
2036	50,490,404	44,132,398	-	-	-	834,298	-	834,298	834,298	-	-	268,101	-	268,101	268,101	3,125,266	2,130,341	50,490,404	1.00
2037	54,255,004	46,397,705	-	-	-	834,298	774,043	1,608,341	1,608,341	-	-	268,101	248,738	516,838	516,838	3,266,799	2,475,321	54,255,004	1.00
2038	55,338,538	45,792,836	-	-	-	834,298	774,043	1,608,341	1,608,341	-	-	268,101	248,738	516,838	516,838	4,414,386	3,006,136	55,338,538	1.00
2039	57,098,820	45,811,728	-	-	-	834,298	774,043	1,608,341	1,608,341	-	-	268,101	248,738	516,838	516,838	5,464,830	3,697,082	57,098,820	1.00
2040	58,343,622	45,647,700	-	-	-	834,298	774,043	1,608,341	1,608,341	-	-	268,101	248,738	516,838	516,838	6,278,385	4,292,357	58,343,622	1.00
2041	61,594,352	48,899,435	-	-	-	834,298	774,043	1,608,341	1,608,341	-	-	268,101	248,738	516,838	516,838	6,278,385	4,292,357	61,594,352	1.00
2042	65,252,180	52,556,258	-	-	-	834,298	774,043	1,608,341	1,608,341	-	-	268,101	248,738	516,838	516,838	6,278,385	4,292,357	65,252,180	1.00
2043	65,252,180	52,463,020	-	-	-	834,298	774,043	1,608,341	1,608,341	-	-	268,101	248,738	516,838	516,838	6,278,385	4,292,357	65,158,942	1.00
2044	65,252,180	52,287,511	865,000	4.530%	-	834,298	-	834,298	1,699,298	280,000	4.530%	268,101	-	268,101	548,101	6,278,385	4,323,620	65,136,913	1.00
2045	65,252,180	51,048,805	905,000	4.530%	-	795,114	-	795,114	1,700,114	290,000	4.530%	255,417	-	255,417	545,417	6,115,798	4,245,120	63,652,253	1.03
2046	65,252,180	48,286,157	945,000	4.530%	-	754,117	-	754,117	1,699,117	305,000	4.530%	242,280	-	242,280	547,280	6,069,629	4,146,012	60,639,194	1.08
2047	65,252,180	48,267,872	990,000	4.530%	-	711,309	-	711,309	1,701,309	320,000	4.530%	228,463	-	228,463	548,463	5,845,099	4,063,071	60,425,813	1.08
2048	65,252,180	47,766,412	1,035,000	4.530%	-	666,462	-	666,462	1,701,462	330,000	4.530%	213,967	-	213,967	543,967	5,838,849	4,058,375	59,909,064	1.09
2049	65,252,180	47,733,146	1,080,000	4.600%	-	619,576	-	619,576	1,699,576	345,000	4.600%	199,018	-	199,018	544,018	5,844,624	4,058,276	59,879,639	1.09
2050	65,252,180	46,710,011	1,130,000	4.600%	-	569,896	-	569,896	1,699,896	365,000	4.600%	183,148	-	183,148	548,148	5,841,324	4,057,031	58,856,409	1.11
2051	65,252,180	44,329,439	1,180,000	4.600%	-	517,916	-	517,916	1,697,916	380,000	4.600%	166,358	-	166,358	546,358	5,841,369	4,063,105	56,478,186	1.16
2052	65,252,180	42,856,512	1,235,000	4.600%	-	463,636	-	463,636	1,698,636	395,000	4.600%	148,878	-	148,878	543,878	5,841,370	4,057,072	54,997,467	1.19
2053	65,252,180	41,637,483	1,295,000	4.600%	-	408,826	-	408,826	1,701,826	415,000	4.600%	130,708	-	130,708	545,708	5,840,769	4,054,211	53,779,996	1.21
2054	65,252,180	41,746,808	1,350,000	4.680%	-	347,256	-	347,256	1,697,256	435,000	4.680%	111,618	-	111,618	546,618	5,844,008	4,059,013	53,893,702	1.21
2055	65,252,180	39,171,153	1,415,000	4.680%	-	284,076	-	284,076	1,699,076	455,000	4.680%	91,260	-	91,260	546,260	5,840,250	4,055,203	51,312,031	1.27
2056	65,252,180	28,998,012	1,480,000	4.680%	-	217,854	-	217,854	1,697,854	475,000	4.680%	69,966	-	69,966	544,966	5,846,255	4,056,619	41,143,705	1.59
2057	65,252,180	16,439,115	1,550,000	4.680%	-	148,590	-	148,590	1,698,590	500,000	4.680%	47,736	-	47,736	547,736	5,843,418	4,058,816	28,587,674	2.28
2058	65,252,180	5,408,493	1,625,000	4.680%	-	76,050	-	76,050	1,701,050	520,000	4.680%	24,336	-	24,336	544,336	5,836,455	4,061,369	17,551,703	3.72
2059	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	5,729,458	3,453,858	9,183,315	7.11	
2060	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	3,591,483	2,486,253	6,077,735	10.74	
2061	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	1,090,000	6,575,000	7,665,000	25.34	
			\$1,333,220,356	\$18,080,000		\$23,844,010	\$		\$23,844,010	\$41,924,010	\$5,810,000		\$7,661,343	(0)	\$7,661,343	\$13,471,343	\$15,263,463	\$104,613,447	\$1,644,997,870

\$18,080,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.53 YEARS
NET INTEREST RATE	4.623%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$1,197,829

\$5,810,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.52 YEARS
NET INTEREST RATE	4.623%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$384,896

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$1,582,806



Current Budget Summary

Upper Trinity RWD

51068 RTWS Northeast Transmission Pipelines & Loop

Last Update: 5/11/2023

Budget Items	This Commitment	Local Funds	Total
Construction			
Construction	\$28,400,000.00	\$8,700,000.00	\$37,100,000.00
Subtotal for Construction	\$28,400,000.00	\$8,700,000.00	\$37,100,000.00
Basic Engineering Services			
Construction Engineering	\$1,100,000.00	\$500,000.00	\$1,600,000.00
Design	\$1,790,130.00	\$0.00	\$1,790,130.00
Planning	\$0.00	\$0.00	\$0.00
Subtotal for Basic Engineering Services	\$2,890,130.00	\$500,000.00	\$3,390,130.00
Special Services			
Application/Coordination	\$49,750.00	\$5,000.00	\$54,750.00
Environmental	\$75,000.00	\$1,500.00	\$76,500.00
Geotechnical	\$65,000.00	\$2,500.00	\$67,500.00
Easement Assistance	\$100,000.00	\$0.00	\$100,000.00
Testing	\$40,500.00	\$0.00	\$40,500.00
Project Management (By Engineer)	\$868,545.00	\$35,000.00	\$903,545.00
Permits	\$0.00	\$3,000.00	\$3,000.00
Water Distribution	\$25,000.00	\$0.00	\$25,000.00
Surveying	\$108,750.00	\$2,500.00	\$111,250.00
Subtotal for Special Services	\$1,332,545.00	\$49,500.00	\$1,382,045.00
Other			
Administration	\$4,499,750.00	\$944,644.00	\$5,444,394.00
Land/Easement Acquisition	\$2,600,000.00	\$0.00	\$2,600,000.00
Project Legal Expenses	\$10,000.00	\$0.00	\$10,000.00
Subtotal for Other	\$7,109,750.00	\$944,644.00	\$8,054,394.00
Fiscal Services			
Bond Counsel	\$201,375.00	\$0.00	\$201,375.00
Financial Advisor	\$134,200.00	\$0.00	\$134,200.00
Issuance Costs	\$17,000.00	\$0.00	\$17,000.00
Subtotal for Fiscal Services	\$352,575.00	\$0.00	\$352,575.00
Contingency			
Contingency	\$700,000.00	\$0.00	\$700,000.00
Subtotal for Contingency	\$700,000.00	\$0.00	\$700,000.00
Total	\$40,785,000.00	\$10,194,144.00	\$50,979,144.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FROM UPPER TRINITY REGIONAL WATER DISTRICT
FOR THE TEXAS WATER DEVELOPMENT BOARD'S
ACQUISITION AND SALE OF AN INTEREST IN
UPPER TRINITY REGIONAL WATER DISTRICT
NORTHEAST TRANSMISSION PIPELINE PHASE III
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

(23 -)

Recitals:

The Texas Water Development Board (TWDB), under the authority of Chapter 15, Subchapter H of the Texas Water Code, is authorized to use the Board Participation Account of the State Water Implementation Revenue Fund for Texas (SWIRFT) to encourage optimum regional development of projects through the acquisition of an interest in new water supply project facilities and the sale, transfer, or lease of its interest in those facilities.

The Upper Trinity Regional Water District (District) has filed an application with the TWDB requesting that the TWDB acquire an interest in the Upper Trinity Regional Water District Northeast Transmission Pipeline Phase III, Project No. 51068 (Project), not to exceed eighty percent (80%) of the total Project cost, in order to enable the acquisition of excess capacity for the optimum regional development of the Project, using the Board Participation Account of the SWIRFT.

The Project is expected to cost \$50,979,144 of which the TWDB's share, pursuant to this commitment, will not exceed \$40,785,000.

The District will finance at least twenty percent (20%) of the total project cost from sources other than the Board Participation Account of the SWIRFT, pursuant to 31 TAC § 363.1308.

The District will purchase the TWDB's interest in the Project from the proceeds of a future bond issue, other revenues, or other lawful sources of funds in accordance with a Master Agreement to be executed between the District and the TWDB.

The District has offered a pledge of water system revenues as sufficient security for its obligation to purchase the TWDB's interest in the Project.

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.

The TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project.

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. It is reasonable to expect that the TWDB will recover its investment in the Project because the revenue to be generated by the projected number of customers served by the Project will be sufficient to purchase the excess capacity owned by the TWDB in accordance with 31 TAC § 363.1308(c)(1).
3. The cost of the Project exceeds the current financing capabilities of the area to be served by the Project, in accordance with 31 TAC § 363.1308(c)(2).
4. The optimum regional development cannot be reasonably financed by local interest based on an assessment of the estimated cost to construct the Project and the revenue to be generated by the projected number of customers of the facility, in accordance with 31 TAC § 363.1308(c)(3).
5. The public interest will be served by the TWDB's acquisition of an interest in the Project because the cost of the Project to the public will be reduced by the Board's participation in the Project, in accordance with 31 TAC § 363.1308(c)(4).
6. The Project contemplates the optimum regional development that is reasonably required under all existing circumstances of the site because the design capacity of the components of the Project are sufficient to meet the foreseeable needs of the area, in accordance with 31 TAC § 363.1308(c)(5).
7. 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).
8. A water conservation plan has been submitted and implemented in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309
9. The District satisfactorily completed all requests by the Executive Administrator or a regional water planning group for information relevant to the Project, including a water infrastructure financing survey under Texas Water Code § 16.053(q) in accordance with Texas Water Code § 15.435(g) and 31 TAC § 363.1309(b)(2).

10. The District has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating 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 resolves as follows:

1. A commitment is made by the TWDB to acquire and sell an ownership interest in the Upper Trinity Regional Water District Northeast Transmission Pipeline, not to exceed eighty percent (80%) of the total Project cost based on an application filed by Upper Trinity Regional Water District, in an amount not to exceed the projected schedule of \$40,785,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a. \$5,810,000 to expire on December 31, 2023;
 - b. \$10,235,000 to expire on December 31, 2024;
 - c. \$13,300,000 to expire on December 31, 2025; and
 - d. \$11,440,000 to expire on December 31, 2026.
2. The Executive Administrator is authorized to negotiate and execute a Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the District.

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. 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 circumstance, 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 that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement.

5. This commitment is contingent upon the District providing a current proforma to the Executive Administrator each year prior to closing.
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.

The Following Conditions Must Be Included in the Master Agreement:

7. The Master Agreement must include a provision stating that the District shall have the right to make an early purchase of all or a portion of the TWDB's ownership interest in the Project, on or after the specified call date that is on or after the first interest payment date 10 years from the dated date by making principal payments in excess of the scheduled principal payments. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator.
8. The Master Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Master Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
9. Financial assistance proceeds are public funds and, as such, the Master Agreement 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.
10. Financial assistance proceeds of the commitment shall not be used by the District when sampling, testing, removing, or disposing of contaminated soils and/or media at the Project site. The Master Agreement shall include an environmental indemnification provision wherein the District 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, recycling, and disposition of any contaminated sewer sludge, contaminated sediments, and/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.
11. The Master Agreement 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.

12. The District agrees to take such actions as are necessary to assure, or to refrain from such actions as would materially adversely affect, the excludability from gross income for Federal income tax purposes of interest payable on such obligations as are issued by the TWDB to finance its acquisition of an interest in the Project.
13. The Master Agreement must contain a provision stating that the District shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.
14. The District will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
15. 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.

Pledge Conditions:

16. The Master Agreement must set forth the District's pledge of water system revenues to secure the District's obligation to purchase the TWDB's interest in the Project and require the District to levy a tax or to maintain and collect sufficient rates and charges to produce revenues in an amount sufficient to purchase the TWDB's interest in the Project.

Conditions to Close or for Release of Funds:

17. Before closing, the District and the TWDB will execute a Master Agreement that will set forth the responsibilities, duties, and liabilities of each party.
18. Before closing, the District will provide an attorney's opinion that is satisfactory and acceptable to the Executive Administrator as to any impact of the Project on the tax-exempt status of any bonds issued by the TWDB to fund its acquisition of an interest in the Project.
19. Before closing, the District must submit executed contracts between the District and the contracting parties to the Project regarding the contract revenues pledged to the payment of the District's obligation to purchase the TWDB's interest in the Project, in form and substance acceptable to the Executive Administrator. Such contracts shall include provisions consistent with the provisions of this Resolution regarding the contracting parties' annual audits, the setting of rates and charges, and

maintenance of revenues sufficient to meet the District's obligations arising from the Project.

20. Before closing, if not previously provided with the application, the District shall submit executed contracts for engineering, and, if applicable, financial advisor and legal 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.
21. 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.

Special Conditions:

23. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the District has the right to use the water that the Project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction.
24. 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.
25. 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.
26. The Master Agreement must include a provision requiring that, before any action by the District to convey its interest to another entity, the conveyance and the assumption of the interest 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.



Upper Trinity Regional Water District Denton County

