

# Texas Water Development Board

## PROJECT FUNDING REQUEST

**BOARD DATE:** July 27, 2022

**Team Manager:** Mireya Loewe

### ACTION REQUESTED

Approve by resolution a request from the Tarrant Regional Water District (Jack, Wise, Parker, Tarrant, Johnson, Ellis, Navarro, Henderson, Kaufman, Freestone, Denton, Dallas, Collin, and Rockwall Counties) for \$255,000,000 in financing from the State Water Implementation Revenue Fund for Texas for construction of a water supply project.

### STAFF RECOMMENDATION

Approve       No Action

### BACKGROUND

The Tarrant Regional Water District (District) was created in 1924 and has developed a system of surface water reservoirs and raw water transmission facilities to provide water to over 30 wholesale customers over an eleven-county area, including the Cities of Fort Worth, Arlington, and Mansfield; the Trinity River Authority; and a nine-county service area. The District and the City of Dallas (City) have partnered to finance, plan, design, construct, and operate the Integrated Pipeline (IPL)/Additional Transmission Pipeline Project. The City has a six-county service area and provides wholesale treated water to 23 communities, and wholesale untreated water to four communities. Together, the District and the City have water rights or contracts involving 14 surface water reservoirs in the Northeast Texas area.

The IPL project is an integrated water delivery transmission system connecting Lake Palestine (approximately 72 miles southeast of Dallas), to Lake Benbrook (southwest of Fort Worth) with connections to Cedar Creek and Richland-Chambers Reservoirs. It integrates into the District's existing pipelines, creating flexibility in delivery as well as quick response to fluctuating customer water demand. The complete IPL project consists of 150 miles of 84 to 108-inch pipeline, three new lake pump stations, three new booster pump stations, and a 450-million-gallon balancing reservoir. When completed, it will have the capacity to transport 350 million gallons per day (MGD) of raw water to the District's and the City's service areas. The District and the City currently serve over 4.1 million residents. The IPL will allow the District and the City to continue supporting regional community and economic growth.

Most of the IPL has been completed and is operational. The proposed project is the last remaining segment of the IPL project. The City is a joint participant in the IPL project under a separate agreement.

<b>COMMITMENT PERIOD: FIVE (5) MONTHS TO EXPIRE DECEMBER 31, 2022</b>
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## **PROJECT NEED AND DESCRIPTION**

Per the 2021 Region C Water Plan, projected regional water demands are increasing over the next several decades. The District and the City face similar water demand issues. The potential water supply shortage for the City in the 2070 decade is projected at 121,355 acre-feet per year, or over 108 million gallons per day.

The project will increase the capacity of the City's water system by bringing water from Lake Palestine into the system. The current project includes construction and related construction services costs for pipeline segment "A" of the IPL project, from Lake Palestine to Cedar Creek. The A-segment has a design capacity of 150 MGD and includes Section 19 pipeline and the Lake Palestine Pump Station (LP1). Section 19 pipeline includes 42 miles of 84-inch pipe from the new pump station at Lake Palestine to an existing IPL pipeline point of connection near Cedar Creek Reservoir. The Lake Palestine Pump Station includes: a pump station wet well and channel intake, main pump station facilities, high voltage substation, communications infrastructure, and owner-furnished (pre-purchased) equipment for pumps, motors, drives and large diameter valves.

## **PROJECT SCHEDULE**

<b>Task</b>	<b>Schedule Date</b>
Closing	December 1, 2022
Engineering Feasibility Report Completion (End of Planning Phase)	October 31, 2022
Design Phase Completion	October 31, 2022
Start of Construction	April 18, 2023
Construction Completion	November 30, 2025

## **KEY ISSUES**

The IPL is a recommended strategy in the Region C Water Plan for the District and the City. The District has previously received financial assistance commitments from the TWDB for the IPL project, including \$101,620,000 in financing from the Water Infrastructure Fund in 2010 and \$440,000,000 in financing from the SWIRFT in 2015. Together, these previous commitments provided for planning, acquisition, design, and construction for multiple phases of this regional project.

The proposed 2022 SWIRFT funding, along with nearly \$280 million in additional funding from the District, will complete the last section of the IPL. The District anticipates issuing the \$280 million in additional funding in 2025. The current funding request includes \$12.5 million for a bond reserve fund.

The current funding request and the 2025 additional funding will be paid entirely by the City through a contract with the District. The financial analysis presented in Attachment 1 is based on the City's financial position and includes the City's three funding requests included in today's agenda.

## **LEGAL**

### **Special Conditions**

- Water rights certification
- Notification of conversion
- Notification of conveyance
- Approval of obligations by the City

### **Attachments:**

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

# Financial Review

## Tarrant Regional Water District (City of Dallas)

Risk Score: 2A

Audit Reviewed: FY 2021

### Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	City: 0.86%	State: 1.49%
Top 10 Customers % of Total Revenue	4.29%	10-15%
Median Household Income as % of State	85%	100%
Days of Cash on Hand (3-year Average)	223 days	30-149 days
Net Fixed Assets/ Annual Depreciation	39 years	12-24 years
Debt Service Coverage Ratio	1.30x	1.0x
Debt-to-Operating Revenues	4.37	4.00-5.99x
Unemployment Rate (April 2022)	City: 3.40%	State: 3.70%
Working Capital Ratio	21.97	> 1.0

### Key Risk Score Strengths

- Based on the contract pledge, the revenues pledged for this project are derived solely from the City of Dallas.
- Water system revenues are adequate to maintain coverage of all existing and proposed debt.
- A high working capital ratio provides the City with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The City's days of cash on hand is above the benchmark, indicating the City can pay its operating expenses with the cash it has available.
- The City's top ten customers of the water system are below five percent indicating that it does not rely on one customer to generate most of its revenue.

### Key Risk Score Concerns

- The population growth of the City is below the benchmark over the past ten years; however, regional water plan projections expect the City to grow by approximately 10 percent over the next 10 years.
- Based on the total project cost and the current proposed obligation, the City will be seeking future funding in 2025 for approximately \$280,000,000. A stress test was performed assuming the City were to use open market lending and projected no rate increase would be necessary over the life of the current proposed obligation.

### 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

Average Residential Use	Gallons/Month	Current Rates	Projected Rates	Current Household Cost Factor	Projected Household Cost Factor
WATER	8,300	\$30.73	\$30.73	1.47	1.47
WASTEWATER	5,300	\$33.50	\$33.50		

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the District could save approximately \$8,324,155 over the life of the financing.

## Project Data Summary

<b>Responsible Authority</b>	Tarrant Regional WD
<b>Program</b>	SWIFT
<b>Commitment Number</b>	L1001531
<b>Project Number</b>	51078
<b>List Year</b>	2022
<b>Type of Pledge</b>	Contract Revenue Pledge
<b>Pledge Level (if applicable)</b>	First Lien
<b>Legal Description</b>	\$255,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Proposed Series 2022
<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>SWIFT Financing Type</b>	Low-Interest
<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

<b>Team Manager</b>	<b>Financial Analyst</b>	<b>Engineering Reviewer</b>	<b>Environmental Reviewer</b>	<b>Attorney</b>
Mireya Loewe	Arnoldo Rubio	Rohan Jayasuriya	Lauren Dill	Marshall Walters

ISSUE BEING EVALUATED  
FOR ILLUSTRATION PURPOSES ONLY  
City of Dallas

**\$255,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Proposed Series 2022**

<b>Dated Date:</b>	<b>12/1/2022</b>	<b>Source:</b>	<b>SWIFT-LOW-30YR</b>
<b>Delivery Date:</b>	<b>12/1/2022</b>	<b>Rate:</b>	<b>3.36%</b>
<b>First Interest:</b>	<b>3/1/2023</b>	<b>IUP Year:</b>	<b>2022</b>
<b>First Principal:</b>	<b>9/1/2023</b>	<b>Case:</b>	<b>System Revenue</b>
<b>Last Principal:</b>	<b>9/1/2052</b>	<b>Admin.Fee:</b>	<b>\$0</b>
<b>Fiscal Year End:</b>	<b>09/30</b>	<b>Admin. Fee Payment Date:</b>	<b>N/A</b>
<b>Required Coverage:</b>	<b>1.0</b>		

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$255,000,000 ISSUE				PROPOSED SWIFT COMMITMENTS*	TOTAL DEBT	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		SERVICE	COVERAGE
2023	\$288,551,000	\$209,081,297	\$5,360,000	1.64%	\$5,905,914	\$11,265,914	\$996,785	\$221,343,996	1.30
2024	288,551,000	196,718,460	5,780,000	1.87%	7,786,648	13,566,648	6,930,600	217,215,709	1.33
2025	288,551,000	184,486,880	5,885,000	1.99%	7,678,562	13,563,562	8,795,083	206,845,525	1.40
2026	288,551,000	170,345,034	6,005,000	2.05%	7,561,451	13,566,451	10,686,620	194,598,105	1.48
2027	288,551,000	170,578,043	6,125,000	2.13%	7,438,348	13,563,348	12,602,026	196,743,417	1.47
2028	288,551,000	170,566,262	6,255,000	2.23%	7,307,886	13,562,886	14,089,773	198,218,921	1.46
2029	288,551,000	170,558,618	6,395,000	2.35%	7,168,399	13,563,399	14,120,235	198,242,252	1.46
2030	288,551,000	162,948,632	6,545,000	2.42%	7,018,117	13,563,117	14,148,739	190,660,488	1.51
2031	288,551,000	148,320,284	6,705,000	2.49%	6,859,728	13,564,728	14,175,855	176,060,866	1.64
2032	288,551,000	148,322,320	6,870,000	2.54%	6,692,773	13,562,773	14,192,692	176,077,784	1.64
2033	288,551,000	148,855,563	7,045,000	2.71%	6,518,275	13,563,275	14,219,969	176,638,807	1.63
2034	288,551,000	148,845,280	7,235,000	2.86%	6,327,356	13,562,356	14,242,758	176,650,394	1.63
2035	288,551,000	148,863,268	7,445,000	2.97%	6,120,435	13,565,435	14,265,917	176,694,619	1.63
2036	288,551,000	148,851,307	7,665,000	3.07%	5,899,318	13,564,318	14,291,273	176,706,898	1.63
2037	288,551,000	134,106,556	7,900,000	3.14%	5,664,003	13,564,003	14,310,056	161,980,615	1.78
2038	288,551,000	122,111,355	8,150,000	3.22%	5,415,943	13,565,943	14,337,166	150,014,463	1.92
2039	288,551,000	112,767,341	8,410,000	3.28%	5,153,513	13,563,513	14,372,325	140,703,179	2.05
2040	288,551,000	112,770,398	8,685,000	3.34%	4,877,665	13,562,665	14,410,375	140,743,437	2.05
2041	288,551,000	100,238,967	8,975,000	3.38%	4,587,586	13,562,586	14,460,594	128,262,146	2.25
2042	288,551,000	91,073,666	9,280,000	3.42%	4,284,231	13,564,231	14,503,575	119,141,472	2.42
2043	288,551,000	81,735,258	9,600,000	3.37%	3,966,855	13,566,855	14,544,660	109,846,772	2.63
2044	288,551,000	75,226,079	9,920,000	3.37%	3,643,335	13,563,335	14,592,822	103,382,235	2.79
2045	288,551,000	75,226,319	10,255,000	3.37%	3,309,031	13,564,031	14,644,838	103,435,188	2.79
2046	288,551,000	63,389,196	10,600,000	3.37%	2,963,437	13,563,437	14,712,088	91,664,720	3.15
2047	288,551,000	51,856,649	10,960,000	3.37%	2,606,217	13,566,217	14,778,849	80,201,715	3.60
2048	288,551,000	41,062,855	11,325,000	3.67%	2,236,865	13,561,865	14,859,400	69,484,120	4.15
2049	288,551,000	29,229,116	11,745,000	3.67%	1,821,238	13,566,238	8,412,865	51,208,218	5.63
2050	288,551,000	26,610,035	12,175,000	3.67%	1,390,196	13,565,196	6,332,581	46,507,813	6.20
2051	288,551,000	11,687,930	12,620,000	3.67%	943,374	13,563,374	4,236,092	29,487,396	9.79
2052	288,551,000	2,640,656	13,085,000	3.67%	480,220	13,565,220	2,128,625	18,334,501	15.74
		<b>\$3,459,073,621</b>	<b>\$255,000,000</b>		<b>\$149,626,910</b>	<b>\$404,626,910</b>		<b>\$4,227,095,767</b>	

\*This total includes SWIFT applications 51075 (2022 to 2026 multi-year closings), 51076, and 51077

<b>AVERAGE (MATURITY) LIFE</b>	<b>17.48 YEARS</b>
<b>NET INTEREST RATE</b>	<b>3.357%</b>
<b>COST SAVINGS</b>	<b>\$8,324,155</b>
<b>AVERAGE ANNUAL REQUIREMENT</b>	<b>\$13,487,564</b>

*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**  
 Tarrant Regional WD  
 51078 - Integrated Pipeline (IPL) Connect Lake  
 Palestine

Budget Items	TWDB Funds	Local and Other Funds	Total
<b>Construction</b>			
Construction	\$200,000,000.00	\$220,000,000.00	\$420,000,000.00
<b>Subtotal for Construction</b>	<b>\$200,000,000.00</b>	<b>\$220,000,000.00</b>	<b>\$420,000,000.00</b>
<b>Basic Engineering Services</b>			
Construction Engineering	\$23,200,000.00	\$27,000,000.00	\$50,200,000.00
<b>Subtotal for Basic Engineering Services</b>	<b>\$23,200,000.00</b>	<b>\$27,000,000.00</b>	<b>\$50,200,000.00</b>
<b>Special Services</b>			
Geotechnical	\$250,000.00	\$0.00	\$250,000.00
Testing	\$3,800,000.00	\$0.00	\$3,800,000.00
<b>Subtotal for Special Services</b>	<b>\$4,050,000.00</b>	<b>\$0.00</b>	<b>\$4,050,000.00</b>
<b>Fiscal Services</b>			
Bond Counsel	\$335,000.00	\$335,000.00	\$670,000.00
Bond Reserve Fund	\$12,500,000.00	\$12,000,000.00	\$24,500,000.00
Financial Advisor	\$320,000.00	\$320,000.00	\$640,000.00
Issuance Costs	\$20,000.00	\$20,000.00	\$40,000.00
<b>Subtotal for Fiscal Services</b>	<b>\$13,175,000.00</b>	<b>\$12,675,000.00</b>	<b>\$25,850,000.00</b>
<b>Other</b>			
Administration	\$10,000,000.00	\$10,000,000.00	\$20,000,000.00
<b>Subtotal for Other</b>	<b>\$10,000,000.00</b>	<b>\$10,000,000.00</b>	<b>\$20,000,000.00</b>
<b>Contingency</b>			
Contingency	\$4,575,000.00	\$10,000,000.00	\$14,575,000.00
<b>Subtotal for Contingency</b>	<b>\$4,575,000.00</b>	<b>\$10,000,000.00</b>	<b>\$14,575,000.00</b>
<b>Total</b>	<b>\$255,000,000.00</b>	<b>\$279,675,000.00</b>	<b>\$534,675,000.00</b>



A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD  
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF  
\$255,000,000 TO TARRANT REGIONAL WATER DISTRICT  
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS  
THROUGH THE PROPOSED PURCHASE OF  
\$255,000,000 TARRANT REGIONAL WATER DISTRICT, A WATER CONTROL AND  
IMPROVEMENT DISTRICT, WATER TRANSMISSION FACILITIES CONTRACT REVENUE  
BONDS (CITY OF DALLAS PROJECT), PROPOSED SERIES 2022

(22- )

WHEREAS, Tarrant Regional Water District (District) has filed an application for financial assistance in the amount of \$255,000,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the construction of certain water supply project(s) identified as Project No. 51078 (Project); and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$255,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Proposed Series 2022, (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; and

WHEREAS, the District has offered a pledge of contract revenues as sufficient security for the repayment of the Obligations; and

WHEREAS, subject to the District's use of an approved debt service structure, interest rate subsidies are available to the District for State Fiscal Year 2022 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; and

WHEREAS, 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; and

WHEREAS, the TWDB hereby finds:

1. that 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. that 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. that a water conservation plan has been submitted and implemented in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1);
4. that 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:

a commitment is made by the TWDB to Tarrant Regional Water District for financial assistance in the amount of \$255,000,000 from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of \$255,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Proposed Series 2022. This commitment will expire on December 31, 2022.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. 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 said Obligations were issued, that said Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that said 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 that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;
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;

The Following Conditions Must Be Included in the Obligations:

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 Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of such rule, such continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the District's Obligations, if the TWDB sells or otherwise transfers such Obligations, and the beneficial owners of the TWDB's bonds if the District is an obligated person with respect to such bonds under SEC Rule 15c2-12;
12. 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;
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 District when sampling, testing, removing, or disposing of contaminated soils and/or media at the Project site. The Obligations shall include an environmental indemnification provision wherein the 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 sewage 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;
16. 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;
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 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;
19. 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 § 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated thereunder (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 § 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 that are issued to provide financing for 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 such proceeds are needed for the facilities to be financed;
  - b. amounts invested in a bona fide debt service fund, within the meaning of § 1.148-1(b) of the Regulations; and
  - c. amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least 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 requiring the District take all necessary steps to comply with the requirement that certain amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of § 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 such 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 such Gross Proceeds and the obligations acquired therewith;
  - 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 § 148(f) of the Code, § 1.148-3 of the Regulations, and the rulings thereunder. The District shall maintain a copy of such calculations for at least six years after the final Computation Date;
  - c. 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 thereof for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date;
  - d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time

thereafter, 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 District 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 District will not cause or permit the Obligations to be treated as “federally guaranteed” obligations within the meaning of § 149(b) of the Code;
24. 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 obligations of the borrower in contravention of § 149(d) of the Code (related to “advance refundings”);
25. the Obligations must provide that neither the District nor a related party thereto 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;
26. the Obligations shall be on parity with any existing obligations that are secured with the same pledge of security as the proposed Obligations;
27. the Obligations shall be governed by the additional debt test and reserve requirements as provided in the outstanding \$140,000,000 Tarrant Regional Water District, A Water Control and Improvement District, Water Transmission Facilities Contract Revenue Bonds (City of Dallas Project), Series 2015 (L15035).
28. the Obligations must contain a provision requiring that, upon request by the Executive Administrator, the District shall submit annual audits of contracting parties for the Executive Administrator’s review;
29. the Obligations must contain a provision requiring the District to maintain and enforce the terms and conditions set forth in the Financing Agreement executed by and between the District and the City of Dallas (City) so that revenues paid to the District by the City are sufficient to meet the revenue requirements for repayment of the Obligations purchased by the TWDB;

Conditions to Close or for Release of Funds:

30. prior to 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;

31. prior to 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;
32. prior to 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;
33. prior to 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;
34. 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;
35. the transcript must include evidence that the information reporting requirements of § 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 § 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. prior to closing, the District must submit executed contracts between the District and the contracting parties regarding the contract revenues pledged to the payment of the District's Obligations, 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 collection of revenues sufficient to meet the District's debt service obligations and additional parity obligations;

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

Special Conditions:

37. prior to 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;

38. prior to 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.
41. prior to closing, the District must provide evidence the City approved the terms and conditions of the sale of the Obligations in the manner provided by the Financing Agreement between the District and the City.

APPROVED and ordered of record this, the 27th day of July 2022.

TEXAS WATER DEVELOPMENT BOARD

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

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

ATTEST:

\_\_\_\_\_  
Jeff Walker, Executive Administrator



Water  
Wastewater  
Other

# WATER CONSERVATION REVIEW

Review Date:

Project ID:

Entity:

Other entity:

**WATER CONSERVATION PLAN DATE:**

**Approvable**

**Adopted**

	Total GPCD	Residential GPCD	Water Loss GPCD
<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

Retail population:

Connections per mile:

(gal/connection/day):

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

Does the applicant meet Water Loss Threshold Requirements?

**Yes**

**No**

**NA**

**ADDITIONAL INFORMATION**

**STAFF NOTES AND RECOMMENDATIONS**

## DEFINITIONS

**Adopted** refers to a water conservation plan that meets the minimum requirements of the water conservation plan rules and has been formally approved and adopted by the applicant's governing body.

**Apparent losses** are paper losses that occur when the water reaches a customer, but the volume is not accurately measured and/or recorded due to unauthorized consumption, customer meter inaccuracy, or billing system and collection data errors.

**Approvable** refers to a water conservation plan that substantially meets the minimum requirements of the water conservation plan rules but has not yet been adopted by the applicant's governing body.

**Best Management Practices** are voluntary efficiency measures that save a quantifiable amount of water, either directly or indirectly, and that can be implemented within a specific time frame.

**GPCD** means gallons per capita per day.

**Infrastructure Leakage Index (ILI)** is the current annual real loss divided by the unavoidable annual real loss (theoretical minimum real loss) and only applies to utilities with more than 3,000 connections and a connection density of more than 16 connections per mile. The **ILI** is recommended to be less than 3 if water resources are greatly limited and difficult to develop, between 3 and 5 if water resources are adequate to meet long-term needs but water conservation is included in long-term water planning, and between 5 and 8 if water resources are plentiful, reliable, and easily extracted. The **ILI** is recommended as a bench marking tool, but until there is increased data validity of the variables used in the calculation, the **ILI** should be viewed with care.

**NA** means not applicable.

**Real losses** are the physical losses, largely leakage, from the infrastructure: mains, valves, and storage tank overflows. Real loss constitutes background leakage (unreported and difficult to detect), unreported leakage (leaks that do not surface but could be detected), and reported leakage (leaks that often surface and those that are detected by the utility through leak detection).

**Residential GPCD** is the amount of residential water use (single and multi-family customer use) divided by the residential population divided by 365.

**Total GPCD** is the amount of total system input volume divided by the retail population divided by 365.

**Total water loss** is the sum of the apparent and real water losses.

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

**Water Loss GPCD** is the amount of water loss divided by the retail population divided by 365.

**Water Loss per Connection per Day** Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

**Water Loss Thresholds** are levels of real and apparent water loss determined by the size and connection density of a retail public utility, at or above which a utility receiving financial assistance from the Texas Water Development Board must use a portion of that financial assistance to mitigate the utility's system water loss.

**Wholesale Adjusted** represents that some utilities provide large volumes of wholesale water to other providers that travel through the general distribution system, so a calculation has been established to adjust for that volume of wholesale water. These adjustments are only applicable for use in determining whether a utility meets or exceeds water loss thresholds in review of their application for financial assistance. These adjustments should not be used for performance tracking or benchmarking.

