

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: October 5, 2023

Team Manager: Dain Larsen

ACTION REQUESTED

Consider approving by resolution a request from the Lake McQueeney Water Control and Improvement District No. 1 (Guadalupe County) for \$18,000,000 in financing from the Clean Water State Revolving Fund for construction of a dam improvements project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

In November 2020, to rehabilitate and maintain the Lake McQueeney dam, the Guadalupe-Blanco River Authority (Authority) entered into a contract with the Lake McQueeney Water Control and Improvement District No. 1 (District). The District has a population of approximately 1,618 residents.

PROJECT NEED AND DESCRIPTION

The Authority owns and operates the Guadalupe Valley Hydroelectric System, which includes six dams in Comal, Guadalupe and Gonzales counties. Fifteen spill gates at the six dams were put into service between 1928-1932, and have reached the end of their useful life. The gates provide primary control of headwater levels in their corresponding reservoirs, and while they have been regularly maintained, the advanced age of the gates has resulted in increased maintenance requirements, unreliable operation, and the unrepairable failure of gates at two of the six dams. Replacement of spill gates with a modern design is necessary to continue operations.

In 2020, residents on Lake McQueeney and Lake Placid formed water control and improvement districts for each lake to work with the Authority on a project to rehabilitate each dam. In February 2021, the project received Clean Water State Revolving Fund funding. Planning, design, and bidding were completed earlier this year, and a construction contract was executed in May 2023. The District is requesting additional funds to cover its portion of the work at the Lake McQueeney dam that exceeded the construction funds made available in the 2021 commitment. The Lake Placid Water Control and Improvement District No.1 is requesting additional funds for its portion in a separate request.

The project includes replacing existing bear-trap style crest gates with new hydraulically actuated steel crest gates at Lake McQueeney and Lake Placid dams. Replacement of the gates includes structural modifications to the existing spillway structure, upgrades to the mechanical system, upgrades to electrical distribution power, improved backup power, new instrumentation and controls, improved headwater and tailwater measurement, new video surveillance, supervisory control and data acquisition interface, and hardening the earthen dam.

COMMITMENT PERIOD: TWELVE (12) MONTHS TO EXPIRE OCTOBER 31, 2024

PROJECT SCHEDULE

Task	Schedule Date
Closing	January 15, 2024
Engineering Feasibility Report Completion (End of Planning Phase)	March 23, 2023
Design Phase Completion	April 5, 2023
Start of Construction	July 26, 2023
Construction Completion	August 25, 2025

KEY ISSUES

The District is requesting funding from the 2023 Clean Water State Revolving Fund Project Reserve dedicated to existing projects with cost increases. The request is for additional funds resulting from cost increases to the original project only, no additional work is proposed. On May 6, 2023, voters approved an increase to the tax rate for the repayment of debt service sufficient for the proposed increase in funding.

In 2021, TWDB provided funding for rehabilitation work at both lakes to the Authority with separate commitments for each district and pledges of contract revenues between the Authority and the districts. In 2023, the Authority and districts are requesting that the additional funding for the projects be committed to each district separately with direct, unlimited tax revenues pledges from each district to TWDB. Staff has evaluated this requested modification and recommends approval. The Lake Placid Water Control and Improvement District No. 1 additional funding request is presented separately on the current agenda.

LEGAL/SPECIAL CONDITIONS

- Conversion and conveyance

Attachments:

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

Financial Review

Lake McQueeney WCID #1

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 2.76%	State: 1.49%
Top 10 Taxpayers as % of Total Revenue	5%	10-15%
Median Household Income as % of State	104%	100%
Days of Cash on Hand (3-year Average)	763 days	30-149 days
Assessed Valuation per capita	\$325,745	\$30,000-\$64,999
Debt Service Coverage Ratio	1.0x	1.0x
Unemployment Rate (July, 2023)	County: 3.90%	State: 4.50%
Net Direct Debt/Total Assessed Valuation	11.00%	2.00-4.99%

Key Risk Score Strengths

- The average days of cash on hand for the District is above the benchmark, indicating that it has sufficient cash reserves to pay operating expenses or debt service.
- The top ten taxpayers as a percentage of tax revenue are five percent, indicating that District does not rely on a limited customer base to generate most of its revenues.
- The District's average tax collection rate is 97 percent and a median household income higher than the state benchmark.
- As a proactive measure, the District's request includes capitalized interest.

Key Risk Score Concerns

- Using the tax revenues from the 2022 audit, the District is below the 1.0x debt service coverage requirements for the existing and proposed debt. Based on a no-growth scenario, the District will need a maximum interest and sinking tax rate of \$0.05853 by the year 2039 to meet the debt service requirements; this rate could be offset by changes in the assessed valuations of taxable properties.
- The District's net direct debt to total assessed valuation is higher than the board benchmark; however, this indicator is projected to decrease with the positive assessed valuation growth trends.

PLEDGE

Legal Pledge Name	Unlimited Ad Valorem Tax
Type of Pledge	<input checked="" type="checkbox"/> Tax <input 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 type="checkbox"/> Third <input checked="" type="checkbox"/> N/A

TAXES

	2022 Tax Year Rate	Max Projected Tax Rate (Year 2039)	Maximum Allowable Rate	2-Year Avg Current Tax Collections	Assessed Valuation
Maintenance & Operation	\$0.0500	\$0.0500	Unlimited	97%	\$527,055,035
Interest & Sinking	\$0.2300	\$0.5358			
Total Tax Rate	\$0.2800	\$0.5853			

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the District could save approximately \$5,926,006 over the life of the financing.

Project Data Summary

Responsible Authority	Lake McQueeney WCID #1
Program	CWSRF
Commitment Number	L1001695
Project Number	73897
List Year	2023
Type of Pledge	Tax Pledge
Pledge Level (if applicable)	N/A
Legal Description	\$18,000,000 Lake McQueeney WCID #1 Unlimited Tax Bonds, Proposed Series 2024
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	Yes
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
State Revolving Fund Type	Non-Equivalency
Financial Managerial & Technical Complete	N/A
Phases Funded	Construction
Pre-Design	No
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Exempt
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Dain Larsen	Caaren Skrobarczyk	Shubham Aggarwal	Kristin Miller	Marshall Walters

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Lake McQueeney Water Control Improvement District #1

\$18,000,000 Lake McQueeney WCID #1 Unlimited Tax Bonds, Proposed Series 2024

Dated Date: 1/15/2024	Source: CWSRF-NON-EQUIVALENCY
Delivery Date: 1/15/2024	Rate: 2.93%
First Interest: 8/15/2024	IUP Year: 2023
First Principal: 8/15/2026	Case: Tax Only
Last Principal: 8/15/2053	Admin. Fee: \$309,582
Fiscal Year End: 04/30	Admin. Fee Payment Date: 1/15/2024
Required Coverage: 1.0	Total Assessed Valuation: \$527,055,035

FISCAL YEAR	TAX RATE	PROJECTED TAX REVENUES WITH COLL. @ 97%	PROJECTED TOTAL REVENUES	CURRENT DEBT SERVICE	\$18,000,000 ISSUE			TOTAL DEBT SERVICE	TOTAL DEBT COVERAGE	
					PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			
2025	\$0.4550	\$2,325,905	\$2,325,905	\$1,783,050	\$0	-	\$542,855	\$542,855	\$2,325,905	1.00
2026	\$0.4463	2,281,587	2,281,587	1,780,490	\$0	-	501,097	501,097	2,281,587	1.00
2027	\$0.5280	2,699,377	2,699,377	1,782,900	420,000	2.20%	496,477	916,477	2,699,377	1.00
2028	\$0.5276	2,697,506	2,697,506	1,780,250	430,000	2.14%	487,256	917,256	2,697,506	1.00
2029	\$0.5292	2,705,463	2,705,463	1,782,570	445,000	2.14%	477,894	922,894	2,705,463	1.00
2030	\$0.5297	2,708,063	2,708,063	1,779,830	460,000	2.13%	468,233	928,233	2,708,063	1.00
2031	\$0.5301	2,710,294	2,710,294	1,782,060	470,000	2.17%	458,235	928,235	2,710,294	1.00
2032	\$0.5315	2,717,127	2,717,127	1,784,230	485,000	2.16%	447,897	932,897	2,717,127	1.00
2033	\$0.5317	2,718,499	2,718,499	1,781,340	500,000	2.20%	437,159	937,159	2,718,499	1.00
2034	\$0.5329	2,724,208	2,724,208	1,783,420	515,000	2.28%	425,788	940,788	2,724,208	1.00
2035	\$0.5328	2,723,997	2,723,997	1,780,440	530,000	2.40%	413,557	943,557	2,723,997	1.00
2036	\$0.5333	2,726,613	2,726,613	1,781,228	545,000	2.50%	400,385	945,385	2,726,613	1.00
2037	\$0.5341	2,730,725	2,730,725	1,779,527	565,000	2.61%	386,199	951,199	2,730,725	1.00
2038	\$0.5343	2,731,508	2,731,508	1,780,570	580,000	2.72%	370,938	950,938	2,731,508	1.00
2039	\$0.5358	2,739,191	2,739,191	1,784,541	600,000	2.80%	354,650	954,650	2,739,191	1.00
2040	\$0.5348	2,734,157	2,734,157	1,781,610	615,000	2.83%	337,547	952,547	2,734,157	1.00
2041	\$0.5353	2,736,673	2,736,673	1,781,940	635,000	2.87%	319,733	954,733	2,736,673	1.00
2042	\$0.5353	2,736,513	2,736,513	1,780,423	655,000	2.91%	301,090	956,090	2,736,513	1.00
2043	\$0.5357	2,738,796	2,738,796	1,782,158	675,000	2.94%	281,638	956,638	2,738,796	1.00
2044	\$0.5357	2,738,675	2,738,675	1,782,315	695,000	2.98%	261,360	956,360	2,738,675	1.00
2045	\$0.5352	2,736,246	2,736,246	1,781,003	715,000	3.01%	240,243	955,243	2,736,246	1.00
2046	\$0.5353	2,736,571	2,736,571	1,783,187	735,000	3.02%	218,384	953,384	2,736,571	1.00
2047	\$0.5349	2,734,702	2,734,702	1,783,892	755,000	3.04%	195,810	950,810	2,734,702	1.00
2048	\$0.5351	2,735,482	2,735,482	1,783,082	780,000	3.06%	172,400	952,400	2,735,482	1.00
2049	\$0.5348	2,734,152	2,734,152	1,781,043	805,000	3.07%	148,109	953,109	2,734,152	1.00
2050	\$0.5341	2,730,798	2,730,798	1,782,751	825,000	3.08%	123,047	948,047	2,730,798	1.00
2051	\$0.5340	2,730,288	2,730,288	1,783,079	850,000	3.09%	97,210	947,210	2,730,288	1.00
2052	\$0.5345	2,732,650	2,732,650	1,782,169	880,000	3.09%	70,481	950,481	2,732,650	1.00
2053	\$0.1854	947,858	947,858	-	905,000	3.10%	42,858	947,858	947,858	1.00
2054	\$0.1847	944,415	944,415	-	930,000	3.10%	14,415	944,415	944,415	1.00
				\$49,895,091	\$18,000,000		\$9,492,940	\$27,492,940	\$77,388,030	

AVERAGE (MATURITY) LIFE	17.99 YEARS
NET INTEREST RATE	2.931%
COST SAVINGS	\$ 5,926,006
AVERAGE ANNUAL REQUIREMENT	\$916,431

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
Guadalupe Blanco RA
73897 - Guadalupe Valley Hydroelectric System

Budget Items	Previous Commitments L1001469	Lake McQueeney WCID No. 1 L1001695	TWDB Funds	Local and Other Funds	Total
Construction					
Construction	\$36,193,149.00	\$16,928,293.00	\$53,121,442.00	\$15,043,576.00	\$68,165,018.00
Subtotal for Construction	\$36,193,149.00	\$16,928,293.00	\$53,121,442.00	\$15,043,576.00	\$68,165,018.00
Basic Engineering Services					
Basic Engineering Other (Describe)	\$38,383.00	\$0.00	\$38,383.00	\$0.00	\$38,383.00
Construction Engineering	\$620,800.00	\$0.00	\$620,800.00	\$0.00	\$620,800.00
Design	\$500,508.00	\$0.00	\$500,508.00	\$0.00	\$500,508.00
Planning	\$461,156.00	\$0.00	\$461,156.00	\$0.00	\$461,156.00
Subtotal for Basic Engineering Services	\$1,620,847.00	\$0.00	\$1,620,847.00	\$0.00	\$1,620,847.00
Special Services					
Environmental	\$99,131.00	\$0.00	\$99,131.00	\$0.00	\$99,131.00
Geotechnical	\$164,578.00	\$0.00	\$164,578.00	\$0.00	\$164,578.00
Inspection	\$839,200.00	\$0.00	\$839,200.00	\$0.00	\$839,200.00
O&M Manual	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Permits	\$78,007.00	\$0.00	\$78,007.00	\$0.00	\$78,007.00
Project Management (by engineer)	\$46,822.00	\$0.00	\$46,822.00	\$0.00	\$46,822.00
Surveying	\$37,225.00	\$0.00	\$37,225.00	\$0.00	\$37,225.00
Testing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal for Special Services	\$1,264,963.00	\$0.00	\$1,264,963.00	\$0.00	\$1,264,963.00
Fiscal Services					
Bond Counsel	\$105,000.00	\$178,125.00	\$283,125.00	\$0.00	\$283,125.00
Capitalized Interest	\$0.00	\$382,500.00	\$382,500.00	\$0.00	\$382,500.00
Financial Advisor	\$99,375.00	\$180,000.00	\$279,375.00	\$0.00	\$279,375.00
Fiscal/Legal	\$550.00	\$0.00	\$550.00	\$0.00	\$550.00
Issuance Costs	\$7,625.00	\$21,500.00	\$29,125.00	\$0.00	\$29,125.00
Loan Origination Fee	\$687,961.00	\$309,582.00	\$997,543.00	\$0.00	\$997,543.00
Subtotal for Fiscal Services	\$900,511.00	\$1,071,707.00	\$1,972,218.00	\$0.00	\$1,972,218.00
Other					
Administration	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Land/Easements Acquisition	\$20,530.00	\$0.00	\$20,530.00	\$0.00	\$20,530.00
Subtotal for Other	\$20,530.00	\$0.00	\$20,530.00	\$0.00	\$20,530.00
Contingency					
Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Subtotal for Contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$40,000,000.00	\$18,000,000.00	\$58,000,000.00	\$15,043,576.00	\$73,043,576.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$18,000,000 TO THE LAKE MCQUEENEY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1
FROM THE CLEAN WATER STATE REVOLVING FUND
THROUGH THE PROPOSED PURCHASE OF
\$18,000,000 LAKE MCQUEENEY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.1 UNLIMITED TAX BONDS,
PROPOSED SERIES 2024

(23 -)

Recitals:

The Lake McQueeney Water Control and Improvement District No. 1 (District) has filed an application for financial assistance in the amount of \$18,000,000 from the Clean Water State Revolving Fund (CWSRF) to finance the construction of certain stormwater system improvements identified as Project No. 73897.

The District seeks financial assistance from the Texas Water Development Board (TWDB through the TWDB's proposed purchase of \$18,000,000 Lake McQueeney Water Control and Improvement District No. 1 Unlimited Tax Bonds, Proposed Series 2024 (together with all authorizing documents, (Obligations)), all as is more specifically set forth in the application and in recommendations of the TWDB's staff.

The TWDB previously purchased \$40,000,000 Guadalupe-Blanco River Authority Contract Revenue Bonds from the Guadalupe-Blanco River Authority for the purpose of planning, designing, and constructing certain stormwater system improvement for Lake McQueeney identified as Project No. 73897.

The District has offered a pledge of unlimited taxes on all properties within the boundaries of the District as sufficient security for the repayment of the Obligations.

Findings:

1. The revenue or taxes pledged by the District will be sufficient to meet all the Obligations assumed by the District, in accordance with Texas Water Code § 15.607.
2. The application and assistance applied for meet the requirements of the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 *et seq.* as well as state law, in accordance with Texas Water Code § 15.607.
3. The term of the Obligations does not exceed the expected useful life of the project proposed by the District.

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

A commitment is made by the TWDB to the Lake McQueeney Water Control and Improvement District No. 1 for financial assistance in the amount of \$18,000,000 from the Clean Water State Revolving Fund through the TWDB's proposed purchase of \$18,000,000 Lake McQueeney Water Control and Improvement District No. 1 Unlimited Tax Bonds, Proposed Series 2024. This commitment will expire on October 31, 2024.

The commitment is conditioned as follows:

Standard Conditions:

1. The commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand as determined by the TWDB. If the financial assistance is funded with available cash-on-hand, the TWDB reserves the right to change the designated source of funds to bond proceeds issued for the purpose of reimbursing funds used to provide the financial assistance approved in this Resolution.
2. The commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that all the requirements of the laws under which the Obligations are issued have been complied with; 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. The commitment is contingent upon the District's compliance with all applicable requirements contained in 31 TAC Chapter 375.
4. The Obligations must provide that the District agrees to comply with all the conditions set forth in the TWDB Resolution.
5. 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 which 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.
6. 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, at a minimum and regardless of the amount of the Obligations, must agree 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 the rule, 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.

7. The Obligations must require the District to levy a tax or maintain and collect sufficient rates and charges, as applicable, to produce system funds in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
8. The Obligations must require the District to use any proceeds from the Obligations that are determined to be remaining unused funds for enhancements to the original project that are explicitly approved by the Executive Administrator or, if no enhancements are authorized by the Executive Administrator, requiring the District to submit a final accounting and disposition of any unused funds. Remaining unused funds are those funds unspent after the original approved project is completed.
9. The Obligations must require the District to use any proceeds from the Obligations that are determined to be surplus funds in a manner approved by the Executive Administrator. Surplus funds are funds remaining after completion of the project and completion of a final accounting.
10. The Obligations must provide that the TWDB may exercise all remedies available to it in law or equity and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
11. Proceeds of this commitment are public funds. Therefore, the Obligations must require that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
12. Proceeds of this commitment must not be used by the District when sampling, testing, removing, or disposing of contaminated soils or media at the project site. The Obligations must provide that 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.
13. Before closing, the District must submit documentation evidencing the adoption and implementation of sufficient system rates and charges or the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.
14. Before closing, and if not previously provided with the application, the District must submit executed contracts for engineering, and, if applicable, financial advisor and

bond counsel contracts, for the project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.

15. Before closing, when any portion of the financial assistance is to be held in escrow or in trust, the District must execute an escrow or trust agreement, approved as to form and substance by the Executive Administrator and shall submit that executed agreement to the TWDB.
16. The Executive Administrator may require the District to execute a separate financing agreement in form and substance acceptable to the Executive Administrator.
17. The Obligations must provide that the District must comply with all applicable federal laws and TWDB laws and rules related to the use of the financial assistance.
18. 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.
19. The Obligations must require the District to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
20. The Obligations must provide that the District must submit annually, an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Tax-Exempt Conditions:

21. 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.
22. The District's bond counsel opinion must state that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion.
23. The Obligations must prohibit the District from using the 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 of 1986, as amended (Code) and the Treasury Regulations promulgated under section 141 (Regulations).

24. The Obligations must provide that no portion of the proceeds of this 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 that are 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 deposited 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.
25. The Obligations must require the District to 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 to satisfy the requirements of section 148 of the Code. The Obligations must provide that the District must:
- a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments) on its books of account separately and apart from all other funds, including receipts, expenditures, and investments, 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 this 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 those proceeds;
 - b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to this 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 related rulings. The District must maintain a copy of the calculations for at least six years after the final Computation Date;
 - c. as additional consideration for the making of this commitment, and to induce the 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 for federal income tax purposes, pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date; and

- d. exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly to correct the error within a reasonable amount of time after including payment to the United States of any interest and any penalty required by the Regulations.
26. The Obligations must prohibit 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.
27. 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.
28. 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.
29. The Obligations must provide that the District will refrain from using the proceeds provided by this TWDB commitment or the proceeds of any prior bonds to pay debt service on another issue more than 90 days after the date of issue of the Obligations in contravention of the requirements of section 149(d) of the Code, relating to advance refundings.
30. The transcript must include evidence that the information reporting requirements of section 149(e) of the 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.
31. The Obligations must provide that neither the District nor a related party 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.
32. Before closing, the District must 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.

State Revolving Fund Conditions:

33. The District must submit outlay reports on a quarterly or monthly basis with sufficient documentation on costs in accordance with TWDB outlay report guidelines.
34. The Obligations must provide that all laborers and mechanics employed by contractors and subcontractors for projects be paid wages at rates not less than those prevailing on projects of a similar character in the locality in accordance with the Davis-Bacon Act, and the U.S. Department of Labor's implementing regulations. The District, all contractors, and all sub-contractors must ensure that all project contracts mandate compliance with Davis-Bacon. All contracts and subcontracts for the construction of the project carried out in whole or in part with financial assistance made available as provided must insert in full in any contract in excess of \$2,000 the contract clauses as provided by the TWDB.
35. The Obligations must provide that the District shall provide the TWDB with all information required to be reported in accordance with the Federal Funding Accountability and Transparency Act of 2006, Pub. L. 109-282, as amended by Pub. L. 110-252. The District shall obtain a Unique Entity Identification Number and shall register with System for Award Management (SAM) and maintain current registration at all times during which the Obligations are outstanding.
36. The Obligations must provide that all proceeds of this financial assistance will be timely and expeditiously used, as required by 40 CFR § 35.3135(d), and must provide that the District will adhere to the approved project schedule.
37. The Obligations must provide that the District will abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by 31 TAC § 375.3, 33 U.S.C. § 1388, and related State Revolving Fund Policy Guidelines.
38. The Obligations must provide that the District must comply with the requirements set forth in 33 U.S.C. § 1382 *et seq.* related to maintaining project accounts containing financial assistance for planning, design, acquisition, or construction in accordance with generally accepted accounting principles (GAAP). These standards and principles also apply to the reporting of underlying infrastructure assets.
39. The Obligations must provide that the District shall abide by the prohibition on certain telecommunications and video surveillance services or equipment as required by 2 CFR § 200.216.

Clean Water State Revolving Fund Condition:

40. The District must pay at closing an origination fee approved by the Executive Administrator of the TWDB pursuant 31 TAC Chapter 375.

Pledge Condition:

41. The Obligations must provide that, for each year the Bonds are outstanding, the District will levy a debt service tax rate and collect taxes sufficient for the repayment of annual principal and interest requirements on the Obligations.

Special Conditions:

42. The District must notify the Executive Administrator in writing, thirty (30) days before taking any actions to alter its legal status in any manner.
43. The Obligations must require that the District notify the Executive Administrator in writing before any action by it to convey its Obligations held by the TWDB to another entity, the conveyance and the assumption of the Obligations must be approved by the TWDB.

APPROVED and ordered of record this 5th day of October 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, 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.

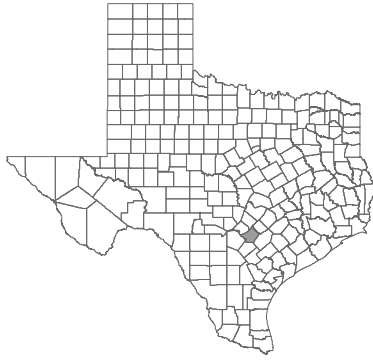
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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.



GBRA Lake McQueeney WCID #1 Guadalupe County

