

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: August 5, 2020

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the Upper Trinity Regional Water District (Fannin, Collin, Cooke, Dallas, Denton, Grayson, and Wise counties) to 1) amend Texas Water Development Board Resolution No. 15-089A to authorize a \$398,000,000 increase in multi-year Board Participation financing and 2) amend Texas Water Development Board Resolution No. 15-089B to authorize a \$15,000,000 increase in Deferred Interest financing from the State Water Implementation Revenue Fund for Texas for design and construction of the Lake Ralph Hall Reservoir.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

In 2002, the District initiated engineering and planning studies necessary to support the Water Rights Permit application and to document existing project site conditions, and in 2013 the TCEQ granted Water Rights Permit No. 5821 for Lake Ralph Hall to the Upper Trinity Regional Water District (District).

The District received its Section 404 permit for the Lake Ralph Hall project to discharge dredged and fill material into waters of the United States (Permit Number SWF-2003-00336), in January 2020, from the U.S. Army Corps of Engineers (USACE). The District received Section 408 authorization in 2017.

Previous TWDB funding commitments for the project total \$100,580,000 which allowed the District to finalize the permitting with the USACE and begin preliminary design of the dam/spillway, roads, bridge, utilities, pump station/outlet works, and raw water pipeline. In addition, the District is using the previous SWIFT funding to complete design and acquisition for the project. To date, the District has purchased approximately 13,000 acres of land required for the project. Design of the dam, spillways, and intake are currently under review at TCEQ.

Multi-Year Commitment:	Expiration Date
\$15,000,000 Deferred Interest	December 31, 2020
\$120,000,000 Board Participation	December 31, 2020
\$120,000,000 Board Participation	December 31, 2021
\$110,000,000 Board Participation	December 31, 2022
\$48,000,000 Board Participation	December 31, 2023

PROJECT NEED AND DESCRIPTION

The Upper Trinity Regional Water District (District) currently supplies treated water to users in Denton County and Collin County. The District also provides direct reuse for irrigation in Denton County. The currently available supplies for the District include water purchased from Commerce out of Lake Chapman, purchased raw water from Denton and Dallas Water Utilities and reuse. The District's currently available supplies range from 54,995 acre-feet per year in 2020 to 41,002 acre-feet per year in 2070. To offset changes in existing supplies and to meet projected demands, the District will need to develop an additional 94,203 acre-feet per year of water supply by year 2070.

Lake Ralph Hall is a proposed reservoir by the District in the Sulphur River Basin on the North Sulphur River in Fannin County, Texas. The primary purpose is for municipal water supply. Water from the project is to be used to meet water demands within that portion of Fannin County that lies in the Sulphur River Basin and within the service area of the District. The proposed reservoir will provide a firm yield of approximately 35 million gallons per day (MGD) and up to an additional 19 MGD of indirect reuse. The major project elements include constructing an earthen dam, intake and pump station, state highway bridge over the lake, relocation of various state and county roads, utility relocations, raw water transmission pipeline, balancing reservoir, stream and wetland mitigation plan improvements, administration support facilities, and temporary facilities to support construction.

PROJECT SCHEDULE

Task	Schedule Date
Engineering Feasibility Report Completion (End of Planning Phase)	January 3, 2020
Closing	November 1, 2020
Design Phase	December 1, 2020
Start of Construction	February 1, 2021
Construction Completion	June 1, 2024

Schedule Notes: The project contains several major elements that will be constructed using various project delivery methods, including Progressive Design-Build. Design and Start of Construction dates are for the first construction contract.

KEY ISSUES

A Water Rights Reasonable Expectation Finding was made on October 20, 2015 for the project. A Water Rights Certification is required prior to release of construction funds for the reservoir.

The District has requested a multi-year commitment from 2020 through 2023. The zero percent interest rate subsidy applies to the 2020 series only. The interest rate subsidy applicable to future proposed series will be set by the Board each year.

Of the \$413,000,000 requested, the \$15,000,000 deferred interest financing will be secured by a first lien revenue pledge on the Regional Treated Water Supply System and the \$398,000,000 Board participation financing will be secured by subordinate lien revenue pledge on the Regional Treated Water Supply System.

The Board Participation financing will be governed by a Master Agreement. The District's obligation to purchase the Board's interest in the board participation project is secured by a subordinate lien pledge on the net 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 District is primarily a wholesale water supplier and is composed of 19 entities, including 10 towns and cities, Denton County, one utility authority, and three special districts. Approximately 46 percent of the District's regional treated water supply system revenues are from the top two customers of the District. The largest customer of system is the Town of Flower Mound, representing 36 percent of total revenues. The District is attentive in its oversight of its budget and water rates and adjusts rates annually to meet current and future obligations. In addition, 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.

The District demonstrates sound management through strong fiscal policies and annual rate adjustments. They maintain a five-year capital improvement plan and serve a strong and growing customer base in North Texas.

During fiscal year 2019, the District's wholesale rate was \$1.09 per 1,000 gallons. This is projected to be sufficient to meet existing and proposed debt service in the first year of principal repayment. In a no growth scenario using 2019 audit numbers, the District would need annual rate increases starting in 2034 before maxing out at a rate of \$1.49 per 1,000 gallons in 2044 in order to meet debt service coverage requirements throughout the life of the loan.¹

The District does not possess taxing authority. All District debt is supported by the various water and wastewater system revenues. The District's regional treated water supply system debt compared to operating revenues, including the proposed loans, is high at 13.96 times. Historically the District has evaluated rates on an annual basis and expects to continue doing so for the life of the loan. As the District's operating revenues increase, the self-supporting debt to operating revenues ratio will decrease.

LEGAL

Special Conditions

None.

Master Agreement

Financing will be provided through a Master Agreement, which sets out the responsibilities, duties and liabilities of the District and the Texas Water Development Board (TWDB). Under the Master Agreement, the TWDB will purchase up to 80 percent, not to exceed \$459,065,000.00, 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

¹ Rate Increase calculations based on volume charges only.

payments of principal and interest. Prior to final negotiations and amendment of the already executed Master Agreement, a draft of the final amendment will be presented to the Board.

FINANCIAL

Risk Score:2B

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2018 Upper Trinity RWD: (Collin, Denton counties)	0.70%	State: 1.24%
Median Household Income as % of State	149%	100%
Days of Cash on Hand (3-year Average)	634 days	30-149 days
Debt Service Coverage Ratio	1.20x	1.0x
Asset Condition Ratio	32 years	12-24 years
Top 10 Customers of the System	86%	< 10-15%
Debt-to-Operating Revenues	13.96x	4.00-5.99x
Unemployment (April 2020)	12.55%	State: 13.00%

Key Risk Score Strengths

- Meet debt service coverage requirements
- High levels of cash reserves
- MHI higher than the state

Key Risk Score Concerns

- High levels of debt
- No Taxing Authority

PLEDGE

Type of Pledge	<input type="checkbox"/> Tax <input checked="" 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 checked="" type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Wholesale Rate	Gallons/Month	Current Wholesale Rate (Per 1,000 Gallons)	Max Projected Wholesale Rate (Per 1,000 Gallons)
WATER	868,246,500	1.09	1.49

Cost Savings

Based on a 30-year maturity and current interest rates, the District could save approximately \$2,063,573 over the life of the deferred interest financing.

Attachments:

1. Project Data Summary
2. Debt Service Schedule
3. Project Budget
4. Resolution (20-)
5. Resolution (20-)
6. Resolution (19-074)
7. Resolution (15-089A)
8. Resolution (15-089B)
9. Water Conservation Review
10. Location Map

Responsible Authority	Upper Trinity Regional WD
Program	SWIFT
Commitment Number	LB201178, LB211178, LB221178, LB231178, LD201177
Project Number	51001
List Year	2020
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$120,000,000 Master Agreement 2020, \$120,000,000 Master Agreement 2021, \$110,000,000 Master Agreement 2022, \$48,000,000 Master Agreement 2023, \$15,000,000 Upper Trinity Regional Water Supply System Revenue Bonds, Proposed Series 2020B
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Qualifies as Disadvantaged	No
SWIFT Financing Type	Board Participation, Deferred
Financial Managerial & Technical Complete	N/A
Phases Funded	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	John Muras	Rachel Forster	Breann Hunter

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

\$120,000,000 Upper Trinity Regional Water District, Regional Treated Water Supply System Master Agreement, Series 2020

Dated Date:	11/1/2020	Source:	SWIFT-PARTICIPATION
Delivery Date:	11/1/2020	Rate:	3.20%
First Interest:	8/1/2021	IUP Year:	2020
First Principal:	8/1/2041	Case:	Subordinate Lien System Revenues
Last Principal:	8/1/2055	Admin.Fee:	\$ -
Fiscal Year End:	9/30	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0		

\$15,000,000 Upper Trinity Regional Water District, Regional Treated Water Supply System Revenue Bonds, Series 2020

Dated Date:	8/1/2028	Source:	SWIFT-Deferred
Delivery Date:	8/1/2028	Rate:	2.94%
First Interest:	2/1/2029	IUP Year:	2020
First Principal:	8/1/2029	Case:	First Lien System Revenues
Last Principal:	8/1/2050	Admin.Fee:	\$ -
Fiscal Year End:	9/30	Admin. Fee Payment Date:	N/A
Required Coverage:	1.0		

\$278,000,000 PROPOSED SERIES 2021-2023																	
FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$120,000,000 ISSUE			DEFERRED INTEREST	INTEREST PAID	TOTAL PAYMENT	\$15,000,000 ISSUE			TOTAL PAYMENT	TOTAL PAYMENT	DEBT SERVICE	ACTUAL COVERAGE		
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT				PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT						
2021	\$28,934,320	\$21,206,753	-	-	\$2,864,677	(\$2,864,677)	-	-	-	-	-	-	-	-	\$21,206,753	1.36	
2022	28,934,320	19,820,498	-	-	3,819,570	(3,819,570)	-	-	-	-	-	-	-	-	19,820,498	1.46	
2023	28,934,320	20,137,229	-	-	3,819,570	(3,819,570)	-	-	-	-	-	-	-	-	20,137,229	1.44	
2024	28,934,320	21,808,489	-	-	3,819,570	(3,055,656)	\$763,914	\$763,914	-	-	-	-	-	-	22,572,403	1.28	
2025	28,934,320	22,492,837	-	-	3,819,570	(3,055,656)	763,914	763,914	-	-	-	-	\$764,548	-	24,021,299	1.20	
2026	28,934,320	20,257,875	-	-	3,819,570	(2,673,699)	1,145,871	1,145,871	-	-	-	-	-	1,465,540	22,869,285	1.27	
2027	28,934,320	18,005,853	-	-	3,819,570	(2,291,742)	1,527,828	1,527,828	-	-	-	-	-	2,153,813	21,687,494	1.33	
2028	28,934,320	16,988,020	-	-	3,819,570	(1,718,806)	2,100,763	2,100,763	-	-	-	-	-	2,886,583	21,975,366	1.32	
2029	28,934,320	16,883,549	-	-	3,819,570	(1,145,871)	2,673,699	2,673,699	\$525,000	0.950%	\$395,082	\$525,000	3,963,489	-	24,045,737	1.20	
2030	28,934,320	14,250,941	-	-	3,819,570	(572,935)	3,246,634	3,246,634	530,000	1.070%	390,094	530,000	5,215,643	-	23,243,218	1.24	
2031	28,934,320	12,901,167	-	-	3,819,570	-	3,819,570	3,819,570	535,000	1.450%	384,423	573,442	6,544,297	-	23,838,476	1.21	
2032	28,934,320	12,975,209	-	-	3,819,570	-	3,819,570	3,819,570	545,000	1.760%	376,666	620,333	7,872,951	-	25,288,062	1.14	
2033	28,934,320	13,367,177	-	-	3,819,570	-	3,819,570	3,819,570	555,000	2.030%	367,074	646,768	8,628,193	-	26,461,708	1.09	
2034	30,313,012	13,367,192	-	-	3,819,570	3,574,026	7,393,595	7,393,595	570,000	2.160%	355,807	694,532	8,857,693	-	30,313,012	1.00	
2035	32,904,598	12,328,157	-	-	3,819,570	3,574,026	7,393,595	7,393,595	585,000	2.290%	343,495	748,160	12,434,686	-	32,904,598	1.00	
2036	36,442,376	12,528,144	-	-	3,819,570	3,574,026	7,393,595	7,393,595	600,000	2.400%	330,099	806,312	15,714,325	-	36,442,376	1.00	
2037	37,929,430	12,530,206	-	-	3,819,570	3,574,026	7,393,595	7,393,595	615,000	2.500%	315,699	859,666	17,145,962	-	37,929,430	1.00	
2038	37,929,430	11,593,965	-	-	3,819,570	3,574,026	7,393,595	7,393,595	630,000	2.590%	300,324	907,799	17,145,962	-	37,041,322	1.02	
2039	37,929,430	11,609,438	-	-	3,819,570	3,574,026	7,393,595	7,393,595	650,000	2.670%	284,007	934,007	17,145,962	-	37,083,002	1.02	
2040	37,929,430	11,435,686	-	-	3,819,570	3,574,026	7,393,595	7,393,595	670,000	2.740%	266,652	936,652	17,145,962	-	36,911,894	1.03	
2041	39,789,224	11,433,489	\$6,290,000	2.930%	3,819,570	-	3,819,570	10,109,570	685,000	2.930%	248,294	1,100,204	17,145,962	-	39,789,224	1.00	
2042	42,788,682	11,797,397	6,490,000	2.980%	3,635,273	-	3,635,273	10,125,273	710,000	2.980%	228,223	1,272,044	19,593,968	-	42,788,682	1.00	
2043	44,459,737	11,209,184	6,700,000	3.030%	3,441,871	-	3,441,871	10,141,871	730,000	3.030%	207,065	1,270,886	21,837,797	-	44,459,737	1.00	
2044	45,071,105	10,783,991	6,920,000	3.070%	3,238,861	-	3,238,861	10,158,861	755,000	3.070%	184,946	1,273,767	22,854,488	-	45,071,105	1.00	
2045	45,071,105	9,575,613	7,150,000	3.100%	3,026,417	-	3,026,417	10,176,417	780,000	3.100%	161,768	1,275,588	23,004,712	-	44,032,329	1.02	
2046	45,071,105	6,797,415	7,385,000	3.130%	2,804,767	-	2,804,767	10,189,767	810,000	3.130%	137,588	1,281,408	23,150,548	-	41,419,137	1.09	
2047	45,071,105	6,810,818	7,635,000	3.150%	2,573,616	-	2,573,616	10,208,616	835,000	3.150%	112,235	1,281,055	23,292,165	-	41,592,653	1.08	
2048	45,071,105	5,324,453	7,895,000	3.180%	2,333,114	-	2,333,114	10,228,114	865,000	3.180%	85,932	1,117,842	23,444,391	-	40,114,799	1.12	
2049	45,071,105	5,329,372	8,170,000	3.200%	2,082,053	-	2,082,053	10,252,053	895,000	3.200%	58,425	953,425	23,601,762	-	40,136,611	1.12	
2050	45,071,105	5,338,492	8,450,000	3.220%	1,820,613	-	1,820,613	10,270,613	925,000	3.220%	29,785	954,785	23,767,899	-	40,331,788	1.12	
2051	45,071,105	3,914,605	8,740,000	3.280%	1,548,523	-	1,548,523	10,288,523	-	-	-	-	23,936,726	-	38,139,853	1.18	
2052	45,071,105	3,921,311	9,050,000	3.290%	1,261,851	-	1,261,851	10,311,851	-	-	-	-	-	-	24,112,371	38,345,532	1.18
2053	45,071,105	3,933,274	9,370,000	3.300%	964,106	-	964,106	10,334,106	-	-	-	-	-	-	24,280,163	38,547,542	1.17
2054	45,071,105	3,945,686	9,705,000	3.310%	654,896	-	654,896	10,359,896	-	-	-	-	-	-	24,470,038	38,775,619	1.16
2055	45,071,105	1,318,375	10,050,000	3.320%	333,660	-	333,660	10,383,660	-	-	-	-	-	-	24,662,480	36,364,515	1.24
2056	45,071,105	-	-	-	-	-	-	-	-	-	-	-	-	-	24,862,871	24,862,871	1.81
2057	45,071,105	-	-	-	-	-	-	-	-	-	-	-	-	-	14,264,703	14,264,703	3.16
2058	45,071,105	-	-	-	-	-	-	-	-	-	-	-	-	-	4,255,000	4,255,000	10.59
\$417,921,853			\$120,000,000		\$108,975,682	\$ 0	\$108,975,682	\$228,975,682	\$15,000,000		\$5,563,677	\$20,563,677	\$531,623,646		\$1,199,084,859		

\$120,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.37 YEARS
NET INTEREST RATE	3.201%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$6,542,162

\$15,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	12.63 YEARS
NET INTEREST RATE	2.936%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$934,713

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$31,554,865

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. The interest rate subsidy is based on a level repayment schedule. If the repayment schedule is considered non-level, the interest rate subsidy may be reduced.

Budget Items	Previous WIF L080043	Previous SWIFT LB15002, LD15002, LB191038 & LB211039	This Commitment		Local and Other Funds	Total
			SWIFT LD201177	SWIFT LB201178, LB211178, LB221178 & LB231178		
Construction						
Construction	\$0.00	\$0.00	\$0.00	\$350,990,720.00	\$53,642,143.00	\$404,632,863.00
Subtotal for Construction	\$0.00	\$0.00	\$0.00	\$350,990,720.00	\$53,642,143.00	\$404,632,863.00
Basic Engineering Services						
Construction Engineering	\$0.00	\$0.00	\$4,935,803.00	\$0.00	\$0.00	\$4,935,803.00
Design	\$0.00	\$3,927,876.00	\$6,297,776.00	\$0.00	\$0.00	\$10,225,652.00
Planning	\$2,044,255.00	\$18,881,048.00	\$0.00	\$0.00	\$0.00	\$20,925,303.00
Subtotal for Basic Engineering	\$2,044,255.00	\$22,808,924.00	\$11,233,579.00	\$0.00	\$0.00	\$36,086,758.00
Special Services						
Environmental	\$2,300,000.00	\$990,686.00	\$0.00	\$0.00	\$0.00	\$3,290,686.00
Geotechnical	\$55,090.00	\$204,366.00	\$375,000.00	\$0.00	\$0.00	\$634,456.00
Pilot Testing	\$0.00	\$153,274.00	\$0.00	\$0.00	\$0.00	\$153,274.00
Permits	\$1,237,640.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,237,640.00
Project Management (by engineer)	\$800,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$800,000.00
Special Service Other	\$200,000.00	\$350.00	\$0.00	\$0.00	\$0.00	\$200,350.00
Surveying	\$0.00	\$3,374,555.00	\$1,295,313.00	\$0.00	\$0.00	\$4,669,868.00
Subtotal for Special Services	\$4,592,730.00	\$4,723,231.00	\$1,670,313.00	\$0.00	\$0.00	\$10,986,274.00
Fiscal Services						
Bond Counsel	\$50,750.00	\$100,000.00	\$67,500.00	\$758,000.00	\$0.00	\$976,250.00
Financial Advisor	\$34,250.00	\$57,650.00	\$40,000.00	\$503,000.00	\$0.00	\$634,900.00
Issuance Costs	\$78,410.00	\$33,900.00	\$16,950.00	\$67,800.00	\$0.00	\$197,060.00
Subtotal for Fiscal Services	\$163,410.00	\$191,550.00	\$124,450.00	\$1,328,800.00	\$0.00	\$1,808,210.00
Other						
Administration	\$203,000.00	\$6,717,798.00	\$255,370.00	\$5,880,480.00	\$895,328.00	\$13,951,976.00
Land/Easements Acquisition	\$1,200,000.00	\$51,502,800.00	\$0.00	\$0.00	\$0.00	\$52,702,800.00
Project Legal Expenses	\$750,000.00	\$1,951,023.00	\$216,288.00	\$0.00	\$0.00	\$2,917,311.00
Subtotal for Other	\$2,153,000.00	\$60,171,621.00	\$471,658.00	\$5,880,480.00	\$895,328.00	\$69,572,087.00
Contingency						
Contingency	\$1,446,605.00	\$2,284,674.00	\$1,500,000.00	\$39,800,000.00	\$6,059,719.00	\$51,090,998.00
Subtotal for Contingency	\$1,446,605.00	\$2,284,674.00	\$1,500,000.00	\$39,800,000.00	\$6,059,719.00	\$51,090,998.00
Total	\$10,400,000.00	\$90,180,000.00	\$15,000,000.00	\$398,000,000.00	\$60,597,190.00	\$574,177,190.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FROM UPPER TRINITY REGIONAL WATER DISTRICT
TO INCREASE THE WATER DEVELOPMENT BOARD'S INTEREST IN
THE LAKE RALPH HALL RESERVOIR
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

(20 -__)

WHEREAS, 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; and

WHEREAS, at its July 23, 2015 meeting, the TWDB, by TWDB Resolution No.15-089A (Resolution), made a commitment to the District to acquire and sell an ownership interest in the Project, not to exceed eighty percent (80%) of the total Project cost, in an amount not to exceed \$15,565,000 from the Board Participation Account of the SWIRFT, all as is more specifically set forth in the Resolution and accompanying documentation, to which documents express reference is made; and

WHEREAS, the TWDB and the District executed a Master Agreement on October 1, 2015, that set forth the duties responsibilities, and liabilities of the TWDB and the District with regard to the Board Participation commitment; and

WHEREAS, at its July 22, 2019 meeting, the TWDB by TWDB Resolution No. 19-074, made a further commitment to the District to increase the TWDB's ownership interest in the Project in an amount not to exceed \$61,065,000 or eighty percent (80%) of the then total Project cost;

WHEREAS, the Project is now expected to cost \$574,177,190 and the District has requested that the TWDB amend TWDB Resolution No. 15-089A, as amended by TWDB Resolution No. 19-074, to increase the TWDB's ownership interest in the Project, by \$398,000,000 for a total TWDB ownership interest of \$459,065,000, or eighty percent (80%) of the total Project cost; and

WHEREAS, 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 amended between the District and the TWDB; and

WHEREAS, the District has offered a pledge of a subordinate lien on system revenue as sufficient security for its obligation to purchase the TWDB's interest in the Project; and

WHEREAS, the TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project; and

WHEREAS, the Project will aid in addressing the long-term needs and develop a municipal water supply reservoir for the growing District service area; 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. 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. the current water audit has been completed by the District and filed with the TWDB in accordance with Texas Water Code § 16.0121 and 31 TAC § 358.6;
9. amending the Resolution and the terms of the Master Agreement is reasonable and that request in in the public interest and will serve a public purpose; and

10. that in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law.

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 Lake Ralph Hall Reservoir, 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 \$398,000,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a) \$120,000,000 Board Participation, to expire on December 31, 2020;
 - b) \$120,000,000 Board Participation to expire on December 31, 2021;
 - c) \$110,000,000 Board Participation to expire on December 31, 2022;
 - d) \$48,000,000 Board Participation to expire on December 31, 2023; and
2. the Executive Administrator is authorized to negotiate and execute an amendment to the Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the District.
3. All other terms and conditions of TWDB Resolution 15-089A as amended by TWDB Resolution No. 19-074, shall apply and remain in full force and effect.

Such commitment is further conditioned as follows:

1. 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;
2. 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;
3. 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;
4. 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;

5. 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;
6. 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;
7. the Master Agreement must require that the District covenants to establish, fix and maintain rates and charges to its customers that will produce revenues not less than the amounts required:
 - a. to pay the Operation and Maintenance Expenses of the System;
 - b. to pay debt service on all of the District's Prior Lien Revenue Bonds; and
 - c. to provide sufficient funds on a timely basis to enable the purchase of the TWDB's interest in the Project in accordance with the terms and Schedules provided for in this Agreement and, specifically, to provide for amortization of any bonds that may be issued for such purchase by the District in the future.
8. the Master Agreement must require that the provisions of the Master Agreement relating to the District's revenues are subject to the provisions regarding the District's revenues in the District's resolutions authorizing the District's Prior Lien Revenue Bonds; and
9. prior to 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.

APPROVED and ordered of record this the 5th day of August, 2020.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION NO. 15-089B
TO PROVIDE FINANCIAL ASSISTANCE TO
THE UPPER TRINITY REGIONAL WATER DISTRICT
IN THE AMOUNT OF \$15,000,000
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

(20 - __)

WHEREAS, at its July 23, 2015 meeting, the Texas Water Development Board (TWDB), by TWDB Resolution No. 15-089B, made a multi-year commitment to the Upper Trinity Regional Water District (District) for financial assistance in the amount of \$29,115,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), through the purchase of \$29,115,000 Upper Trinity Regional Water District, Upper Trinity Regional Water Supply System Revenue Bonds, Proposed Series 2015A, all as is more specifically set forth in the TWDB's Resolution No. 15-089B, as amended by TWDB Resolution No. 15-131; and

WHEREAS, at its October 28, 2015 meeting, the TWDB by Resolution No. 15-131, amended TWDB Resolution No. 15-089(B) to provide additional financial assistance to the District;

WHEREAS, the District seeks an amendment to TWDB Resolution No. 15-089B, as amended by TWDB Resolution No. 15-131, for additional financial assistance for Project No. 51001 through the TWDB's proposed purchase of \$15,000,000 Upper Trinity Regional Water District, Upper Trinity Regional Water Supply System Revenue Bonds, Proposed Series 2020B; and

WHEREAS, the TWDB hereby finds that the amendments to the term of this loan are reasonable and that the request is in the public interest and will serve a public purpose; and

WHEREAS, in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law;

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

1. a commitment is made by the TWDB to the Upper Trinity Regional Water District for financial assistance in the amount of \$15,000,000 from the State Water Implementation Revenue Fund for Texas, through the purchase of \$15,000,000 Upper Trinity Regional Water District, Upper Trinity Regional Water Supply System

Revenue Bonds, Proposed Series 2020B. This commitment will expire on December 31, 2020; and

2. All other terms and conditions of TWDB Resolution No. 15-089B, as amended by TWDB Resolution No. 15-131, shall remain in full force and effect.

APPROVED and ordered of record this the 5th day of August, 2020.

TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

**A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION NO. 15-089A AND
APPROVING AN APPLICATION FROM UPPER TRINITY REGIONAL WATER DISTRICT
TO INCREASE THE TEXAS WATER DEVELOPMENT BOARD'S INTEREST IN
THE LAKE RALPH HALL RESERVOIR
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS**

(19-074)

WHEREAS, the Upper Trinity Regional Water District (District) filed an application with the Texas Water Development Board (TWDB) requesting that the TWDB acquire an interest in the Lake Ralph Hall Reservoir, Project No. 51001 (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 State Water Implementation Revenue Fund for Texas (SWIRFT); and

WHEREAS, at its July 23, 2015 meeting, the TWDB, by TWDB Resolution No. 15-089A (Resolution), made a commitment to the District to acquire and sell an ownership interest in the Project, not to exceed eighty percent (80%) of the total Project cost, in an amount not to exceed \$15,565,000 from the Board Participation Account of the SWIRFT, all as is more specifically set forth in the Resolution and accompanying documentation, to which documents express reference is made; and

WHEREAS, the TWDB and the District executed a Master Agreement on October 1, 2015, that set forth the duties, responsibilities, and liabilities of the TWDB and the District with regard to the Board Participation commitment; and

WHEREAS, in its application, the District requested that the TWDB increase the TWDB's ownership interest in the Project, not to exceed eighty percent (80%) of the total Project cost, in the amount of \$45,500,000; and

WHEREAS, the Project is now expected to cost \$100,580,000, of which the TWDB's share, pursuant to this commitment, will not exceed \$61,065,000; and

WHEREAS, 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 the Master Agreement to be amended between the District and the TWDB; and

WHEREAS, the District has offered a pledge of a subordinate lien on system revenue as sufficient security for its obligation to purchase the TWDB's interest in the Project; and

WHEREAS, the TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project; and

WHEREAS, the Project will aid in addressing the long-term needs and develop a municipal water supply reservoir for the growing District service area; 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. 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 increasing its 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. 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);
9. the District satisfactorily completed all requests by the Executive Administrator or a regional 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)(2) and 31 TAC § 363.1309(b)(2); and

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);
11. amending the Resolution and the terms of the Master Agreement is reasonable and that the request is in the public interest and will serve a public purpose; and
12. that in accordance with the Texas Water Code, the TWDB has carefully considered all matters required by law.

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

1. The commitment made through TWDB Resolution No. 15-089A is amended to increase the TWDB's share of its ownership interest in the Lake Ralph Hall Reservoir, 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 \$45,500,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a) \$30,000,000 Board Participation, to expire on December 31, 2019;
 - b) \$15,500,000 Board Participation, to expire on December 31, 2021.
2. The Executive Administrator is authorized to negotiate and execute future amendments to the Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the District.
3. All other terms and conditions of TWDB Resolution No. 15-089A shall apply and remain in full force and effect.

Such commitment is further conditioned as follows:

1. 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;
2. 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;

3. the Master Agreement must require that the District covenants to establish, fix and maintain rates and charges to its customers that will produce revenues not less than the amounts required:
 - a. to pay the Operation and Maintenance Expenses of the System;
 - b. to pay debt service on all of the District's Prior Lien Revenue Bonds; and
 - c. to provide sufficient funds on a timely basis to enable the purchase of the TWDB's interest in the Project in accordance with the terms and Schedules provided for in this Agreement and, specifically, to provide for amortization of any bonds that may be issued for such purchase by the District in the future;
4. the Master Agreement must require that the provisions of the Master Agreement relating to the District's revenues are subject to the provisions regarding the District's revenues in the District's resolutions authorizing the District's Prior Lien Revenue Bonds;
5. 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 a 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; and
6. 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.

APPROVED and ordered of record this the 22nd day of July, 2019.



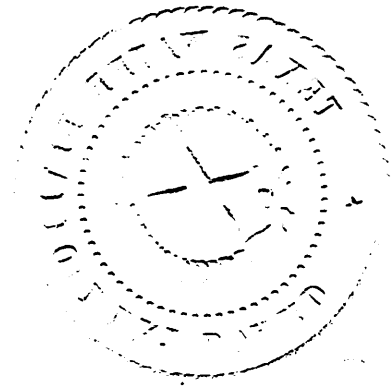
TEXAS WATER DEVELOPMENT BOARD

Peter M. Lake, Chairman

DATE SIGNED: 7/22/19

ATTEST:

Jeff Walker, Executive Administrator



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
LAKE RALPH HALL RESERVOIR
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR
TEXAS

(15-089A)

WHEREAS, 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; and

WHEREAS, the Upper Trinity Regional Water District (District), has filed an application with the TWDB requesting that TWDB acquire an interest in the Lake Ralph Hall Reservoir, Project No. 51001 (Project), not to exceed eighty percent (80%) of the total Project cost, in order to enable excess capacity for the optimum regional development of the Project, using the Board Participation Account from the SWIRFT; and

WHEREAS, the District will finance at least twenty percent (20%) of the total Project costs with proceeds other than proceeds from the Board Participation Account from the SWIRFT, in compliance with 31 TAC § 363.1308; and

WHEREAS, by separate Resolution the TWDB is considering a request from Upper Trinity Regional Water District for the TWDB to provide financial assistance through the TWDB's proposed purchase of \$29,115,000 Upper Regional Water District Regional Treated Water Supply System Revenue Project No. 51001; and

WHEREAS, the portion of the Project currently being funded by the TWDB is expected to cost \$44,680,000 of which the TWDB's share, pursuant to this commitment, will not exceed \$15,565,000; and

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

WHEREAS, the District has offered a pledge of a subordinate lien on system revenue as sufficient security for its obligation to purchase the TWDB's interest in the Project; and

WHEREAS, the TWDB has considered the long-term needs of the area, the costs of the Project, and the feasibility of the Project; and

WHEREAS, the Project will aid in addressing the long-term needs and develop a municipal water supply reservoir for the growing District service area; and

WHEREAS, the TWDB has carefully considered all matters required by law and in particular whether the project as set forth in the application meets the criteria provided by Texas Water Code § 15.434(b); and

WHEREAS, pursuant to 31 TAC 363.1308, the terms of the TWDB's ownership interest in the Project have been incorporated into a proposed Master Agreement that sets forth the responsibilities, duties and liabilities of each party and that is attached hereto as Attachment A; and

WHEREAS, the TWDB staff seeks the Board's approval of the terms of the proposed Master Agreement and consent to the execution of a Master Agreement with substantially similar terms; and

WHEREAS, the TWDB hereby finds that:

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. 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 in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code §

15.474(a);

8. that a water conservation plan, if required by Texas Water Code § 11.1271, has been submitted and implemented in accordance with 31 TAC § 363.1309(b)(1);
9. the District satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), Water Code, in accordance with Texas Water Code § 15.435(g)(2) and 31 TAC § 363.1309(b)(2);
10. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the District and filed with the TWDB in accordance with 31 TAC § 358.6; and
11. 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:

1. a commitment is made by the TWDB to acquire and sell an ownership interest in the Lake Ralph Hall, 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 \$15,565,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas. This commitment will expire on December 31, 2015; and
2. the Board approves the terms of the Master Agreement attached to this Resolution as Attachment A; and
3. the Executive Administrator is authorized to negotiate and execute the terms of a Master Agreement, in substantially the form attached hereto as Attachment A, 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;
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;

The Following Conditions Must Be Included in the Master Agreement:

5. the Master Agreement must contain a provision requiring the District to maintain rates and charges sufficient to meet the revenue requirements of the District's obligation to purchase the TWDB's interest in the Project;
6. 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;
7. loan 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;
8. loan 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 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;
9. the Master Agreement must include a provision stating that the District shall report to the TWDB the amounts of project funds, if any, which were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;

Revenue Pledge

10. the Master Agreement must set forth the District's pledged subordinate lien on system revenues to secure the District's obligation to purchase the TWDB's interest in the Project and require the District 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:

11. prior to 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;
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. prior to closing, the District and the TWDB will execute a Master Agreement which will set forth the responsibilities, duties and liabilities of each party;
14. prior to closing, and if not previously provided with the application, the District shall submit executed contracts for engineering, and, if applicable, financial advisor and legal 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. 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;

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

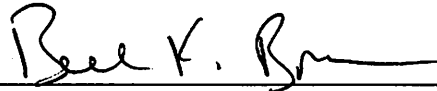
Special Conditions:

16. prior to release of funds for the purchase of land, the District will submit all necessary legal documentation for the purchase of the land, satisfactory in form and substance to the Executive Administrator;
17. prior to the release of funds for the purchase of land, the Executive Administrator must make a favorable environmental determination relating to the Project site;
18. 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;
19. the Master Agreement 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; and
20. the Master Agreement must contain a provision requiring the District to submit quarterly status reports on the progress of the project that details information requested by the Executive Administrator. The Executive Administrator may withhold authorization to release funds from escrow or adjust the amount of funds to be released from escrow

based on the receipt of the quarterly status reports and the projected quarterly needs for the project.

APPROVED and ordered of record this the 23rd day of July, 2015.

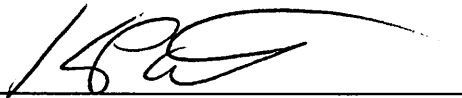
TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun, Chairman

DATE SIGNED: 7-23-15

ATTEST:



Kevin Patteson
Executive Administrator

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$44,680,000 TO THE UPPER TRINITY REGIONAL WATER DISTRICT
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$29,115,000 UPPER TRINITY REGIONAL WATER DISTRICT REGIONAL TREATED WATER
SUPPLY SYSTEM REVENUE BONDS
PROPOSED SERIES 2015A

(15-089B)

WHEREAS, the Upper Trinity Regional Water District, located in Denton County, Texas, (District) has filed an application for financial assistance in the amount of \$44,680,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT), to finance the planning, acquisition, and design of certain water supply project(s) identified as Project No. 51001; and

WHEREAS, the District seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$29,115,000 Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Proposed Series 2015A, (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, by separate Resolution the TWDB is considering a request from Upper Trinity Regional Water District for the TWDB to acquire an interest in the Lake Ralph Hall Reservoir under Project No. 51001 in an amount not to exceed \$15,565,000; and

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

WHEREAS, interest rate subsidies are available to the District at the following levels: 15% for loans of a term of 20 years or 0% for loans of a term longer than 20 years. The interest rate subsidy applicable to each proposed series will be set through each financing agreement executed between the TWDB and the District, pursuant to this Resolution; 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 in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a);
3. that the District satisfactorily completed any request by the Executive Administrator or a regional planning group for information relevant to the project, including a water infrastructure financing survey under Texas Water Code § 16.053(q), in accordance with 31 TAC § 363.1309(b)(2);

4. that the current water audit, if required by Texas Water Code § 16.0121, has been completed by the District and filed with the TWDB in accordance with 31 TAC § 358.6; and
5. 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 Upper Trinity Regional Water District for financial assistance from the State Water Implementation Revenue Fund for Texas, to be evidenced by the TWDB's proposed purchase of \$29,115,000, Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Proposed Series 2015A. This commitment will expire on December 31, 2015.

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 all of the requirements of the laws under which said Obligations were issued have been complied with; 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. the District shall use a paying agent/registrar in accordance with 31 TAC Section 363.42(c)(2), and shall require the paying agent/registrar to provide a copy, to the TWDB and to the TWDB's designated Trustee, of all receipts documenting debt service payments.

The Following Conditions Must Be Included in the Obligations:

6. the Obligations must provide that the Obligations can be called for early redemption only in inverse order of maturity, and 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;

7. 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;
8. the Obligations must contain a provision requiring the District to maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations;
9. the Obligations must include a provision requiring the District to use any loan proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the project for the following purposes as approved by the Executive Administrator: (1) deposit into the Interest and Sinking Fund or other debt service account for the payment of interest or principal on the Obligations owned by the TWDB; or (2) eligible project costs as authorized by the Executive Administrator;
10. 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;
11. loan 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;
12. loan 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;

13. 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;
14. 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 form in accordance with 31 TAC Section 363.42(c)(1);
15. the Obligations must include a provision prohibiting the District from using the proceeds of this loan in a manner that would cause the Obligations to become "private activity bonds" within the meaning of § 141 of the Internal Revenue Code of amended (Code) and the Treasury Regulations promulgated thereunder (Regulations);
16. the Obligations must provide that no portion of the proceeds of the loan 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 which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB's bonds that are issued to provide financing for the loan (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;
17. 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 loan 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 loan, 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 the making of the loan, and in order to induce the making of the loan 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;
- 18. 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;
 - 19. 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;
 - 20. 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;

Revenue Pledge

- 21. the Obligations must require the District to increase its Reserve Fund, if and to the extent necessary, so that the Fund will contain an amount of money and investments equal to the Required Reserve Amount. Any increase in the Required Reserve Amount may be funded from Pledged Revenues or from proceeds from the sale of any Additional Bonds, or any other available source or combination of sources. All or any part of the Required Reserve Amount not funded initially and immediately after the delivery of any installment or issue of Additional Bonds shall be funded, within not more than five years from the date of such delivery, by deposit of Pledged Revenues in approximately equal monthly installments on or before the 25th day of each month. The District shall maintain in the Reserve Fund an amount of money and investments equal to the average annual principal and interest requirements of the Parity Bonds (the "Required Reserve Amount");
- 22. if the District has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after any loan(s) made by the TWDB pursuant to this commitment, the Obligations must contain a provision providing that the lien or liens securing

the Obligations issued to the TWDB shall be at least on a parity with lien or liens securing such outstanding obligations;

23. the Obligations must contain a provision that the District issue no "Additional Bonds" unless:

(a) I. An independent certified public accountant, or independent firm of certified public accountants, acting by and through a certified public accountant, signs a written certificate to the effect that, in his or her or its opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period out of the 18-month period immediately preceding the month in which the resolution authorizing the issuance of the then proposed Additional Bonds is passed, the Pledged Revenues were at least 1.00 times an amount equal to the average annual principal and interest requirements of the Parity Bonds and any Additional Bonds which are scheduled to be outstanding after the delivery of the then proposed Additional Bonds. It is specifically provided, however, that in calculating the amount of Pledged Revenues for the purposes of this subsection, if there has been any increase in the rates or charges for services of the RTWS which is then in effect, but which was not in effect during all or any part of the entire period for which the Pledged Revenues are being calculated (hereinafter referred to as the "entire period") then the certified public accountant, or in lieu of the certified public accountant, a firm of consulting engineers, shall determine and certify the amount of Pledged Revenues as being the total of (i) the actual Pledged Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the RTWS during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

II. As an alternative to the requirements of paragraph I of this subsection, Additional Bonds may be issued if, based upon an opinion of legal counsel to the District, there are Treated Water Supply Contracts then in effect pursuant to which the parties to such Treated Water Supply Contracts are obligated to make minimum payments to the District at such times and in such amounts as shall be necessary to result in Pledged Revenues being sufficient to pay when due all principal of and interest on the Parity Bonds and the Additional Bonds proposed to be issued.

(b) Provision shall be made in the resolution authorizing the issuance of such Additional Bonds for increasing the Reserve Fund to the Required Reserve Amount as required by the bond resolution with proceeds of the Additional Bonds, or other available source or combination of sources including Pledged Revenues, or both.

(c) All calculations of average annual principal and interest requirements of any bonds or obligations made in connection with the issuance of any then proposed Additional Bonds shall be made as of the date of such Additional Bonds; and also in making calculations for such purpose, and for any other purpose under this Resolution, principal amounts of any bonds or obligations which must be redeemed prior to maturity pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal of such bonds or obligations.

24. the Obligations must contain a provision providing that the District issue no additional revenue bonds unless system revenues for the last completed fiscal year or a 12 consecutive calendar month period ending no more than 180 days preceding the adoption of additional bonds

resolution, shall have been not less than 1.0 times the average annual debt service requirements after giving effect to the additional bonds;

Conditions to Close or for Release of Funds:

25. prior to closing, the District shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges sufficient for the repayment of all system debt service requirements;
26. prior to release of funds for acquisition, design or construction for specific project elements, the environmental review must be completed and a favorable environmental finding must have been issued;
27. prior to closing, and if not previously provided with the application, the District shall 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;
28. 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;
29. 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;
30. prior to closing, the District's bond counsel must prepare a written opinion that also states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the District when rendering this opinion;
31. 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;
32. the transcript must include evidence that the information reporting requirements of § 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 § 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;

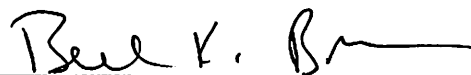
PROVIDED, however, the commitment is subject to the following special conditions:

Special Conditions:

33. 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 a project that proposes surface water or groundwater development, the Executive Administrator must either issue 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;
34. 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;
35. 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; and
36. the Obligations must contain a provision requiring the District to submit quarterly status reports on the progress of the project that details information requested by the Executive Administrator. The Executive Administrator may withhold authorization to release funds from escrow or adjust the amount of funds to be released from escrow based on the receipt of the quarterly status reports and the projected quarterly needs for the project.

APPROVED and ordered of record this, the 23rd day of July, 2015.


TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun, Chairman

DATE SIGNED: 7-23-15

ATTEST:



Kevin Patteson
Executive Administrator

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Attachment 9

Entity: _____

Review date: _____

WATER CONSERVATION PLAN DATE:	Approvable	Adopted
--------------------------------------	-------------------	----------------

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

WATER LOSS AUDIT YEAR:

Total water loss (GPCD): _____
 Total water loss (percent): _____
 Wholesale Water
 Total no. of connections: _____
 Length of mains (miles): _____
 Connections per mile: _____
 If > 16 connections per mile and > 3,000 connections, Infrastructure Leakage Index (ILI): _____

WATER LOSS THRESHOLDS:

	Apparent Loss Gallons per connection per day	Real Loss Gallons per mile per day	Real Loss Gallons per connection per day	Apparent Threshold Gallons per connection per day	Real Threshold Gallons per mile per day	Real Threshold Gallons per connection per day
If population ≤ 10K, connections/mile < 32 :			NA			NA
If population ≤ 10K, connections/mile ≥ 32 :		NA			NA	
If population > 10K :		NA			NA	

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 loss refers to unauthorized consumption, meter inaccuracy, billing adjustments, and waivers.

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 5,000 connections, average pressure greater than 35 psi, and a connection density of more than 32 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.

Produced water is the total amount of water purchased or produced by the utility.

Real loss comes from main breaks and leaks, storage tank overflows, customer service line breaks, and leaks.

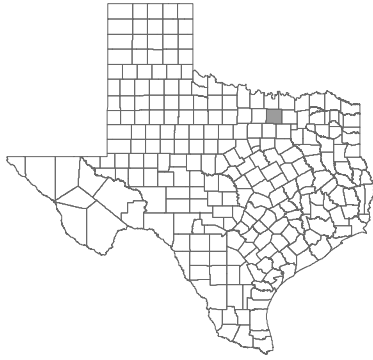
Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

Total baseline GPCD is the amount of all water purchased or produced by the utility divided by the service area population and then 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 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.



Upper Trinity Regional Water District Denton County

