

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 25, 2023

Team Manager: Nancy Richards

ACTION REQUESTED

Consider approving by resolution a request from the Brazos River Authority (Austin, Brazoria, Fort Bend, Galveston, and Harris counties) for \$50,000,000 in financial assistance consisting of \$16,470,000 in deferred financing and \$33,530,000 in low-interest financing from the State Water Implementation Revenue Fund for Texas for acquisition of land and water rights permits.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The Brazos River Authority (Authority) was created by the Texas Legislature to develop and manage water resources of the entire Brazos River Basin. The Authority provides wholesale water to approximately 2,424,465 customers along the 800-mile river. The Allens Creek off-channel reservoir has a long history dating back decades and was identified as a potential new water supply in "A Plan for meeting 1980 Water Requirements in Texas," published in 1961.

PROJECT NEED AND DESCRIPTION

The population in the lower Brazos River Basin is increasing rapidly, as is its water use. With groundwater use already regulated within Harris and Galveston counties to control subsidence, additional surface water supply is needed to meet the demand in the lower Brazos and San Jacinto river basins as well as adjoining coastal basins.

The Brazos River Authority (Authority) is requesting planning and acquisition funding for reimbursement of land and permitting costs for an off-channel reservoir located in Austin County that will provide an estimated 99,650 acre-feet per year firm yield that can be used for municipal, industrial, and irrigation purposes. During normal and high flow periods, water flows from the Brazos River will be diverted and impounded in the reservoir to create storage yield for subsequent use downstream. During periods of median to low flows, diversions will be limited by instream flow thresholds established to protect the environment and downstream water rights.

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

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 2, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	September 1, 2029
Design Phase Completion	September 1, 2032
Start of Construction	October 1, 2033
Construction Completion	October 1, 2044

KEY ISSUES

The Authority is requesting State Water Implementation Revenue Fund for Texas funding with the deferred repayment option for water rights permit reimbursement. The deferred option allows the applicant to defer payment of principal and interest up to eight years or until construction is complete. The Authority anticipates that construction of the project will be complete in 2044 and is requesting approximately 8 years of deferral with a 20-year repayment schedule.

Attachments

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

Financial Review

Brazos River Authority

Risk Score: 2A

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	Authority*:1.73%	State:1.49%
Top 10 Customers % of Total Revenue	66%	10-15%
Median Household Income as % of State	109%	100%
Days of Cash on Hand (3-year Average)	648 days	30-149 days
Net Fixed Assets/ Annual Depreciation	16 years	12-24 years
Debt Service Coverage Ratio	4.49x	1.1x
Debt-to-Operating Revenues	1.25	4.00-5.99x
Unemployment Rate (April, 2023)	Authority*:3.84%	State:3.70%
Working Capital Ratio	2.65	> 1.0

* The authority is comprised of Austin, Brazoria, Fort Bend, Galveston, and Harris counties.

Key Risk Score Strengths

- The Authority's positive cash balance ratio indicates an overall upward trend in funds, as reflected by the increase in cash balance from \$63,023,295 to \$78,215,466 over the past 5 years.
- A high working capital ratio provides the Authority with ample resources to cover short-term liabilities and shows a strong liquidity position.
- The Authority's days of cash on hand is above the benchmark, indicating that they can pay operating expenses with the cash available.
- Water system revenues are sufficient to cover both the existing and the proposed obligation.

Key Risk Score Concerns

- Top 10 customers make up 66 percent of total revenue; 22.3 percent of this figure comes from TXU Energy, Dow Chemical Company, and NRG Texas Power LLC, with the rest belonging to municipalities. Stress tests were performed where each entity's revenues were removed, and no rate increases were projected.

PLEDGE

Legal Pledge Name	Water Supply System Revenues
Type of Pledge	<input type="checkbox"/> Tax <input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Tax & Revenue <input type="checkbox"/> Contract <input type="checkbox"/> Other
Revenue Pledge Level	<input type="checkbox"/> First <input checked="" type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Authority could save approximately \$5,932,437.91 over the life of the deferred financing, and \$3,652,091.70 over the life of the low-interest financing.

Project Data Summary

Responsible Authority	Brazos River Authority
Program	SWIFT
Commitment Number	L1001662, LD1001664
Project Number	51081
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	Second Lien
Legal Description	\$33,530,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed New Series 2023B, \$16,470,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed New Series 2023C
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning and Acquisition
Pre-Design	No
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2A

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Nancy Richards	Kyle DuQuesnay	Lucia Loera	Britt Paredes	Annette Mass

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Brazos River Authority

\$16,470,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed New Series 2023C

Dated Date: 2/15/2032 Source: SWIFT-Deferred
 Delivery Date: 11/2/2023 IUP Year: 2023
 First Interest: 2/15/2032 Case: Revenues
 First Principal: 2/15/2032 Admin.Fee: \$0
 Last Principal: 2/15/2054 Admin. Fee Payment Date: N/A
 Fiscal Year End: 08/31 Required Coverage: 1.1

\$33,530,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed New Series 2023B

Dated Date: 11/2/2023 Source: SWIFT-LOW-30YR
 Delivery Date: 11/2/2023 IUP Year: 2023
 First Interest: 2/15/2024 Case: Revenues
 First Principal: 2/15/2024 Admin.Fee: \$0
 Last Principal: 2/15/2053 Admin. Fee Payment Date: N/A
 Fiscal Year End: 08/31 Required Coverage: 1.1

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$16,470,000 ISSUE				\$33,530,000 ISSUE				TOTAL DEBT SERVICE	ACTUAL COVERAGE
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	TOTAL PAYMENT		
2024	\$25,815,000	\$6,338,920	-	-	-	-	\$630,000	3.01%	\$909,660	\$1,539,660	\$7,878,580	3.28
2025	25,815,000	6,351,157	-	-	-	-	710,000	2.89%	1,140,003	1,850,003	8,201,160	3.15
2026	25,815,000	6,356,075	-	-	-	-	730,000	2.78%	1,119,597	1,849,597	8,205,672	3.15
2027	25,815,000	6,352,006	-	-	-	-	750,000	2.70%	1,099,325	1,849,325	8,201,330	3.15
2028	25,815,000	6,324,536	-	-	-	-	770,000	2.64%	1,079,036	1,849,036	8,173,571	3.16
2029	25,815,000	6,087,249	-	-	-	-	790,000	2.62%	1,058,523	1,848,523	7,935,771	3.25
2030	25,815,000	4,490,975	-	-	-	-	810,000	2.56%	1,037,806	1,847,806	6,338,781	4.07
2031	25,815,000	4,489,625	-	-	-	-	835,000	2.54%	1,016,833	1,851,833	6,341,458	4.07
2032	25,815,000	2,957,600	\$ 595,000	2.96%	343,529	938,529	855,000	2.55%	995,327	1,850,327	5,746,456	4.49
2033	25,815,000	1,283,731	460,000	3.01%	680,135	1,140,135	875,000	2.59%	973,095	1,848,095	4,271,961	6.04
2034	25,815,000	1,133,275	475,000	3.24%	665,517	1,140,517	900,000	2.79%	949,209	1,849,209	4,123,000	6.26
2035	25,815,000	1,138,200	490,000	3.47%	649,320	1,139,320	925,000	2.99%	922,825	1,847,825	4,125,345	6.26
2036	25,815,000	-	505,000	3.69%	631,501	1,136,501	955,000	3.18%	893,812	1,848,812	2,985,313	8.65
2037	25,815,000	-	525,000	3.90%	611,947	1,136,947	985,000	3.36%	862,079	1,847,079	2,984,026	8.65
2038	25,815,000	-	545,000	4.04%	590,700	1,135,700	1,020,000	3.48%	827,783	1,847,783	2,983,483	8.65
2039	25,815,000	-	570,000	4.13%	567,921	1,137,921	1,060,000	3.56%	791,167	1,851,167	2,989,088	8.64
2040	25,815,000	-	590,000	4.21%	543,731	1,133,731	1,095,000	3.62%	752,480	1,847,480	2,981,210	8.66
2041	25,815,000	-	615,000	4.26%	518,212	1,133,212	1,140,000	3.67%	711,741	1,851,741	2,984,953	8.65
2042	25,815,000	-	645,000	4.30%	491,245	1,136,245	1,180,000	3.70%	668,992	1,848,992	2,985,237	8.65
2043	25,815,000	-	670,000	4.34%	462,838	1,132,838	1,225,000	3.74%	624,255	1,849,255	2,982,093	8.66
2044	25,815,000	-	700,000	4.53%	432,444	1,132,444	1,275,000	3.90%	576,485	1,851,485	2,983,929	8.65
2045	25,815,000	-	735,000	4.53%	399,941	1,134,941	1,325,000	3.90%	525,785	1,850,785	2,985,726	8.65
2046	25,815,000	-	770,000	4.53%	365,853	1,135,853	1,375,000	3.90%	473,135	1,848,135	2,983,988	8.65
2047	25,815,000	-	805,000	4.53%	330,179	1,135,179	1,430,000	3.90%	418,437	1,848,437	2,983,616	8.65
2048	25,815,000	-	840,000	4.53%	292,920	1,132,920	1,490,000	3.90%	361,497	1,851,497	2,984,417	8.65
2049	25,815,000	-	880,000	4.60%	253,654	1,133,654	1,550,000	3.96%	301,752	1,851,752	2,985,406	8.65
2050	25,815,000	-	920,000	4.60%	212,254	1,132,254	1,610,000	3.96%	239,184	1,849,184	2,981,438	8.66
2051	25,815,000	-	965,000	4.60%	168,899	1,133,899	1,675,000	3.96%	174,141	1,849,141	2,983,040	8.65
2052	25,815,000	-	1,010,000	4.60%	123,474	1,133,474	1,745,000	3.96%	106,425	1,851,425	2,984,899	8.65
2053	25,815,000	-	1,055,000	4.60%	75,979	1,130,979	1,815,000	3.96%	35,937	1,850,937	2,981,916	8.66
2054	25,815,000	-	1,105,000	4.68%	25,857	1,130,857	-	-	-	-	1,130,857	22.83
		\$53,303,349	\$16,470,000		\$9,438,047	\$25,908,047	\$33,530,000		\$21,646,319	\$55,176,319	\$134,387,715	

\$16,470,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	12.73 YEARS
NET INTEREST RATE	4.502%
COST SAVINGS	\$5,932,438
AVERAGE ANNUAL REQUIREMENT	\$1,126,437

\$33,530,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	17.33 YEARS
NET INTEREST RATE	3.725%
COST SAVINGS	\$3,652,092
AVERAGE ANNUAL REQUIREMENT	\$1,839,211

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$4,335,088

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
 Brazos River Authority
 51081 - Allens Creek Reservoir

Budget Items	TWDB Funds	Total
Fiscal Services		
Bond Counsel	\$178,088.00	\$178,088.00
Bond Reserve Fund	\$3,042,704.00	\$3,042,704.00
Financial Advisor	\$145,000.00	\$145,000.00
Fiscal/Legal	\$34,000.00	\$34,000.00
Issuance Costs	\$28,000.00	\$28,000.00
Subtotal for Fiscal Services	\$3,427,792.00	\$3,427,792.00
Other		
Land/Easements Acquisition	\$31,000,000.00	\$31,000,000.00
Water Rights Purchase	\$15,000,000.00	\$15,000,000.00
Subtotal for Other	\$46,000,000.00	\$46,000,000.00
Contingency		
Contingency	\$572,208.00	\$572,208.00
Subtotal for Contingency	\$572,208.00	\$572,208.00
Total	\$50,000,000.00	\$50,000,000.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FOR FINANCIAL ASSISTANCE IN THE AMOUNT OF
\$50,000,000 TO BRAZOS RIVER AUTHORITY
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
THROUGH THE PROPOSED PURCHASE OF
\$33,530,000 BRAZOS RIVER AUTHORITY WATER SUPPLY SYSTEM REVENUE BONDS,
PROPOSED NEW SERIES 2023B
AND \$16,470,000 BRAZOS RIVER AUTHORITY WATER SUPPLY SYSTEM REVENUE BONDS,
PROPOSED NEW SERIES 2023C

(23-)

Recitals:

The Brazos River Authority (Authority), located in Austin, Brazoria, Fort Bend, Galveston, and Harris Counties, has filed an application for financial assistance in the amount of \$50,000,000 from the State Water Implementation Revenue Fund for Texas (SWIRFT) to finance the planning and acquisition of a water supply project identified as Project No. 51081 (Project).

The Authority seeks financial assistance from the Texas Water Development Board (TWDB) through the TWDB's proposed purchase of \$33,530,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed New Series 2023B and \$16,470,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed New Series 2023C (together with all authorizing documents "Obligations"), all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

The Authority has offered a pledge of a second lien on the net system revenue as sufficient security for the repayment of the Obligations.

Subject to the Authority's use of an approved debt service structure, interest rate subsidies are available to the Authority for State Fiscal Year 2023 for the \$33,530,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed Series 2023B at up to the following levels: 25% for financial assistance for a term of 20 years, 18% for financial assistance for a term of 21 to 25 years, and 14% for financial assistance for a term of 26 to 30 years.

Subject to the Authority's use of an approved debt service structure, the interest on and principal of the \$16,470,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed Series 2023C may be deferred for up to eight years.

The interest rate subsidies provided above are based on assumptions necessary to generate an optimum debt service structure for the anticipated TWDB SWIRFT bond issuance and are subject to modification as necessary to preserve and maintain the integrity of the SWIRFT Program.

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.
2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The Authority has submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
4. The Authority acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

NOW THEREFORE, based on these findings, the TWDB commits to the following:

The TWDB will provide financial assistance to Brazos River Authority in the amount of \$50,000,000 from the State Water Implementation Revenue Fund for Texas to be evidenced by the TWDB's proposed purchase of \$33,530,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed New Series 2023B and \$16,470,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed New Series 2023C. This commitment will expire on December 31, 2023.

The commitment is subject to the following:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the Authority has complied with all of the requirements of the laws under which the Obligations were issued, that the Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that the Obligations are valid and binding obligations of the Authority.
3. This commitment is contingent upon the Authority'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 Authority executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting the executed agreement to the TWDB consistent with the terms and conditions described in it.
5. Interest rate subsidies for non-level debt service structure are subject to adjustment by the Executive Administrator.
6. The Authority shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

Required Obligation Conditions:

7. The Obligations must provide that the Obligations can be called for early redemption on any date beginning on or after the first interest payment date that is 10 years from the dated date of the Obligations, at a redemption price of par, together with accrued interest to the date fixed for redemption.
8. The Obligations must provide that the Authority will comply with all applicable TWDB laws and rules related to the use of the financial assistance.
9. The Obligations must provide that the Authority must comply with all conditions as specified in the final environmental finding of the Executive Administrator when issued, including the standard emergency discovery conditions for threatened and endangered species and cultural resources.
10. The Obligations must contain a provision requiring the Authority to maintain insurance coverage sufficient to protect the TWDB's interest in the project.
11. The Obligations must include a provision wherein the Authority, 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 Authority's Obligations or obligated persons, will, at a minimum, regardless of the amount of the Obligations, covenant to comply with requirements for continuing disclosure on an ongoing basis substantially in the manner required by the Securities and Exchange Commission (SEC) in 17 CFR § 240.15c2-12 (Rule 15c2-12) and determined as if the TWDB were a Participating Underwriter within the meaning of SEC rule 15c2-12, the continuing disclosure undertaking being for the benefit of the TWDB and the beneficial owners of the Authority's Obligations, if the TWDB sells or otherwise transfers the Obligations, and the beneficial owners of the TWDB's bonds if the Authority is an obligated person with respect to the bonds under SEC Rule 15c2-12.

12. The Obligations must contain a provision requiring the Authority to levy a tax or maintain and collect sufficient rates and charges to produce system revenues in an amount necessary to meet the debt service requirements of all outstanding obligations and to maintain the funds established and required by the Obligations.
13. The Obligations must include a provision requiring the Authority to use any proceeds from the Obligations that are determined to be surplus proceeds remaining after completion of the Project and completion of a final accounting in a manner approved by the Executive Administrator.
14. The Obligations must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Obligations that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
15. Financial assistance proceeds are public funds and, as such, the Obligations must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
16. Financial assistance proceeds shall not be used by the Authority when sampling, testing, removing, or disposing of contaminated soils or media at the Project site. The Obligations shall include a provision that states the Authority is solely responsible for liability resulting from acts or omissions of the Authority, 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 Authority, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
17. The Obligations must include a provision stating that the Authority shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.
18. The Obligations must contain a provision that the TWDB will purchase the Obligations, acting through the TWDB's designated Trustee, and the Obligations shall be registered in the name of Cede & Co. and closed in book-entry-only form in accordance with 31 TAC § 363.42(c)(1).
19. The Obligations must provide that the Authority will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.

Tax-Exempt Conditions:

20. The Obligations must include a provision prohibiting the Authority from using the proceeds of this financial assistance in a manner that would cause the Obligations to become “private activity bonds” within the meaning of section 141 of the Internal Revenue Code as amended (Code) and the Treasury Regulations promulgated under it (Regulations).
21. The Obligations must provide that no portion of the proceeds of the financial assistance will be used, directly or indirectly, in a manner that would cause the Obligations to be “arbitrage bonds” within the meaning of section 148(a) of the Code and Regulations, including to acquire or to replace funds that were used, directly or indirectly, to acquire Nonpurpose Investments, as defined in the Code and Regulations, that produce a yield materially higher than the yield on the TWDB’s bonds issued to provide the financial assistance (Source Series Bonds), other than Nonpurpose Investments acquired with;
 - a. proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until the proceeds are needed for the facilities to be financed;
 - b. amounts invested in a bona fide debt service fund within the meaning of section 1.148-1(b) of the Regulations; and
 - c. amounts deposited in any reasonably required reserve or replacement fund to the extent the amounts do not exceed the lesser of maximum annual debt service on the Obligations, 125% of average annual debt service on the Obligations, or 10 percent of the stated principal amount (or, in the case of a discount, the issue price) of the Obligations.
22. The Obligations must include a provision that the Authority must take all necessary steps to comply with the requirement that amounts earned on the investment of gross proceeds of the Obligations be rebated to the federal government in order to satisfy the requirements of section 148 of the Code. The Obligations must provide that the Authority will:
 - a. account for all Gross Proceeds, as defined in the Code and Regulations, (including all receipts, expenditures, and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures, and investments thereof) and retain all records of the accounting for at least six years after the final Computation Date. The Authority may, however, to the extent permitted by law, commingle Gross Proceeds of its financial assistance with other money of the Authority, provided that the Authority separately accounts for each receipt and expenditure of the Gross Proceeds and the obligations acquired with the Gross Proceeds;

- b. calculate the Rebate Amount, as defined in the Code and Regulations, with respect to its financial assistance, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, section 1.148-3 of the Regulations, and the associated rulings. The Authority shall maintain a copy of the calculations for at least six years after the final Computation Date;
 - c. pay to the United States the amount described in paragraph (b) above within 30 days after each Computation Date as additional consideration for providing financial assistance and in order to induce providing financial assistance by measures designed to ensure the excludability of the interest on the TWDB's Source Series Bonds from the gross income of the owners of TWDB's Bonds for federal income tax purposes;
 - d. exercise reasonable diligence to ensure that no errors are made in the calculations required by paragraph (b) and, if an error is made, to discover and promptly correct the error within a reasonable amount of time, including payment to the United States of any interest and any penalty required by the Regulations.
23. The Obligations must include a provision prohibiting the Authority from taking any action that would cause the interest on the Obligations to be includable in gross income for federal income tax purposes.
24. The Obligations must provide that the Authority will not cause or permit the Obligations to be treated as "federally guaranteed" obligations within the meaning of section 149(b) of the Code.
25. The Obligations must contain a covenant that the Authority will refrain from using the proceeds of the Obligations to pay debt service on another issue of the borrower's obligations in contravention of section 149(d) of the Code (related to "advance refundings").
26. The Obligations must provide that neither the Authority nor a party related to it will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Obligations to be acquired from the Authority by the TWDB.

Pledge Conditions:

27. The \$33,530,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed Series 2023B must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal monthly installments over the initial twenty-four (24) months following the issuance of the Obligations. The \$16,470,000 Brazos River Authority Water Supply System Revenue Bonds, Proposed Series 2023C, must require the accumulation of a reserve fund of no less than average annual debt service requirements, to be accumulated in equal

monthly installments over twenty-four (24) months following the expiration of the deferral period.

28. If the Authority has existing revenue obligations with the same pledge of security as the proposed Obligations that will remain outstanding after the term of any financial assistance provided 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 the outstanding obligations.
29. The Obligations must contain a provision providing that additional revenue obligations may only be incurred if net system revenues are at least 1.10 times the average annual debt service requirements after giving effect to the additional obligations when net revenues are determined from the last completed fiscal year or a 12 consecutive calendar month period ending not more than ninety (90) days preceding the adoption of the additional obligations as certified by a certified public accountant.

Conditions To Close Or For Release Of Funds:

30. Before closing, the Authority shall submit documentation evidencing the adoption and implementation of sufficient system rates and charges or, if applicable, the levy of an interest and sinking tax rate sufficient for the repayment of all system debt service requirements.
31. Before closing, if not previously provided with the application, the Authority shall submit executed contracts for financial advisor and bond counsel for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
32. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the Authority shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.
33. Before closing, the Authority shall provide certification that the average weighted maturity of the Obligations purchased by the TWDB does not exceed 120% of the average reasonably expected economic life of the Project.
34. Before closing, the Authority'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 Authority when rendering this opinion.

35. Before closing, the Authority's bond counsel must prepare a written opinion that states that the Obligations are not "private activity bonds." Bond counsel may rely on covenants and representations of the Authority when rendering this opinion.
36. The transcript must include a No Arbitrage Certificate or similar Federal Tax Certificate setting forth the Authority's reasonable expectations regarding the use, expenditure, and investment of the proceeds of the Obligations.
37. The transcript must include evidence that the information reporting requirements of section 149(e) of the Internal Revenue Code will be satisfied. This requirement may be satisfied by filing an IRS Form 8038 with the Internal Revenue Service. In addition, the applicable completed IRS Form 8038 or other evidence that the information reporting requirements of section 149(e) have been satisfied must be provided to the Executive Administrator within fourteen (14) days of closing. The Executive Administrator may withhold the release of funds for failure to comply.

APPROVED and ordered of record this, the 25th day of July 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.



Brazos River Authority Austin County

