

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 22, 2019

TEAM MANAGER: Luis Farias

APPLICANT	Upper Trinity Regional Water District
TYPE OF ASSISTANCE	\$30,000,000 Master Agreement \$15,500,000 Master Agreement
LEGAL PLEDGE	Subordinate Lien on Pledged Revenues of the Regional Treated Water System

STAFF RECOMMENDATION

☒ Approve ☐ No Action

ACTION REQUESTED

Approve by resolution a request from the Upper Trinity Regional Water District (Fannin, Collin, Cooke, Dallas, Denton, Grayson, and Wise Counties) to amend Texas Water Development Board Resolution No. 15-089A to authorize a \$45,500,000 increase in multi-year Board Participation financing from the State Water Implementation Revenue Fund for Texas for acquisition of land for the proposed Lake Ralph Hall reservoir.

PROJECT

Lake Ralph Hall Reservoir
Project Number 51001

BACKGROUND

Passed by the 83rd Legislature and approved by Texas voters through a constitutional amendment, the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT) were created to provide affordable, alternative financing options to develop projects that are recommended water management strategies in the State Water Plan. The program, referred to as SWIFT, provides financing through low interest loans, deferral of loan repayments, and incremental repurchase terms for projects with state ownership aspects. SWIFT projects presented for consideration have been scored and ranked utilizing a prioritization criteria outlined in Texas Administrative Code Title 31 § 363.1304 and are included on the prioritized list of projects approved by the Board on April 10, 2019.

The Lake Ralph Hall project is being proposed on the North Sulphur River in the Sulphur River Basin in Fannin County. The primary purpose of the project is to develop a municipal water supply reservoir for the growing Upper Trinity Regional Water District (District)

Multi-Year Commitment:	Expiration Date
\$30,000,000 Board Participation	December 31, 2019
\$15,500,000 Board Participation	December 31, 2021

service area. Lake Ralph Hall is one of the primary water management strategies identified in the Region C Water Plan needed to meet the projected 94,203 acre-feet per year water supply shortfall by 2060. Water supply from the project will be used to meet water demands within a portion of Fannin County that lies in the Sulphur River Basin and within the service area of the District.

In 2006, the District applied for a Section 404 permit from the United States Army Corps of Engineers (USACE) and in 2008, the USACE determined that an Environmental Impact Statement (EIS) would be required for the project. In March of 2008, the District received financial assistance from the Texas Water Development Board (TWDB) through the Water Infrastructure Fund (WIF) for planning, acquisition, and permitting of the reservoir project and in December of 2013, the District received a Texas Commission on Environmental Quality Water Rights Permit for the reservoir. The USACE released the draft EIS for public review and comment in October 2018, which ended December 2018. The EIS is being finalized by USACE and is expected to be released in July 2019 and the Record of Decision is estimated in January of 2020

In July 2015, the Texas Water Development Board approved \$44.7 million in funding from the SWIFT program for finalizing the permitting, preliminary design and land acquisition for the project. The District is now requesting additional SWIFT Board Participation funds to complete the land acquisition for the reservoir and raw water pipeline.

FINANCIAL

Key Issues

The District is primarily a wholesale water supplier and is composed of 23 member entities, including 19 towns and cities, Denton county, one utility authority, and three special districts. Approximately 47 percent of the District's total treated water system revenues are from the top two customers of the District. The largest customer of the treated water system is the Town of Flower Mound, representing 37 percent of total revenues.

Pledge and Repayment

The District has three sources of revenues, the regional treated water system, water reclamation system, and a non-potable water system. The District is pledging a subordinate lien on the pledged revenues of the treated water system for the repayment of the financing. Board Participation financings are governed by a Master Agreement, rather than bonds. The District's obligation to purchase the Board's interest in the board participation project is secured by the subordinate lien pledge, as was the initial Board commitment on this project.

The District currently charges \$1.09 per 1,000 gallons of treated water sold to the majority of its members. 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, which could result in higher payments for certain participants.

Utilizing a no-growth scenario for net system revenues, a rate increase is not needed to support the existing and proposed debt service requirements.

Internal Risk Score

Staff assigns a 2A to the City, and the proposed project to be funded by the Texas Water Development Board. This means that the City's payment capacity is strong.

The results of the District's financial sustainability indicators are strong. These more heavily weighted risk score indicators show the District's short-term and long-term ability to repay the debt. The revenue available for debt service provide a coverage ratio representing 1.31 times the current and proposed debt service in the first year of repayment. In addition, the District's level of reinvestment in the assets of the utility's infrastructure is high, with an asset condition ratio of 31 years. An asset condition ratio of 12 to 24 years is considered typical.

The District's socioeconomic indicators are better than the state overall. The population of the customers of the District has increased at an average annual rate of 2.56 percent since 2011, compared to an increase at an annual rate of 1.24 percent for the population of the state overall. The average median household income for all counties within the District is \$63,387 and is 11 percent higher than the state overall. The average, unadjusted, unemployment rate for counties within the District was 2.57 percent in April 2019, compared to 3 percent for the state overall.

The household cost factor compares the annual cost of water and wastewater services, including any anticipated rate increases required to pay the proposed debt, to the median household income for the service area. The District is a wholesale water supplier and therefore does not have a water and wastewater bill. Based on the average median household income and current average monthly water and sewer bill of the District's member cities, the current average household cost factor is 1.71 percent. The industry benchmark for the household cost factor is 2 percent for two services.

The District does not possess taxing authority, so all District debt is supported by the various water and wastewater system revenues. The District's self-supporting debt compared to operating revenues, including the proposed loans, is low at 5.22. A ratio of 4 to 6 is considered typical for utility systems.

The District's system maintains strong reserves with unrestricted cash and short-term investments of approximately 620 days of the operating expenses of the utility system. Any amount over 250 days is considered to be a very high level of liquidity.

The District demonstrates sound management through strong fiscal policies and contract provisions with their participating entities to ensure a stable and dependable revenue source. Additionally, the District maintains a five-year capital improvement plan. Furthermore, the District serves a strong and growing customer base in Northeast Texas. Based on these factors, the District is assigned a risk score of 2A.

LEGAL

Key Issues

Financing will be provided through amendments to the Master Agreement, which was executed on October 1, 2015. In the Master Agreement, the TWDB acquired an undivided interest in the Project as a whole. The TWDB will be increasing its ownership interest in the Project to 61 percent. All other conditions from the original commitment will continue to apply to the additional funding granted in the current Resolution.

Conditions

Standard Board Participation and tax-exempt conditions and all other terms and conditions of TWDB Resolution No. 15-098A shall remain in full force and effect.

Attachments: 1. Project Data Summary
2. Debt Service Schedule
3. Engineering/Environmental Review
4. Project Budget
5. Resolution (19-)
6. Resolution 15-098A
7. 2015 Master Agreement
8. Water Conservation Review
9. Location Map

Project Data Summary

Responsible Authority	Upper Trinity Regional Water District
Program	State Water Implementation Revenue Fund for Texas
Commitment Code	LB191038 LB211039
Project Number	51001
Intended Use Plan Year	N/A
Type of Pledge	7- Other pledge- Subordinate Lien Revenue
Revenue Pledge Level	Second
Legal Description	\$30,000,000 Master Agreement \$15,500,000 Master Agreement
Tax-exempt or Taxable	Tax-exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	N/A
Population	267,069
Rural	No
Water Connections	23 Wholesale Customers
Wastewater Connections	0
Qualifies as Disadvantaged	No
Disadvantaged Level	9
Clean Water State Revolving Fund Type	N/A
SWIFT Financing Type	Board Participation
SWIFT Characteristic	N/A
Financial Managerial & Technical Complete	N/A
Funding Phase Code	Acquisition
Pre-Design	No
Project Consistent with Water Plan	Yes
Water Conservation Plan	Adopted
Water Rights Certification Required	Yes
Internal Risk Score	2A
External Ratings (for SRF rates)	
Standard and Poor's	A+
Moody's	A2
Fitch	Non-Rated
Special Issues	Master Agreement Amendment

Project Team

Team Manager	Luis Farias
Financial Analyst	Hector Estrada
Engineering Reviewer	Joe Koen
Environmental Reviewer	Lauren Dill
Attorney	Ashley Nwonuma

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

Board Participation, Proposed Series 2019

Dated Date: 11/1/2019
Delivery Date: 11/1/2019
First Interest: 8/1/2020
First Principal: 8/1/2040
Last Principal: 8/1/2054
Fiscal Year End: 9/30
Required Coverage: 1.0

Source: SWIFT-PARTICIPATION

Rate: 3.82%
Insurance: N/A
Case: Revenues
Admin.Fee: \$ -
Admin. Fee Payment: N/A
Date:

Board Participation, Proposed Series 2021

Dated Date: 11/1/2021
Delivery Date: 11/1/2021
First Interest: 2/1/2022
First Principal: 8/1/2042
Last Principal: 8/1/2056
Fiscal Year End: 9/30
Required Coverage: 1.0

Source: SWIFT-PARTICIPATION

Rate: 3.87%
Insurance: N/A
Case: Revenues
Admin.Fee: \$ -
Admin. Fee Payment Date: N/A

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	***			\$30,000,000 ISSUE			DEFERRED INTEREST	INTEREST PAID	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	\$15,500,000 ISSUE			DEFERRED INTEREST	INTEREST PAYMENT	TOTAL PAYMENT	DEBT SERVICE	ACTUAL COVERAGE
		CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT	INTEREST	PAID						INTEREST PAYMENT	DEFERRED INTEREST	INTEREST PAYMENT					
2020	\$ 24,703,346	\$ 19,759,509	\$ -	-	\$ 854,548	\$ (854,548)	-	-	-	-	-	-	\$ -	\$ -	\$ -	\$ -	\$ 19,759,509	1.25		
2021	24,703,346	20,038,079	-	-	1,139,398	(1,139,398)	-	-	-	-	-	-	-	-	-	-	20,038,079	1.23		
2022	24,703,346	18,540,154	-	-	1,139,398	(1,139,398)	-	-	-	-	-	-	448,207	(448,207)	-	-	18,540,154	1.33		
2023	24,703,346	18,571,812	-	-	1,139,398	(911,518)	227,880	227,880	-	-	-	-	597,609	(597,609)	-	-	18,799,692	1.31		
2024	24,703,346	20,161,427	-	-	1,139,398	(911,518)	227,880	227,880	-	-	-	-	597,609	(537,848)	59,761	59,761	20,449,067	1.21		
2025	24,703,346	20,570,142	-	-	1,139,398	(797,578)	341,819	341,819	-	-	-	-	597,609	(478,087)	119,522	119,522	21,031,484	1.17		
2026	24,703,346	18,143,769	-	-	1,139,398	(683,639)	455,759	455,759	-	-	-	-	597,609	(448,207)	149,402	149,402	18,748,931	1.32		
2027	24,703,346	15,705,214	-	-	1,139,398	(512,729)	626,669	626,669	-	-	-	-	597,609	(388,446)	209,163	209,163	16,541,046	1.49		
2028	24,703,346	14,501,792	-	-	1,139,398	(341,819)	797,578	797,578	-	-	-	-	597,609	(313,745)	283,864	283,864	15,583,235	1.59		
2029	24,703,346	13,596,698	-	-	1,139,398	(170,910)	968,488	968,488	-	-	-	-	597,609	(224,103)	373,506	373,506	14,938,692	1.65		
2030	24,703,346	10,750,163	-	-	1,139,398	-	1,139,398	1,139,398	-	-	-	-	597,609	(134,462)	463,147	463,147	12,352,707	2.00		
2031	24,703,346	9,343,769	-	-	1,139,398	-	1,139,398	1,139,398	-	-	-	-	597,609	(44,821)	552,788	552,788	11,035,954	2.24		
2032	24,703,346	8,801,852	-	-	1,139,398	-	1,139,398	1,139,398	-	-	-	-	597,609	-	597,609	597,609	11,089,188	2.23		
2033	24,703,346	8,816,470	-	-	1,139,398	1,066,151	2,205,548	2,205,548	-	-	-	-	597,609	-	597,609	597,609	11,605,009	2.13		
2034	24,703,346	7,325,141	-	-	1,139,398	1,066,151	2,205,548	2,205,548	-	-	-	-	597,609	258,252	855,861	855,861	11,877,879	2.08		
2035	24,703,346	7,341,893	-	-	1,139,398	1,066,151	2,205,548	2,205,548	-	-	-	-	597,609	516,505	1,114,114	1,114,114	10,644,802	2.32		
2036	24,703,346	7,351,283	-	-	1,139,398	1,066,151	2,205,548	2,205,548	-	-	-	-	597,609	516,505	1,114,114	1,114,114	10,661,554	2.32		
2037	24,703,346	6,419,023	-	-	1,139,398	1,066,151	2,205,548	2,205,548	-	-	-	-	597,609	516,505	1,114,114	1,114,114	10,670,945	2.32		
2038	24,703,346	6,434,695	-	-	1,139,398	1,066,151	2,205,548	2,205,548	-	-	-	-	597,609	516,505	1,114,114	1,114,114	9,738,685	2.54		
2039	24,703,346	5,646,931	1,530,000	3.510%	1,139,398	-	1,139,398	2,669,398	-	-	-	-	597,609	516,505	1,114,114	1,114,114	9,430,442	2.62		
2040	24,703,346	5,651,745	1,585,000	3.570%	1,085,695	-	1,085,695	2,670,695	-	-	-	-	597,609	258,252	855,861	855,861	9,178,301	2.69		
2042	24,703,346	5,658,578	1,640,000	3.620%	1,029,110	-	1,029,110	2,669,110	715,000	3.620%	-	-	597,609	-	597,609	1,312,609	9,640,297	2.56		
2043	24,703,346	5,068,954	1,700,000	3.670%	969,742	-	969,742	2,669,742	750,000	3.670%	-	-	571,726	-	571,726	1,321,726	9,060,422	2.73		
2044	24,703,346	4,657,125	1,765,000	3.700%	907,352	-	907,352	2,672,352	790,000	3.700%	-	-	544,201	-	544,201	1,334,201	8,663,678	2.85		
2045	24,703,346	3,416,502	1,830,000	3.730%	842,047	-	842,047	2,672,047	825,000	3.730%	-	-	514,971	-	514,971	1,339,971	7,428,520	3.33		
2046	24,703,346	482,200	1,900,000	3.760%	773,788	-	773,788	2,673,788	870,000	3.760%	-	-	484,199	-	484,199	1,354,199	4,510,187	5.48		
2047	24,703,346	486,450	1,970,000	3.790%	702,348	-	702,348	2,672,348	910,000	3.790%	-	-	451,487	-	451,487	1,361,487	4,520,285	5.46		
2048	24,703,346	-	2,045,000	3.820%	627,685	-	627,685	2,672,685	960,000	3.820%	-	-	416,998	-	416,998	1,376,998	4,049,683	6.10		
2049	24,703,346	-	2,120,000	3.840%	549,566	-	549,566	2,669,566	1,010,000	3.840%	-	-	380,326	-	380,326	1,390,326	4,059,892	6.08		
2050	24,703,346	-	2,205,000	3.900%	468,158	-	468,158	2,673,158	1,060,000	3.900%	-	-	341,542	-	341,542	1,401,542	4,074,700	6.06		
2051	24,703,346	-	2,290,000	3.910%	382,163	-	382,163	2,672,163	1,115,000	3.910%	-	-	300,202	-	300,202	1,415,202	4,087,365	6.04		
2052	24,703,346	-	2,380,000	3.930%	292,624	-	292,624	2,672,624	1,170,000	3.930%	-	-	256,605	-	256,605	1,426,605	4,099,229	6.03		
2053	24,703,346	-	2,470,000	3.940%	199,090	-	199,090	2,669,090	1,230,000	3.940%	-	-	210,624	-	210,624	1,440,624	4,109,714	6.01		
2054	24,703,346	-	2,570,000	3.960%	101,772	-	101,772	2,671,772	1,295,000	3.960%	-	-	162,162	-	162,162	1,457,162	4,128,934	5.98		
2055	24,703,346	-	-	-	-	-	-	-	1,365,000	3.960%	-	-	-	-	-	1,365,000	1,365,000	1,365,000	18.10	
2056	24,703,346	-	-	-	-	-	-	-	1,435,000	3.960%	-	-	-	-	-	1,435,000	1,435,000	1,435,000	17.21	
		\$ 292,593,551	\$ 30,000,000		\$ 32,573,638	\$ -	\$ 32,573,638	\$ 62,573,638	\$ 15,500,000		\$ 17,035,427	\$ -	\$ 0	\$ 17,035,427	\$ 32,535,427		\$ 387,702,615			

*** Current debt service includes 2019 and 2020 closings

\$30,000,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.44 YEARS
NET INTEREST RATE	3.818%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$1,787,818

\$15,500,000 ISSUANCE	
AVERAGE (MATURITY) LIFE	28.67 YEARS
NET INTEREST RATE	3.871%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$929,584

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$10,478,449

**Upper Trinity Regional WD
51001 Lake Ralph Hall Reservoir
Engineering and Environmental Review**

Engineering:

Key Issues:

This project is exempt from US Iron and Steel requirements due to receiving the original commitment for this project in 2015.

Project Need/Description

Project Need: The Upper Trinity Regional Water District (District) service area is one of the fastest growing regions of North Texas. The District provides treated water services on a wholesale basis to 23-member entities; 19 cities and towns, 1 utility authority, and 3 special districts. The District is projecting a shortfall of water supplies by the mid-2020's based on projected growth in the service area.

Project Description: The Lake Ralph Hall project is being proposed on the North Sulphur River in the Sulphur River Basin in Fannin County. The primary purpose of the project is to develop a municipal water supply reservoir for the growing Upper Trinity Regional Water District (District) service area. Lake Ralph Hall is one of the primary water management strategies identified in the Region C Water Plan needed to meet the projected 94,203 acre-feet per year water supply shortfall by 2060. Water supply from the project will be used to meet water demands within a portion of Fannin County that lies in the Sulphur River Basin and within the service area of the District.

The proposed lake will provide a firm yield of approximately 30 million gallons a day and the project boundaries will encompass approximately 15,500 acres, which includes 7,600 acres of reservoir surface size. Project elements will include an earthen dam, intake and pump station, a raw water transmission pipeline, a balancing reservoir, construction and relocation of state and county roads, environmental and cultural resources mitigation and reservoir and administrative support facilities. In 2015, the District received \$44.7 million in funding from the Texas Water Development Board for permitting, preliminary design and land acquisition for the project. This current funding request of \$45.5 million will allow the District to complete the land acquisition for the project including the raw water pipeline. Additional future funding requests are anticipated for detailed design and construction of Lake Ralph Hall and the associated project elements needed to connect to the District's existing water system.

Project Schedule:

Project Task	Schedule Date
Closing	11/1/2019
Engineering Feasibility Report Completion (End of Planning Phase)	1/3/2020
Design Phase Complete	1/3/2020
Start of Construction	6/5/2020
Construction Completion	6/1/2024

Environmental Section:

Key Issues:

None.

Environmental Summary:

As required by 31 Texas Administrative Code § 363.14, the environmental review of the proposed project has been completed. A Determination of No Effect was issued on November 10, 2016 to allow the release of acquisition funds for properties impacted by the construction of the proposed reservoir, including properties that may serve to meet mitigation requirements. The project must comply with the standard emergency discovery conditions for threatened and endangered species and cultural resources. Additional environmental review will be required prior to release of design and construction funds for the proposed project.



Project Budget Summary
Upper Trinity Regional WD
51001 - Lake Ralph Hall Reservoir

Budget Items	Previous WIF L080043	Previous SWIFT LB15002 & LD15002	This Commitment	Total TWDB Funds
Basic Engineering Services				
Design		\$9,927,876.00	\$0.00	\$9,927,876.00
Planning	\$2,044,255.00	\$13,031,048.00	\$0.00	\$15,075,303.00
Subtotal for Basic Engineering Services	\$2,044,255.00	\$22,958,924.00	\$0.00	\$25,003,179.00
Special Services				
Environmental	\$2,300,000.00	\$990,686.00	\$0.00	\$3,290,686.00
Geotechnical	\$55,090.00	\$204,366.00	\$0.00	\$259,456.00
Pilot Testing		\$153,274.00	\$0.00	\$153,274.00
Permits	\$1,237,640.00			\$1,237,640.00
Project Management (by engineer)	\$800,000.00			\$800,000.00
Special Service Other (Economic Studies/Culture Resources)	\$200,000.00			\$200,000.00
Surveying		\$637,355.00	\$2,890,000.00	\$3,527,355.00
Subtotal for Special Services	\$4,592,730.00	\$1,985,681.00	\$2,890,000.00	\$9,468,411.00
Fiscal Services				
Bond Counsel	\$50,750.00	\$0.00	\$164,525.00	\$215,275.00
Financial Advisor	\$34,250.00	\$0.00	\$97,217.00	\$131,467.00
Issuance Costs	\$78,410.00	\$0.00	\$33,900.00	\$112,310.00
Subtotal for Fiscal Services	\$163,410.00	\$0.00	\$295,642.00	\$459,052.00
Other				
Administration	\$203,000.00	\$2,823,440.00	\$3,894,358.00	\$6,920,798.00
Land/Easements Acquisition	\$1,200,000.00	\$14,150,000.00	\$37,200,000.00	\$52,550,000.00
Project Legal Expenses	\$750,000.00	\$581,023.00	\$1,220,000.00	\$2,551,023.00
Subtotal for Other	\$2,153,000.00	\$17,554,463.00	\$42,314,358.00	\$62,021,821.00
Contingency				
Contingency	\$1,446,605.00	\$2,180,932.00	\$0.00	\$3,627,537.00
Subtotal for Contingency	\$1,446,605.00	\$2,180,932.00	\$0.00	\$3,627,537.00
Total	\$10,400,000.00	\$44,680,000.00	\$45,500,000.00	\$100,580,000.00

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 - __)

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: _____

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:

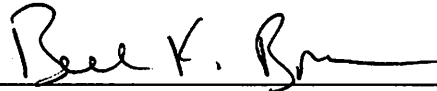
Special Conditions:

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.

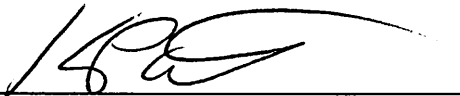
TEXAS WATER DEVELOPMENT BOARD



Bech K. Bruun, Chairman

DATE SIGNED: 7-23-15

ATTEST:



Kevin Patteson
Executive Administrator

**MASTER AGREEMENT
BETWEEN
TEXAS WATER DEVELOPMENT BOARD
AND
UPPER TRINITY REGIONAL WATER DISTRICT

REGARDING BOARD PARTICIPATION
IN LAKE RALPH HALL RESERVOIR
PROJECT NO. 51001**

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein is subject to change upon further review of the TWDB.

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MASTER AGREEMENT
BETWEEN
TEXAS WATER DEVELOPMENT BOARD
AND
UPPER TRINITY REGIONAL WATER DISTRICT

WHEREAS, the Texas Water Development Board, (the "TWDB"), a Texas agency created pursuant to Article 3, Section 49-c of the Texas Constitution, is authorized under the authority of § 15.435(c)(4), Water Code, and 31 Texas Administrative Code (TAC) §§ 363.1305 and 363.1308, to acquire, sell, transfer, and lease an interest in water supply projects using the Board Participation Program of the State Water Implementation Revenue Fund for Texas (SWIRFT) in order to encourage the optimum regional development of reservoirs and facilities for the transmission of water; and

WHEREAS, Upper Trinity Regional Water District ("District" or "UTRWD"), a conservation and reclamation District duly created pursuant to Article XVI, Section 59 of the Texas Constitution and lawfully operating under the District Act, is proposing to develop a new water supply project known as the Lake Ralph Hall Reservoir under Project No. 51001; and

WHEREAS, the Project will consist of << PROJECT DESCRIPTION >>; and

WHEREAS, the Project is a recommended water management strategy in the 20XX State Water Plan and in the 20XX Region "<< >>" Regional Water Plan; and

WHEREAS, at its meeting on July 23, 2015, the TWDB, through adoption of TWDB Resolution No. << RESOLUTION NO. >> (Attachment A, referred to herein as the Resolution), approved the District's application for the TWDB's participation in the Project in an amount up to \$15,565,000 from the Board Participation Program of the SWIRFT; and

WHEREAS, under 31 TAC § 363.1308, the District will finance at least twenty percent (20%) of the Project and the TWDB may finance up to eighty percent (80%) of the Project; and

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

WHEREAS, in the Resolution, the TWDB authorized the Executive Administrator to negotiate and execute a Master Agreement setting forth the duties, responsibilities and liabilities of the TWDB and the District; and

WHEREAS, this Master Agreement has been negotiated pursuant to the authority delegated to the Executive Administrator in the Resolution and is approved in substantially this form by the TWDB under the

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Resolution, subject to final terms approved by the Executive Administrator and is hereby entered into and executed between the TWDB and the District to authorize the TWDB's acquisition of an ownership interest in the Project and the subsequent purchase of the TWDB's ownership interest in such Project by the District.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, and in contemplation of and in accordance with the applicable laws of the State of Texas, the District, acting by and through its undersigned representatives as duly authorized by a resolution of its Board of Directors, and the TWDB, acting herein by and through its undersigned representative, as duly authorized by a TWDB Resolution, enter into this Agreement and mutually agree as follows:

ARTICLE 1. DEFINITIONS AND CONSTRUCTION

§1.1 DEFINITIONS. Words and phrases as used in this Agreement shall have the following meanings:

- (x) *"Additional Obligations"* means additional debt or other obligations for which the District pledges a parity lien on the same Pledged Revenues as pledged herein.
- (x) *"Agreement"* means this Master Agreement.
- (x) *"Application"* means the District's application to the TWDB for Board Participation under SWIRFT for TWDB Project No. 51011 together with all attachments and any amendments thereto.
- (x) *"Call Date"* means the date prior to which the District cannot purchase the TWDB's portion of the Project, as set forth in the Schedules.
- (x) *"Construction Fund"* means a separate account created under § 2.2 of this Agreement and maintained at the depository bank of the District for the purpose of paying and accounting for Project Costs, and into which any funds may be transferred either directly from the TWDB or from the Escrow Account pursuant to approval by the Executive Administrator. Funds in the Construction Fund may be used only for Project Costs or for the District's purchase of the TWDB's interest in the Project.
- (x) *"Construction Stage"* means that stage of the Project that involves the physical construction of the Project, including wells, pumping equipment, collection lines, storage facilities, transmission lines, and related appurtenances, and the rehabilitation of the existing well field infrastructure and related engineering and inspection fees.
- (x) *"Cost of Acquisition"* means the amount of funds deposited into the Construction Fund and/or the Escrow Account by the TWDB for the acquisition of an undivided interest in the Project.
- (x) *"Date of Acquisition"* means each date that TWDB delivers funds to the Construction Fund and/or the Escrow Account for the acquisition of an undivided interest in the Project.
- (x) *"Design Stage"* means that stage of the Project that involves the design of the Project and related

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engineering fees.

- (x) “*District*” means the Upper Trinity Regional Water District or its successors or assigns which succeed it as to any rights, powers or duties under this Agreement.
- (x) “*District Act*” means Chapter 1053, Acts of the 71st Legislature of Texas, Regular Session 1989, as amended pursuant to Article 16, Section 59 of the Texas Constitution;
- (x) “*Escrow*” means the TWDB’s transfer of funds to the Escrow Agent until such funds are authorized for release to the District by the Executive Administrator.
- (x) “*Escrow Account*” means the account created under this Agreement for the TWDB’s delivery of funds to be held in Escrow upon closing for the TWDB’s acquisition of an undivided interest in the Project. Funds in the Escrow Account may be used only for Project Costs or for the District’s purchase of the TWDB’s interest in the Project.
- (x) “*Escrow Agent*” means the third party appointed to hold the escrow funds until such funds are authorized for release to the District.
- (x) “*Event of Default*” means the non-performance or violation by the District of any obligation or provision in this Agreement if such non-performance or violation is not cured within 30 days after written notice by the TWDB to the District of the non-performance or violation.
- (x) “*Executive Administrator*” means the Executive Administrator of the TWDB.
- (x) “*Force Majeure*” means a failure or delay in a Party’s performance under this Agreement that is caused by acts of God, war, strike, fires, explosions, or other causes that are beyond the reasonable control of either Party and that by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of all reasonable due diligence, such Party is unable to overcome.
- (x) “*Operation and Maintenance Expenses*” - All reasonable and necessary current costs of operation and maintenance of the System including, but not limited to, repairs, operating personnel, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, paying agents fees, and any other supplies, services, administrative costs, and equipment necessary for the use or operation of any property, and payments made by the District in satisfaction of judgments or other liabilities resulting from claims not covered by Issuer’s insurance. Depreciation shall not be considered an item of Operation and Maintenance Expense.

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- (x) Parties or Party means the TWDB and the District and their authorized successors and assignees.
- (x) “*Planning Stage*” means that stage of the Project that involves the planning of the Project and related engineering fees.
- (x) “*Pledged Revenues*” means (i) the Net Revenues of the System and (ii) any additional revenues, income, receipts, or other resources, including without limitations, any grants, donations, or income received or to be received from the United States Government, or any other public or private sources, whether pursuant to an agreement or otherwise, which in the future may, at the option of the District, be pledged to the payment of the Subordinate Lien, as provided in Section 3.2 herein.
- (x) “*Prior Lien Revenue Obligations*” means all bonds, notes, or other obligations of the District whether now outstanding or hereafter issued, payable from and secured by a first lien on and pledge of the Pledged Revenues.
- (x) “*Project*” means the development of Lake Ralph Hall Reservoir, as described in the Application, including _____.
- (x) “*Project Costs*” means costs of the Project associated with its construction, bond issuance costs, and all other costs and expenditures which under standard principles of accounting would constitute a capital cost of the Project, including specifically but not limited to: the cost of engineering planning, design, supervision and inspection; the cost of testing laboratories and other professional services associated with construction of the Project; abstractors' costs; the cost of constructing the well field infrastructure; the cost of acquiring all lands and interests in land for the Project, including all costs associated with planning, design, and construction of the Projects. The term “Project Costs” does not include any capitalized interest, reserve funds or operational expenses.
- (x) “*Resolution*” has the meaning given to the term in the preamble to this Agreement.
- (x) “*Schedules*” means the payment schedule(s) attached hereto from time to time, which show the payments that the District is obligated to make in order to purchase the TWDB’s interest in the Project. Each Schedule is associated with the funds delivered by TWDB upon each Date of Acquisition. Such Schedules shall, at a minimum, detail the interest rate to be paid by the District, the TWDB’s source of funds, and the Call Date associated with the District’s purchase obligation.
- (x) “*Site Acquisition Stage*” means the initial stage of the Project involving (a) surveying, appraisal, title

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work, site assessment in preparation for acquisition of land and easements; (b) acquisition of title to the land and easements constituting the well field; and (c) environmental assessment for construction activities. The Site Acquisition Stage shall be deemed complete upon the District's acquisition in fee title of all of the land and easements needed for development of the well field. Construction of the well field infrastructure cannot commence until after the Site Acquisition Stage has been completed.

(x) "State" means the State of Texas.

(x) "Subordinate Lien on the Pledged Revenues of the System" means a lien on the Pledged Revenues of the System that is inferior only to the District's Prior Lien Revenue Obligations, such lien being the security interest pledged by the District to secure its obligations hereunder, including its obligation to purchase the TWDB's interest in the Project under the terms of this Agreement.

(x) "Surface Water Reservoir" means a reservoir site, subsequent construction of a dam and reservoir and associated works and structures for the diversion of water from the reservoir for use by Customers, resulting in impoundment therein of approximately _____ acre-feet of water. It is expressly understood by the TWDB and the District that the Project will be constructed in stages, defined in this Agreement as the Site Acquisition Stage and the Construction Stage.

(x) "System" - All of the District's existing water storage, treatment, transportation, distribution, and supply facilities, including all well fields, dams, reservoirs, and other properties, which heretofore have been acquired or constructed with the proceeds of all bonds or other obligations ever issued by the Issuer which have been payable from or secured by a lien on or pledge of any part of the Pledged Revenues of the System, or with revenues from the System, together with all future improvements, enlargements, extensions, and additions to any of the foregoing (and all future new facilities) acquired or constructed with the proceeds from the sale of any bonds or other obligations or any contingency fund therefor, or any water supply facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the District, and all repairs to or replacements of the System. The System does not include any facilities acquired or constructed by the District with any proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the District which are not issued as Additional Bonds under any of the District's bond resolutions, and which are payable from any source, contract, or revenues whatsoever other than

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the Net Revenues pledged by the District; and Special Facilities Bonds may be issued for any lawful purpose and made payable from any source, contract, or revenues whatsoever other than the Pledged Revenues pledged here by the District.

- (x) “TAC” means Texas Administrative Code.
- (x) “TCEQ” means the Texas Commission on Environmental Quality or any other board, commission or agency which succeeds it as to any rights, powers or duties under this Agreement.
- (x) “TWDB” means Texas Water Development Board or any other board, commission or agency which succeeds it as to any rights, powers or duties under this Agreement.
- (x) “TWDB Cost of Acquisition” means the total of the payments made by TWDB to the District for purchase of an undivided interest in the Project pursuant to this Agreement, less any purchases of TWDB's interest by the District.
- (x) “TWDB Rules” means the applicable rules and regulations of the TWDB set forth in Title 31 Texas Administrative Code Part 10.
- (x) “Water Permit” means the Permit to Appropriate State Water No. 5821, as amended, issued or deemed issued by TCEQ.

ARTICLE 2. BOARD PARTICIPATION

§2.1 TWDB ACQUISITION OF OWNERSHIP. The TWDB agrees to participate in this Project by acquiring an undivided interest of up to 80% of the Project as a whole, including all work performed and all properties and facilities acquired or constructed as part of the Project, not to exceed an amount of \$15,565,000, pursuant to the Resolution and this Agreement. The TWDB's undivided ownership interest in the Project will cost not more than \$15,565,000, to be allocated for the costs of the Planning Stage, Site Acquisition Stage, and the Design Stage, respectively, in any manner determined to be acceptable by the TWDB's Executive Administrator, in accordance with the provisions of this Agreement. If the costs of the Project exceed \$15,565,000, the TWDB may consider, in its sole discretion, providing additional funds if requested by the District in writing, and if the TWDB's Cost of Acquisition does not exceed 80% of the total Project, then then the TWDB and the Authority will amend this Master Agreement to evidence the increased Cost of Acquisition, the change in percentage of ownership, and to provide additional Schedules to reflect the Authority's obligation to purchase the TWDB increased ownership interest. For the purposes of this Agreement, it is expressly understood that the TWDB is purchasing an undivided interest, to the extent permitted by law, in the entire Project, including real estate purchased for site acquisition, facilities constructed for the well field infrastructure, and all related appurtenances and any structures of the Project.

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§2.2 ESCROW ACCOUNT AND CONSTRUCTION FUND. Prior to the delivery of TWDB funds, the District will create: (i) a Construction Fund; to be held by the District, and (ii) an Escrow Account under an escrow agreement approved by the Executive Administrator, to be held by the Escrow Agent. Funds in the Escrow Account and Construction Fund, including interest and investment earnings, are to be used only for Project Costs or for the District's purchase of the TWDB's interest in the Project. Funds in the Escrow Account may be released by the Escrow Agent only upon direction by the Executive Administrator.

The funds to be placed in the Construction Fund and the Escrow Account are public funds and, as such, these funds shall be held at a designated state depository institution or other properly chartered and authorized institution and managed in accordance with the Public Funds Investment Act, Chapter 2256, Government Code (the "PFLA"), and secured in accordance with the Public Funds Collateral Act, Chapter 2257, Government Code (the "PFCA").

§2.3 DELIVERY OF TWDB FUNDS. The TWDB shall deliver to the Construction Fund and/or the Escrow Account up to \$15,565,000 subject to the availability of funds and satisfactory documentation that the District has met all prerequisites for the delivery of TWDB funds under this Agreement, the TWDB's rules, and the Resolution authorizing TWDB participation in the Project. The Executive Administrator shall determine from time to time the amounts to be delivered to the Construction Fund and/or the Escrow Account as appropriate. The Executive Administrator, or his or her designee, shall authorize release of funds from the Escrow Account to the Construction Fund for the Planning Stage, Site Acquisition Stage, and Design Stage, as provided below, after the District has provided information, satisfactory to the Executive Administrator, that the funds are needed for eligible Project Costs. Upon each Date of Acquisition, Schedules shall be dated and signed by the TWDB's Executive Administrator and by a duly authorized representative of the District to indicate agreement, and such agreed Schedules shall be appended to and incorporated into this Agreement.

A. PLANNING STAGE: After completion of all prerequisites for the release of funds for work to be performed under the Planning Stage satisfactory to the Executive Administrator, including, but not limited to those in 31 TAC Chapter 363, the Executive Administrator shall either deliver to the Construction Fund or authorize the release of funds from the Escrow Account to the Construction Fund for the costs associated with the Planning Stage.

B. SITE ACQUISITION STAGE: After receipt of the surveying, appraisal, title work, and site assessment, the Executive Administrator shall cause funds to be delivered to the Construction Fund, either by direct transfer or by authorizing the release from the Escrow Account to the Construction Fund for the costs associated with the Site Acquisition Stage, including well field acquisition or reservoir site

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acquisition, surveying, and environmental assessment for the construction activities. Prior to the delivery of funds to the Construction Fund for the Site Acquisition Stage, the District must submit all necessary legal documentation for the purchase of the land, satisfactory in form and substance to the Executive Administrator, and the Executive Administrator must make a favorable environmental determination relating to the Site Acquisition Stage.

C. **DESIGN STAGE:** After completion of all prerequisites for the release of funds for work to be performed for the Design Stage satisfactory to the Executive Administrator, including, but not limited to those in 31 TAC Chapter 363, the Executive Administrator shall either deliver to the Construction Fund or authorize the release of funds from the Escrow Account to the Construction Fund for the costs associated with the Design Stage. Prior to the delivery of funds to the Construction Fund for the Design Stage, the Executive Administrator must make a favorable environmental determination relating to the Project.

§2.4 VESTING AND NATURE OF TWDB OWNERSHIP. Upon delivery of funds in any amount by the TWDB into the Construction Fund and/or the Escrow Account, there will be vested in the TWDB an undivided ownership interest in the Project along with the right to its use, as well as an undivided ownership right in all applicable operating permits with respect to the Project. The percentage of the TWDB's undivided ownership interest in the Project is initially set at ____% and shall remain at ____% until additional funding is provided under § 2.1 and this Master Agreement is amended or supplemented; or until all Stages of the Project are complete and final accounting is performed under § 2.5 of this Agreement; or upon a determination by the TWDB that the Project will not be completed, and a final accounting is performed under § 2.5 of this Agreement.

It is expressly understood that the TWDB is purchasing an undivided interest, to the extent permitted by law, in the entire Project, including real estate purchased by site acquisition, facilities constructed for the Project infrastructure, and all related appurtenances and any structures of the Project. TWDB's ownership interest in the Project does not provide the TWDB with any ownership right in the District's water permit. The TWDB's undivided interest in the Project shall include, but not be limited to, the right to develop, produce, and sell water from the Project to the extent of the amount of water in the TWDB's undivided interest, subject to the District's preferential right to purchase the TWDB's interest under § 3.8 of this Agreement. The District, upon request of the TWDB, will execute and record any conveyances and assignments which may be necessary to place title of the Project in the TWDB, with the exception that the District shall hold title to any land and facilities that are part of the Project in trust for the TWDB to the extent of the TWDB's interest in the Project.

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Upon written request of the TWDB, the District shall execute and record documents necessary to convey or assign title to the Project land and facilities to the extent of the TWDB's ownership interest in the Project. The District acknowledges that the TWDB's interest shall constitute an ownership interest whether or not the TWDB ever requires execution of any conveyance documents to evidence such interest. The TWDB's undivided interest with respect to Project's waters shall include, but not be limited to, the right to divert and sell water to the extent of the yield of such undivided interest in accordance with the Water Right Permit including the benefits of all other rights and privileges appurtenant to said Water Right Permit. The District shall hold title to any land or facilities acquired in trust for the TWDB to the extent of the TWDB's interest in the Project.

§2.5 CALCULATION OF TWDB OWNERSHIP INTEREST. The District shall provide TWDB a final accounting of all Project Costs within six (6) months of completion of all Stages of the Project and the issuance of a certificate of approval under 31 TAC § 363.55, or upon a determination by TWDB that the Project will not be completed. Upon the TWDB's approval of the final accounting, the TWDB's total undivided ownership interest in the Project shall be calculated by dividing the TWDB Cost of Acquisition by the Project Costs incurred on the Project to that point in time. If, at the time that the TWDB approves the final accounting, the calculation of the TWDB's ownership interest exceeds 80% , the District shall, within 30 days after the TWDB's approval of the final accounting, take all actions necessary to remit to the TWDB the amount necessary to reduce the TWDB's ownership interest to 80% of the total Project Cost. The TWDB shall have the right to determine the schedule and method by which the funds are remitted to the TWDB. Upon remittance, any Schedule and any lease payment schedule calculated pursuant to the terms of this Agreement shall be amended to reflect the remitted amount.

Upon the TWDB's approval of the final accounting and any actions taken to adjust the parties' ownership interest, the TWDB shall then own that percentage interest in the Project not to exceed 80%, and the District shall own the remainder, not less than 20%. Such ownership interests shall be documented in writing in **Attachment C** as agreed by both parties and made part of this Agreement for all purposes.

The use of each party's ownership in the Project shall be determined annually thereafter, based on the amount of water produced or transported by the Project, in accordance with §3.6 of this Agreement.

§2.6 TAX-EXEMPT ASSURANCES.

- A. The TWDB has identified the source of funds for its share of the Project Costs as the proceeds of tax-exempt obligations issued by the TWDB. As required by the Resolution, the District has provided a bond counsel opinion that is satisfactory and acceptable to the Executive Administrator of the TWDB as to any impact of the Project, or the use thereof and the District's payments under

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this Agreement (**Attachment B**) on the excludability of interest on obligations issued by the TWDB to fund their undivided interest in the Project from gross income of the owners of such obligations for federal income tax purposes. The District agrees to take such actions, including the execution and delivery of such certificates and agreements, as are necessary to assure, or to refrain from such actions as would materially adversely affect, such excludability from gross income, including, but not limited to: (1) the filing of a Form 8038-G in connection with the execution of this Agreement by the District in connection with the financing of the District's interest in the Project; and (2) the adoption of written procedures relating to arbitrage compliance, private business use and record retention.

- B. At each Date of Acquisition, the District must submit a bond counsel opinion that is satisfactory and acceptable to the Executive Administrator of the TWDB as to any impact of the Project, or the use thereof, and the District's payments under this Agreement on the tax-exempt status of TWDB bonds.
- C. To the extent that TWDB and the District use proceeds from tax-exempt obligations to finance all or a portion of their respective interests in the Project, the TWDB and the District hereby agree that the proceeds of their respective tax-exempt obligations will not be used in a manner that will cause the obligations to be "private activity bonds" or arbitrage bonds." In furtherance thereof, the District agrees to make timely payments of arbitrage rebate to the United States required to be made by section 148 of the Code.

ARTICLE 3. THE DISTRICT'S PURCHASE OBLIGATION

§3.1 PURCHASE BY UTRWD. The District will purchase TWDB's ownership interest in the Project at the earliest possible date, which date shall be not later than the date(s) established by the Schedule(s), so that the State may fully recover its investment therein.

§3.2 PLEDGE BY UTRWD.

- A. In order to secure its obligations hereunder, including the ultimate purchase by the District of 100% of the TWDB's ownership interest in the Project, under the authority of the District Act, Texas Water Code §49.108, and other applicable law, the District pledges and grants to the TWDB as security for the payments hereunder, a Subordinate Lien on the Pledged Revenues of the System in such amounts as may be necessary, when and as required by this Agreement, and the Schedules incorporated herein, to purchase the TWDB's ownership interest in the Project.
- B. The District agrees that it shall be unconditionally obligated to purchase 100% of the

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TWDB's interest in the Project with the Pledged Revenues regardless of whether or not the District actually acquires or completes the Project, or whether or not the District actually approves, purchases, receives, accepts, or uses the Project; and such purchase shall not be subject to any abatement, set-off, recoupment, or counterclaim. The TWDB shall be entitled to rely on this Agreement and representation, notwithstanding any provision of this Agreement or any other contract or agreement to the contrary, and regardless of the validity of, or the performance of, the remainder of this Agreement or any other contract or agreement.

C. The Obligations of the District under this Agreement shall be a special limited obligation of the District, payable from the sources described herein, and shall be enforceable as provided under this Agreement.

D. The Pledged Revenues from the District may not be pledged to the payment of any Additional Obligations of the District 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.

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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.

E. The District covenants to establish, fix and maintain rates and charges to its customers that will produce revenues not less than the amounts required:

- (1) to pay the Operation and Maintenance Expenses of the System;
- (2) to pay debt service on all of the District's Prior Lien Revenue Obligations; and
- (3) 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.

§3.3 PRICE OF SALE TO UTRWD. The TWDB agrees to sell its ownership interest to the District at the following price, to-wit: the sum of the TWDB Cost of Acquisition plus an amount of interest calculated by multiplying the lending rate in effect at the Date of Acquisition (and identified on the Schedules) by the amount of TWDB money disbursed for the acquisition times the number of years and fraction of a year from the date or

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dates of purchase or acquisition to the date or dates of the sale or transfer of any portion of TWDB's ownership interest in the Project to the District, plus TWDB's cost, if any, of operating and maintaining the Project from the Date of Acquisition to the date of such purchase by the District, less any payments received by the TWDB from the lease of the Project or sale of water or capacity therefrom.

The District shall assume at the time of purchase, to the extent disclosed by the TWDB at or prior to the sale, any and all direct, conditional, or contingent liabilities of the TWDB attributed to the Project in direct relation to the percentage of the Project acquired.

For purposes of this section, the dates of sale to the District shall be the dates on which the District provides payment to TWDB to acquire part or all of the TWDB's ownership interest in the Project. After all principal and accrued interest under the Schedules have been paid, the District's scheduled payments of principal under the Schedules or the District's partial purchases of TWDB's ownership interest made pursuant to §3.4 or §3.5 of this Agreement shall constitute the purchase of a proportion of the TWDB's ownership interest, such proportion to be calculated by dividing such principal payment by the TWDB Cost of Acquisition, provided the District also pays the same proportion of the TWDB's cost of operating and maintaining the Project to the date of each purchase. The lending rate in effect at each Date of Acquisition shall be based upon the TWDB's methodology, established by rule, for computing such rates. Interest will accrue on outstanding principal based upon simple interest rate calculation on a basis of a 360-day year consisting of twelve (12) 30-day months.

§3.4 SCHEDULE OF UTRWD PAYMENTS. The District agrees to purchase the TWDB's ownership interest in the Project beginning with the first scheduled principal payment and in accordance with all subsequent scheduled principal payments on the Schedules attached to this Agreement as **Attachment C** and any revisions made thereto pursuant to this Agreement. The District shall wire all payments to the TWDB in accordance with the Schedules, without the need for an invoice and at no cost to the TWDB, to the following:

TEXAS COMPT - AUSTIN
ABA# 114900164
BNF = ACCT#463-6005-80
ATTN: TWDB - _____

The District also agrees to make scheduled interest payments prior to the first scheduled principal payments as provided on the Schedules, and any revisions thereto pursuant this Agreement.

In exchange for having a preferential right to purchase the TWDB's ownership interest in the Project, the District agrees to pay all deferred interest and accrued interest attributed to the Project prior to the District's purchase of any ownership interest.

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§3.5 EARLY PURCHASE BY UTRWD. The District shall have the right, the Schedules notwithstanding, to make an early purchase of all or a portion of the TWDB's ownership interest reflected in the Schedules on or after the Call Date specified in each Schedule by making principal payments in excess of the scheduled principal payments in the Schedules. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator. Early purchases under this section by the District must be made in minimum increments of \$5,000 principal amounts under any Schedule. Any partial early purchase will be applied in inverse order to the Schedules.

§3.6 LEASE OR PURCHASE UPON UTRWD'S USE OF TWDB OWNERSHIP.

- A. **DETERMINATION OF UTRWD USE OF TWDB OWNERSHIP.** The District shall report to the TWDB by March 1 of each year the District's actual use of the Project's capacity for each calendar year, beginning upon the TWDB's approval of the final accounting under § 2.5 herein, in the format included herein as **Attachment D**. This report shall be submitted to:

Texas Water Development Board
Attn: Financial Monitoring
P.O. Box 13231
Austin, Texas 78711-3231

The District shall be considered to be using a portion of the TWDB's ownership interest in the Project when the District's cumulative use of water from the Project OR transportation of water by the Project exceeds the District's interest shown on Attachment C in acre-feet per year, as determined under § 2.5 of this Agreement.

The usage OR transportation of water shall be calculated as the combined flow of all water produced from the Project and metered by the District with water meters installed at each well or at other locations acceptable to the Executive Administrator as may be necessary to accurately determine water produced from the Project. The water meters and water meter readings shall be accessible to the TWDB at all times. A minimum number of water meter readings will be made by the District as mutually agreed to by TWDB and the District. It shall be the responsibility of the District to ensure that such meters are installed prior to delivery of water from the Project and to monitor the accuracy of the meters at a minimum on an annual basis. If at any time the accuracy of the metering equipment is more than two percent (2%) in error, the District will, as soon as possible, correct the inaccuracy. Adjustments in the quantity of water measured during the period when the meters were not accurately measuring the quantity of water delivered, if such

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period can be determined, shall be agreed to by authorized representatives of UTRWD and the TWDB.

- B. **METHOD OF UTRWD'S LEASE OR PURCHASE OF TWDB INTEREST.** In the event the District begins using any portion of the TWDB's ownership interest in the Project, either prior to or after any Call Date, the District will, at the TWDB's option, either: (1) lease from TWDB that portion of the TWDB's ownership interest that the District is using; or (2) upon approval of TWDB, issue revenue bonds to the TWDB as consideration to purchase that portion of the TWDB's ownership interest that the District is using; or (3) purchase the TWDB's ownership interest with money. The sales price of any of TWDB's ownership interest under this Section shall be determined in accordance with §3.3 of this Agreement.
- C. **PROVISIONS RELATING TO PURCHASE USING REVENUE BONDS AS CONSIDERATION.** If the District issues revenue bonds to be purchased by the TWDB as consideration to purchase all or a part of the TWDB's ownership interest in the Project in accordance with Section 15.435(c)(4), the principal amount of the revenue bonds shall be equal to the price for purchasing all or a portion of such ownership interest. The revenue bonds must be non-callable prior to the Call Dates of the Schedules. Terms and maturities of such revenue bonds will be subject to TWDB approval at the time of purchase. The revenue bonds may, at the TWDB's option, either be on a parity with, or subordinate to, the Prior Lien Revenue Obligations.
- D. **LEASE PAYMENTS.** If the District leases all or a portion of the TWDB's ownership interest in the Project, the lease payments will be the proportionate share that the percentage of the District's use of TWDB's ownership interest bears to a lease payment schedule to be determined in accordance with Article 3 of this Agreement, or the payment amount in the Schedules, whichever is greater. Such lease payment under this Agreement must be calculated to ensure that any such lease payments shall not be less than the proportionate share that the percentage of use bears to the annual principal and interest requirements attributable to the debt incurred by the State of Texas in acquiring its share of the Project, as determined by the TWDB. Lease payments shall be due and payable on each May 15 immediately following the District's calculation in which the District has used a portion of the TWDB's ownership interest.

§3.7 PROJECT SITE REVENUES. In exchange for the District's agreement to assume operation and maintenance costs of the Project, revenues derived from leases or other agreements related to the Project lands

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may be applied to pay costs of operation and maintenance for the Project and/or insuring the TWDB'S interest pursuant to §5.2 of this Agreement, to the extent permitted by law. Any revenues not annually used for such purposes will be deposited into an account of the District and applied to pay the costs of operation and maintenance for the Project, insurance costs for the Project, including insuring the TWDB's interest, or utilized as contingency funds for operation and maintenance of the Project. Such revenues will be accounted for in the District's annual comprehensive audits and budgets and provided to the TWDB when such comprehensive audits and budgets are provided pursuant to this Agreement. The District and the TWDB recognize that fees will likely be generated through certain uses of the completed reservoir, including but not limited to fees charged for recreational entrance and/or access to the Project lands and/or waters, which cannot be determined at the time of execution of this Agreement. The TWDB and the District agree to amend this Agreement to reflect the uses and ownership of such revenues, and the District agrees to notify the TWDB in writing within six (6) months after first receipt of any such income.

§3.8 PREFERENTIAL RIGHT TO LEASE AND PURCHASE. Pursuant to this Agreement, the District has a preferential right to lease the TWDB's undivided ownership interest in the Project, and the TWDB may not lease its interest in the Project without the District's consent. Upon an Event of Default, however, the District shall lose its preferential right to lease the TWDB's interest in the Project, and the TWDB may lease its interest in the Project without the District's consent.

The District has a right of first refusal prior to any sale of the Board's interest in the project and the TWDB may not sell or transfer its interest in the Project to any other party besides the District without the District's consent, which shall not be unreasonably withheld. Upon an Event of Default by the District, however, the TWDB may sell or transfer its interest in the Project without the District's consent.

The sale, transfer, or lease of the TWDB's interest in the Project to any entity other than the District would be subject to the requirement that the TWDB obtain the approval of the Attorney General as to the legality of any contract for such sale, transfer, or lease.

§3.9 PURCHASE AND LEASE SCHEDULES.

- A. **PURCHASES - SCHEDULES.** The District obligates itself and agrees to purchase the TWDB's ownership interest in the Project as outlined in the attached Schedules, which are incorporated herein for all purposes. Prior to each Date of Acquisition, the District shall deliver a Schedule for the District's purchase of the TWDB's ownership interest in the Project that will be acquired by the TWDB at such Date of Acquisition. This new Schedule will be appropriately labeled and appended to this Agreement. All Schedules submitted by the District

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for the purchase of the TWDB's ownership interest in the Project are subject to TWDB approval. In addition, at each purchase of the TWDB's ownership interest by the District pursuant to §3.5 or §3.6 of this Agreement, the schedule of payments in the Schedules shall be amended to reflect the reduction in the TWDB's ownership interest in the Project.

- B. **LEASES.** The schedule for the District's lease payments for the use of the TWDB's ownership interest in the Project will be calculated in accordance with the terms of this Agreement. The TWDB and the District agree that upon each lease of the TWDB's ownership interest by the District pursuant to §3.6 of this Agreement, and prior to each payment date in the Schedules, the schedule of payments established in the Schedules will be amended to credit each lease payment by the District as follows: first to deferred interest, then to current interest and then to principal.
- C. **REVISIONS TO SCHEDULES.** Revisions to Schedules and lease payment schedules calculated in accordance with this Agreement are subject to TWDB approval and shall be dated and signed by both Parties to indicate agreement to the revisions prior to being appended to and incorporated into this Agreement.

ARTICLE 4. PROCEDURES DURING PROJECT CONSTRUCTION

§4.1 PROJECT SCHEDULE. The District shall proceed with all studies and planning in an expeditious manner, and provide for acquisition, design, construction and operation of the Project on a reasonable schedule.

§4.2 UTRWD RESPONSIBILITIES. The District shall perform the duties and functions required of it and governing its operations, including such provisions of law as may relate to bidding, awarding of contracts, acquisition of land and improvements and shall provide such personnel as may be necessary to secure and protect the property and facilities as acquired and constructed in connection with the Project.

§4.3 SUPERVISION OF CONSTRUCTION. During the construction of the Project, the District shall provide for adequate supervision of the Project to assure that all work covered by this Agreement is performed in a satisfactory manner in accordance with final plans and specifications and approved change orders.

§4.4 TWDB INSPECTION. TWDB or its authorized agent shall have the right to inspect construction of the Project at any time to assure compliance with the final plans and specifications. The inspections shall not subject TWDB or the State of Texas to any claims or actions for damages.

§4.5 REPORTS TO BE PROVIDED. Upon the delivery of any funds by the TWDB, the District shall prepare and file with TWDB quarterly reports on the status of the Project, including the Site Acquisition, Design and Construction Stages. Reports shall be provided to:

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Texas Water Development Board
Attn: _____
P.O. Box 13231
Austin Texas 78711-3231

ARTICLE 5. OPERATION AND MAINTENANCE

§5.1 OPERATION AND MAINTENANCE. It is understood and agreed by the parties to this Agreement that the District will be responsible for the operation and maintenance of the Project and no requirement shall be made of the TWDB to share in this responsibility or in the cost. The District shall take whatever measures are reasonable and prudent to insure that the Project is operated safely, efficiently and in accordance with the laws creating and governing it and the general laws of the State. The District binds itself to take such action as may be necessary to insure that the Project is adequately maintained and protected, and shall keep in good and operable state of repair the physical properties comprising the Project.

§5.2 INDEMNIFICATION.

- A. **GENERAL INDEMNIFICATION.** To the extent permitted by law, the District shall indemnify and hold the TWDB and the State of Texas harmless, from any and all losses, damages, liability, or claims therefore, on account of personal injury, death, or property damage of any nature whatsoever caused by the District, arising out of the activities and work conducted pursuant to this Agreement. The District is solely responsible for liability arising out of its acts or omissions during the performance of this Agreement. In the event insurance coverage may be inadequate to completely indemnify and hold the TWDB harmless and free of all costs or liability for any and all claims for injuries to persons or property, or otherwise resulting from ownership or operation of the Project, then the District shall utilize any and all other funds and resources lawfully available as may be required to indemnify and hold the TWDB and the State of Texas harmless and free of all costs or liability for any and all such claims.
- B. **ENVIRONMENTAL INDEMNIFICATION.** Proceeds of the TWDB's funds delivered for the TWDB's Cost of Acquisition shall not be used by the District to sample, test, remove or dispose of contaminated soils and/or media that may be present at or around the Project site or any sites upon which related facilities are located; nor shall such proceeds be used, either directly or indirectly, to acquire property or to remediate property(s) that contains known, hazardous wastes and hazardous substances. To the

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extent permitted by law, the District agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages, however and whenever arising, to the person or property of third parties caused either directly or indirectly by the sampling, analysis, transport, storage, treatment, recycling and disposal of any contaminated soil, surface water, groundwater and contaminated media that may be generated or encountered by the District, its contractors, consultants, agents, officials and employees as a result of design and construction activities undertaken to complete this Project.

§5.3 INSURANCE. For so long as the TWDB maintains an ownership interest in the Project, the District agrees to maintain insurance in the type and amount that, in the reasonable judgment of the District and consistent with the standard practices of the District and in the industry, is necessary to protect the District, the TWDB, and employees and officials of the TWDB from liability arising out of this Agreement and the Project, including but not limited to worker's compensation, property damage, general liability and automobile liability, naming the TWDB as an additional insured, to the extent required to fulfill the requirements of this provision. Typically the District maintains single limit coverage limits of \$1,000,000 with excess liability coverage of \$4,000,000. These coverage limits are reviewed by the District's Board of Directors from time to time and may be adjusted as necessary. The District will require that all consultants and contractors involved with the project to maintain liability, automobile and workers compensation coverage in amounts necessary to protect the District and the TWDB and naming the District and TWDB as additional insured. The District must provide copies of all insurance policies relating to the TWDB and the State of Texas to the TWDB, and such insurance shall be effective at the time the TWDB acquires an ownership interest in the Project. Although the District does not currently intend to satisfy these insurance requirements through self-insurance, it may seek to self-insure in the future provided that (a) prior notification is forwarded to the Executive Administrator for approval along with copies of all pertinent insurance-related documentation, and (b) the Executive Administrator issues written approval allowing the Authority to self-insure.

§5.4 BUDGETS, AUDITS AND REPORTS. The District shall keep and maintain complete records, accounts and financial statements pertaining to the operation of the Project in accordance with generally accepted accounting principles as adopted by the American Institute of Certified Public Accountants. The District shall provide the TWDB with the reports required in this Section and any other report as the TWDB shall from time to time reasonably require. The District shall provide the TWDB with a copy of its annual budgets. The annual budget shall reflect Project revenues, maintenance and operation expenses and capital

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outlays anticipated for the next ensuing year. The District agrees to deliver copies of all minutes, monthly operating statements, contracts, leases, deeds, and other documents concerning the Project upon request of the TWDB. The District will submit comprehensive annual audits for each fiscal year to the TWDB within thirty (30) days of the completion of such audits. The audits for each fiscal year must be prepared according to the generally accepted auditing standards adopted by the American Institute of Certified Public Accountants within 135 days from the end of the District's fiscal year.

These reports shall be provided to:

Texas Water Development Board
Attn: Financial Monitoring
P.O. Box 13231
Austin, Texas 78711-3231

§5.5 RECORDS RETENTION. Unless otherwise directed by the TWDB, the District shall retain all records relating to the provision of services herein for a period of six (6) years following the termination of this Agreement. Upon the request of the TWDB, the District shall allow representatives or designees of the Texas State Auditor, Texas Attorney General or TWDB to review and/or audit said records at all reasonable times. Upon the request of the TWDB, after the expiration of the records retention period, the District shall return all files and records to the TWDB. The District may destroy all records in whatever media that are not returned at the expiration of the record retention period.

§5.6 TWDB OPERATION AND MAINTENANCE. If the District fails at any time to operate and maintain the Project as provided in this Article, or in any manner fails to comply with any provisions of this Agreement, the TWDB, in addition to other legal remedies, may take over, operate, and maintain the Project, or cause such to be done for the benefit of the TWDB. The TWDB shall give at least sixty (60) days written notice to the District of its intent to take over and operate and maintain the Project so as to provide the District with the opportunity to remedy the problem(s) identified by the TWDB. The District shall remain liable for any expenditures made by TWDB with respect to notice, remedies, operation and maintenance of the Project.

ARTICLE 6. SALE AND LEASE OF PROPERTY BY UTRWD; RECREATIONAL ACCESS

§6.1 DISPOSAL AND ENCUMBRANCE OF PROJECT. During the time that TWDB owns an undivided interest in the Project, the District will not sell, lease, or otherwise dispose of or encumber any part of the Project, except as provided herein.

§6.2 LEASE OF UTRWD PROPERTY. Subject to the provisions of §6.3 of this Agreement, the District may lease any of the property that is part of the Project for any purpose, if such lease or the use of such property will not be detrimental to the operation and maintenance of the Project, as determined by the District. No lease

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shall be made which will result in any damage to or substantial diminution of the value of any of the property that is part of Project, or which will in any manner interfere with the Project or divert, endanger or contaminate water that is to be produced or transported by operation of the Project.

§6.3 TWDB APPROVAL OF SALES AND LEASES. Except for short term leases of less than two (2) years, any lease or sale by the District of real property in which the TWDB has an interest under this Agreement shall require prior approval of the TWDB. Nothing contained in this Agreement shall be regarded or construed as creating a lien or encumbrance against the title to lands now or hereafter vested in the District insofar as the rights of third parties may be concerned. The District, however, hereby covenants not to sell or otherwise relinquish full right to the use of any lands and facilities acquired and necessary for the construction and operation of the Project for as long as the TWDB has an ownership interest in the Project.

§6.4 SALE OF CERTAIN ITEMS. The District may from time to time sell any machinery, fixtures, apparatus, tools, instruments, or other movable property and any materials used in connection with the Project, if the District shall determine that such articles are no longer needed or are no longer useful in connection with the operation and maintenance of the Project. If the costs of such items were included as Project Costs, then the value received from the sale shall be deducted from total Project Costs.

§6.5 RECREATIONAL ACCESS. The District represents to the TWDB that it has established policies and plans to provide recreational access to suitable areas of the Project and that such plans will be implemented as reasonably practicable.

ARTICLE 7. EFFECTIVE DATE AND TERM OF AGREEMENT

§7.1 EFFECTIVE DATE. This Agreement shall become effective upon execution by all of the Parties.

§7.2 TERM. This Agreement shall continue in full force and effect until the District has satisfied all of its obligations hereunder and all of the TWDB's undivided ownership interest in the Project has been purchased by the District.

ARTICLE 8. FURTHER COVENANTS

§8.1 NOTICES. For purposes of providing notifications to the TWDB in accordance with the notification and reporting requirements set forth in this Agreement, the following points of contact are hereby established:

<<NAME>>

<<ADDRESS>>

Phone Number: <<NUMBER>>

Fax Number: <<NUMBER>>

Email Address:

Executive Administrator

Texas Water Development Board

1700 North Congress Avenue

Austin, Texas 78701

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It is the District's burden and responsibility to provide written notification to the Executive Administrator of any change to the District's point of contact.

§8.2 PROJECT EXPANSION. The District will submit to TWDB for approval any plan for future expansion of the Project that will commence before the District has purchased all of the TWDB's interest in the Project. The TWDB will not unreasonably withhold approval of said plan submitted by the District.

§8.3 TITLE COVENANTS. The District covenants that it will obtain title insurance to the land to be purchased for the Project. The District warrants, by executing this Agreement, that any and all title objections referenced by any title insurance commitment policy entered into at the Site Acquisition Stage will be cured to the satisfaction of the Executive Administrator. Additionally, if required by the TWDB, the District agrees to provide a policy of title insurance for the benefit of the TWDB in the event that the TWDB requires the execution of documents evidencing the TWDB's ownership interest in the Project.

§8.4 PLEDGE COVENANTS. The District hereby covenants that it has the lawful power to pledge its Pledged Revenues, on a subordinate lien basis, to the payment of its obligations pursuant to this Agreement in the manner herein contemplated and has lawfully exercised such power under the District Act, Texas Water Code § 49.108, and other applicable laws.

ARTICLE 9. LAWS GOVERNING THE AGREEMENT; REMEDIES

§9.1 RULES AND APPLICATIONS INCORPORATED IN AGREEMENT. The TWDB and the District agree that the Application for Board Participation filed by the District, as finally approved by TWDB, are incorporated herein as a part of this Agreement and the District agrees to be bound by TWDB rules, the Resolution, and the representations made in its Application. The District represents that there are no material changes in the information contained in its Application and supplemental information submitted to the TWDB.

§9.2 APPLICABLE LAW. It is expressly understood by and between the parties hereto that the provisions of this Agreement are subject to the applicable provisions of the Constitution and laws of the State of Texas, and federal laws and regulations. The District agrees to comply 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. The parties hereto reserve all rights at law and in equity to enforce the performance of this Agreement, and each respectively covenants to exercise all such rights to the extent necessary to perform or cure any default on the part of the respective Party.

§9.3 REMEDIES. The TWDB, after providing notice and reasonable opportunity to cure, retains the

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discretion to pursue any remedy available to it through this Agreement or other law. The District agrees that the TWDB shall have available to it the remedies of mandamus and specific performance, even if failure of performance of the District could be adequately compensated through some other method. The District's opportunity to cure shall be no less than 30 days from the date the District receives notice from the TWDB, and shall continue as long as the District uses good faith and diligence to cure any defect accurately identified by the TWDB. Specific remedies available to the TWDB include, but are not limited to, the TWDB's right to:

- A. by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the TWDB under the Agreement and all rights of the TWDB, at law or in equity, whether or not any non-performance or violation has become an Event of Default, relating to the purchase, ownership, and lease or sale of the Project or TWDB's interest in the Project, including to the District's obligation to purchase the TWDB's interest in the Project under the Agreement. These rights include, but are not limited to, the right to require the District to charge and collect moneys adequate to carry out the terms of the Agreement;
- B. by action or suit in equity require the District to account as if it were the trustee of an express trust for the TWDB; and
- C. by action or suit in equity enjoin any acts which may be unlawful or in violation of the rights of the TWDB.

§9.4 VENUE. All amounts due and owing under this Agreement including, but not necessarily limited to, payments or damages for breach of this Agreement, shall be due and payable in Travis County, Texas, the county in which the principal offices of the TWDB are located. Jurisdiction and venue for any action on or related to the terms of this Agreement shall be exclusively in Travis County, Texas.

§9.5 AMENDMENT. This Agreement may be amended by agreement of the TWDB and the District in written form. Any such amendment shall be executed in the same manner as this Agreement was originally executed.

§9.6 SEVERABILITY. The TWDB and the District specifically agree that in case any one or more of the sections, subsections, provisions, clauses or words in this Agreement or the application of such sections, subsections, provisions, clauses or words to any situation or circumstance should be, or should be held to be, for any reason whatsoever invalid or unconstitutional, or in contravention of any federal, state or local laws, rules and regulations, such invalidity, unconstitutionality, or contravention shall not

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affect any other sections, subsections, provisions, clauses or words in this Agreement or their application thereto. The Parties intend that this Agreement be severable and it shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the Parties hereto shall be construed and remain in force accordingly.

§9.7 ENTIRE AGREEMENT. This Agreement, including the Application(s) for Board Participation under SWIRFT incorporated by reference herein, constitutes the entire agreement between the Parties with respect to the matters described herein.

§9.8 ARBITRATION. It is expressly understood that neither the District nor the TWDB shall, without its consent, be obligated to participate in, nor shall it be made a party to, any arbitration proceedings relating in any way to the Project or to any provisions of this Agreement.

§9.9 FORCE MAJEURE. If, by reason of Force Majeure, any Party hereto shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, then such Party shall give notice and the full particulars of such Force Majeure event in writing to the other Party within a reasonable time after the occurrence of the Force Majeure event. The obligations of the Party giving notice of such Force Majeure event may be suspended during the continuance of the event but for no longer period and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch.

[Remainder of Page Intentionally Left Blank]

EXECUTED in multiple counterparts, each of which shall be deemed to be an original.

TEXAS WATER DEVELOPMENT BOARD

By: _____
Name: Kevin Patteson
Title: Executive Administrator
Date: _____

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the ____ day of _____, 20__, by Kevin Patteson in his capacity as Executive Administrator of the Texas Water Development Board, an agency of the State of Texas, on behalf of said agency.

(SEAL)

Notary Public, State of Texas

<<LEGAL NAME OF ENTITY>>

<<RESPONSIBLE OFFICIAL>>

<<TITLE>>

Date: _____

STATE OF TEXAS

COUNTY OF _____

This instrument was acknowledged before me on the ____ day of _____, 20__, by _____ in his/her capacity as _____ on behalf of _____

(SEAL)

Notary Public, State of Texas

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ATTACHMENT A

TWDB RESOLUTION

ATTACHMENT B

BOND COUNSEL OPINION REGARDING
IMPACT OF THE PROJECT ON THE
TAX-EXEMPT STATUS OF TWDB BONDS

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ATTACHMENT C

SCHEDULES

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein is subject to change upon further review of the TWDB.

ATTACHMENT D

FORMAT FOR DETERMINATION OF <<ENTITY>> USE OF TWDB OWNERSHIP

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**MASTER AGREEMENT
BETWEEN
TEXAS WATER DEVELOPMENT BOARD
AND
UPPER TRINITY REGIONAL WATER DISTRICT**

**REGARDING BOARD PARTICIPATION
IN LAKE RALPH HALL RESERVOIR
PROJECT NO. 51001**

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TWDB Resolution No. 15-089A	ATTACHMENT A
Bond Counsel Opinion Regarding Impact of the Project on the Tax-Exempt Status of TWDB Bonds	ATTACHMENT B
Repurchase Schedule	ATTACHMENT C
Format for Determination of District's Use of TWDB Ownership	ATTACHMENT D

MASTER AGREEMENT
BETWEEN
TEXAS WATER DEVELOPMENT BOARD
AND
UPPER TRINITY REGIONAL WATER DISTRICT

WHEREAS, the Texas Water Development Board, (the "TWDB"), a Texas agency created pursuant to Article III, Section 49-c of the Texas Constitution, is authorized under the authority of Texas Water Code § 15.435(c)(4) and 31 Texas Administrative Code (TAC) §§ 363.1305 and 363.1308, to acquire, sell, transfer, and lease an interest in water supply projects using the Board Participation Program of the State Water Implementation Revenue Fund for Texas (SWIRFT) in order to encourage the optimum regional development of reservoirs and facilities for the transmission of water; and

WHEREAS, Upper Trinity Regional Water District ("District" or "UTRWD"), a conservation and reclamation district duly created pursuant to Article XVI, Section 59 of the Texas Constitution and lawfully operating under the District Act, is proposing to develop a new water supply project known as the Lake Ralph Hall Reservoir under Project No. 51001; and

WHEREAS, the Project will consist of site acquisition, planning, design, and construction for the proposed Lake Ralph Hall Reservoir; and

WHEREAS, the Project is a recommended water management strategy in the 2012 State Water Plan and in the 2011 Region "C" Regional Water Plan; and

WHEREAS, at its meeting on July 23, 2015, the TWDB, through adoption of TWDB Resolution No. 15-089A (Attachment A, referred to herein as the Resolution), approved the District's application for the TWDB's participation in the Project in an amount up to \$15,565,000 from the Board Participation Program of the SWIRFT; and

WHEREAS, TWDB Resolution No. 15-089A provides a commitment from the TWDB to fund planning, acquisition, and design for the Project; and

WHEREAS, under 31 TAC § 363.1308, the District will finance at least twenty percent (20%) of the Project and the TWDB may finance up to eighty percent (80%) of the Project; and

WHEREAS, the TWDB's ownership interest in the Project is limited to the excess capacity of the Project; and

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

WHEREAS, in the Resolution, the TWDB authorized the Executive Administrator to negotiate and execute a Master Agreement setting forth the duties, responsibilities and liabilities

of the TWDB and the District; and

WHEREAS, this Master Agreement has been negotiated pursuant to the authority delegated to the Executive Administrator in the Resolution and is approved in substantially this form by the TWDB under the Resolution, subject to final terms approved by the Executive Administrator and is hereby entered into and executed between the TWDB and the District to authorize the TWDB's acquisition of an ownership interest in the Project and the subsequent purchase of the TWDB's ownership interest in such Project by the District.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, and in contemplation of and in accordance with the applicable laws of the State of Texas, the District, acting by and through its undersigned representatives as duly authorized by a resolution of its Board of Directors, and the TWDB, acting herein by and through its undersigned representative, as duly authorized by a TWDB Resolution, enter into this Agreement and mutually agree as follows:

ARTICLE 1. DEFINITIONS

§ 1.1 DEFINITIONS. Words and phrases as used in this Agreement shall have the following meanings:

(1) "*Additional First Lien Obligations*" means additional debt or other obligations for which the District pledges a first lien on and pledge of Pledged Revenues.

(2) "*Agreement*" means this Master Agreement.

(3) "*Application*" means the District's application to the TWDB for Board Participation under SWIRFT for TWDB Project No. 51001 together with all attachments and any amendments thereto.

(4) "*Call Date*" means the date prior to which the District cannot purchase the TWDB's portion of the Project, as set forth in the Schedules.

(5) "*Construction Fund*" means a separate account created under § 2.2 of this Agreement and maintained at the depository bank of the District for the purpose of paying and accounting for Project Costs, and into which any funds may be transferred either directly from the TWDB or from the Escrow Account pursuant to approval by the Executive Administrator. Funds in the Construction Fund may be used only for Project Costs or for the District's purchase of the TWDB's interest in the Project.

(6) "*Construction Stage*" means that stage of the Project that involves the physical construction of the Project, including the construction of a surface water reservoir, pumping equipment, storage facilities, transmission lines, and related appurtenances, and related engineering and inspection fees.

(7) "*Cost of Acquisition*" means the amount of funds deposited into the Construction Fund

and/or the Escrow Account by the TWDB for the acquisition of an undivided interest in the Project.

(8) "*Date of Acquisition*" means each date that TWDB delivers funds to the Construction Fund and/or the Escrow Account for the acquisition of an undivided interest in the Project.

(9) "*Design Stage*" means that stage of the Project that involves the design of the Project and related engineering fees.

(10) "*District*" means the Upper Trinity Regional Water District or its successors or assigns which succeed it as to any rights, powers or duties under this Agreement.

(11) "*District Act*" means Chapter 1053, Acts of the 71st Legislature of Texas, Regular Session 1989, as amended pursuant to Article XVI, Section 59 of the Texas Constitution;

(12) "*District Parity Bond Resolutions*" means the resolutions of the District authorizing the issuance of the District's First Lien Obligations secured by and payable from a first lien on and pledge of the Pledged Revenues.

(13) "*Escrow*" means the TWDB's transfer of funds to the Escrow Agent until such funds are authorized for release to the District by the Executive Administrator.

(14) "*Escrow Account*" means the account created under this Agreement for the TWDB's delivery of funds to be held in Escrow upon closing for the TWDB's acquisition of an undivided interest in the Project. Funds in the Escrow Account may be used only for Project Costs or for the District's purchase of the TWDB's interest in the Project.

(15) "*Escrow Agent*" means the third party appointed to hold the escrow funds until such funds are authorized for release to the District.

(16) "*Event of Default*" means the non-performance or violation by the District of any obligation or provision in this Agreement if such non-performance or violation is not cured within 30 days after written notice by the TWDB to the District of the non-performance or violation.

(17) "*Executive Administrator*" means the Executive Administrator of the TWDB.

(18) "*First Lien Obligations*" means all bonds, notes, or other obligations of the District whether now outstanding or hereafter issued, payable from and secured by a first lien on and pledge of the Pledged Revenues.

(19) "*Force Majeure*" means a failure or delay in a Party's performance under this Agreement that is caused by acts of God, war, strike, fires, explosions, or other causes that are beyond the reasonable control of either Party and that by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of all reasonable due diligence, such Party is unable to overcome.

(20) "*Gross Revenues of the System*" means all revenues and income, including specifically all payments and amounts received under the Treated Water Supply Contracts, of every nature derived or received by the District from the operation and ownership of the System, including the interest income from the investment or deposit of money in any special fund created by the resolution or resolutions authorizing the issuance of the First Lien Obligations.

(21) "*Net Revenues of the System*" means the Gross Revenues of the System less the Operation and Maintenance Expenses of the System.

(22) "*Operation and Maintenance Expenses of the System*" means all reasonable and necessary costs of operation and maintenance of the System including, but not limited to, repairs and replacements, operating personnel, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, paying agent's and registrar's fees, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the System, payments to any public or private entity made for the purchase of water, storage rights, or other interests in water, or for the use or operation of any property or facilities, payments to the United States of America with respect to the operation, maintenance, and use of any reservoirs or facilities in connection with the District's sources of water for the System, and payments made by the District in satisfaction of judgments or other liabilities resulting from claims not covered by District's insurance. Depreciation shall not be considered an item of Operation and Maintenance Expense.

(23) "*Parties or Party*" means the TWDB and the District and their authorized successors and assignees.

(24) "*Planning Stage*" means that stage of the Project that involves the planning of the Project and related engineering fees.

(25) "*Pledged Revenues*" means (i) the Net Revenues of the System and (ii) any additional revenues, income, receipts, or other resources, including without limitations, any grants, donations, or income received or to be received from the United States Government, or any other public or private sources, whether pursuant to an agreement or otherwise, which in the future may, at the option of the District, be pledged to the payment of the First Lien Obligations, as provided in Section 3.2 herein.

(26) "*Prior Lien Revenue Obligations*" the District's First Lien Obligations, together with the District's Subordinate Lien Obligations (as defined in the District Parity Bond Resolution, currently the District's Regional Treated Water Supply System Revenue Commercial Paper Notes, Series A) payable from and secured by a lien on the Pledged Revenues subordinate to the District's First Lien Obligations.

(27) "*Project*" means the development of Lake Ralph Hall Reservoir, as described in the Application, including constructing an earthen dam, an intake/pump station, a state highway bridge over the lake, relocation of various state and county roads, utility relocations, a raw water transmission pipeline, a balancing reservoir, environmental and cultural resources mitigation,

and reservoir and administration/support facilities.

(28) "*Project Costs*" means costs of the Project associated with its construction, bond issuance costs, and all other costs and expenditures which under standard principles of accounting would constitute a capital cost of the Project, including specifically but not limited to: the cost of engineering planning, design, supervision and inspection; the cost of testing laboratories and other professional services associated with construction of the Project; abstractors' costs; the cost of acquiring all lands and interests in land for the Project, including all costs associated with planning, design, and construction of the Project. The term "Project Costs" does not include any capitalized interest, reserve funds or operational expenses.

(29) "*Resolution*" has the meaning given to the term in the preamble to this Agreement.

(30) "*Schedules*" means the payment schedule(s) attached hereto from time to time, which show the payments that the District is obligated to make in order to purchase the TWDB's interest in the Project. Each Schedule is associated with the funds delivered by TWDB upon each Date of Acquisition. Such Schedules shall, at a minimum, detail the interest rate to be paid by the District, the TWDB's source of funds, and the Call Date associated with the District's purchase obligation.

(31) "*Site Acquisition Stage*" means the stage of the Project that involves acquisition of title to the land and easements constituting the Reservoir.

(32) "*State*" means the State of Texas.

(33) "*Subordinate Lien on the Pledged Revenues of the System*" means a lien on the Pledged Revenues of the System that is inferior only to the District's Prior Lien Revenue Obligations, such lien being the security interest pledged by the District to secure its obligations hereunder, including its obligation to purchase the TWDB's interest in the Project under the terms of this Agreement.

(34) "*Surface Water Reservoir*" means a reservoir site, subsequent construction of a dam and reservoir and associated works and structures for the diversion of water from the reservoir for use by Customers, resulting in impoundment therein of approximately 180,000 acre-feet of water. It is expressly understood by the TWDB and the District that the Project will be developed in stages, defined in this Agreement as the Planning Stage, the Site Acquisition Stage, Design Stage, and the Construction Stage.

(35) "*System*" means the District's existing regional treated water supply system, together with all future improvements, enlargements, extensions, and additions thereto, which are deemed necessary and feasible by the District to provide treated water service to the District's customers, including those that have executed the Treated Water Supply Contracts and all future new facilities and/or water rights, which are acquired or constructed with the proceeds from the sale of any bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the District's Board of Directors, and all repairs to or replacements of the

System. Said term does not include any District facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said term does not include any facilities acquired or constructed by the District with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the District which are not secured by or payable from payments made under the Treated Water Supply Contracts and similar contracts, and which are payable solely from sources other than revenues of the System.

(36) "*TAC*" means Texas Administrative Code.

(37) "*TCEQ*" means the Texas Commission on Environmental Quality or any other board, commission or agency which succeeds it as to any rights, powers or duties under this Agreement.

(38) "*TWDB*" means Texas Water Development Board or any other board, commission or agency which succeeds it as to any rights, powers or duties under this Agreement.

(39) "*TWDB Cost of Acquisition*" means the total of the payments made by TWDB to the District for purchase of an undivided interest in the Project pursuant to this Agreement, less any purchases of TWDB's interest by the District.

(40) "*TWDB Rules*" means the applicable rules and regulations of the TWDB set forth in Title 31 Texas Administrative Code Part 10.

(41) "*Water Permit*" means the Permit to Appropriate State Water No. 5821, as amended, issued or deemed issued by TCEQ.

ARTICLE 2. BOARD PARTICIPATION

§2.1 TWDB ACQUISITION OF OWNERSHIP. The TWDB agrees to participate in this Project by acquiring an undivided interest of up to 80% of the Project as a whole, including all work performed and all properties and facilities acquired or constructed as part of the Project, not to exceed an amount of \$15,565,000, pursuant to the Resolution and this Agreement. At this time, the TWDB's undivided ownership interest in the Project will cost no more than \$15,565,000, to be allocated for the costs of the Site Acquisition Stage, Planning Stage, and Design Stage respectively, in any manner determined to be acceptable by the TWDB's Executive Administrator, in accordance with the provisions of this Agreement. If the costs of the Project exceed \$15,565,000, the TWDB may consider, in its sole discretion, providing additional funds if requested by the District in writing, and if the TWDB's Cost of Acquisition does not exceed 80% of the total Project, then the TWDB and the District will amend this Master Agreement to evidence the increased Cost of Acquisition, the change in percentage of ownership, and to provide additional Schedules to reflect the District's obligation to purchase the TWDB increased ownership interest. For the purposes of this Agreement, it is expressly understood that the TWDB is purchasing an undivided interest, to the extent permitted by law, in the entire Project, including real estate purchased for site acquisition, facilities constructed for the Reservoir infrastructure, and all related appurtenances and any structures of

the Project.

§2.2 ESCROW ACCOUNT AND CONSTRUCTION FUND. Prior to the delivery of TWDB funds, the District will create: (i) a Construction Fund; to be held by the District, and (ii) an Escrow Account under an escrow agreement approved by the Executive Administrator, to be held by the Escrow Agent. Funds in the Escrow Account and Construction Fund, including interest and investment earnings, are to be used only for Project Costs or for the District's purchase of the TWDB's interest in the Project. Funds in the Escrow Account may be released by the Escrow Agent only upon direction by the Executive Administrator.

The funds to be placed in the Construction Fund and the Escrow Account are public funds and, as such, these funds shall be held at a designated state depository institution or other properly chartered and authorized institution and managed in accordance with the Public Funds Investment Act, Chapter 2256, Government Code, and secured in accordance with the Public Funds Collateral Act, Chapter 2257, Government Code.

§2.3 DELIVERY OF TWDB FUNDS. The TWDB shall deliver to the Construction Fund and/or the Escrow Account up to \$15,565,000 subject to the availability of funds and satisfactory documentation that the District has met all prerequisites for the delivery of TWDB funds under this Agreement, the TWDB's rules, and the Resolution authorizing TWDB participation in the Project. The Executive Administrator, or his or her designee, shall determine from time to time the amounts to be delivered to the Construction Fund and/or the Escrow Account as appropriate. The Executive Administrator, or his or her designee, shall authorize release of funds from the Escrow Account to the Construction Fund for the Site Acquisition Stage, Planning Stage, and Design Stage as provided below, after the District has provided information, satisfactory to the Executive Administrator, that the funds are needed for eligible Project Costs. Upon each Date of Acquisition, Schedules shall be dated and signed by the TWDB's Executive Administrator and by a duly authorized representative of the District to indicate agreement, and such agreed Schedules shall be appended to and incorporated into this Agreement.

A. SITE ACQUISITION STAGE. The Executive Administrator shall cause funds to be delivered to the Construction Fund, either by direct transfer or by authorizing the release from the Escrow Account to the Construction Fund for the costs associated with the Site Acquisition Stage, including the reservoir site acquisition. Prior to the authorization for release of funds from the Escrow Account or delivery of funds to the Construction Fund for the Site Acquisition Stage, the District must submit all necessary legal documentation for the purchase of the land, satisfactory in form and substance to the Executive Administrator, and the Executive Administrator must issue a Determination of No Effect relating to the Site Acquisition Stage.

B. PLANNING STAGE. After completion of all prerequisites for the release of funds for work to be performed under the Planning Stage satisfactory to the Executive Administrator, including, but not limited to those in 31 TAC Chapter 363, the Executive Administrator shall either deliver to the Construction Fund or authorize the release of funds from the Escrow Account to the Construction Fund for the costs associated with the Planning Stage. Activities to be included in the Planning Stage may include, but are not limited to surveying property and conducting and preparing an environmental assessment related to the Site

Acquisition Stage.

C. DESIGN STAGE. After completion of all prerequisites for the release of funds for work to be performed for the Design Stage satisfactory to the Executive Administrator, including, but not limited to those in 31 TAC Chapter 363, the Executive Administrator shall either deliver to the Construction Fund or authorize the release of funds from the Escrow Account to the Construction Fund for the costs associated with the Design Stage. Prior to the delivery of funds to the Construction Fund for the Design Stage, the Executive Administrator must make a favorable environmental determination relating to the Project.

D. CONSTRUCTION STAGE. Funding for construction was not contemplated in TWDB Resolution 15-089A, and therefore, funding for construction is not authorized under this Agreement. Should the TWDB subsequently approve construction funding for the Project, the following procedure may be applicable. After the Design Stage and Site Acquisition Stage releases have been completed, and after completion of all prerequisites to the release of funds for construction activities, including, but not limited to those in 31 TAC Chapter 363, the Executive Administrator shall either deliver to the Construction Fund or authorize the release from the Escrow Account to the Construction Fund of an amount up to the remainder of funds available under this Agreement for the costs associated with the Construction Stage. Prior to the delivery of funds to the Construction Fund for the Construction Stage, the Executive Administrator must make a favorable environmental determination relating to the Project.

§2.4 VESTING AND NATURE OF TWDB OWNERSHIP. Upon delivery of funds in any amount by the TWDB into the Construction Fund and/or the Escrow Account, there will be vested in the TWDB an undivided ownership interest in the Project along with the right to its use, as well as an undivided ownership right in all applicable operating permits not including the TCEQ Water Right Permit No. 5821, with respect to the Project. The percentage of the TWDB's undivided ownership interest in the Project shall not exceed 80% until additional funding is provided under Section 2.1 and this Master Agreement is amended or supplemented; or until all Stages of the Project are complete and final accounting is performed under Section 2.5 of this Agreement; or upon a determination by the TWDB that the Project will not be completed, and a final accounting is performed under Section 2.5 of this Agreement.

It is expressly understood that the TWDB is purchasing an undivided interest, to the extent permitted by law, in the entire Project, including real estate purchased by site acquisition, facilities constructed for the Project infrastructure, and all related appurtenances and any structures of the Project. TWDB's ownership interest in the Project does not provide the TWDB with any ownership right in the District's water permit. The TWDB's undivided interest in the Project shall include, but not be limited to, the right to develop, produce, and sell water from the Project to the extent of the amount of water in the TWDB's undivided interest, subject to the District's preferential right to purchase the TWDB's interest under Section 3.8 of this Agreement. The District, upon request of the TWDB, will execute and record any conveyances and assignments which may be necessary to place title of the Project in the TWDB to the extent of TWDB's ownership interest in the project, with the exception that the District shall hold title to any land and facilities that are part of the Project in trust for the TWDB to the extent of the TWDB's interest in the Project. Upon written request of the TWDB, the District shall execute

and record documents necessary to convey or assign title to the Project land and facilities to the extent of the TWDB's ownership interest in the Project. The District acknowledges that the TWDB's interest shall constitute an ownership interest whether or not the TWDB ever requires execution of any conveyance documents to evidence such interest. The TWDB's undivided interest with respect to Project's waters shall include, but not be limited to, the right to divert and sell water to the extent of the yield of such undivided interest in accordance with the Water Right Permit including the benefits of all other rights and privileges appurtenant to said Water Right Permit. The District shall hold title to any land or facilities acquired in trust for the TWDB to the extent of the TWDB's interest in the Project.

§2.5 CALCULATION OF TWDB OWNERSHIP INTEREST. The District shall provide TWDB a final accounting of all Project Costs within six (6) months of completion of all Stages of the Project and the issuance of a certificate of approval under 31 TAC § 363.55, or upon a determination by TWDB that the Project will not be completed. Upon the TWDB's approval of the final accounting, the TWDB's total undivided ownership interest in the Project shall be calculated by dividing the TWDB Cost of Acquisition by the Project Costs incurred on the Project to that point in time. If, at the time that the TWDB approves the final accounting, the calculation of the TWDB's ownership interest exceeds 80%, the District shall, within 90 days after the TWDB's approval of the final accounting, take all actions necessary to remit to the TWDB the amount necessary to reduce the TWDB's ownership interest to 80% of the total Project Cost. The TWDB shall have the right to determine the schedule and method by which the funds are remitted to the TWDB. Upon remittance, any Schedule and any lease payment schedule calculated pursuant to the terms of this Agreement shall be amended to reflect the remitted amount.

Upon the TWDB's approval of the final accounting and any actions taken to adjust the parties' ownership interest, the TWDB shall then own that percentage interest in the Project not to exceed 80%, and the District shall own the remainder, not less than 20%. Such ownership interests shall be documented in writing in the form attached as **Attachment D** as agreed by both parties and made part of this Agreement for all purposes.

The use of each party's ownership in the Project shall be determined annually thereafter, based on the amount of water produced or transported by the Project, in accordance with §3.6 of this Agreement.

§2.6 TAX-EXEMPT ASSURANCES.

A. The TWDB has identified the source of funds for its share of the Project Costs as the proceeds of tax-exempt obligations issued by the TWDB. As required by the Resolution, the District has provided a bond counsel opinion that is satisfactory and acceptable to the Executive Administrator of the TWDB as to any impact of the Project, or the use thereof and the District's payments under this Agreement (Attachment B) on the excludability of interest on obligations issued by the TWDB to fund their undivided interest in the Project from gross income of the owners of such obligations for federal income tax purposes. The District agrees to take such actions, including the execution and delivery of such certificates and agreements, as are necessary to assure, or to refrain from such actions as would

materially adversely affect, such excludability from gross income, including, but not limited to: (1) the filing of a Form 8038-G in connection with the execution of this Agreement by the District in connection with the financing of the District's interest in the Project; and (2) the adoption of written procedures relating to arbitrage compliance, private business use and record retention.

B. At each Date of Acquisition, the District must submit a bond counsel opinion that is satisfactory and acceptable to the Executive Administrator of the TWDB as to any impact of the Project, or the use thereof, and the District's payments under this Agreement on the tax-exempt status of TWDB bonds.

C. To the extent that TWDB and the District use proceeds from tax-exempt obligations to finance all or a portion of their respective interests in the Project, the TWDB and the District hereby agree that the proceeds of their respective tax-exempt obligations will not be used in a manner that will cause the obligations to be "private activity bonds" or arbitrage bonds." In furtherance thereof, the District agrees to make timely payments of arbitrage rebate to the United States required to be made by Section 148 of the Internal Revenue Code.

ARTICLE 3. PURCHASE OBLIGATION OF UTRWD

§3.1 PURCHASE BY UTRWD. The District will purchase TWDB's ownership interest in the Project at the earliest intended date, which date shall be not later than the date(s) established by the Schedule(s), so that the State may fully recover its investment therein.

§3.2 PLEDGE BY UTRWD.

A. In order to secure its obligations hereunder, including the ultimate purchase by the District of 100% of the TWDB's ownership interest in the Project, under the authority of the District Act, Texas Water Code § 49.108, and other applicable law, the District pledges and grants to the TWDB as security for the payments hereunder, a Subordinate Lien on the Pledged Revenues of the System in such amounts as may be necessary, when and as required by this Agreement, and the Schedules incorporated herein, to purchase the TWDB's ownership interest in the Project.

B. The District agrees that it shall be unconditionally obligated to purchase 100% of the TWDB's interest in the Project with the Pledged Revenues regardless of whether or not the District actually acquires or completes the Project, or whether or not the District actually approves, purchases, receives, accepts, or uses the Project; and such purchase shall not be subject to any abatement, set-off, recoupment, or counterclaim. The TWDB shall be entitled to rely on this Agreement and representation, notwithstanding any provision of this Agreement or any other contract or agreement to the contrary, and regardless of the validity of, or the performance of, the remainder of this Agreement or any other contract or agreement.

C. The Obligations of the District under this Agreement shall be a special limited obligation of the District, payable from the sources described herein, and shall be

enforceable as provided under this Agreement.

D. The Pledged Revenues from the District may not be pledged to the payment of any Additional First Lien Obligations of the District unless:

- (1) A. 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 First Lien Obligations, and any Additional First Lien Obligations 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 System 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 System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

B. As an alternative to the requirements of paragraph I of this subsection, Additional First Lien Obligations 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 First Lien Obligations and Additional First Lien Obligations proposed to be issued.

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

- (3) 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 First Lien Obligations, shall be made as of the date of such Additional First Lien Obligations; and also in making calculations for such purpose, and for any other

purpose under the District Parity Bond Resolutions, 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.

(4) For purposes of Section 3.2 of this Agreement, all defined terms shall have the meanings assigned in the District's Parity Bond Resolutions.

E. The District covenants to establish, fix and maintain rates and charges to its customers that will produce revenues not less than the amounts required:

- (1) to pay the Operation and Maintenance Expenses of the System;
- (2) to pay debt service on all of the District's Prior Lien Revenue Obligations; and
- (3) 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.

§3.3 PRICE OF SALE TO UTRWD. The TWDB agrees to sell its ownership interest to the District at the following price, to-wit: the sum of the TWDB Cost of Acquisition plus an amount of interest calculated by multiplying the lending rate in effect at the Date of Acquisition (and identified on the Schedules) by the amount of TWDB money disbursed for the acquisition times the number of years and fraction of a year from the date or dates of purchase or acquisition to the date or dates of the sale or transfer of any portion of TWDB's ownership interest in the Project to the District, plus TWDB's cost, if any, of operating and maintaining the Project from the Date of Acquisition to the date of such purchase by the District, less any payments received by the TWDB from the lease of the Project or sale of water or capacity therefrom.

The District shall assume at the time of purchase, to the extent disclosed by the TWDB at or prior to the sale, any and all direct, conditional, or contingent liabilities of the TWDB attributed to the Project in direct relation to the percentage of the Project acquired.

For purposes of this Section, the dates of sale to the District shall be the dates on which the District provides payment to TWDB to acquire part or all of the TWDB's ownership interest in the Project. After all principal and accrued interest under the Schedules have been paid, the District's scheduled payments of principal under the Schedules or the District's partial purchases of TWDB's ownership interest made pursuant to Section 3.4 or Section 3.5 of this Agreement shall constitute the purchase of a proportion of the TWDB's ownership interest, such proportion to be calculated by dividing such principal payment by the TWDB Cost of Acquisition, provided the District also pays the same proportion of the TWDB's cost of operating and maintaining the Project to the date of each purchase. The lending rate in effect at each Date of Acquisition shall be based upon the TWDB's methodology, established by rule, for computing such rates. Interest will accrue on outstanding principal based upon simple interest rate calculation on a basis of a 360-day year consisting of twelve (12) 30-day months.

§3.4 SCHEDULE OF UTRWD PAYMENTS. The District agrees to purchase the TWDB's ownership interest in the Project beginning with the first scheduled principal payment and in accordance with all subsequent scheduled principal payments on the Schedules attached to this Agreement as **Attachment C** and any revisions made thereto pursuant to this Agreement. The District shall wire all payments to the TWDB in accordance with the Schedules, without the need for an invoice and at no cost to the TWDB, to the following:

The Bank of New York
ABA: 021 000 018
Acct Name: Upper Trinity RWD SWIRFT 15A REPAY
Acct #: 3417658400
Attn: Saul Ramirez (512) 236-6518

The District also agrees to make scheduled interest payments prior to the first scheduled principal payments as provided on the Schedules, and any revisions thereto pursuant to this Agreement.

In exchange for having a preferential right to purchase the TWDB's ownership interest in the Project, the District agrees to pay all deferred interest and accrued interest attributed to the Project prior to the District's purchase of any ownership interest.

§3.5 EARLY PURCHASE BY UTRWD. The District shall have the right, the Schedules notwithstanding, to make an early purchase of all or a portion of the TWDB's ownership interest reflected in the Schedules on or after the Call Date specified in each Schedule by making principal payments in excess of the scheduled principal payments in the Schedules. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator. Early purchases under this Section by the District must be made in minimum increments of \$5,000 principal amounts under any Schedule. Any partial early purchase will be applied in inverse order to the Schedules.

§3.6 LEASE OR PURCHASE UPON UTRWD'S USE OF TWDB OWNERSHIP.

A. DETERMINATION OF UTRWD USE OF TWDB OWNERSHIP. The District shall report to the TWDB by March 1 of each year the District's actual use of the Project's capacity for each calendar year, beginning upon the TWDB's approval of the final accounting under § 2.5 herein, in the format included herein as **Attachment D**. This report shall be submitted to:

Texas Water Development Board
Attn: Financial Compliance
P.O. Box 13231
Austin, Texas 78711-3231

The District shall be considered to be using a portion of the TWDB's ownership interest in the Project when the District's use of water from the Project or transportation of water by the Project, based on a three-year rolling average exceeds in any calendar year, the District's

interest shown on Attachment D in acre-feet per year, as determined under § 2.5 of this Agreement.

The usage or transportation of water shall be calculated as the combined flow of all water produced from the Project and metered by the District with water meters at locations acceptable to the Executive Administrator as may be necessary to accurately determine water produced from the Project. The water meters and water meter readings shall be accessible to the TWDB at all times. A minimum number of water meter readings will be made by the District as mutually agreed to by TWDB and the District. It shall be the responsibility of the District to ensure that such meters are installed prior to delivery of water from the Project and to monitor the accuracy of the meters at a minimum on an annual basis. If at any time the accuracy of the metering equipment is more than two percent (2%) in error, the District will, as soon as possible, correct the inaccuracy. Adjustments in the quantity of water measured during the period when the meters were not accurately measuring the quantity of water delivered, if such period can be determined, shall be agreed to by authorized representatives of UTRWD and the TWDB.

B. METHOD OF UTRWD'S LEASE OR PURCHASE OF TWDB INTEREST. In the event the District begins using any portion of the TWDB's ownership interest in the Project, either prior to or after any Call Date, the District will, at the TWDB's option, either: (1) lease from TWDB that portion of the TWDB's ownership interest that the District is using; or (2) upon approval of TWDB, issue revenue bonds to the TWDB as consideration to purchase that portion of the TWDB's ownership interest that the District is using; or (3) purchase the TWDB's ownership interest with money; or a combination thereof. The sales price of any of TWDB's ownership interest under this Section shall be determined in accordance with Section 3.3 of this Agreement.

C. PROVISIONS RELATING TO PURCHASE USING REVENUE BONDS AS CONSIDERATION. If the District issues revenue bonds to be purchased by the TWDB as consideration to purchase all or a combination thereof of the TWDB's ownership interest in the Project in accordance with Texas Water Code § 15.435(c)(4), the principal amount of the revenue bonds shall be equal to the price for purchasing all or a portion of such ownership interest. The revenue bonds must be non-callable prior to the Call Dates of the Schedules. Terms and maturities of such revenue bonds will be subject to TWDB approval at the time of purchase. The revenue bonds may, at the TWDB's option, either be on a parity with, or subordinate to, the Prior Lien Revenue Obligations.

D. LEASE PAYMENTS. If the District leases all or a portion of the TWDB's ownership interest in the Project, the lease payments will be the proportionate share that the percentage of the District's use of TWDB's ownership interest bears to a lease payment schedule to be determined in accordance with Article 3 of this Agreement, or the payment amount in the Schedules, whichever is greater. Such lease payment under this Agreement must be calculated to ensure that any such lease payments shall not be less than the proportionate share that the percentage of use bears to the annual principal and interest requirements attributable to the debt incurred by the State of Texas in acquiring its share of the Project, as determined by the TWDB. Lease payments shall be due and payable on each August 1st

immediately following the District's calculation in which the District has used a portion of the TWDB's ownership interest.

§3.7 PROJECT SITE REVENUES. In exchange for the District's agreement to assume operation and maintenance costs of the Project, revenues derived from leases or other agreements related to the Project lands may be applied to pay costs of operation and maintenance for the Project and/or insuring the TWDB'S interest pursuant to Section 5.2 of this Agreement, to the extent permitted by law and subject to any requirements of the Prior Lien Revenue Obligations. Any revenues not annually used for such purposes will be deposited into an account of the District and applied to pay the costs of operation and maintenance for the Project, insurance costs for the Project, including insuring the TWDB's interest, or utilized as contingency funds for operation and maintenance of the Project. Such revenues will be accounted for in the District's annual comprehensive audits and budgets and provided to the TWDB when such comprehensive audits and budgets are provided pursuant to this Agreement. The District and the TWDB recognize that fees will likely be generated through certain uses of the completed reservoir, including but not limited to fees charged for recreational entrance and/or access to the Project lands and/or waters, which cannot be determined at the time of execution of this Agreement. The TWDB and the District agree to amend this Agreement to reflect the uses and ownership of such revenues, and the District agrees to notify the TWDB in writing within six (6) months after first receipt of any such income.

§3.8 PREFERENTIAL RIGHT TO LEASE AND PURCHASE. Pursuant to this Agreement, the District has a preferential right to lease the TWDB's undivided ownership interest in the Project, and the TWDB may not lease its interest in the Project without the District's consent. Upon an Event of Default, however, the District shall lose its preferential right to lease the TWDB's interest in the Project, and the TWDB may lease its interest in the Project without the District's consent.

The District has a right of first refusal prior to any sale of the Board's interest in the Project and the TWDB may not sell or transfer its interest in the Project to any other party besides the District without the District's consent. Upon an Event of Default by the District, however, the TWDB may sell or transfer its interest in the Project without the District's consent.

The sale, transfer, or lease by the TWDB of the TWDB's interest in the Project to any entity other than the District would be subject to the requirement that the TWDB obtain the approval of the Attorney General as to the legality of any contract for such sale, transfer, or lease.

§3.9 PURCHASE AND LEASE SCHEDULES.

A. PURCHASES - SCHEDULES. The District obligates itself and agrees to purchase the TWDB's ownership interest in the Project as outlined in the attached Schedules, which are incorporated herein for all purposes. Prior to each Date of Acquisition, the District shall deliver a Schedule for the District's purchase of the TWDB's ownership interest in the Project that will be acquired by the TWDB at such Date of Acquisition. This new Schedule will be appropriately labeled and appended to this Agreement. All Schedules submitted by the District for the purchase of the TWDB's ownership interest in the Project are subject to

TWDB approval. In addition, at each purchase of the TWDB's ownership interest by the District pursuant to Section 3.5 or Section 3.6 of this Agreement, the schedule of payments in the Schedules shall be amended to reflect the reduction in the TWDB's ownership interest in the Project.

B. **LEASES.** The schedule for the District's lease payments for the use of the TWDB's ownership interest in the Project will be calculated in accordance with the terms of this Agreement. The TWDB and the District agree that upon each lease of the TWDB's ownership interest by the District pursuant to Section 3.6 of this Agreement, and prior to each payment date in the Schedules, the schedule of payments established in the Schedules will be amended to credit each lease payment by the District as follows: first to deferred interest, then to current interest and then to principal.

C. **REVISIONS TO SCHEDULES.** Revisions to Schedules and lease payment schedules calculated in accordance with this Agreement are subject to TWDB approval and shall be dated and signed by both Parties to indicate agreement to the revisions prior to being appended to and incorporated into this Agreement.

ARTICLE 4. PROCEDURES DURING THE PROJECT

§4.1 PROJECT SCHEDULE. The District shall proceed with all studies and planning in an expeditious manner, and provide for acquisition, design, construction and operation of the Project on a reasonable schedule.

§4.2 UTRWD RESPONSIBILITIES. The District shall perform the duties and functions required of it and governing its operations, including such provisions of law as may relate to bidding, awarding of contracts, acquisition of land and improvements and shall provide such personnel as may be necessary to secure and protect the property and facilities as acquired and constructed in connection with the Project.

§4.3 SUPERVISION OF CONSTRUCTION. During the construction of the Project, the District shall provide for adequate supervision of the Project to assure that all work covered by this Agreement is performed in a satisfactory manner in accordance with final plans and specifications and approved change orders.

§4.4 TWDB INSPECTION. TWDB or its authorized agent shall have the right to inspect construction of the Project at any time to assure compliance with the final plans and specifications. The inspections shall not subject TWDB or the State of Texas to any claims or actions for damages.

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§4.5 REPORTS TO BE PROVIDED. At the request of the Executive Administrator, the District shall prepare and file with TWDB reports on the status of the Project, including the Site Acquisition, Planning, and Design Stages. Reports shall be provided to:

Texas Water Development Board
Attn: WSI-RWPD
P.O. Box 13231
Austin Texas 78711-3231

ARTICLE 5. OPERATION AND MAINTENANCE

§5.1 OPERATION AND MAINTENANCE. It is understood and agreed by the parties to this Agreement that the District will be responsible for the operation and maintenance of the Project and no requirement shall be made of the TWDB to share in this responsibility or in the cost. The District shall take whatever measures are reasonable and prudent to insure that the Project is operated safely, efficiently and in accordance with the laws creating and governing it and the general laws of the State. The District binds itself to take such action as may be necessary to insure that the Project is adequately maintained and protected, and shall keep in good and operable state of repair the physical properties comprising the Project.

§5.2 INDEMNIFICATION.

A. GENERAL INDEMNIFICATION. To the extent permitted by law, the District shall indemnify and hold the TWDB and the State of Texas harmless, from any and all losses, damages, liability, or claims therefore, on account of personal injury, death, or property damage of any nature whatsoever caused by the District, arising out of the activities and work conducted pursuant to this Agreement. The District is solely responsible for liability arising out of its acts or omissions during the performance of this Agreement. In the event insurance coverage may be inadequate to completely indemnify and hold the TWDB harmless and free of all costs or liability for any and all claims for injuries to persons or property, or otherwise resulting from ownership or operation of the Project, then the District shall utilize any and all other funds and resources lawfully available as may be required to indemnify and hold the TWDB and the State of Texas harmless and free of all costs or liability for any and all such claims.

B. ENVIRONMENTAL INDEMNIFICATION. Proceeds of the TWDB's funds delivered for the TWDB's Cost of Acquisition shall not be used by the District to sample, test, remove or dispose of contaminated soils and/or media that may be present at or around the Project site or any sites upon which related facilities are located; nor shall such proceeds be used, either directly or indirectly, to acquire property or to remediate property(s) that contains known, hazardous wastes and hazardous substances. To the extent permitted by law, the District agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages, however and whenever arising, to the person or

property of third parties caused either directly or indirectly by the sampling, analysis, transport, storage, treatment, recycling and disposal of any contaminated soil, surface water, groundwater and contaminated media that may be generated or encountered by the District, its contractors, consultants, agents, officials and employees as a result of design and construction activities undertaken to complete this Project.

§5.3 INSURANCE. For so long as the TWDB maintains an ownership interest in the Project, the District agrees to maintain insurance in the type and amount that, in the reasonable judgment of the District and consistent with the standard practices of the District and in the industry, is necessary to protect the District, the TWDB, and employees and officials of the TWDB from liability arising out of this Agreement and the Project, including but not limited to worker's compensation, property damage, general liability and automobile liability. The District will require that all consultants and contractors involved with the project to maintain liability, automobile and workers compensation coverage in amounts necessary to protect the District and the TWDB. The District must provide copies of all insurance policies relating to the TWDB and the State of Texas to the TWDB, and such insurance shall be effective at the time the TWDB acquires an ownership interest in the Project. Although the District does not currently intend to satisfy these insurance requirements through self-insurance, it may seek to self-insure in the future provided that (a) prior notification is forwarded to the Executive Administrator for approval along with copies of all pertinent insurance-related documentation, and (b) the Executive Administrator issues written approval allowing the District to self-insure.

§5.4 BUDGETS, AUDITS AND REPORTS. The District shall keep and maintain complete records, accounts and financial statements pertaining to the operation of the Project in accordance with Generally Accepted Accounting Principles. The District shall provide the TWDB with the reports required in this Section and any other report as the TWDB shall from time to time reasonably require. The District shall provide the TWDB with a copy of its annual budgets. The annual budget shall reflect Project revenues, maintenance and operation expenses and capital outlays anticipated for the next ensuing year. The District agrees to deliver copies of all minutes, monthly operating statements, contracts, leases, deeds, and other documents concerning the Project upon request of the TWDB. The District will submit comprehensive annual audits for each fiscal year to the TWDB within thirty (30) days of the completion of such audits. The audits for each fiscal year must be prepared according to the Generally Accepted Auditing Standards within 180 days from the end of the District's fiscal year.

These reports shall be provided to:

Texas Water Development Board
Attn: Financial Monitoring
P.O. Box 13231
Austin, Texas 78711-3231

§5.5 RECORDS RETENTION. Unless otherwise directed by the TWDB, the District shall retain all records relating to the provision of services herein for a period of six (6) years following the termination of this Agreement. Upon the request of the TWDB, the District shall allow representatives or designees of the Texas State Auditor, Texas Attorney General or TWDB

to review and/or audit said records at all reasonable times. Upon the request of the TWDB, after the expiration of the records retention period, the District shall return all files and records to the TWDB. The District may destroy all records in whatever media that are not returned at the expiration of the record retention period.

§5.6 TWDB OPERATION AND MAINTENANCE. If the District fails at any time to operate and maintain the Project as provided in this Article, or in any manner fails to comply with any provisions of this Agreement, the TWDB, in addition to other legal remedies, may take over, operate, and maintain the Project, or cause such to be done for the benefit of the TWDB. The TWDB shall give at least sixty (60) days written notice to the District of its intent to take over and operate and maintain the Project so as to provide the District with the opportunity to remedy the problem(s) identified by the TWDB. The District shall remain liable for any expenditures made by TWDB with respect to notice, remedies, operation and maintenance of the Project.

ARTICLE 6. SALE AND LEASE OF PROPERTY; RECREATIONAL ACCESS

§6.1 DISPOSAL AND ENCUMBRANCE OF PROJECT. During the time that TWDB owns an undivided interest in the Project, the District will not sell, lease, or otherwise dispose of or encumber any part of the Project, except as provided herein.

§6.2 LEASE OF UTRWD PROPERTY. Subject to the provisions of Section 6.3 of this Agreement, the District may lease any of the property that is part of the Project for any purpose, if such lease or the use of such property will not be detrimental to the operation and maintenance of the Project, as determined by the District. No lease shall be made which will result in any damage to or substantial diminution of the value of any of the property that is part of Project, or which will in any manner interfere with the Project or endanger or contaminate water that is to be produced or transported by operation of the Project.

§6.3 TWDB APPROVAL OF AND LEASES. Except for short term leases of less than two (2) years, any lease or sale by the District of real property in which the TWDB has an interest under this Agreement shall require prior approval of the TWDB. Nothing contained in this Agreement shall be regarded or construed as creating a lien or encumbrance against the title to lands now or hereafter vested in the District insofar as the rights of third parties may be concerned. The District, however, hereby covenants not to sell or otherwise relinquish full right to the use of any lands and facilities acquired and necessary for the construction and operation of the Project for as long as the TWDB has an ownership interest in the Project. However, the District may sell or trade land parcels on the perimeter of the Project that may be determined to be surplus or excess to the needs of the Project.

§6.4 SALE OF CERTAIN ITEMS. The District may from time to time sell any machinery, fixtures, apparatus, tools, instruments, or other movable property and any materials used in connection with the Project, if the District shall determine that such articles are no longer needed or are no longer useful in connection with the operation and maintenance of the Project. If the costs of such items were included as Project Costs, then the value received from the sale shall be deducted from total Project Costs.

§6.5 RECREATIONAL ACCESS. The District represents to the TWDB that it may establish policies and plans to provide recreational access to suitable areas of the Project and that such plans will be implemented as reasonably practicable.

ARTICLE 7. EFFECTIVE DATE AND TERM OF AGREEMENT

§7.1 EFFECTIVE DATE. This Agreement shall become effective upon execution by all of the Parties.

§7.2 TERM. This Agreement shall continue in full force and effect until the District has satisfied all of its obligations hereunder and all of the TWDB's undivided ownership interest in the Project has been purchased by the District.

ARTICLE 8. FURTHER COVENANTS

§8.1 NOTICES. For purposes of providing notifications to the TWDB in accordance with the notification and reporting requirements set forth in this Agreement, the following points of contact are hereby established:

Thomas E. Taylor
Executive Director
P.O. Drawer 305
Lewisville, TX 75067
Phone Number: 972-219-1228
Email Address: ttaylor@utrwd.com

Executive Administrator
Texas Water Development Board
1700 North Congress Avenue
Austin, Texas 78701

It is the District's burden and responsibility to provide written notification to the Executive Administrator of any change to the District's point of contact.

§8.2 PROJECT EXPANSION. The District will submit to TWDB for approval any plan for future expansion of the Project that will commence before the District has purchased all of the TWDB's interest in the Project. The TWDB will not unreasonably withhold approval of said plan submitted by the District.

§8.3 TITLE COVENANTS. The District covenants that it will obtain title insurance to the land to be purchased for the Project except for relatively minor parcels of land where title insurance is not available on reasonable terms. The District warrants, by executing this Agreement, that any and all title objections referenced by any title insurance commitment policy entered into at the Site Acquisition Stage will be cured to the satisfaction of the Executive Administrator. Additionally, if required by the TWDB, the District agrees to provide a policy of title insurance for the benefit of the TWDB in the event that the TWDB requires the execution of documents evidencing the TWDB's ownership interest in the Project.

§8.4 PLEDGE COVENANTS. The District hereby covenants that it has the lawful power to pledge its Pledged Revenues, on a subordinate lien basis, to the payment of its obligations

pursuant to this Agreement in the manner herein contemplated and has lawfully exercised such power under the District Act, Texas Water Code § 49.108, and other applicable laws.

ARTICLE 9. LAWS GOVERNING THE AGREEMENT; REMEDIES

§9.1 RULES AND APPLICATIONS INCORPORATED IN AGREEMENT. The TWDB and the District agree that the Application for Board Participation filed by the District, as finally approved by TWDB, are incorporated herein as a part of this Agreement and the District agrees to be bound by TWDB rules, the Resolution, and the representations made in its Application. The District represents that there are no material changes in the information contained in its Application and supplemental information submitted to the TWDB.

§9.2 APPLICABLE LAW. It is expressly understood by and between the parties hereto that the provisions of this Agreement are subject to the applicable provisions of the Constitution and laws of the State of Texas, and federal laws and regulations. The District agrees to comply 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. The parties hereto reserve all rights at law and in equity to enforce the performance of this Agreement, and each respectively covenants to exercise all such rights to the extent necessary to perform or cure any default on the part of the respective Party.

§9.3 REMEDIES. The TWDB, after providing notice and reasonable opportunity to cure, retains the discretion to pursue any remedy available to it through this Agreement or other law. The District agrees that the TWDB shall have available to it the remedies of mandamus and specific performance, even if failure of performance of the District could be adequately compensated through some other method. The District's opportunity to cure shall be no less than 30 days from the date the District receives notice from the TWDB, and shall continue as long as the District uses good faith and diligence to cure any defect accurately identified by the TWDB. Specific remedies available to the TWDB include, but are not limited to, the TWDB's right to:

A. by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the TWDB under the Agreement and all rights of the TWDB, at law or in equity, whether or not any non-performance or violation has become an Event of Default, relating to the purchase, ownership, and lease or sale of the Project or TWDB's interest in the Project, including to the District's obligation to purchase the TWDB's interest in the Project under the Agreement. These rights include, but are not limited to, the right to require the District to charge and collect moneys adequate to carry out the terms of the Agreement;

B. by action or suit in equity require the District to account as if it were the trustee of an express trust for the TWDB; and

C. by action or suit in equity enjoin any acts which may be unlawful or in violation of the rights of the TWDB.

§9.4 VENUE. All amounts due and owing under this Agreement including, but not necessarily limited to, payments or damages for breach of this Agreement, shall be due and

payable in Travis County, Texas, the county in which the principal offices of the TWDB are located. Jurisdiction and venue for any action on or related to the terms of this Agreement shall be exclusively in Travis County, Texas.

§9.5 AMENDMENT. This Agreement may be amended by agreement of the TWDB and the District in written form. Any such amendment shall be executed in the same manner as this Agreement was originally executed.

§9.6 SEVERABILITY. The TWDB and the District specifically agree that in case any one or more of the sections, subsections, provisions, clauses or words in this Agreement or the application of such sections, subsections, provisions, clauses or words to any situation or circumstance should be, or should be held to be, for any reason whatsoever invalid or unconstitutional, or in contravention of any federal, state or local laws, rules and regulations, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses or words in this Agreement or their application thereto. The Parties intend that this Agreement be severable and it shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the Parties hereto shall be construed and remain in force accordingly.

§9.7 ENTIRE AGREEMENT. This Agreement, including the Application(s) for Board Participation under SWIRFT incorporated by reference herein, constitutes the entire agreement between the Parties with respect to the matters described herein.

§9.8 ARBITRATION. It is expressly understood that neither the District nor the TWDB shall, without its consent, be obligated to participate in, nor shall it be made a party to, any arbitration proceedings relating in any way to the Project or to any provisions of this Agreement.

§9.9 FORCE MAJEURE. If, by reason of Force Majeure, any Party hereto shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, then such Party shall give notice and the full particulars of such Force Majeure event in writing to the other Party within a reasonable time after the occurrence of the Force Majeure event. The obligations of the Party giving notice of such Force Majeure event may be suspended during the continuance of the event but for no longer period and any such Party shall endeavor to remove or overcome such inability with all reasonable dispatch.

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EXECUTED in multiple counterparts, each of which shall be deemed to be an original.

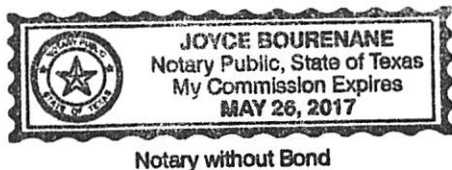
TEXAS WATER DEVELOPMENT BOARD

By: [Signature]
Name: Kevin Patteson
Title: Executive Administrator
Date: 12/1/15

STATE OF TEXAS
COUNTY OF TRAVIS

This instrument was acknowledged before me on the 1st day of Dec., 2015, by Kevin Patteson in his capacity as Executive Administrator of the Texas Water Development Board, an agency of the State of Texas, on behalf of said agency.

(SEAL)



[Signature]
Notary Public, State of Texas

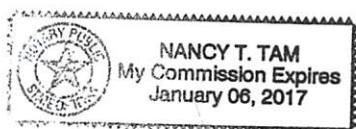
UPPER TRINITY REGIONAL WATER DISTRICT

By: [Signature]
Name: Lance Vanzant
Title: President
Date: 10/01/15

STATE OF TEXAS
COUNTY OF DENTON

This instrument was acknowledged before me on the 1st day of Oct., 2015, by Lance Vanzant in his capacity as President of the Upper Trinity Regional Water District, a Regional Water District in the State of Texas, on behalf of said District.

(SEAL)



[Signature]
Notary Public, State of Texas

ATTACHMENT A
TWDB Resolution No. 15-089A

**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

ATTACHMENT B
BOND COUNSEL OPINION
REGARDING IMPACT OF THE PROJECT ON THE
TAX-EXEMPT STATUS OF TWDB BONDS

Bracewell & Giuliani LLP
1445 Ross Avenue Suite 3800
Dallas, TX 75202-2724

Boyle & Lowry, L.L.P.
4201 Wingren, Suite 108
Irving, Texas 75062

[Date]

Re: Upper Trinity Regional Water District/Texas Water Development Board
Master Agreement Regarding State Board Participation in the Lake Ralph Hall
Reservoir Project No. 51001

Texas Water Development Board
1700 N. Congress Ave.
P.O. Box 13231
Austin TX 78711-3231

Upper Trinity Regional Water District
P. O. Drawer 305
Lewisville, Texas 75067

Ladies and Gentlemen:

We have acted as co-counsel to the Upper Trinity Regional Water District (the "District") in connection with the captioned Master Agreement (the "Master Agreement"), pursuant to a Resolution authorizing the Master Agreement (the "Resolution") of the Board of Directors of the District. The Master Agreement is being entered into to fund a portion of the cost of the Lake Ralph Hall Reservoir Project (the "Project").

In rendering the opinions herein we have examined and relied upon an executed Master Agreement; original or certified copies of the proceedings had in connection with approval of the Master Agreement, including the Resolution; certificates of the officers of the District related to the expected use and investment of proceeds under the Master Agreement and certain other funds of the District, which are within its sole knowledge and control; and such other material and such matters of law as we deem relevant to the matters discussed below. In our examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original documents or all documents submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents, and the accuracy of statements of the District contained in certifications of even date herewith.

Based upon the foregoing, we are of the opinion that, under applicable laws of the State of Texas and the United States of America in force and effect on the date hereof, upon funding under the Master Agreement, neither the projected use of the funds to finance the Project nor the District's payments to the Texas Water Development Board (the "TWDB") under the Master Agreement will adversely affect the excludability of interest on obligations issued by the TWDB to fund their undivided interest in the Project from gross income of the owners of such obligations for federal income tax purposes.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any changes in any law or fact that may hereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

This opinion is intended for your use only and may not be relied upon by any other party without our written permission. In rendering this opinion, we have acted as co-counsel to District, and except for the opinion herein neither firm has advised nor acted as counsel for the TWDB. By acting as co-counsel, each firm has acted independently in reaching the conclusions stated herein.

ATTACHMENT C
REPURCHASE SCHEDULE

**Upper Trinity Regional Water District
Attachment C
Repurchase Schedule**

Par \$ 15,565,000
Call Date 2/1/2026
Dated Date 12/9/2015
Delivery Date 12/9/2015
1st Interest 8/1/2016
1st Principal 8/1/2036
Last Principal 8/1/2050
FY 9/30

Semi-Annual Debt Service								
FY	Date	Principal	Coupon	Interest	Deferral Pct	Deferred Amt/Repay Amt	Net interest	Total Payment
2016	8/1/2016	-	-	\$ 403,234.69	100%	\$(403,234.69)	-	-
2017	2/1/2017	-	-	\$ 312,854.50	100%	\$(312,854.50)	-	-
2017	8/1/2017	-	-	\$ 312,854.50	100%	\$(312,854.50)	-	-
2018	2/1/2018	-	-	\$ 312,854.50	100%	\$(312,854.50)	-	-
2018	8/1/2018	-	-	\$ 312,854.50	100%	\$(312,854.50)	-	-
2019	2/1/2019	-	-	\$ 312,854.50	80%	\$(250,283.60)	\$ 62,570.90	\$ 62,570.90
2019	8/1/2019	-	-	\$ 312,854.50	80%	\$(250,283.60)	\$ 62,570.90	\$ 62,570.90
2020	2/1/2020	-	-	\$ 312,854.50	80%	\$(250,283.60)	\$ 62,570.90	\$ 62,570.90
2020	8/1/2020	-	-	\$ 312,854.50	80%	\$(250,283.60)	\$ 62,570.90	\$ 62,570.90
2021	2/1/2021	-	-	\$ 312,854.50	70%	\$(218,998.15)	\$ 93,856.35	\$ 93,856.35
2021	8/1/2021	-	-	\$ 312,854.50	70%	\$(218,998.15)	\$ 93,856.35	\$ 93,856.35
2022	2/1/2022	-	-	\$ 312,854.50	60%	\$(187,712.70)	\$ 125,141.80	\$ 125,141.80
2022	8/1/2022	-	-	\$ 312,854.50	60%	\$(187,712.70)	\$ 125,141.80	\$ 125,141.80
2023	2/1/2023	-	-	\$ 312,854.50	45%	\$(140,784.53)	\$ 172,069.98	\$ 172,069.98
2023	8/1/2023	-	-	\$ 312,854.50	45%	\$(140,784.53)	\$ 172,069.98	\$ 172,069.98
2024	2/1/2024	-	-	\$ 312,854.50	30%	\$(93,856.35)	\$ 218,998.15	\$ 218,998.15
2024	8/1/2024	-	-	\$ 312,854.50	30%	\$(93,856.35)	\$ 218,998.15	\$ 218,998.15
2025	2/1/2025	-	-	\$ 312,854.50	15%	\$(46,928.18)	\$ 265,926.33	\$ 265,926.33
2025	8/1/2025	-	-	\$ 312,854.50	15%	\$(46,928.18)	\$ 265,926.33	\$ 265,926.33
2026	2/1/2026	-	-	\$ 312,854.50		-	\$ 312,854.50	\$ 312,854.50
2026	8/1/2026	-	-	\$ 312,854.50		-	\$ 312,854.50	\$ 312,854.50
2027	2/1/2027	-	-	\$ 312,854.50		-	\$ 312,854.50	\$ 312,854.50
2027	8/1/2027	-	-	\$ 312,854.50		-	\$ 312,854.50	\$ 312,854.50
2028	2/1/2028	-	-	\$ 312,854.50		-	\$ 312,854.50	\$ 312,854.50
2028	8/1/2028	-	-	\$ 312,854.50		-	\$ 312,854.50	\$ 312,854.50
2029	2/1/2029	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2029	8/1/2029	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2030	2/1/2030	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2030	8/1/2030	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2031	2/1/2031	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2031	8/1/2031	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2032	2/1/2032	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2032	8/1/2032	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2033	2/1/2033	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2033	8/1/2033	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2034	2/1/2034	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2034	8/1/2034	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2035	2/1/2035	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2035	8/1/2035	-	-	\$ 312,854.50		\$ 288,024.78	\$ 600,879.28	\$ 600,879.28
2036	2/1/2036	-	-	\$ 312,854.50		-	\$ 312,854.50	\$ 312,854.50
2036	8/1/2036	\$ 765,000	3.980%	\$ 312,854.50		-	\$ 312,854.50	\$ 1,077,854.50
2037	2/1/2037	-	-	\$ 297,631.00		-	\$ 297,631.00	\$ 297,631.00
2037	8/1/2037	\$ 795,000	3.980%	\$ 297,631.00		-	\$ 297,631.00	\$ 1,092,631.00
2038	2/1/2038	-	-	\$ 281,810.50		-	\$ 281,810.50	\$ 281,810.50
2038	8/1/2038	\$ 830,000	3.980%	\$ 281,810.50		-	\$ 281,810.50	\$ 1,111,810.50
2039	2/1/2039	-	-	\$ 265,293.50		-	\$ 265,293.50	\$ 265,293.50
2039	8/1/2039	\$ 865,000	3.990%	\$ 265,293.50		-	\$ 265,293.50	\$ 1,130,293.50
2040	2/1/2040	-	-	\$ 248,036.75		-	\$ 248,036.75	\$ 248,036.75
2040	8/1/2040	\$ 900,000	3.990%	\$ 248,036.75		-	\$ 248,036.75	\$ 1,148,036.75
2041	2/1/2041	-	-	\$ 230,081.75		-	\$ 230,081.75	\$ 230,081.75
2041	8/1/2041	\$ 940,000	4.090%	\$ 230,081.75		-	\$ 230,081.75	\$ 1,170,081.75
2042	2/1/2042	-	-	\$ 210,858.75		-	\$ 210,858.75	\$ 210,858.75
2042	8/1/2042	\$ 975,000	4.090%	\$ 210,858.75		-	\$ 210,858.75	\$ 1,185,858.75
2043	2/1/2043	-	-	\$ 190,920.00		-	\$ 190,920.00	\$ 190,920.00
2043	8/1/2043	\$ 1,020,000	4.100%	\$ 190,920.00		-	\$ 190,920.00	\$ 1,210,920.00
2044	2/1/2044	-	-	\$ 170,010.00		-	\$ 170,010.00	\$ 170,010.00
2044	8/1/2044	\$ 1,060,000	4.100%	\$ 170,010.00		-	\$ 170,010.00	\$ 1,230,010.00
2045	2/1/2045	-	-	\$ 148,280.00		-	\$ 148,280.00	\$ 148,280.00
2045	8/1/2045	\$ 1,110,000	4.110%	\$ 148,280.00		-	\$ 148,280.00	\$ 1,258,280.00
2046	2/1/2046	-	-	\$ 125,469.50		-	\$ 125,469.50	\$ 125,469.50
2046	8/1/2046	\$ 1,155,000	3.980%	\$ 125,469.50		-	\$ 125,469.50	\$ 1,280,469.50
2047	2/1/2047	-	-	\$ 102,485.00		-	\$ 102,485.00	\$ 102,485.00
2047	8/1/2047	\$ 1,205,000	3.980%	\$ 102,485.00		-	\$ 102,485.00	\$ 1,307,485.00
2048	2/1/2048	-	-	\$ 78,505.50		-	\$ 78,505.50	\$ 78,505.50
2048	8/1/2048	\$ 1,260,000	3.980%	\$ 78,505.50		-	\$ 78,505.50	\$ 1,338,505.50
2049	2/1/2049	-	-	\$ 53,431.50		-	\$ 53,431.50	\$ 53,431.50
2049	8/1/2049	\$ 1,315,000	3.980%	\$ 53,431.50		-	\$ 53,431.50	\$ 1,368,431.50
2050	2/1/2050	-	-	\$ 27,263.00		-	\$ 27,263.00	\$ 27,263.00
2050	8/1/2050	\$ 1,370,000	3.980%	\$ 27,263.00		-	\$ 27,263.00	\$ 1,397,263.00
		\$ 15,565,000		\$ 17,777,568.19		0	\$ 17,777,568.19	\$ 33,342,568.19

ATTACHMENT D
FORMAT FOR DETERMINATION OF DISTRICT'S USE OF TWDB OWNERSHIP

**ATTACHMENT D
MASTER AGREEMENT
BETWEEN
TEXAS WATER DEVELOPMENT BOARD
AND
UPPER TRINITY REGIONAL WATER DISTRICT**

**Determination of UPPER TRINITY REGIONAL WATER DISTRICT Use of TWDB Ownership
Due March 1 Annually per §3.6 of the Agreement**

The District shall be considered to be using a portion of TWDB's ownership interest in the Project when District's annual use of water from the Project exceeds the District's interest in the production of the Project's 45,000 acre-feet of water per year based on a three-year rolling average, as determined under §2.5 of the Agreement. TWDB's total undivided ownership interest in the Project shall be calculated by dividing the TWDB Cost of Acquisition by the Project Costs incurred on the Project to that point in time.

TWDB's ownership interest in the Project shall not exceed 80%

Year	Annual Usage (acre-feet)	Three-year Rolling Average	Three-Year Rolling Average Usage Exceeds District's Ownership Interest (Yes/No)	Lease Payment (Due by August 1st) or Purchase Required (Yes/No)
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				

Completed form to be submitted by March 1 annually to:

Texas Water Development Board
Financial Compliance
P.O. Box 13231
Austin, Texas 78711-3231

ATTACHMENT D
(Determination of TWDB Ownership and UTRWD Use)
Master Agreement between TWDB and UTRWD
Regarding Board Participation in Lake Ralph Hall Reservoir - Project No. 51001

Calculation of TWDB Lake Ralph Hall Ownership ⁽¹⁾

Projected Available Supply for UTRWD in Year 2035 ⁽²⁾

Chapman Lake & Reuse	20,616	Ac-Ft/Yr
Dallas Water Utilities Raw Water Contract	<u>47,848</u>	<u>Ac-Ft/Yr</u>
Total	68,464	Ac-Ft/Yr

Projected Year 2035 - UTRWD Average Demand ⁽²⁾

76,220 Ac-Ft/Yr

Footnotes:

- 1) Calculations used year 2035 to correspond with initiation of principal and interest payments
 2) Interpolated between years 2030 and 2040 from Table 5C.15 - 2016 Initially Prepared Region C Water Plan dated May 2015

Projected Percentage of Lake Ralph Hall Water Used by UTRWD in Year 2035

$$\begin{aligned} & ((\text{Demand} - \text{Avail. Supply}) / \text{TCEQ Permit Annual Authorization of LRH}) \text{ times } 100 = \% \\ & (76,220 - 68,464 / 45,000) * 100 \end{aligned} \qquad 17.2\%$$

TWDB Ownership of Lake Ralph Hall in 2035 = $100 - 17.2 = 82.8\%$
 TWDB Ownership LIMITED TO 80%

Calculation of UTRWD Use of TWDB Ownership of Lake Ralph Hall

Calculation Based on Three Year Rolling Average Use by UTRWD

$$(((\text{Year 1 Use} + \text{Year 2 Use} + \text{Year 3 Use}) \text{ divided } 3) / 45,000) \text{ times } 100 = \% \text{ used by UTRWD}^{(1)}$$

Footnote:

- 1) Average use by UTRWD above 20% triggers buy back of TWDB ownership share

Water
Wastewater
Other

WATER CONSERVATION REVIEW

Attachment 8

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.

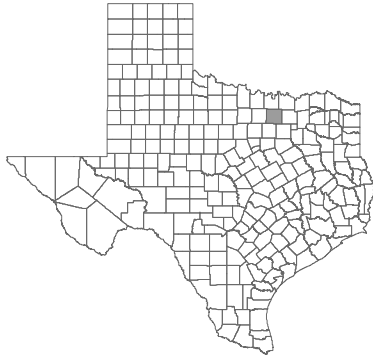
Residential GPCD is the amount of water per capita used solely for residential use and ideally includes both single and multi-family customer use.

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.

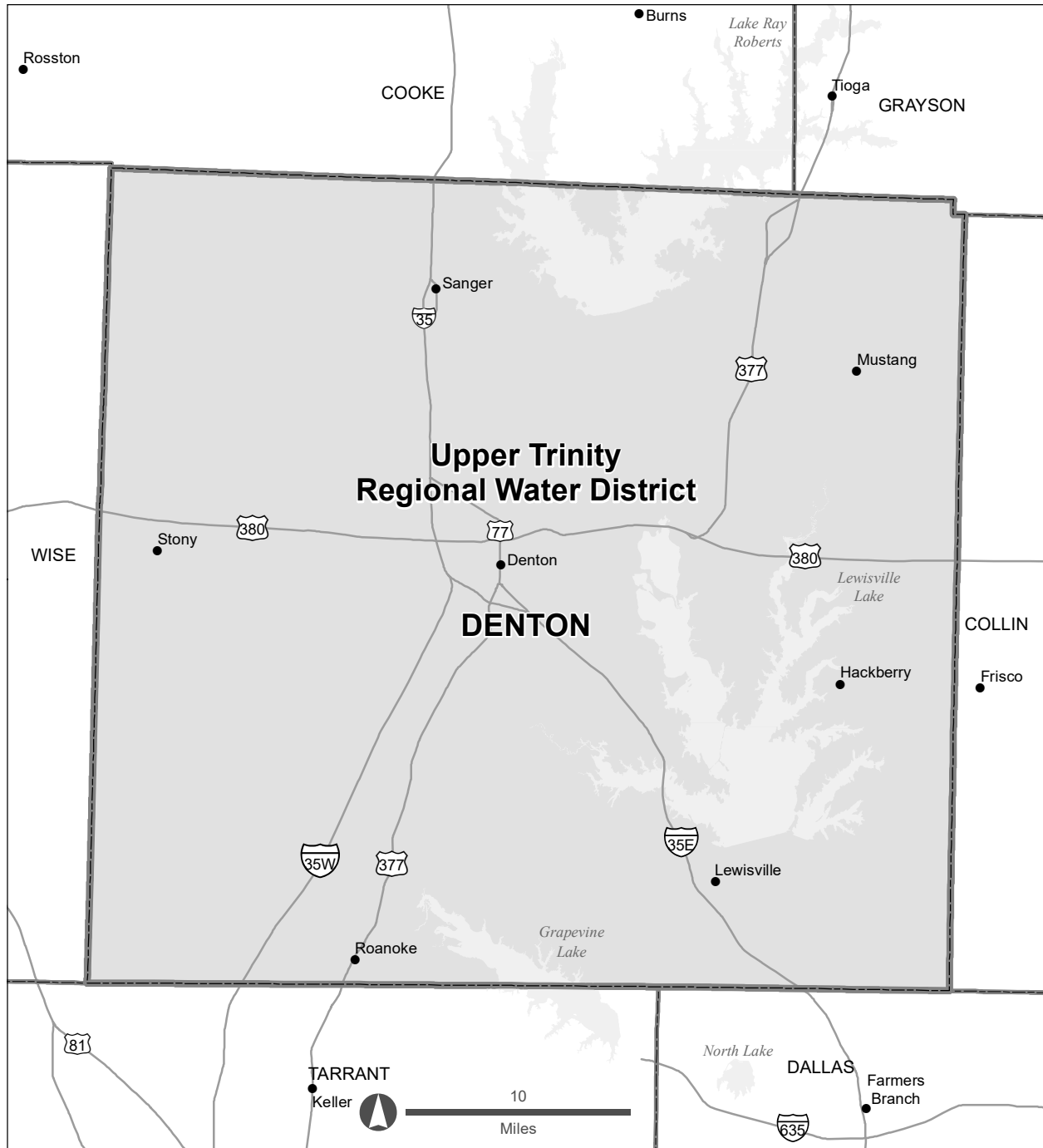
Total water loss is the sum of the apparent and real water losses.

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



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:

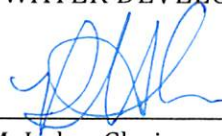
1. this commitment is contingent upon the District executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement;
2. the Master 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

A blue ink signature, likely of Peter M. Lake, written over a horizontal line.

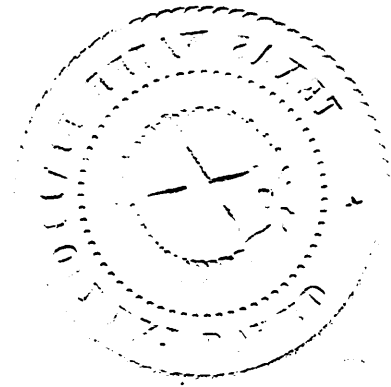
Peter M. Lake, Chairman

DATE SIGNED: 7/22/19

ATTEST:

A blue ink signature, likely of Jeff Walker, written over a horizontal line.

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:

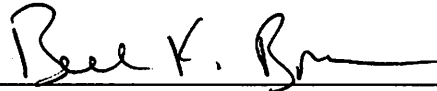
Special Conditions:

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.

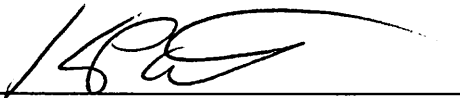
TEXAS WATER DEVELOPMENT BOARD



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;

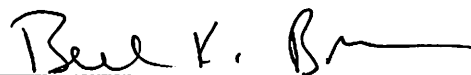
PROVIDED, however, the commitment is subject to the following special conditions:

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.

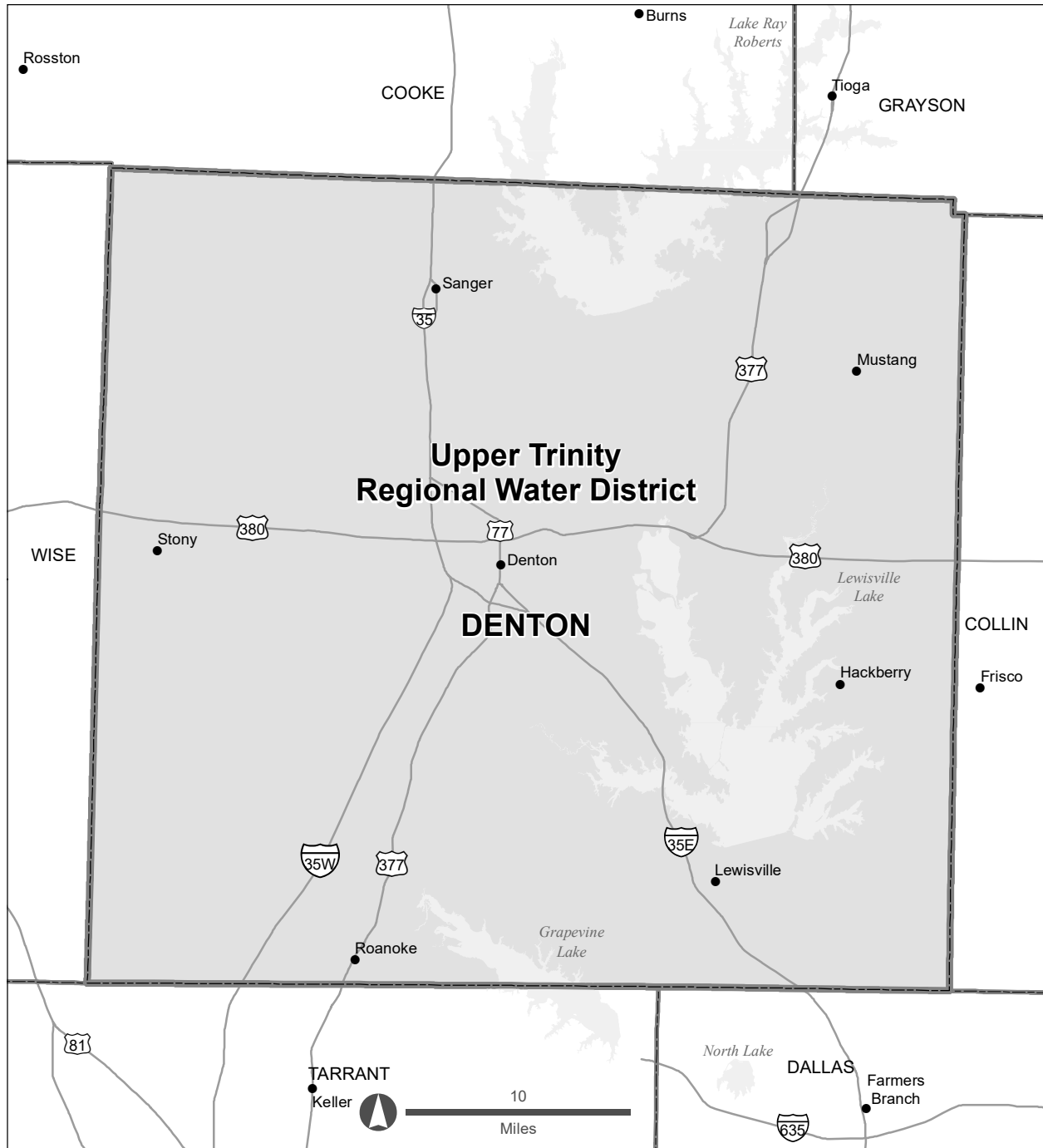
Total water loss is the sum of the apparent and real water losses.

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



Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 22, 2021

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the Upper Trinity Regional Water District (Denton County) for \$29,115,000 in multi-year Board Participation financing from the State Water Implementation Revenue Fund for Texas for a water transmission pipeline project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

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

PROJECT NEED AND DESCRIPTION

Due to anticipated user growth in the District's northeast service area, the proposed project is needed to expand capacity at the District's Harpool water treatment plant and increase projected water service subscriptions from 5.3 to 23.5 million gallons per day by 2035. The two new pipeline segments will provide redundancy and improved reliability to compensate for demand increases on the main transmission pipeline.

The proposed project will construct two transmission pipelines, consisting of approximately 33,000 feet of 36-inch pipeline in two phases of construction. The new pipeline segments will provide redundancy and improved reliability to compensate for demand increases on the main transmission pipeline. The District currently provides water service to approximately 70,057 customers as a wholesale water supplier to entities in the northeast service area.

COMMITMENT PERIOD

Multi-Year Commitment	Expiration Date
\$10,605,000 Proposed Series 2021	December 31, 2021
\$9,100,000 Proposed Series 2022	December 31, 2022
\$4,705,000 Proposed Series 2023	December 31, 2023
\$4,705,000 Proposed Series 2024	December 31, 2024

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2021
Engineering Feasibility Report Completion (End of Planning Phase)	May 31, 2022
Design Phase Completion	June 30, 2023
Start of First Construction Contract	July 31, 2023
Completion of Last Construction Contract	February 28, 2025

KEY ISSUES

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 \$29,115,000 of the project, based on the amount of TWDB Board Participation funds provided as compared to the total amount of funds spent on the Project. The District obligates itself to purchase the TWDB's interest in the Project under a Payment Schedule attached to the Master Agreement, which provides that the District will make payments of principal and interest.

The District's obligation to purchase the 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.

LEGAL

Special Conditions

None.

Attachments:

1. Financial Review
2. Project Budget
3. Resolution (21-)
4. Water Conservation Review
5. Location Map

Financial Review

Upper Trinity Regional Water District

Risk Score: 2B

Audit Reviewed: FY 2020

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2019	District: 3.22%	State: 1.24%
Top 10 Water Customers as a % Total Revenues	85%	<15%
Median Household Income as % of State	149%	100%
Days of Cash on Hand (3-year Average)	767 days	30-149 days
Net Fixed Assets/ Annual Depreciation	36 years	12-24 years
Debt Service Coverage Ratio	0.71x	1.0x
Debt-to-Operating Revenues	5.48x	4.00-5.99x
Unemployment Rate (April)	Upper Trinity RWD: 4.85%	State: 6.30%
Working Capital Ratio	2.19	> 1.0

Key Risk Score Strengths

- The District's pledge of net system revenues is derived from contract revenues from the District's member entities. Contracts between the District and participants in the system allow for the redetermination of annual payment requirements at the end of each fiscal year. Charges split between the entities include annual debt service for outstanding obligations, operation and maintenance of existing facilities, and cost of additional capital improvement.
- A high working capital ratio provides the District with ample resources to cover short-term liabilities and shows a strong liquidity position.

Key Risk Score Concerns

- The District does not possess taxing authority. All District debt is supported by the various water and wastewater system revenues. However, the District's self-supporting debt to operating revenues is within the benchmark
- During fiscal year 2020, the District's wholesale rate was \$1.16 per 1,000 gallons. In a no growth scenario using 2020 audit numbers, the District will need annual rate increases starting in 2035 before maxing out at a projected rate of \$1.53 per 1,000 gallons in 2044 in order to meet debt service coverage requirements throughout the life of the loan.

PLEDGE

Legal Pledge Name	System revenues from the Regional Treated Water Supply System
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

RATES AND CHARGES

Average Residential Use	Gallons/Month	Current Wholesale Rate (Per 1,000 Gallons)	Max Projected Wholesale Rate (2044) (Per 1,000 Gallons)
WATER	1,003,463,916	\$1.16	\$1.53

Project Data Summary

Responsible Authority	Upper Trinity Regional WD
Program	SWIFT
Commitment Number	LB211429, LB221429, LB231429, LB241429
Project Number	51068
List Year	2021
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	Second Lien
Legal Description	\$10,605,000 Upper Trinity Regional Water District Master Agreement Series 2021, \$9,100,000 Upper Trinity Regional Water District Master Agreement Series 2022, \$4,705,000 Upper Trinity Regional Water District Master Agreement Series 2023, \$4,705,000 Upper Trinity Regional Water District Master Agreement Series 2024
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Board Participation
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

Team Manager	Financial Analyst	Engineering Reviewer	Environmental Reviewer	Attorney
Joe Koen	Thomas Quick	Darryl Smith	Christopher Ryon	Breann Hunter

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

\$10,605,000 Upper Trinity Regional Water District Board Participation Series 2021

Dated Date: 11/1/2021
Delivery Date: 11/1/2021
First Interest: 8/1/2022
First Principal: 8/1/2042
Last Principal: 8/1/2056
Fiscal Year End: 9/30
Required Coverage: 1.0

Source: SWIFT-PARTICIPATION
Rate: 3.01%
IUP Year: N/A
Case: System Revenues
Admin.Fee: \$0
Admin. Fee Payment Date: N/A

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	*CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	INTEREST RATE	\$10,605,000 ISSUE		INTEREST PAID	TOTAL PAYMENT	\$18,510,000 PROPOSED SERIES 2022-2024		TOTAL DEBT SERVICE	COVERAGE
					INTEREST PAYMENT	DEFERRAL			TOTAL PAYMENT	TOTAL PAYMENT		
2022	\$30,964,804	\$17,288,557	-	-	\$238,075	(\$238,075)	-	-	-	-	\$17,288,557	1.79
2023	30,964,804	17,621,428	-	-	317,434	(317,434)	-	-	-	-	17,621,428	1.76
2024	30,964,804	19,984,112	-	-	317,434	(317,434)	-	-	-	-	19,984,112	1.55
2025	30,964,804	21,388,467	-	-	317,434	(253,947)	\$63,487	\$63,487	-	-	21,451,954	1.44
2026	30,964,804	20,308,045	-	-	317,434	(253,947)	63,487	63,487	\$55,065	\$55,065	20,426,596	1.52
2027	30,964,804	19,061,983	-	-	317,434	(222,203)	95,230	95,230	83,273	83,273	19,240,486	1.61
2028	30,964,804	20,468,642	-	-	317,434	(190,460)	126,973	126,973	139,272	139,272	20,734,888	1.49
2029	30,964,804	22,788,622	-	-	317,434	(142,845)	174,588	174,588	180,909	180,909	23,144,119	1.34
2030	30,964,804	22,926,500	-	-	317,434	(95,230)	222,203	222,203	250,545	250,545	23,399,249	1.32
2031	30,964,804	23,335,698	-	-	317,434	(47,615)	269,818	269,818	327,233	327,233	23,932,750	1.29
2032	30,964,804	24,666,497	-	-	317,434	-	317,434	317,434	411,038	411,038	25,394,969	1.22
2033	30,964,804	25,773,567	-	-	317,434	-	317,434	317,434	494,843	494,843	26,585,844	1.16
2034	30,964,804	29,146,460	-	-	317,434	-	317,434	317,434	537,350	537,350	30,001,243	1.03
2035	32,618,193	31,445,032	-	-	317,434	297,027	614,461	614,461	558,700	558,700	32,618,193	1.00
2036	36,193,987	34,763,203	-	-	317,434	297,027	614,461	614,461	816,324	816,324	36,193,987	1.00
2037	37,701,237	36,138,477	-	-	317,434	297,027	614,461	614,461	948,300	948,300	37,701,237	1.00
2038	37,701,237	35,204,837	-	-	317,434	297,027	614,461	614,461	1,081,484	1,081,484	36,900,781	1.02
2039	37,701,237	35,222,479	-	-	317,434	297,027	614,461	614,461	1,081,484	1,081,484	36,918,423	1.02
2040	37,701,237	35,055,401	-	-	317,434	297,027	614,461	614,461	1,081,484	1,081,484	36,751,345	1.03
2041	40,006,924	38,310,980	-	-	317,434	297,027	614,461	614,461	1,081,484	1,081,484	40,006,924	1.00
2042	43,343,675	41,379,758	\$565,000	2.700%	317,434	-	317,434	882,434	1,081,484	1,081,484	43,343,675	1.00
2043	45,384,194	43,223,156	580,000	2.760%	302,179	-	302,179	882,179	1,278,860	1,278,860	45,384,194	1.00
2044	46,172,306	43,901,810	600,000	2.810%	286,171	-	286,171	886,171	1,384,326	1,384,326	46,172,306	1.00
2045	46,172,306	42,881,735	615,000	2.860%	269,311	-	269,311	884,311	1,496,590	1,496,590	45,262,635	1.02
2046	46,172,306	40,291,131	635,000	2.890%	251,722	-	251,722	886,722	1,509,328	1,509,328	42,687,180	1.08
2047	46,172,306	40,478,016	655,000	2.930%	233,370	-	233,370	888,370	1,520,539	1,520,539	42,886,925	1.08
2048	46,172,306	40,195,373	675,000	2.950%	214,179	-	214,179	889,179	1,530,138	1,530,138	42,614,689	1.08
2049	46,172,306	40,386,588	700,000	2.980%	194,266	-	194,266	894,266	1,543,307	1,543,307	42,824,161	1.08
2050	46,172,306	39,602,303	720,000	3.010%	173,406	-	173,406	893,406	1,549,764	1,549,764	42,045,473	1.10
2051	46,172,306	37,453,137	745,000	3.030%	151,734	-	151,734	896,734	1,564,745	1,564,745	39,914,616	1.16
2052	46,172,306	37,706,308	770,000	3.090%	129,161	-	129,161	899,161	1,577,930	1,577,930	40,183,398	1.15
2053	46,172,306	38,002,810	795,000	3.150%	105,368	-	105,368	900,368	1,594,036	1,594,036	40,497,214	1.14
2054	46,172,306	38,314,379	820,000	3.150%	80,325	-	80,325	900,325	1,602,927	1,602,927	40,817,631	1.13
2055	46,172,306	35,996,645	850,000	3.150%	54,495	-	54,495	904,495	1,614,865	1,614,865	38,516,005	1.20
2056	46,172,306	26,099,420	880,000	3.150%	27,720	-	27,720	907,720	1,629,663	1,629,663	28,636,803	1.61
2057	46,172,306	-	-	-	-	-	-	-	1,627,528	1,627,528	1,627,528	28.37
2058	46,172,306	-	-	-	-	-	-	-	843,273	843,273	843,273	54.75
2059	46,172,306	-	-	-	-	-	-	-	410,000	410,000	410,000	112.62
		\$ 1,116,811,551	\$ 10,605,000		\$ 9,060,149	\$ (0)	\$ 9,060,149	\$ 19,665,149		\$ 1,170,964,786		

AVERAGE (MATURITY) LIFE	28.34 YEARS
NET INTEREST RATE	3.014%
COST SAVINGS	
AVERAGE ANNUAL REQUIREMENT	\$30,814,863

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.

*Includes the already committed but not closed \$15,500,000 Series 2021, \$120,000,000 Series 2021, \$110,000,000 Series 2022, and \$48,000,000 Series 2023



Current Budget Summary

Upper Trinity Regional WD

51068 - RTWS Northeast Transmission Pipelines and Loop

Last Update: 6/3/2021

Budget Items	TWDB Funds	Local Funds	Total
Construction			
Construction	\$22,287,000.00	\$7,491,000.00	\$29,778,000.00
Subtotal for Construction	\$22,287,000.00	\$7,491,000.00	\$29,778,000.00
Basic Engineering Services			
Construction Engineering	\$450,000.00	\$100,000.00	\$550,000.00
Design	\$1,500,000.00	\$200,000.00	\$1,700,000.00
Planning	\$660,000.00	\$222,000.00	\$882,000.00
Subtotal for Basic Engineering Services	\$2,610,000.00	\$522,000.00	\$3,132,000.00
Special Services			
Environmental	\$150,000.00	\$50,000.00	\$200,000.00
Geotechnical	\$80,000.00	\$20,000.00	\$100,000.00
Permits	\$30,000.00	\$0.00	\$30,000.00
Surveying	\$330,000.00	\$170,000.00	\$500,000.00
Subtotal for Special Services	\$590,000.00	\$240,000.00	\$830,000.00
Fiscal Services			
Bond Counsel	\$148,675.00	\$0.00	\$148,675.00
Financial Advisor	\$115,201.00	\$0.00	\$115,201.00
Fiscal/Legal	\$61,124.00	\$0.00	\$61,124.00
Subtotal for Fiscal Services	\$325,000.00	\$0.00	\$325,000.00
Other			
Administration	\$1,953,000.00	\$902,000.00	\$2,855,000.00
Land/Easements Acquisition	\$1,350,000.00	\$550,000.00	\$1,900,000.00
Subtotal for Other	\$3,303,000.00	\$1,452,000.00	\$4,755,000.00
Contingency			
Contingency	\$0.00	\$0.00	\$0.00
Subtotal for Contingency	\$0.00	\$0.00	\$0.00
Total	\$29,115,000.00	\$9,705,000.00	\$38,820,000.00

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

(21 -)

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 the TWDB acquire an interest in the Upper Trinity Regional Water District, Texas, RTWS Northeast Transmission Pipelines and Loop, Project No. 51068 (Project), not to exceed seventy-five percent (75%) of the total Project cost, in order to enable the acquisition of excess capacity for the optimum regional development of the Project, using the Board Participation Account of the SWIRFT; and

WHEREAS, the District will finance at least twenty-five percent (25%) of the total Project costs from sources other than the Board Participation Account of the SWIRFT, pursuant to 31 TAC § 363.1308, which are sufficient to satisfy the District's equity percentage; and

WHEREAS, the Project is expected to cost \$38,820,000 of which the TWDB's share, pursuant to this commitment, will not exceed \$29,115,000; 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 a Master Agreement to be executed between the District and the TWDB; and

WHEREAS, the District has offered a pledge of subordinate lien revenues from the District's Regional Treated Water Supply System as sufficient security for its obligation to purchase the TWDB's interest in the Project; and

WHEREAS, the commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307; 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 provide additional capacity to existing customers and to extending service by extending pipelines within the 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. 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);

10. 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 RTWS Northeast Transmission Pipelines and Loop, 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 \$29,115,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a) \$10,605,000 to expire on December 31, 2021;
 - b) \$9,100,000 to expire on December 31, 2022;
 - c) \$4,705,000 to expire on December 31, 2023; and
 - d) \$4,705,000 to expire on December 31, 2024; and
2. the Executive Administrator is authorized to negotiate and execute a Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the District.

Such commitment is conditioned as follows:

Standard Conditions:

1. this commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand;
2. this commitment is contingent upon the 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;
3. 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;

4. this commitment is contingent upon the District providing a current proforma to the Executive Administrator each year prior to closing;

The Following Conditions Must Be Included in the Master Agreement:

5. 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;
6. 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;
7. 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;
8. 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;
9. 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;
10. 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;

11. 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;

Pledge Conditions:

12. the Master Agreement must contain a provision requiring that, upon request by the Executive Administrator, the District shall submit annual audits of contracting parties to the Project for the Executive Administrator's review;
13. the Master Agreement must contain a provision requiring the District to maintain and enforce the Project contracts with its customers so that the revenues paid to the District by its customers are sufficient to meet the revenue requirements of the District's obligations arising from the operation of the Project;

Conditions to Close or for Release of Funds:

14. prior to closing, the District and the TWDB will execute a Master Agreement that will set forth the responsibilities, duties, and liabilities of each party;
15. 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;
16. 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;
17. prior to closing, if not previously provided with the application, the District shall submit executed contracts for engineering, and, if applicable, financial advisor and legal counsel, for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator;
18. 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:

19. 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; and
20. the Master Agreement must include a provision requiring that, prior to any action by the District to convey its interest to another entity, the conveyance and the assumption of the interest must be approved by the TWDB.

APPROVED and ordered of record this the 22nd day of July, 2021.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Jeff Walker, Executive Administrator

☒ Water
 ☐ Wastewater
 ☐ Other

SWIFT

WATER CONSERVATION REVIEW

Entity: Upper Trinity Regional WD

Other entity:

WATER CONSERVATION PLAN DATE: 2019

☐

Approvable

☒

Adopted

	Total GPCD	Residential GPCD	Water Loss GPCD
Baseline	189	NA	2
5-year Goal	170	NA	10
10-year Goal	165	NA	10

WATER LOSS AUDIT YEAR: NA

Water Loss GPCD: <u>NA</u>	Water Loss (percent): <u>NA</u>	Water Loss (gal/ connection/day): <u>NA</u>
Service connections: <u>NA</u>	Length of main lines (miles): <u>NA</u>	Connections per mile: <u>NA</u>
Retail population: <u>NA</u>	ILI ¹ : <u>NA</u>	Wholesale Adjusted: <u>NA</u>

1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections

WATER LOSS THRESHOLDS

Water Loss Project: No

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
NA	NA	NA	NA	NA	NA

Does the applicant meet Water Loss Threshold Requirements?

NA

ADDITIONAL INFORMATION

In its water conservation plan, the district states that as a wholesale water supplier, it does not have a direct relationship with retail customers who are the ultimate consumers of the treated water it provides. Further, the district does not have ordinance or policy power over such retail customers, or the use of treated water supplied in wholesale transactions. As a result, the district has limited control or influence over the use of water being purchased by its customers. The district does control the operation of its own water treatment and transmission system and can take direct action to maximize the water use efficiency of their operations. The district plans to maintain the level of water loss in the system to below five percent annually, maintain a program of universal metering and regular meter calibration, replacement, and repair. It will continue to utilize wastewater reuse as a major source of future water supply and recycle wash-water from the water treatment plants and maintain and promote a first-class demonstration program for water-smart practices in landscape and gardening.

STAFF NOTES AND RECOMMENDATIONS

The district is not a retail water provider; therefore, it is not required to submit a water loss audit.

DEFINITIONS

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

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

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

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

GPCD means gallons per capita per day.

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

NA means not applicable.

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

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

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

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

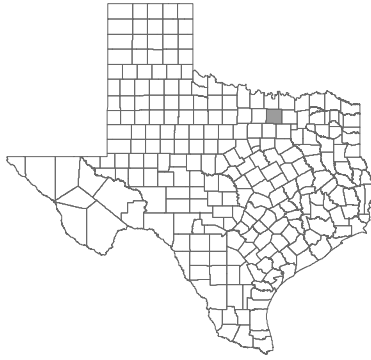
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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

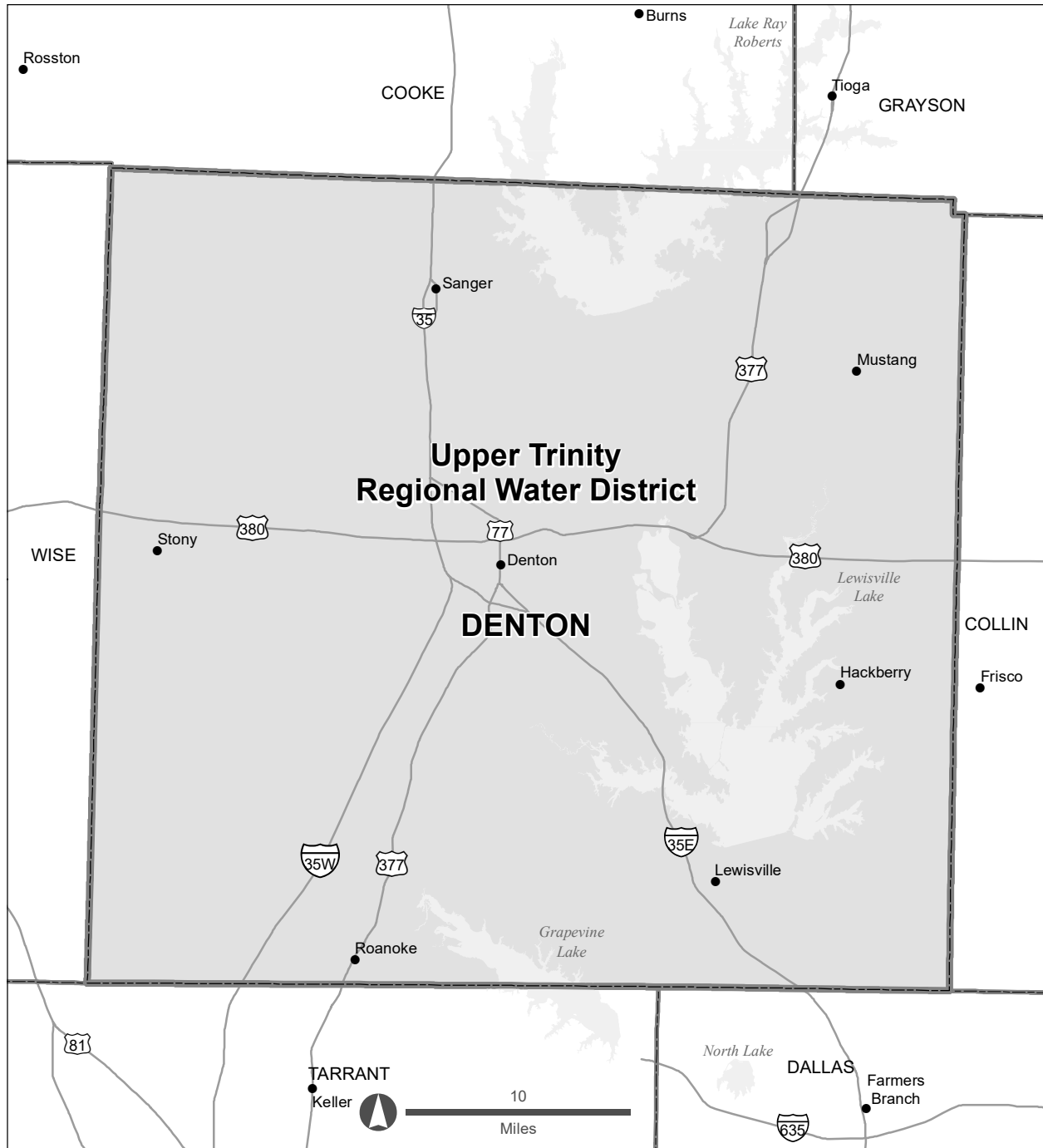
Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

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

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



Upper Trinity Regional Water District Denton County





PROJECT FUNDING REQUEST

BOARD DATE: July 25, 2023

Team Manager: Joe Koen

ACTION REQUESTED

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

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

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

PROJECT NEED AND DESCRIPTION

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

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

COMMITMENT PERIOD

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

PROJECT SCHEDULE

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

KEY ISSUES

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

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

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

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

LEGAL/SPECIAL CONDITIONS

- Water rights
- Conversion and conveyance

Attachments

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

Financial Review

Upper Trinity Regional Water District

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

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

Key Risk Score Strengths

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

Key Risk Score Concerns

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

PLEDGE

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

RATES AND CHARGES

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

Project Data Summary

Responsible Authority	Upper Trinity Regional WD
Program	SWIFT
Commitment Number	LB231663, LB241663, LB251663, LB261663
Project Number	51068
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	Third Lien
Legal Description	\$5,810,000 Upper Trinity Regional Water District Master Agreement Series 2023, \$10,235,000 Master Agreement Amendment Series 2024, \$13,300,000 Master Agreement Amendment Series 2025, \$11,440,000 Master Agreement Amendment Series 2026
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Board Participation
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning, Acquisition, Design, and Construction
Pre-Design	Yes
Project Consistent with State Water Plan	Yes
Water Conservation Plan	Adopted
Overall Risk Score	2B

PROJECT TEAM

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

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

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

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

																			\$58,175,000		\$34,975,000												
																			PROPOSED SERIES		PROPOSED SERIES												
																			2024-2031		2024-2031												
																			PID 51082		PID 51068												
FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	\$18,080,000 ISSUE RATE	INTEREST PAYMENT	DEFERRED INTEREST	REPAYMENT	INTEREST PAID	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	\$5,810,000 ISSUE INTEREST PAYMENT	DEFERRED INTEREST	REPAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	PID 51082 TOTAL PAYMENT	PID 51068 TOTAL PAYMENT	DEBT SERVICE	ACTUAL COVERAGE													
2024	32,330,557	24,776,281	-	-	579,374	(579,374)	-	-	-	-	-	186,181	(186,181)	-	-	-	-	-	24,776,281	1.31													
2025	32,330,557	26,278,628	-	-	834,298	(834,298)	-	-	-	-	-	268,101	(268,101)	-	-	-	-	-	26,278,628	1.23													
2026	32,330,557	25,700,187	-	-	834,298	(834,298)	-	-	-	-	-	268,101	(268,101)	-	-	-	-	-	25,700,187	1.26													
2027	32,330,557	24,697,000	-	-	834,298	(667,438)	-	166,860	166,860	-	-	268,101	(214,480)	-	53,620	53,620	-	53,620	24,971,100	1.30													
2028	32,330,557	23,297,233	-	-	834,298	(667,438)	-	166,860	166,860	-	-	268,101	(214,480)	-	53,620	53,620	246,340	168,047	25,093,300	1.25													
2029	32,330,557	22,305,429	-	-	834,298	(584,097)	-	250,201	250,201	-	-	268,101	(187,670)	-	475,983	475,983	804,804	291,766	24,776,281	1.11													
2030	32,330,557	27,742,076	-	-	834,298	(500,579)	-	333,719	333,719	-	-	268,101	(160,860)	-	107,240	107,240	776,130	556,150	29,513,316	1.10													
2031	32,330,557	28,758,533	-	-	834,298	(375,434)	-	458,864	458,864	-	-	268,101	(120,645)	-	147,455	147,455	1,041,121	728,052	31,107,026	1.04													
2032	33,866,911	30,700,734	-	-	834,298	(250,289)	-	584,009	584,009	-	-	268,101	(80,430)	-	187,670	187,670	1,012,126	992,722	33,866,911	1.00													
2033	36,405,777	33,362,049	-	-	834,298	(125,145)	-	709,153	709,153	-	-	268,101	-	-	227,885	227,885	1,294,629	1,046,861	36,405,777	1.00													
2034	40,986,405	35,920,009	-	-	834,298	-	-	834,298	834,298	-	-	268,101	-	-	268,101	268,101	2,335,381	1,628,617	40,986,405	1.00													
2035	44,626,555	38,577,866	-	-	834,298	-	-	834,298	834,298	-	-	268,101	-	-	268,101	268,101	2,823,901	1,922,389	44,626,555	1.00													
2036	50,490,044	44,133,398	-	-	834,298	-	-	834,298	834,298	-	-	268,101	-	-	268,101	268,101	3,125,266	2,130,341	50,490,044	1.00													
2037	54,255,298	48,255,298	-	-	834,298	774,043	1,608,341	1,608,341	1,608,341	248,738	-	516,838	516,838	2,475,321	516,838	516,838	3,256,799	2,475,321	54,255,298	1.00													
2038	55,338,538	45,792,836	-	-	834,298	774,043	1,608,341	1,608,341	1,608,341	248,738	-	516,838	516,838	2,475,321	516,838	516,838	3,256,799	2,475,321	55,338,538	1.00													
2039	57,098,820	45,811,728	-	-	834,298	774,043	1,608,341	1,608,341	1,608,341	248,738	-	516,838	516,838	2,475,321	516,838	516,838	3,256,799	2,475,321	57,098,820	1.00													
2040	58,343,622	43,647,700	-	-	834,298	774,043	1,608,341	1,608,341	1,608,341	248,738	-	516,838	516,838	2,475,321	516,838	516,838	3,256,799	2,475,321	58,343,622	1.00													
2041	61,943,452	40,594,452	-	-	834,298	774,043	1,608,341	1,608,341	1,608,341	248,738	-	516,838	516,838	2,475,321	516,838	516,838	3,256,799	2,475,321	61,943,452	1.00													
2042	65,252,180	52,556,258	-	-	834,298	774,043	1,608,341	1,608,341	1,608,341	248,738	-	516,838	516,838	2,475,321	516,838	516,838	3,256,799	2,475,321	65,252,180	1.00													
2043	65,252,180	52,463,020	-	-	834,298	774,043	1,608,341	1,608,341	1,608,341	248,738	-	516,838	516,838	2,475,321	516,838	516,838	3,256,799	2,475,321	65,252,180	1.00													
2044	65,252,180	52,287,511	-	865,000	4,530%	834,298	-	834,298	1,699,298	280,000	4,530%	268,101	-	-	268,101	548,101	6,278,385	4,232,620	65,252,180	1.00													
2045	65,252,180	51,065,805	-	905,000	4,530%	834,298	-	795,114	1,700,114	290,000	4,530%	255,417	-	-	255,417	545,417	4,232,620	4,232,620	65,252,180	1.00													
2046	65,252,180	48,286,157	-	945,000	4,530%	754,117	-	754,117	1,699,117	305,000	4,530%	242,280	-	-	242,280	547,280	4,166,029	4,166,029	60,639,914	1.08													
2047	65,252,180	48,267,872	-	990,000	4,530%	711,309	-	711,309	1,701,309	320,000	4,530%	228,643	-	-	228,643	548,643	3,845,099	4,060,071	60,625,813	1.09													
2048	65,252,180	47,766,412	-	1,035,000	4,530%	666,462	-	666,462	1,701,462	330,000	4,530%	213,967	-	-	213,967	543,967	3,588,489	4,058,375	59,909,604	1.08													
2049	65,252,180	46,913,146	-	1,080,000	4,530%	619,576	-	619,576	1,699,576	345,000	4,600%	199,018	-	-	199,018	540,018	3,299,654	3,987,676	59,018,424	1.09													
2050	65,252,180	46,710,011	-	1,130,000	4,600%	569,896	-	569,896	1,699,896	365,000	4,600%	183,148	-	-	183,148	548,148	3,041,324	4,057,031	58,856,409	1.11													
2051	65,252,180	44,329,439	-	1,180,000	4,600%	517,916	-	517,916	1,697,916	380,000	4,600%	166,358	-	-	166,358	546,358	2,601,305	4,061,105	56,478,186	1.16													
2052	65,252,180	42,856,512	-	1,235,000	4,600%	463,636	-	463,636	1,698,636	395,000	4,600%	148,878	-	-	148,878	543,878	2,184,570	4,057,072	54,907,467	1.29													
2053	65,252,180	41,767,483	-	1,295,000	4,600%	410,826	-	410,826	1,697,826	415,000	4,600%	132,426	-	-	132,426	542,426	1,739,799	4,045,211	53,799,000	1.21													
2054	65,252,180	41,746,808	-	1,350,000	4,680%	347,256	-	347,256	1,697,256	435,000	4,680%	111,618	-	-	111,618	546,618	1,584,008	4,059,013	53,803,702	1.19													
2055	65,252,180	39,171,153	-	1,415,000	4,680%	284,076	-	284,076	1,699,076	455,000	4,680%	91,260	-	-	91,260	546,260	1,280,520	4,055,290	51,321,031	1.27													
2056	65,252,180	28,998,012	-	1,480,000	4,680%	217,854	-	217,854	1,697,854	475,000	4,680%	69,966	-	-	69,966	544,966	1,046,255	4,056,619	41,143,705	1.59													
2057	65,252,180	15,550,715	-	1,480,000	4,680%	148,590	-	148,590	1,697,590	500,000	4,680%	47,738	-	-	47,738	544,738	805,618	4,058,618	28,987,674	2.38													
2058	65,252,180	5,408,493	-	1,625,000	4,680%	76,050	-	76,050	1,701,050	520,000	4,680%	24,336	-	-	24,336	544,336	83,845	4,061,349	17,551,703	3.72													
2059	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,729,458	3,453,858	9,183,315	7.11													
2060	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,591,483	2,486,253	6,077,735	10.74													
2061	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000	2,575,000	-	25.34													
																			\$1,333,203,356	\$18,080,000	\$23,844,010	\$	\$23,844,010	\$41,924,010	\$5,810,000	\$7,661,343	(0)	\$7,661,343	\$7,661,343	\$13,471,343	\$151,563,463	\$104,613,447	\$1,644,792,620

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

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

TOTAL AVERAGE ANNUAL REQUIREMENTS
\$43,284,016



Current Budget Summary

Upper Trinity RWD

51068 RTWS Northeast Transmission
Pipelines & Loop

Attachment 2

Last Update: 5/11/2023

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

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

(23 -)

Recitals:

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

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

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

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

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

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

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307.

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

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.
2. It is reasonable to expect that the TWDB will recover its investment in the Project because the revenue to be generated by the projected number of customers served by the Project will be sufficient to purchase the excess capacity owned by the TWDB in accordance with 31 TAC § 363.1308(c)(1).
3. The cost of the Project exceeds the current financing capabilities of the area to be served by the Project, in accordance with 31 TAC § 363.1308(c)(2).
4. The optimum regional development cannot be reasonably financed by local interest based on an assessment of the estimated cost to construct the Project and the revenue to be generated by the projected number of customers of the facility, in accordance with 31 TAC § 363.1308(c)(3).
5. The public interest will be served by the TWDB's acquisition of an interest in the Project because the cost of the Project to the public will be reduced by the Board's participation in the Project, in accordance with 31 TAC § 363.1308(c)(4).
6. The Project contemplates the optimum regional development that is reasonably required under all existing circumstances of the site because the design capacity of the components of the Project are sufficient to meet the foreseeable needs of the area, in accordance with 31 TAC § 363.1308(c)(5).
7. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
8. A water conservation plan has been submitted and implemented in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309
9. The District satisfactorily completed all requests by the Executive Administrator or a regional water planning group for information relevant to the Project, including a water infrastructure financing survey under Texas Water Code § 16.053(q) in accordance with Texas Water Code § 15.435(g) and 31 TAC § 363.1309(b)(2).

10. The District has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

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

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

Such commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the District has complied with all of the requirements of the laws under which the Obligations were issued, that the Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that the Obligations are valid and binding obligations of the District.
3. This commitment is contingent upon the District's continued compliance with all applicable laws, rules, policies, and guidance as these may be amended from time to time to adapt to a change in law, in circumstance, or any other legal requirement.
4. This commitment is contingent upon the District executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and

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

5. This commitment is contingent upon the District providing a current proforma to the Executive Administrator each year prior to closing.
6. The District shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

The Following Conditions Must Be Included in the Master Agreement:

7. The Master Agreement must include a provision stating that the District shall have the right to make an early purchase of all or a portion of the TWDB's ownership interest in the Project, on or after the specified call date that is on or after the first interest payment date 10 years from the dated date by making principal payments in excess of the scheduled principal payments. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator.
8. The Master Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Master Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
9. Financial assistance proceeds are public funds and, as such, the Master Agreement must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
10. Financial assistance proceeds of the commitment shall not be used by the District when sampling, testing, removing, or disposing of contaminated soils and/or media at the Project site. The Master Agreement shall include an environmental indemnification provision wherein the District agrees to indemnify, hold harmless, and protect the TWDB from any and all claims, causes of action, or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewer sludge, contaminated sediments, and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
11. The Master Agreement must include a provision stating that the District shall report to the TWDB the amounts of Project funds, if any, that were used to compensate

historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.

12. The District agrees to take such actions as are necessary to assure, or to refrain from such actions as would materially adversely affect, the excludability from gross income for Federal income tax purposes of interest payable on such obligations as are issued by the TWDB to finance its acquisition of an interest in the Project.
13. The Master Agreement must contain a provision stating that the District shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.
14. The District will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
15. The District must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.

Pledge Conditions:

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

Conditions to Close or for Release of Funds:

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

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

20. Before closing, if not previously provided with the application, the District shall submit executed contracts for engineering, and, if applicable, financial advisor and legal counsel, for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
21. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the District shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.

Special Conditions:

23. Before the release of funds for the costs of planning, engineering, architectural, legal, title, fiscal, economic investigation, studies, surveys, or designs for that portion of the Project that proposes surface water or groundwater development, the Executive Administrator must have either issued a written finding that the District has the right to use the water that the Project financed by the TWDB will provide or a written determination that a reasonable expectation exists that such a finding will be made before the release of funds for construction.
24. Before the release of construction funds for that portion of a Project that proposes surface water or groundwater development, the Executive Administrator must have issued a written finding that the District has the right to use the water that the Project financed by the TWDB will provide.
25. The District must notify the Executive Administrator prior to taking any actions to alter its legal status in any manner, such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility.
26. The Master Agreement must include a provision requiring that, before any action by the District to convey its interest to another entity, the conveyance and the assumption of the interest must be approved by the TWDB.

APPROVED and ordered of record this the 25th day of July 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Amanda Lavin, Assistant Executive Administrator

Review Date:

Project ID:

Water

Wastewater

Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

WATER CONSERVATION PLAN DATE:**Approvable****Adopted**

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

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI¹:*1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections***WATER LOSS THRESHOLDS****Water Loss Project:**

Wholesale Adjusted:

Threshold Type:

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

Does the applicant meet Water Loss Threshold Requirements?

Yes**No****NA****ADDITIONAL INFORMATION****STAFF NOTES AND RECOMMENDATIONS**

DEFINITIONS

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

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

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

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

GPCD means gallons per capita per day.

GCD means gallons per connection per day.

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

NA means not applicable.

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

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

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

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

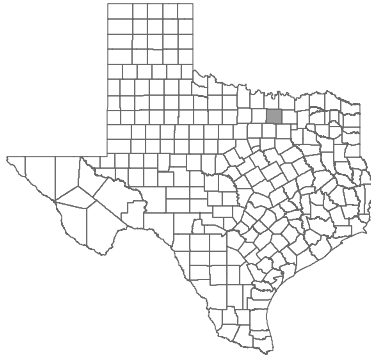
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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

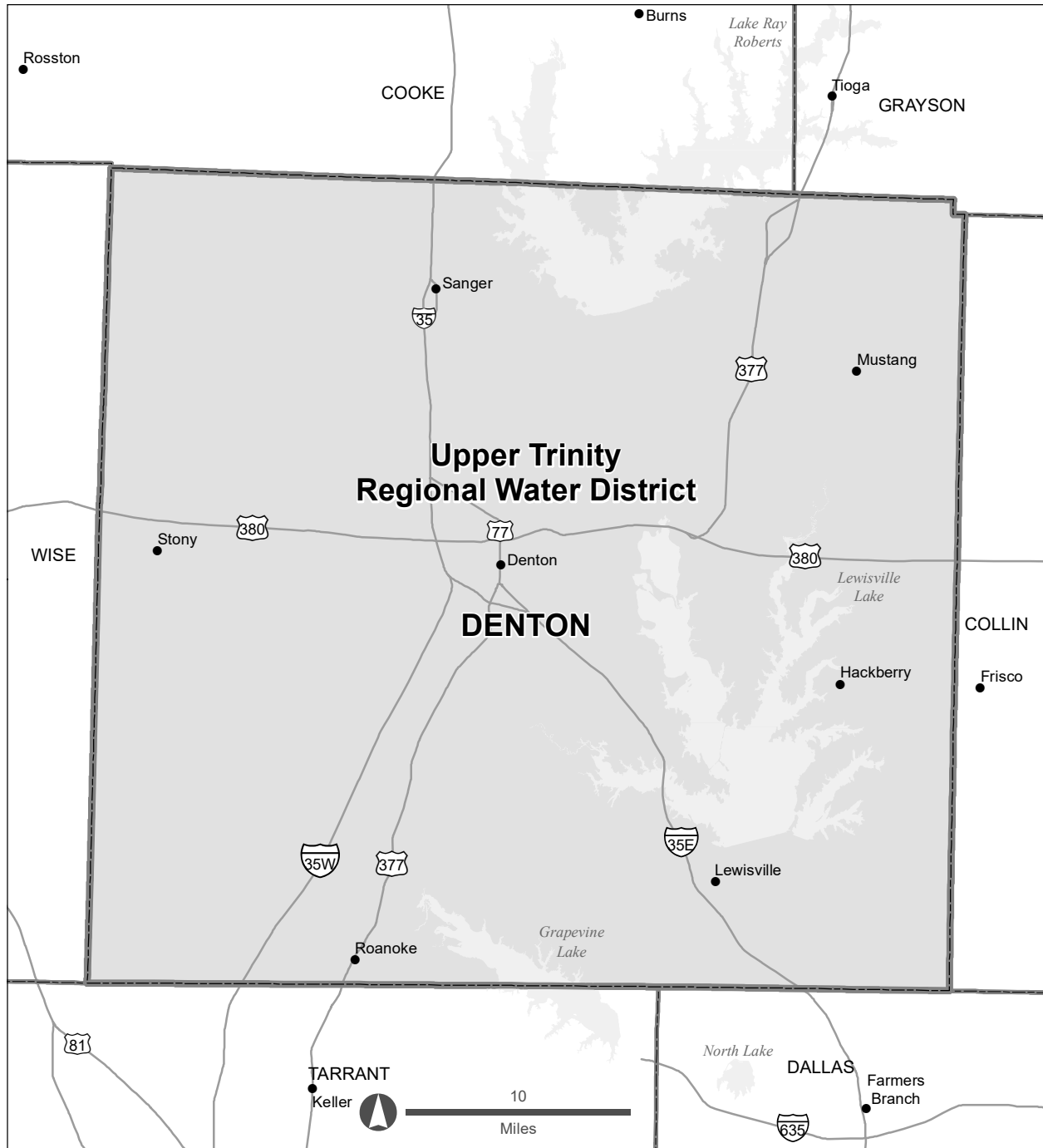
Water Loss per Connection per Day Calculated as the water loss volume divided by the number service connections divided by 365. This indicator allows for reliable performance tracking in the water utility's efforts to reduce water losses. It replaces water loss percentage.

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

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



Upper Trinity Regional Water District Denton County



Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 25, 2023

Team Manager: Joe Koen

ACTION REQUESTED

Consider approving by resolution a request from the Upper Trinity Regional Water District (Denton County) for \$76,255,000 in multi-year Board Participation financing from the State Water Implementation Revenue Fund for Texas for design and construction of a water supply project.

STAFF RECOMMENDATION

☒ Approve ☐ No Action

BACKGROUND

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

PROJECT NEED AND DESCRIPTION

The Upper Trinity Regional Water District (District) serves as a wholesale supplier of treated water to various member entities within its Northeast service area. In the summer of 2022, Texas Commission on Environmental Quality requirements were triggered when demand reached 85 percent of its 70 million gallons per day (MGD) capacity at the District's Taylor Water Treatment Plant (WTP). The Taylor WTP was constructed in 1995, with some of the existing systems operating beyond their useful life.

The District is proposing to design and construct a 15 MGD expansion to the WTP. The project includes improvements to the raw water pump station, treatment process, chemical feed systems, backwash, filters, and storage. The improvements increase both the capacity and efficiency of WTP operations.

COMMITMENT PERIOD

Multi-year Commitment	Expiration date
\$18,080,000 Proposed Series 2023	December 31, 2023
\$22,320,000 Proposed Series 2024	December 31, 2024
\$20,220,000 Proposed Series 2025	December 31, 2025
\$15,635,000 Proposed Series 2026	December 31, 2026

PROJECT SCHEDULE

Task	Schedule Date
Closing	November 1, 2023
Engineering Feasibility Report Completion (End of Planning Phase)	November 1, 2023
Design Phase Completion (1 st package)	March 31, 2024
Start of Construction (1 st package)	April 30, 2024
Design Phase Completion	June 30, 2024
Construction Completion	March 31, 2027

KEY ISSUES

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 of the project, not to exceed \$76,255,000, based on the amount of TWDB Board Participation funds provided as compared to the total amount of funds spent on the project. The District obligates itself to purchase the TWDB's interest in the project under a payment schedule attached to the Master Agreement, which provides that the District will make payments of principal and interest.

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

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

LEGAL/SPECIAL CONDITIONS

- Water rights certification
- Conversion and conveyance

Attachments

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

Financial Review

Upper Trinity Regional Water District

Attachment 1

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

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

Key Risk Score Strengths

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

Key Risk Score Concerns

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

PLEDGE

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

RATES AND CHARGES

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

Project Data Summary

Responsible Authority	Upper Trinity Regional WD
Program	SWIFT
Commitment Number	LB231661, LB241661, LB251661, LB261661
Project Number	51082
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	Third Lien
Legal Description	\$18,080,000 Upper Trinity Regional Water District Master Agreement, Series 2023, \$22,320,000 Master Agreement Amendment Series 2024, \$20,220,000 Master Agreement Amendment Series 2025, \$15,635,000 Master Agreement Amendment Series 2026
Tax-exempt or Taxable	Tax-Exempt
Refinance	No
Outlay Requirement	No
Disbursement Method	Escrow
Outlay Type	Outlay <> Escrow Release
Qualifies as Disadvantaged	No
SWIFT Financing Type	Board Participation
Financial Managerial & Technical Complete	N/A
Phases Funded	Planning 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	Joel Smith	Kylie Beard	Breann Hunter

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

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

Dated Date: 11/21/2023
Delivery Date: 11/21/2023
First Interest: 8/1/2024
First Principal: 8/1/2044
Last Principal: 8/1/2058
Fiscal Year End: 9/30
Required Coverage: 1.8

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

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

Dated Date: 11/21/2023
Delivery Date: 11/21/2023
First Interest: 8/1/2024
First Principal: 8/1/2044
Last Principal: 8/1/2058
Fiscal Year End: 9/30
Required Coverage: 1.8

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

FISCAL YEAR	PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	PRINCIPAL PAYMENT	\$18,080,000 ISSUE				DEFERRED INTEREST	REPAYMENT	INTEREST PAID	TOTAL PAYMENT	PRINCIPAL PAYMENT	INTEREST RATE	\$5,810,000 ISSUE				DEFERRED INTEREST	REPAYMENT	INTEREST PAYMENT	TOTAL PAYMENT	\$58,175,000 PROPOSED SERIES 2024-2026 PID 51082		\$34,975,000 PROPOSED SERIES 2024-2026 PID 51068		DEBT SERVICE	ACTUAL COVERAGE		
				INTEREST RATE	INTEREST PAYMENT	DEFERRED INTEREST	REPAYMENT							INTEREST PAYMENT	DEFERRED INTEREST	REPAYMENT	TOTAL PAYMENT					TOTAL PAYMENT	TOTAL PAYMENT						
2024	32,350,557	24,776,281	-	-	-	579,374	(579,374)	-	-	-	-	-	-	186,181	(186,181)	-	-	-	-	-	-	-	-	-	-	-	24,776,281	1.31	
2025	32,350,557	26,278,628	-	-	-	834,298	(834,298)	-	-	-	-	-	-	268,101	(268,101)	-	-	-	-	-	-	-	-	-	-	-	26,278,628	1.23	
2026	32,350,557	25,700,187	-	-	-	834,298	(834,298)	-	-	-	-	-	-	268,101	(268,101)	-	-	-	-	-	-	-	-	-	-	-	25,700,187	1.26	
2027	32,350,557	24,697,000	-	-	-	834,298	(667,438)	-	166,860	166,860	-	-	-	268,101	(214,480)	-	53,620	53,620	-	-	-	-	53,620	53,620	-	-	24,971,100	1.30	
2028	32,350,557	25,297,233	-	-	-	834,298	(667,438)	-	166,860	166,860	-	-	-	268,101	(214,480)	-	53,620	53,620	-	-	-	-	53,620	249,540	168,047	25,935,300	1,225	-	-
2029	32,350,557	28,026,170	-	-	-	834,298	(584,009)	-	250,289	250,289	-	-	-	268,101	(187,670)	-	80,430	80,430	-	-	-	-	80,430	475,983	343,804	29,176,676	1,111	-	-
2030	32,350,557	27,742,076	-	-	-	834,298	(500,579)	-	333,719	333,719	-	-	-	268,101	(160,860)	-	107,240	107,240	-	-	-	-	107,240	776,130	556,150	29,515,316	1,110	-	-
2031	32,350,557	28,758,533	-	-	-	834,298	(375,854)	-	458,864	458,864	-	-	-	268,101	(120,645)	-	147,455	147,455	-	-	-	-	147,455	1,014,121	728,052	31,107,026	1,044	-	-
2032	33,866,911	30,700,324	-	-	-	834,298	(250,289)	-	584,009	584,009	-	-	-	268,101	(80,430)	-	187,670	187,670	-	-	-	-	187,670	1,402,186	992,722	33,866,911	1,110	-	-
2033	36,440,577	32,362,048	-	-	-	834,298	(125,145)	-	709,153	709,153	-	-	-	268,101	(40,215)	-	227,885	227,885	-	-	-	-	227,885	1,846,861	1,294,629	36,440,577	1,000	-	-
2034	40,986,405	35,920,009	-	-	-	834,298	-	-	834,298	834,298	-	-	-	268,101	-	-	268,101	268,101	-	-	-	-	268,101	2,335,381	1,628,617	40,986,405	1,000	-	-
2035	44,426,555	38,577,866	-	-	-	834,298	-	-	834,298	834,298	-	-	-	268,101	-	-	268,101	268,101	-	-	-	-	268,101	2,823,309	1,922,389	44,426,555	1,000	-	-
2036	50,490,404	44,132,308	-	-	-	834,298	-	-	834,298	834,298	-	-	-	268,101	-	-	268,101	268,101	-	-	-	-	268,101	3,125,266	2,130,341	50,490,404	1,000	-	-
2037	54,255,004	46,397,705	-	-	-	834,298	774,043	-	1,608,341	1,608,341	-	-	-	268,101	248,738	-	516,838	516,838	-	-	-	-	516,838	3,256,799	2,475,321	54,255,004	1,000	-	-
2038	55,338,538	45,792,836	-	-	-	834,298	774,043	-	1,608,341	1,608,341	-	-	-	268,101	248,738	-	516,838	516,838	-	-	-	-	516,838	3,414,386	3,006,136	55,338,538	1,000	-	-
2039	57,098,820	45,811,728	-	-	-	834,298	774,043	-	1,608,341	1,608,341	-	-	-	268,101	248,738	-	516,838	516,838	-	-	-	-	516,838	3,464,830	3,697,082	57,098,820	1,000	-	-
2040	58,343,622	45,647,700	-	-	-	834,298	774,043	-	1,608,341	1,608,341	-	-	-	268,101	248,738	-	516,838	516,838	-	-	-	-	516,838	3,464,830	4,292,357	58,343,622	1,000	-	-
2041	61,594,352	48,898,430	-	-	-	834,298	774,043	-	1,608,341	1,608,341	-	-	-	268,101	248,738	-	516,838	516,838	-	-	-	-	516,838	3,256,799	4,292,357	61,594,352	1,000	-	-
2042	65,252,180	52,556,258	-	-	-	834,298	774,043	-	1,608,341	1,608,341	-	-	-	268,101	248,738	-	516,838	516,838	-	-	-	-	516,838	3,256,799	4,292,357	65,252,180	1,000	-	-
2043	65,252,180	52,463,020	-	-	-	834,298	774,043	-	1,608,341	1,608,341	-	-	-	268,101	248,738	-	516,838	516,838	-	-	-	-	516,838	3,256,799	4,292,357	65,158,942	1,000	-	-
2044	65,252,180	52,287,511	865,000	4.530%	-	834,298	-	1,699,298	1,699,298	-	280,000	4.530%	-	268,101	-	-	268,101	548,101	-	-	-	-	268,101	548,101	4,323,620	65,136,913	1,000	-	-
2045	65,252,180	51,045,805	905,000	4.530%	-	795,114	-	1,700,114	1,700,114	-	290,000	4.530%	-	255,417	-	-	255,417	545,417	-	-	-	-	255,417	545,417	4,245,147	63,652,253	1,033	-	-
2046	65,252,180	48,286,157	945,000	4.530%	-	754,117	-	1,699,117	1,699,117	-	305,000	4.530%	-	242,280	-	-	242,280	547,280	-	-	-	-	242,280	547,280	4,146,012	60,639,194	1,088	-	-
2047	65,252,180	48,267,872	990,000	4.530%	-	711,309	-	1,701,309	1,701,309	-	320,000	4.530%	-	228,463	-	-	228,463	548,463	-	-	-	-	228,463	548,463	4,063,071	60,425,813	1,088	-	-
2048	65,252,180	47,766,412	1,035,000	4.530%	-	666,462	-	1,701,462	1,701,462	-	330,000	4.530%	-	213,967	-	-	213,967	543,967	-	-	-	-	213,967	543,967	4,058,375	59,909,064	1,099	-	-
2049	65,252,180	47,733,146	1,080,000	4.600%	-	619,576	-	1,699,576	1,699,576	-	345,000	4.600%	-	199,018	-	-	199,018	544,018	-	-	-	-	199,018	544,018	4,058,276	59,879,639	1,099	-	-
2050	65,252,180	46,710,011	1,130,000	4.600%	-	569,896	-	1,699,896	1,699,896	-	365,000	4.600%	-	183,148	-	-	183,148	548,148	-	-	-	-	183,148	548,148	4,057,031	58,856,409	1,111	-	-
2051	65,252,180	44,329,439	1,180,000	4.600%	-	517,916	-	1,697,916	1,697,916	-	380,000	4.600%	-	166,358	-	-	166,358	546,358	-	-	-	-	166,358	546,358	4,063,105	56,478,186	1,116	-	-
2052	65,252,180	42,856,512	1,235,000	4.600%	-	463,636	-	1,698,636	1,698,636	-	395,000	4.600%	-	148,878	-	-	148,878	543,878	-	-	-	-	148,878	543,878	4,057,072	54,997,467	1,119	-	-
2053	65,252,180	41,637,483	1,295,000	4.600%	-	406,826	-	1,701,826	1,701,826	-	415,000	4.600%	-	130,708	-	-	130,708	545,708	-	-	-	-	130,708	545,708	4,054,211	53,779,996	1,121	-	-
2054	65,252,180	41,746,808	1,350,000	4.680%	-	347,256	-	1,697,256	1,697,256	-	435,000	4.680%	-	111,618	-	-	111,618	546,618	-	-	-	-	111,618	546,618	4,059,013	53,893,702	1,121	-	-
2055	65,252,180	39,171,153	1,415,000	4.680%	-	284,076	-	1,699,076	1,699,076	-	455,000	4.680%	-	91,260	-	-	91,260	546,260	-	-	-	-	91,260	546,260	4,055,293	51,312,031	1,127	-	-
2056	65,252,180	28,998,012	1,480,000	4.680%	-	217,854	-	1,697,854	1,697,854	-	475,000	4.680%	-	69,966	-	-	69,966	544,966	-	-	-	-	69,966	544,966	4,056,255	41,143,705	1,159	-	-
2057	65,252,180	16,439,115	1,550,000	4.680%	-	148,590	-	1,698,590	1,698,590	-	500,000	4.680%	-	47,736	-	-	47,736	547,736	-	-	-	-	47,736	547,736	4,058,816	28,587,674	2,258	-	-
2058	65,252,180	5,408,493	1,625,000	4.680%	-	76,050	-	1,701,050	1,701,050	-	520,000	4.680%	-	24,336	-	-	24,336	544,336	-	-	-	-	24,336	544,336	4,061,369	17,551,703	3,772	-	-
2059	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2060	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2061	65,252,180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
				\$1,333,220,356		\$18,080,000		\$23,844,010	\$	-		\$23,844,010	\$41,924,010	\$5,810,000		\$7,661,343	(0)					\$7,661,343	\$13,471,343	\$151,563,463	\$104,613,447	\$1,644,792,620			

Project Budget Summary
Upper Trinity Regional WD
51082 - Taylor Regional Water Treatment Plant
Expansion

Budget Items	TWDB Funds	Local and Other Funds	Total
Construction			
Construction	\$55,893,600.00	\$15,651,750.00	\$71,545,350.00
Subtotal for Construction	\$55,893,600.00	\$15,651,750.00	\$71,545,350.00
Basic Engineering Services			
Construction Engineering	\$2,924,600.00	\$898,000.00	\$3,822,600.00
Design	\$3,188,400.00	\$914,500.00	\$4,102,900.00
Subtotal for Basic Engineering Services	\$6,113,000.00	\$1,812,500.00	\$7,925,500.00
Special Services			
Application	\$10,000.00	\$5,000.00	\$15,000.00
Environmental	\$10,000.00	\$1,500.00	\$11,500.00
Geotechnical	\$36,000.00	\$2,500.00	\$38,500.00
Permits	\$25,000.00	\$3,000.00	\$28,000.00
Project Management (by engineer)	\$1,230,000.00	\$35,000.00	\$1,265,000.00
Surveying	\$24,000.00	\$2,500.00	\$26,500.00
Subtotal for Special Services	\$1,335,000.00	\$49,500.00	\$1,384,500.00
Fiscal Services			
Bond Counsel	\$298,863.00	\$0.00	\$298,863.00
Financial Advisor	\$179,790.00	\$0.00	\$179,790.00
Issuance Costs	\$17,000.00	\$0.00	\$17,000.00
Subtotal for Fiscal Services	\$495,653.00	\$0.00	\$495,653.00
Other			
Administration	\$6,207,347.00	\$1,550,000.00	\$7,757,347.00
Contingency	\$6,210,400.00	\$0.00	\$6,210,400.00
Subtotal for Other	\$12,417,747.00	\$1,550,000.00	\$13,967,747.00
Total	\$76,255,000.00	\$19,063,750.00	\$95,318,750.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING AN APPLICATION FROM UPPER TRINITY REGIONAL WATER DISTRICT
FOR THE TEXAS WATER DEVELOPMENT BOARD'S
ACQUISITION AND SALE OF AN INTEREST IN
UPPER TRINITY REGIONAL WATER DISTRICT TAYLOR WATER TREATMENT PLANT
WITH FUNDS FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

(23 -)

Recitals:

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

The Upper Trinity Regional Water District (District) has filed an application with the TWDB requesting that the TWDB acquire an interest in the Upper Trinity Regional Water District Taylor Water Treatment Plant, Project No. 51082 (Project), not to exceed eighty percent (80%) of the total Project cost, in order to enable the acquisition of excess capacity for the optimum regional development of the Project, using the Board Participation Account of the SWIRFT.

The Project is expected to cost \$95,318,750 of which the TWDB's share, pursuant to this commitment, will not exceed \$76,255,000.

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

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

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

The commitment is approved for funding under the TWDB's pre-design funding option, and initial and future releases of funds are subject to 31 TAC § 363.1307.

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

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.
2. It is reasonable to expect that the TWDB will recover its investment in the Project because the revenue to be generated by the projected number of customers served by the Project will be sufficient to purchase the excess capacity owned by the TWDB in accordance with 31 TAC § 363.1308(c)(1).
3. The cost of the Project exceeds the current financing capabilities of the area to be served by the Project, in accordance with 31 TAC § 363.1308(c)(2).
4. The optimum regional development cannot be reasonably financed by local interest based on an assessment of the estimated cost to construct the Project and the revenue to be generated by the projected number of customers of the facility, in accordance with 31 TAC § 363.1308(c)(3).
5. The public interest will be served by the TWDB's acquisition of an interest in the Project because the cost of the Project to the public will be reduced by the Board's participation in the Project, in accordance with 31 TAC § 363.1308(c)(4).
6. The Project contemplates the optimum regional development that is reasonably required under all existing circumstances of the site because the design capacity of the components of the Project are sufficient to meet the foreseeable needs of the area, in accordance with 31 TAC § 363.1308(c)(5).
7. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
8. A water conservation plan has been submitted and implemented in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
9. The District satisfactorily completed all requests by the Executive Administrator or a regional water planning group for information relevant to the Project, including a water infrastructure financing survey under Texas Water Code § 16.053(q) in accordance with Texas Water Code § 15.435(g) and 31 TAC § 363.1309(b)(2).
10. The District has acknowledged its legal obligation to comply with any applicable requirements of federal law relating to contracting with disadvantaged business

enterprises, and any applicable state law relating to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

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

1. A commitment is made by the TWDB to acquire and sell an ownership interest in the Upper Trinity Regional Water District Taylor Water Treatment Plant, 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 \$76,255,000 from the Board Participation Account of the State Water Implementation Revenue Fund for Texas, to be evidenced as follows:
 - a. \$18,080,000 Proposed Series 2023, to expire on December 31, 2023;
 - b. \$22,320,000 Proposed Series 2024, to expire on December 31, 2024;
 - c. \$20,220,000 Proposed Series 2025, to expire on December 31, 2025; and
 - d. 15,635,000 Proposed Series 2026, to expire on December 31, 2026.
2. The Executive Administrator is authorized to negotiate and execute a Master Agreement that will set forth the duties, responsibilities, and liabilities of the TWDB and the District.

Such commitment is conditioned as follows:

Standard Conditions:

1. This commitment is contingent on a future sale of bonds by the TWDB or on the availability of funds on hand.
2. This commitment is contingent upon the issuance of a written approving opinion of the Attorney General of the State of Texas stating that the District has complied with all of the requirements of the laws under which the Obligations were issued, that the Obligations were issued in conformity with the Constitution and laws of the State of Texas, and that the Obligations are valid and binding obligations of the District.
3. This commitment is contingent upon the District's continued compliance with all applicable laws, rules, policies, and guidance as these may be amended from time to time to adapt to a change in law, in circumstance, or any other legal requirement.
4. This commitment is contingent upon the District executing a separate financing agreement, approved as to form and substance by the Executive Administrator, and submitting that executed agreement to the TWDB consistent with the terms and conditions described in the financing agreement.

5. This commitment is contingent upon the District providing a current proforma to the Executive Administrator each year prior to closing.
6. The District shall use a paying agent/registrar in accordance with 31 TAC § 363.42(c)(2) and shall require the paying agent/registrar to provide a copy of all receipts documenting debt service payments to the TWDB and to the TWDB's designated Trustee.

The Following Conditions Must Be Included in the Master Agreement:

7. The Master Agreement must include a provision stating that the District shall have the right to make an early purchase of all or a portion of the TWDB's ownership interest in the Project, on or after the specified call date that is on or after the first interest payment date 10 years from the dated date by making principal payments in excess of the scheduled principal payments. Such early purchases may be made no more than once a year, unless otherwise allowed by the Executive Administrator.
8. The Master Agreement must contain a provision that the TWDB may exercise all remedies available to it in law or equity, and any provision of the Master Agreement that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.
9. Financial assistance proceeds are public funds and, as such, the Master Agreement must include a provision requiring that these proceeds shall be held at a designated state depository institution or other properly chartered and authorized institution in accordance with the Public Funds Investment Act, Government Code, Chapter 2256, and the Public Funds Collateral Act, Government Code, Chapter 2257.
10. Financial assistance proceeds shall not be used by the District when sampling, testing, removing, or disposing of contaminated soils and/or media at the Project site. The Master Agreement shall include an environmental indemnification provision wherein the District agrees to indemnify, hold harmless, and protect the TWDB from any and all claims, causes of action, or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling, and disposition of any contaminated sewer sludge, contaminated sediments, and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials, and employees as a result of activities relating to the Project to the extent permitted by law.
11. The Master Agreement must include a provision stating that the District shall report to the TWDB the amounts of Project funds, if any, that were used to compensate historically underutilized businesses that worked on the Project, in accordance with 31 TAC § 363.1312.

12. The District agrees to take such actions as are necessary to assure, or to refrain from such actions as would materially adversely affect, the excludability from gross income for Federal income tax purposes of interest payable on such obligations as are issued by the TWDB to finance its acquisition of an interest in the Project.
13. The Master Agreement must contain a provision stating that the District shall abide by all applicable construction contract requirements related to the use of iron and steel products produced in the United States, as required by Texas Government Code, Chapter 2252, Subchapter G and Texas Water Code § 17.183.
14. The District will submit annually an audit prepared by a certified public accountant in accordance with generally accepted auditing standards.
15. The District must immediately notify TWDB in writing of any suit against it by the Attorney General of Texas under Texas Penal Code § 1.10(f), related to federal laws regulating firearms, firearm accessories, and firearm ammunition.

Pledge Conditions:

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

Conditions to Close or for Release of Funds:

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

20. Before closing, if not previously provided with the application, the District shall submit executed contracts for engineering, and, if applicable, financial advisor and legal counsel, for the Project that are satisfactory to the Executive Administrator. Fees to be reimbursed under the contracts must be reasonable in relation to the services performed, reflected in the contract, and acceptable to the Executive Administrator.
21. Before closing, when any portion of financial assistance is to be held in escrow or in trust, the District shall execute an escrow agreement or trust agreement, approved as to form and substance by the Executive Administrator, and shall submit that executed agreement to the TWDB.

Special Conditions:

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

APPROVED and ordered of record this the 25th day of July 2023.

TEXAS WATER DEVELOPMENT BOARD

Brooke T. Paup, Chairwoman

DATE SIGNED: _____

ATTEST:

Amanda Lavin, Assistant Executive Administrator

Review Date:

Project ID:

Water

Wastewater

Other

WATER CONSERVATION REVIEW

Entity:

Other entity:

WATER CONSERVATION PLAN DATE:**Approvable****Adopted**

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

WATER LOSS AUDIT YEAR:

Service connections:

Length of main lines (miles):

Water Loss GCD:

Retail population:

Connections per mile:

Water Loss GPCD:

ILI¹:*1 – Infrastructure Leakage Index only applicable if > 16 connections per mile and > 3,000 service connections***WATER LOSS THRESHOLDS****Water Loss Project:**

Wholesale Adjusted:

Threshold Type:

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

Does the applicant meet Water Loss Threshold Requirements?

Yes**No****NA****ADDITIONAL INFORMATION****STAFF NOTES AND RECOMMENDATIONS**

DEFINITIONS

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

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

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

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

GPCD means gallons per capita per day.

GCD means gallons per connection per day.

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

NA means not applicable.

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

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

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

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

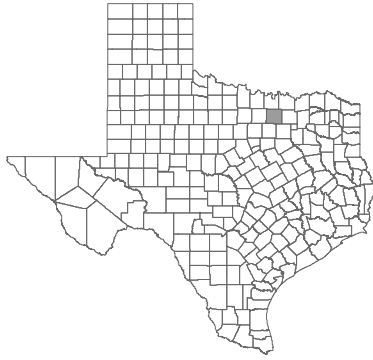
Water loss is the difference between the input volume and the authorized consumption within a water system. Water Loss consists of real losses and apparent losses.

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

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

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

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



Upper Trinity Regional Water District Denton County

