

Texas Water Development Board

PROJECT FUNDING REQUEST

BOARD DATE: July 25, 2023

Team Manager: Nancy Richards

ACTION REQUESTED

Consider approving by resolution a request from the Central Harris County Regional Water Authority (Harris County) for \$5,000,000 in financing from the State Water Implementation Revenue Fund for Texas for acquisition and construction of a new water system project.

STAFF RECOMMENDATION

Approve No Action

BACKGROUND

The Central Harris County Regional Water Authority (Authority) consists of 11 member districts, which operate 13 groundwater wells. The primary purpose of the Authority is to comply with the groundwater reduction plan established by the Harris-Galveston Subsidence District (Subsidence District). The plan requires entities within the Subsidence District's jurisdiction such as the Authority to limit groundwater withdrawal to a specified percentage of total water use in order to prevent further land surface subsidence. Although water demands are expected to increase with time, the current plan requires the Authority to reduce groundwater withdrawal within its territory to no more than 40 percent of the annual total water demand by 2025 and no more than 20 percent of the annual total water demand by 2035.

PROJECT NEED AND DESCRIPTION

The Authority continues to expand its pipelines to provide treated surface water to its water district members and facilitate their compliance with the Harris Galveston Subsidence District's regulatory conversion requirements.

The Authority is seeking financial assistance for acquisition and construction necessary to expand the internal water distribution system, which will provide treated surface water to its remaining member districts as required to meet the groundwater reduction plan mandates. This internal distribution expansion project primarily consists of 2 master meter stations and several 8 to 24-inch diameter transmission lines that will deliver the treated surface water to member district water plants.

PROJECT SCHEDULE

Task	Schedule Date
Closing	December 1, 2023
Start of Construction	May 1, 2024
Construction Completion	May 1, 2025

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

KEY ISSUES

None.

Attachments

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

Financial Review

Central Harris County Regional Water Authority

Risk Score: 2B

Audit Reviewed: FY 2022

Key Indicators

Indicator	Result	Benchmark
Population Growth, Average Annual 2010-2020	County: 1.46%	State: 1.49%
Cash balance ratio	265%	10-15%
Median Household Income as % of State	100%	100%
Days of Cash on Hand (3-year Average)	9772 days	30-149 days
Net Fixed Assets/ Annual Depreciation	25 years	12-24 years
Debt Service Coverage Ratio	0.77x	1.0x
Debt-to-Operating Revenues	14.51	4.00-5.99x
Unemployment Rate (April 2023)	Harris County: 4.0%	State: 3.7%
Working Capital Ratio	11.3	> 1.0

Key Risk Score Strengths

- The Authority's days of cash on hand is well above the benchmark, indicating that they can pay operating expenses or debt service with the cash available.
- A high working capital ratio provides the Authority with sufficient resources to cover short-term liabilities and shows a strong liquidity position.
- As a proactive measure, the Authority included capitalized interest and reserve funds in the proposed budget.

Key Risk Score Concerns

- Debt-to-operating revenues ratio is above the benchmark due to the Authority continuing to finance the expansion its distribution system. The Authority does not have taxing authority.
- The population growth of Harris County is slightly below the state average; however, the population served by the Authority through its member districts, in the Houston area, continues to grow.
- Based on the 2022 audit, the Authority's debt service coverage is below 1.0x coverage; however, when considering the accumulated General Fund balance available for debt service, the coverage does exceed 1.0x coverage. Additionally, a recent rate increase was implemented in March 2023 and additional rate increases of \$0.20 per 1,000 gallons for both surface water fees and groundwater fees are planned for 2024 and 2025 to further enhance debt service coverage.

PLEDGE

Legal Pledge Name	First Lien on 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 checked="" type="checkbox"/> First <input type="checkbox"/> Second <input type="checkbox"/> Third <input type="checkbox"/> N/A

RATES AND CHARGES

Regional Water Rates	Annual Usage	Current Rates Per 1,000 gallons	Projected Rates (Year 2025)
Surface Water Fee	669,800,108	\$3.60	\$4.00
Groundwater Pumping Fee	1,030,200,167	\$3.26	\$3.66

Cost Savings

Based on a 30-year maturity schedule and current interest rates, the Authority could save approximately \$925,980 over the life of the financing.

Project Data Summary

Responsible Authority	Central Harris Co Regional WA
Program	SWIFT
Commitment Number	L1001674
Project Number	51043
List Year	2023
Type of Pledge	Revenue Pledge
Pledge Level (if applicable)	First Lien
Legal Description	\$5,000,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2023
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	Low-Interest
Financial Managerial & Technical Complete	N/A
Phases Funded	Acquisition 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
Nancy Richards	Caaren Skrobarczyk	Matthew Young	Britt Paredes	Annette Mass

ISSUE BEING EVALUATED
FOR ILLUSTRATION PURPOSES ONLY
Central Harris County Regional Water Authority

\$5,000,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2023

Dated Date: 12/1/2023	Source: SWIFT-LOW-30YR
Delivery Date: 12/1/2023	Rate: 3.72%
First Interest: 2/1/2024	IUP Year: 2023
First Principal: 8/1/2025	Case: Revenue
Last Principal: 8/1/2053	Admin.Fee: \$0
Fiscal Year End: 12/31	Admin. Fee Payment Date: N/A
Required Coverage: 1.0	

FISCAL YEAR	*PROJECTED NET SYSTEM REVENUES	CURRENT DEBT SERVICE	\$5,000,000 ISSUE			TOTAL DEBT SERVICE	COVERAGE	
			PRINCIPAL PAYMENT	INTEREST RATE	INTEREST PAYMENT			
2024	\$4,579,731	\$4,453,315	\$0	-	\$116,416	\$116,416	\$4,569,731	1.00
2025	4,919,731	4,462,252	110,000	2.89%	174,624	284,624	4,746,876	1.04
2026	5,259,731	4,457,828	110,000	2.78%	171,445	281,445	4,739,273	1.11
2027	5,259,731	4,455,072	115,000	2.70%	168,387	283,387	4,738,459	1.11
2028	5,259,731	4,708,593	120,000	2.64%	165,282	285,282	4,993,875	1.05
2029	5,413,918	5,131,804	120,000	2.62%	162,114	282,114	5,413,918	1.00
2030	5,259,731	3,848,541	125,000	2.56%	158,970	283,970	4,132,511	1.27
2031	5,259,731	3,859,652	130,000	2.54%	155,770	285,770	4,145,422	1.27
2032	5,259,731	3,860,411	130,000	2.55%	152,468	282,468	4,142,879	1.27
2033	5,259,731	3,862,057	135,000	2.59%	149,153	284,153	4,146,210	1.27
2034	5,259,731	3,869,445	140,000	2.79%	145,657	285,657	4,155,102	1.27
2035	5,259,731	3,863,448	140,000	2.99%	141,751	281,751	4,145,199	1.27
2036	5,259,731	3,874,824	145,000	3.18%	137,565	282,565	4,157,389	1.27
2037	5,259,731	3,876,577	150,000	3.36%	132,954	282,954	4,159,530	1.26
2038	5,259,731	3,879,862	155,000	3.48%	127,914	282,914	4,162,776	1.26
2039	5,259,731	3,884,594	160,000	3.56%	122,520	282,520	4,167,114	1.26
2040	5,259,731	3,896,345	165,000	3.62%	116,824	281,824	4,178,169	1.26
2041	5,259,731	3,902,833	175,000	3.67%	110,851	285,851	4,188,684	1.26
2042	5,259,731	3,905,415	180,000	3.70%	104,428	284,428	4,189,843	1.26
2043	5,259,731	3,903,874	185,000	3.74%	97,768	282,768	4,186,642	1.26
2044	5,259,731	3,908,469	195,000	3.90%	90,849	285,849	4,194,318	1.25
2045	5,259,731	3,928,750	200,000	3.90%	83,244	283,244	4,211,994	1.25
2046	5,259,731	3,359,737	210,000	3.90%	75,444	285,444	3,645,181	1.44
2047	5,259,731	2,915,441	215,000	3.90%	67,254	282,254	3,197,695	1.64
2048	5,259,731	1,521,990	225,000	3.90%	58,869	283,869	1,805,859	2.91
2049	5,259,731	1,028,071	235,000	3.96%	50,094	285,094	1,313,165	4.01
2050	5,259,731	210,392	245,000	3.96%	40,788	285,788	496,180	10.60
2051	5,259,731	-	250,000	3.96%	31,086	281,086	281,086	18.71
2052	5,259,731	-	260,000	3.96%	21,186	281,186	281,186	18.71
2053	5,259,731	-	275,000	3.96%	10,890	285,890	285,890	18.40
		\$98,829,588	\$5,000,000		\$3,342,561	\$8,342,561	\$107,172,149	

*Includes proposed rate increases in 2024, 2025, and cash on hand in 2029.

AVERAGE (MATURITY) LIFE	17.98 YEARS
NET INTEREST RATE	3.719%
COST SAVINGS	\$925,980
AVERAGE ANNUAL REQUIREMENT	\$278,085

Disclaimer: This is a working document and is provided as a courtesy. All information contained herein, including the proposed interest rate, is subject to change upon further review of the TWDB in accordance with 31 Texas Administrative Code Chapters 363, 371, 375, or 384, as applicable. The TWDB does not function as a financial advisor to anyone in connection with this financing. The information contained in this document is used by TWDB staff to analyze the application for financing is illustrative only and does not constitute any guaranty of future rates. The TWDB makes no claim regarding the applicability of the information at closing, at which time actual rates will be set.



Project Budget Summary
Central Harris Co Regional WA
51043 - Central Harris County Regional Water Authority
Transmission and Distribution Expansion

Budget Items	Previous Commitments	This Commitment	TWDB Funds
Construction			
Construction	\$8,000,000.00	\$2,932,508.00	\$10,932,508.00
Construction Contract	\$0.00	\$0.00	\$0.00
Subtotal for Construction	\$8,000,000.00	\$2,932,508.00	\$10,932,508.00
Basic Engineering Services			
Construction Engineering	\$300,000.00	\$268,150.00	\$568,150.00
Design	\$180,000.00	\$0.00	\$180,000.00
Planning	\$0.00	\$0.00	\$0.00
Subtotal for Basic Engineering Services	\$480,000.00	\$268,150.00	\$748,150.00
Special Services			
Application	\$0.00	\$20,000.00	\$20,000.00
Environmental	\$88,713.09	\$0.00	\$88,713.09
Geotechnical	\$133,800.00	\$0.00	\$133,800.00
Permits	\$100,000.00	\$0.00	\$100,000.00
Project Management (by engineer)	\$100,000.00	\$0.00	\$100,000.00
Surveying	\$0.00	\$0.00	\$0.00
Subtotal for Special Services	\$422,513.09	\$20,000.00	\$442,513.09
Fiscal Services			
Bond Counsel	\$291,067.35	\$105,000.00	\$396,067.35
Bond Reserve Fund	\$449,109.64	\$256,000.00	\$705,109.64
Capitalized Interest	\$678,827.94	\$249,000.00	\$927,827.94
Financial Advisor	\$131,683.02	\$56,000.00	\$187,683.02
Fiscal/Legal	\$100,000.00	\$20,000.00	\$120,000.00
Paying Agent	\$492.97	\$0.00	\$492.97
Issuance Costs	\$33,854.49	\$14,000.00	\$47,854.49
Subtotal for Fiscal Services	\$1,685,035.41	\$700,000.00	\$2,385,035.41
Other			
Land/Easements Acquisition	\$1,588,500.00	\$925,000.00	\$2,513,500.00
Subtotal for Other	\$1,588,500.00	\$925,000.00	\$2,513,500.00
Contingency			
Contingency	\$408,951.50	\$154,342.00	\$563,293.50
Subtotal for Contingency	\$408,951.50	\$154,342.00	\$563,293.50
Total	\$12,585,000.00	\$5,000,000.00	\$1,758,500.00

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD AMENDING TEXAS WATER DEVELOPMENT BOARD RESOLUTION NO. 16-081 TO PROVIDE ADDITIONAL FINANCIAL ASSISTANCE TO
THE CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY IN THE AMOUNT OF \$5,000,000
FROM THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS THROUGH THE PROPOSED PURCHASE OF \$5,000,000 CENTRAL HARRIS COUNTY REGIONAL WATER AUTHORITY REVENUE BONDS, PROPOSED SERIES 2023

(23-)

Recitals:

At its July 23, 2015, meeting the Texas Water Development Board (TWDB), through TWDB Resolution No. 15-078, made a multi-year commitment to provide financial assistance to Central Harris County Regional Water Authority (Authority) from the State Water Implementation Revenue Fund for Texas (SWIRFT) through the TWDB's purchase of \$41,630,000 Central Harris County Regional Water Authority Revenue Bonds Proposed Series 2015 through 2020 for Project Nos. 51023, 51021, and 51009, all as is more specifically set forth in TWDB Resolution No. 15-078 and accompanying documentation, to which documents express reference is made.

At its July 21, 2016, meeting, the TWDB, through TWDB Resolution No. 16-081, made a commitment to provide additional financial assistance for Project No. 51021 and to provide financial assistance for Project No. 51043 through the purchase of \$15,490,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2016 through 2020, all as is more specifically set forth in TWDB Resolution No. 16-081 and accompanying documentation, to which documents express reference is made.

At its July 20, 2017, meeting, the TWDB through TWDB Resolution No. 17-081, made a commitment to provide additional financial assistance for Project No. 51023 through the purchase of \$4,900,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2017, all as is more specifically set forth in TWDB Resolution No. 17-081 and accompanying documentation, to which documents express reference is made.

At its July 26, 2018, meeting, the TWDB through TWDB Resolution No. 18-088, made a commitment for additional financial assistance for Project No. 51023 and to provide financial assistance for Project No. 51008 through the purchase of \$9,085,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2018 through 2019, all as is more specifically set forth in TWDB Resolution No. 18-088 and accompanying documentation, to which documents express reference is made.

At its June 4, 2020, meeting, the TWDB adopted Resolution No. 20-054 providing the Executive Administrator of the TWDB with the authority to approve the transfer of funds between the Authority's Project Nos. 51008, 51009, 51021, 51023 and 51043.

The Authority now seeks an amendment to TWDB Resolution No. 16-081, as amended by TWDB Resolution No. 20-054, for additional financial assistance for Project No. 51043 through the TWDB's proposed purchase of \$5,000,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2023, (together with all authorizing documents, "Obligations") all as is more specifically set forth in the application and in recommendations of the Executive Administrator's staff.

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

Subject to the Authority's use of an approved debt service structure, interest rate subsidies are available to the Authority for State Fiscal Year 2023 at up to the following levels: 25% for financial assistance for a term of 20 years, 18% for financial assistance for a term of 21 to 25 years, and 14% for financial assistance for a term of 26 to 30 years.

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

Findings:

1. The application and assistance applied for meet the requirements of Texas Water Code, Chapter 15, Subchapters G and H and 31 TAC Chapter 363, Subchapters A and M.
2. The Project is a recommended water management strategy project in the State Water Plan adopted pursuant to Texas Water Code § 16.051, in accordance with Texas Water Code § 15.474(a).
3. The Authority has submitted and implemented a water conservation plan in accordance with Texas Water Code § 16.4021 and 31 TAC § 363.1309(b)(1).
4. The Authority has completed its current water audit and filed it with the TWDB in accordance with Texas Water Code § 16.0121 and 31 TAC § 358.6.
5. The Authority acknowledges its legal obligation to comply with any applicable requirements of federal law related to contracting with disadvantaged business enterprises and any applicable state law related to contracting with historically underutilized businesses, in accordance with Texas Water Code § 15.435(h) and 31 TAC § 363.1309(b)(3).

6. The amendment to increase the commitment in the amount of \$5,000,000 for Project No. 51043 is reasonable and in the public interest and will serve a public purpose.
7. All other terms and conditions of TWDB Resolution No. 16-081, as amended, shall remain in full force and effect as related to Project No. 51043.

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

The commitment made through Resolution No. 16-081, as amended, to the Central Harris County Regional Water Authority for financial assistance from the State Water Implementation Revenue Fund for Texas is amended to include and shall be evidenced by the TWDB's proposed purchase of \$5,000,000 Central Harris County Regional Water Authority Revenue Bonds, Proposed Series 2023. This commitment will expire on December 31, 2023.

All other terms and conditions of TWDB Resolution 16-081, as amended, shall remain in full force and effect.

APPROVED and ordered of record this, the 25, 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.



Central Harris Co Regional WA Harris County

