

A. The Owner shall construct and install water, sanitary sewer, drainage, and recreational facilities (the "Facilities") needed for commercial and residential development of Owner's Land in the manner provided by the general law for water control and improvement districts and in full compliance with the provisions of the Texas Water Code, the rules and regulations of the Texas Commission on Environmental Quality ("TCEQ"), the City of Pflugerville, and Travis County, Texas.

4. Section D of the Reimbursement Agreement is replaced in its entirety with the following revised Section D:

D. Owner shall make all payments on the contracts awarded by it for the construction of water, sanitary sewer, drainage, and recreational facilities for Owner's Land. Owner shall provide copies of all invoices and engineer's certification recommending payment to the District.

5. Section J of the Reimbursement Agreement is replaced in its entirety with the following Sections J.1 and J.2:

J.1. The District shall, upon completion of the Facilities to serve Owner's Land, assume responsibility for the operation and maintenance of such facilities and shall be entitled to collect fees and charges for services provided by such facilities. However, the District shall not own the water, sanitary sewer, drainage, and recreational facilities constructed by Owner to serve the Owner's Land until same have been purchased and conveyed to it by Owner as provided above.

J.2. If the District fails, refuses, or is unable to proceed with the issuance and sale of bonds to provide funds for the purchase of any portion of the Facilities within three (3) years after the date the District assumes operation and maintenance of such portion of the Facilities, the District agrees to pay Owner an annual lease-purchase fee, equivalent to the cost of such portion of the Facilities plus interest at the lesser of the published New York prime interest rate plus two per cent (2%) or the maximum interest rate allowed by law, which amortizes the cost of such portion of the Facilities over the lesser of twenty-five (25) years or the remaining useful life of the Facilities. The cost of such Facilities shall be no greater than the costs determined by applying TCEQ rules on Developer reimbursement as if the District was issuing bonds. The District shall begin making the lease-purchase payments to Owner on the third yearly anniversary of the date the District assumed operation and maintenance of such portion of the Facilities. Subsequent lease-purchase payments shall be due and payable annually thereafter on the same anniversary date. The amount of the annual lease-purchase payments shall be credited against all amounts due for the purchase of the Facilities at the time such portion of the Facilities are purchased by the District. For each year of use of such Facilities by the District, the District agrees to set and collect sufficient rates and charges for services provided by the District, to fully fund the annual lease-purchase payments out of revenues from services and other current revenues available to the District. The District shall use its best efforts to obtain any and all approvals of TCEQ or other

regulatory authorities that are required for making the annual lease-purchase payments to Owner and any payments to Owner under this paragraph are contingent upon receipt of any applicable regulatory approvals. The District agrees that the obligations of the District under this section shall be enforceable by an injunction issued by a court of competent jurisdiction.

6. Each party represents to the other party that the execution and delivery of this Amendment has been duly authorized by all necessary proceedings and actions, including action on the part of such party's board of directors or other governing body.

7. Except as modified or amended hereby, all terms and conditions of the Reimbursement Agreement remain unchanged and in full force and effect and the parties ratify and confirm the Reimbursement Agreement as amended herein. In the event one or more provisions of the Reimbursement Agreement as amended herein shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and the Reimbursement Agreement as amended herein shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year first above written.

ROWE LANE DEVELOPMENT, LTD.

By: Tiemann Land and Cattle Development, Inc.
its General Partner

By: 

Robert M. Tiemann, President

LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

ATTEST:

By: 

Terry Tuttle, Secretary

By: 

Scott Parshall, President

ATTACHMENT D

THIRD AMENDMENT TO THE PROFESSIONAL SERVICES AGREEMENT
BETWEEN LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT
NO. 1 AND THE CITY OF PFLUGERVILLE, TEXAS

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This Third Amendment ("Amendment") is made and entered into on the date appearing below by and between Lakeside Water Control and Improvement District No. 1 (the "District") and the City of Pflugerville, a Texas home-rule municipality, ("City"), each acting by and through its undersigned, duly authorized representative.

RECITALS

The District and the City have previously entered into that certain Professional Service Agreement dated June 20, 2000 (the "Agreement"), containing the terms and conditions by which the City shall provide operations, maintenance, and management services for the District's System (as defined in the Agreement).

The District and the City amended the Agreement to specify treatment of security deposits collected by the City on behalf of the District on April 2, 2003.

The District and the City amended the Agreement on November 8, 2005 to allow the City to contract and provide for solid waste disposal services in the District.

The District and the City desire to further amend the Agreement to reflect the requirement that the District increase rates to reimburse the City when Manville Water Supply Corporation increases its rates.

AGREEMENT

1. Amendment. Article VII, is deleted and replaced in its entirety as follows:

**ARTICLE VII.
COLLECTION, PAYMENT AND REMITTANCE**

The City and the District agree that City's compensation for retail water and wastewater operation, maintenance and management services provided by the City, shall be satisfied from, and shall equal, the revenues collected by the City from the District's retail water and wastewater customers for retail water and wastewater service, excluding any amounts collected by the City on behalf of the District. All fees and charges assessed the District's retail water and wastewater customers by the City shall be set by the District to recover the costs of operating the District, operating and maintaining District facilities, obtaining wholesale water and sewer service, and compensating the City for services provided under this Agreement. Specifically, the District shall increase rates within 30 days following an increase in rates by Manville Water Supply Corporation to ensure that the City does not have to subsidize the cost of providing water to District customers under this Agreement. The District shall also reimburse the City as soon as possible, and no later than 60 days following a Manville rate increase, for any additional wholesale water costs incurred by the City as a result of the Manville rate increase prior to the

District raising rates. No additional charges, fees or the like shall be assessed against Developer or the District for such services. The City shall collect all revenues arising from rates set by the District, pay all expenses arising from the services, provided under this Agreement, including amounts set by the District to compensate the City, and remit any remainder to the District.

2. Severability. The provisions of this Amendment are severable, and if any provision or part of this Amendment or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Amendment and the application of such provision or part of this Amendment to other persons or circumstances shall not be affected thereby.

3. Defined Terms. All terms delineated with initial capital letters in this Amendment that are defined in the Agreement have the same meanings in this Amendment as in the Agreement. Other terms have the meanings commonly ascribed to them.

4. Effect of Amendment. Except as specifically provided in this Amendment, the terms of the Agreement continue to govern the rights and obligations of the parties, and all terms of the Agreement, as amended by this Amendment, remain in full force and effect. If there is any conflict or inconsistency between this Amendment and the Agreement, this Amendment will control and modify the Agreement.

5. Counterparts. This Amendment may be exercised in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, and a facsimile signature will be deemed to be an original signature for all purposes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple copies, each of equal dignity, on the dates shown below, to be effective as of the 8th day of August, 2006.

CITY OF FLUGERVILLE

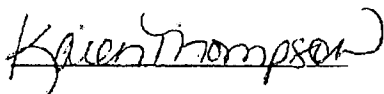
By: 

Its: _____

MAYOR

Date: AUGUST 8th, 2006

ATTEST:



LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

By: John E. Cabell

Its: President

Date: 4-11-06

ATTEST:

Jerry B. [Signature]

**SECOND AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT BETWEEN
LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 AND THE CITY OF
PFLUGERVILLE, TEXAS**

This First Amendment to Professional Services Agreement is entered into to be effective as of the dates appearing below by and between Lakeside Water Control and Improvement District No. 1 (the "District") and the City of Pflugerville (the "City"), a municipal corporation, each acting by and through its undersigned, duly authorized representative.

RECITALS

The District and the City have previously entered into a Professional Services Agreement providing the terms and conditions by which the City shall provide operations, maintenance, and management services for the District's System (as such terms are defined in the Agreement).

The District and the City desire to amend the Agreement to allow the City to contract and provide for solid waste disposal services in the District.

AGREEMENT

In consideration of the mutual agreements herein set forth and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the City and the District agree as follows:

1. The Agreement is amended to add Article X as follows:

**ARTICLE X
SOLID WASTE DISPOSAL SERVICES**

The City shall make available Municipal Solid Waste Disposal Services (as hereinafter defined) to properties and residents located within the boundaries of the District. The City shall bill such retail customers directly and contract directly with a municipal solid waste disposal service provider to carry out its duties under this Article. Charges by the City to customers located within the District shall not exceed the charges paid by in-City customers except for an administrative fee that may be charged by the City to recoup its costs in administering such services within the District not to exceed \$2.00 per account per month.

The parties acknowledge that this Article does not create an exclusive contract with the City or any municipal solid waste service provider contracted by the City to provide services within the boundaries of the District. In the event that the District ever converts to a municipal utility district, the parties agree that such municipal utility district shall be successor in interest to the District for the purposes of this Agreement, and upon such conversion, this Agreement shall be exclusive for the purposes of the provision of municipal solid waste disposal services within the boundaries of the municipal utility district; provided however, neither the District nor the City shall be required to

municipal utility district; provided however, neither the District nor the City shall be required to take any action that terminates or interferes with the rights of parties to a contract for solid waste disposal services.

Municipal Solid Waste Disposal Services shall mean, for the purposes of this article, the collection, transport and disposal and/or recycling of municipal solid waste.

EXECUTED in multiple copies, each of which shall constitute an original, on the dates set forth below:

ATTEST:

Luan Thompson

CITY OF PFLUGERVILLE, TEXAS

By: David Brumby
Its: City Manager
Date: 4-17-06

ATTEST:

Jerry L. Fitts

LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

By: W. P. Pugh
Its: President
Date: November 8, 2005

FIRST AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT BETWEEN
LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 AND THE
CITY OF PFLUGERVILLE, TEXAS

This First Amendment to Professional Services Agreement is entered into to be effective as of the dates appearing below by and between Lakeside Water Control and Improvement District No. 1 (the "District") and the City of Pflugerville (the "City"), a municipal corporation, each acting by and through its undersigned, duly authorized representative.

RECITALS

The District and the City have previously entered into a Professional Services Agreement providing the terms and conditions by which the City shall provide operations, maintenance, and management services for the District's System (as such terms are defined in the Agreement).

The District and the City desire to amend the Agreement to specify how security deposits collected by the City on behalf of the District shall be treated.

AGREEMENT

In consideration of the mutual agreements herein set forth and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the City and the District agree as follows:

1. Section 3 of the Agreement is replaced with the following:

Meter Reading, Billing and Collection, Customer Deposits. The City shall read the District's water meters once each month and bill the customers at rates set by the District. The City shall collect all revenues arising from the rates and charges set by the District. The City is authorized to make adjustments to water bills for clerical errors, over or under registration of water meters, erroneous meter readings, establishment of water usage during times when a meter has been inoperative and other similar adjustments. City will resolve billing disputes with individual customers consistent with its in-city procedure. The City shall collect and maintain security deposits on the District's behalf, and the District agrees that such deposits and interest earned thereon may be maintained in the City's accounts.

EXECUTED in multiple copies, each of which shall constitute an original, on the dates set forth below:

ATTEST:

Karen Thompson

CITY OF PFLUGERVILLE, TEXAS

By: St. Jones

Its: CITY MANAGER

Date: 04/02/03

ATTEST:

Jerry Gatt

LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

By: *Scott E. Campbell*

Its: President

Date: February 5th, 2003

PROFESSIONAL SERVICES AGREEMENT BETWEEN
LAKESIDE WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 1 AND THE CITY OF PFLUGERVILLE, TEXAS
CONCERNING THE OPERATION, MAINTENANCE AND
MANAGEMENT OF WATER AND WASTEWATER FACILITIES
AND SERVICES WITHIN LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1.

This Professional Services Agreement ("Agreement") is made and entered into on the dates set forth below, by and among Lakeside Water Control and Improvement District No. 1 (the "District") and the City of Pflugerville (the "City"), a municipal corporation, each acting by and through its undersigned, duly authorized representative.

RECITALS

Tiemann Land and Cattle Development, Inc. ("Developer") plans to or is currently constructing a water distribution system and a sanitary wastewater collection and transportation system (collectively, the System) which will serve customers located within the geographic boundaries of the District, and the District is desirous of obtaining services for the competent operation, maintenance, and management of the system.

The City desires to provide operations, maintenance, and management services for the District's System.

The District and the City are desirous of entering into a definitive agreement pursuant to which the City shall operate, maintain and manage the System.

In consideration of the mutual agreements herein set forth and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the City and the District agree as follows:

ARTICLE I.
DEFINITIONS

The following terms and expressions when used in the Agreement have the following meanings unless the context clearly indicates otherwise:

- A. "Agreement" means this "Professional Services Agreement between Lakeside Water Control and Improvement District No. 1 and the City of Pflugerville, Texas Concerning the Operation, Maintenance and Management of Water and Wastewater Facilities and Services within Lakeside Water Control and Improvement District No. 1."

B. "City" means the City of Pflugerville, Texas, a municipal corporation with its principal offices at 100 E. Main Street in Pflugerville, Travis County, Texas.

C. "Consent Agreement" means the Comprehensive Development Agreement Between Tiemann Land and Cattle Development, Inc. and the City Pflugerville, Texas Including Consent to the Creation of Water Control and Improvement Districts and the Development of a Certain 1113 Acre Tract Located in Williamson and Travis Counties, Texas

D. "Development" means the lands within the current or future boundaries of Lakeside Water Control and Improvement District No. 1, or its successors.

E. "District" means the Lakeside Water Control and Improvement District No. 1. Such terms shall also mean each additional district (five in total) which may be created by Developer either by division of the District into multiple districts, pursuant to Article 51.748, Texas Water Code or by creation of multiple (five in total) new districts as provided in the Consent Agreement.

F. "System" means the Developer or District owned meters, lines, facilities, equipment, lands and rights-of-way for the storage, transportation and distribution of a potable water supply, and any extensions or additions thereto, that may be constructed to serve water customers in the Development, and the Developer or District owned facilities, equipment, lands and rights-of-way for the collection and transportation of wastewater, and any extensions or additions thereto, to be constructed to serve wastewater customers in the Development.

ARTICLE II ADMINISTRATIVE SERVICES

The following administrative services shall be provided to the District by the City.

1. Organization. The City shall administer the work, activities, and operations of the District's water and wastewater systems in accordance with the terms of this Agreement and the Consent Agreement.
2. Personnel. The City shall provide competent, trained personnel. System supervisors and/or operators shall be licensed or certified by the appropriate State governmental authority. Accounting, billing, and field personnel shall be trained to be professional and courteous in dealing directly with the District's customers.
3. Start Up. The City shall:
 - A. Maintain all of the District's customer information and records necessary to provide monthly billings to the District's customers.
 - B. Inventory and maintain a listing of all of the District's equipment including manufacturers' model and serial numbers, motor frame numbers and other such data as

required to provide relevant information for the scheduled maintenance and repair or replacement of the equipment comprising the System.

4. Maintenance Scheduling. The City shall implement a Scheduled Maintenance Program for System equipment. The City shall ensure that System equipment is maintained in the same fashion and with the same frequency as equipment owned and operated by the City or as may be required by Texas Natural Resource Conservation Commission or other regulatory agency with jurisdiction. Because the District(s) are under the continuing supervision of the Texas Natural Resource Conservation Commission, City shall submit its Scheduled Maintenance Program to the District for comment.
5. 24 Hour Service. The City shall maintain 24-hour telephone and dispatch service with qualified personnel to respond to customer problems and equipment malfunctions within the District in the same manner and fashion as for retail customers located within the City limits.
6. Automatic Telephone Alarm. The City shall monitor computer or automatic dialed telephone alarm systems at any of the water and wastewater facilities within the District, which are installed and programmed to call the City's 24-hour telephone dispatch service. City shall notify the District of all alarm responses it makes to District facilities.
7. Employee Identification. The City's operating and maintenance employees shall be readily identifiable to customers within the District by distinctive clothing. Service vehicles shall have the City emblem prominently displayed.
8. Coordination with Consultants. The City shall coordinate with other consultants, such as attorneys, engineers, general manager, contractors, auditors, tax assessors, and financial advisors hired by the Developer and/or the District as necessary to maintain efficient operation of the System.
9. Inquiries and Correspondence. The City shall respond to inquiries or correspondence from governmental or regulatory authorities and the District's directors, customers or consultants in a prompt, professional manner.
10. District Meetings. The City's Water and Wastewater System Manager, or other City representative designated by the City Manager, shall attend regularly scheduled meetings which have an agenda item relating to the District's operations. The City representative will have direct knowledge of the District's on-going operations or agenda items as appropriate.
11. Customer Relations. The City shall render reasonable assistance in the promotion of good relations with the customers located within the District and act in a manner befitting a professional contractor of the District.

ARTICLE III.
WHOLESALE WATER AND WASTEWATER SERVICE

Wholesale water and wastewater service to the District shall be provided by Manville Water Supply Corporation and Kelly Lane Utility Company, Inc. Developer shall collect from builders and pay capacity fees due under the wholesale contracts directly to the wholesale supplier. All other fees and amounts due under the wholesale water and wastewater contracts shall be paid by the City directly to the wholesale supplier from revenues collected by the City for the District.

ARTICLE IV.
RETAIL WATER AND WASTEWATER MANAGEMENT SERVICES

1. System Operations. The City shall provide: personnel, vehicles, hand tools, spare parts, and other equipment necessary for the operation of the System.
2. Bookkeeping Service. The City shall provide bookkeeping services including: accounting for all transactions involving the District's construction, operating, and tax funds, in accordance with the requirements of the Texas Natural Resource Conservation Commission (or its successors) as outlined in the WATER DISTRICT ACCOUNTING MANUAL.
3. Meter Reading, Billing and Collection. The City shall read the District's water meters once each month and bill the customers at rates set by the District. The City shall collect all revenues arising from the rates set by the District. The City is authorized to make adjustments to water bills for clerical errors; over or under registration of water meters, erroneous meter readings, establishment of water usage during times when a meter has been inoperative and other similar adjustments. City will resolve billing disputes with individual customers consistent with its in-city procedure.
4. System Inspection. The City shall monitor the District's facilities daily, including weekends and holidays as required by state regulations. This shall include lift stations. City employees, whenever they are within the District boundaries, shall monitor the System in order to observe condition of fire hydrants, leaks, defects, damages and be alert for missing District equipment. City shall be responsible for resolving builder damage issues with the cooperation of the District.
5. Daily Preventative Maintenance. The City shall provide all personnel and equipment necessary for preventative maintenance tasks.
6. Bulk Chemicals. The City shall be responsible, at its own expense, for maintaining an adequate inventory of chlorine and other bulk chemicals required to operate the System.
7. Expendable Items. The City shall, at the City's expense, replace those items expended in the daily operation of the System. Those items include, but are not limited to, brooms, mops, dip nets, rakes, shovels, trash cans, hoses, nozzles, padlocks, and other such items.

8. Monthly Operations Report. The City shall render a monthly operations report, which shall include the following information, or other information to which the parties can agree:

- A. Daily and monthly water flow data.
- B. The number of gallons of water purchased by the District and the number of gallons billed to District's customers and a written explanation of the resulting difference.
- C. Total number of service connections, water and wastewater.
- D. Records regarding equipment repairs and replacements.
- E. Abnormal changes in condition of the District's equipment, needed repairs and recommended schedules for the repair of such equipment.
- F. Insurance claims filed on behalf of the District with the concurrence of the District.
- G. Regular billing and collection reports including cash receipts, billings and receivables.
- H. Delinquent customer reports, including information on termination of water service and protests or appeals made by customers.
- I. Summary of meters installed, inspections performed and fees collected.
- J. Damage to the System and the possible causes thereof. In instances where the damage may be attributable to a contractor, builder, utility company or other entity, the City shall use its best efforts to identify the party responsible for such damage, including administrative costs thereof, and include such information in the monthly report. The District will assess and collect the cost of repairs from the responsible part and remit to city.
- K. Statistics relating to overall System operations, as appropriate.
- L. Operations and maintenance cost data.
- M. Information and reports as may be required for audit of the District's accounts.

9. Regulatory Reports. The City shall prepare and submit reports and other documents required by regulatory authorities. The City shall provide the District copies of all reports prior to submittals.

10. Regulatory Inspections. The City shall advise the District of inspections by regulatory authorities. When possible, the City shall schedule regulatory inspections to provide an opportunity for a representative of the District (District Engineer) to attend such inspections.

ARTICLE V.
INSTALLATION AND INSPECTION SERVICES

1. General. All meters and installation materials shall meet American Water Works Association standards and be in compliance with applicable city, county, or state codes. All installation and inspection fees shall be collected from the District's customers in advance, and shall be equal in amount to the installation and inspection fees charged by the City to in-city customers. The City shall maintain permanent records of meter services installed and tap fees paid. This includes a plat or map, as available, which shows the location of each meter installed and each sewer inspection performed.
2. Residential Meters. Residential 5/8 inch water meter sets made to a visible curb stop set near ground level will be made for a fee equal to the then current charge assessed in-city customers for such service. Non-standard residential water meter sets, including location buried curb stops, will be made by the City for the same fee assessed in-city customers for such service.
3. Commercial Meters. Commercial meter tie-ins will be made by the City for a price quoted for each installation in accordance with the applicable specifications, the price to be equal to that charged commercial customers located within the City limits.
4. Water Tap Inspections. Inspection of water taps and service lines will be made as necessary at no cost to the District but subject to the fee for in-city inspections, which shall be imposed according to City Ordinances.
5. Sanitary Sewer Inspections. The City shall inspect each sanitary sewer connection to the District's system to assure compliance with the District's specifications and procedures when and as necessary, at no cost to the District but subject to the fee for in-city inspections which shall be imposed according to City Ordinances. The fee will be collected from the customer requesting service.
6. Other Inspections. The City shall perform other inspections as requested or authorized by the District. Such inspections include, but are not limited to, grease traps, sample wells, cross connections or new facilities prior to acceptance by the District. The City may also participate in site inspections with contractors prior to the start of building activity to assist in verifying the condition of the District's system. All such other inspections shall be subject to such fees as are charged for similar in-city inspections or such fees authorized by the Consent Agreement.

ARTICLE VI.
MAINTENANCE, REPAIR AND REPLACEMENT SERVICES

1. Maintenance. The City shall provide all personnel, tools, spare parts, and equipment necessary to perform maintenance on the District's facilities and equipment. Maintenance shall include, but not be limited to, the following:
 - A. Maintenance or replacement of pumps, motors, valves and other equipment of facilities.

B Calibration and servicing of instrumentation, control systems and other equipment.

C Other maintenance as necessary, which requires special skills and/or tools, performed in conformance with equipment manufacturer's recommendations to maintain warranties and to extend the useful life of the equipment.

2. Repair. The City shall provide all personnel and equipment necessary to perform repairs on, and shall bear sole cost responsibility for repair of, meters, lines, facilities, equipment, collection and distribution systems including, but not limited to, service line leaks, leaks at water meters, water main breaks, repairs to valves and fire hydrants, manhole repairs, and sewer line repair and cleaning, as needed. The City shall not, however, bear cost responsibility for initial repair of any equipment or facilities identified by the City as in need of repair on the date of assumption of repair responsibility pursuant to the terms of this Agreement. The District will assign contractors' warranties to the City, and the City will cause repairs to be made under the terms of the warranty. Subsequent to acceptance of facilities by the City, the City shall be responsible for all repairs or replacement of same.

3. Replacement. The City shall use a reasonable degree of care with respect to replacement of equipment or facilities but shall not be responsible to the District for any guarantees or warranties offered by others in connection with such equipment or facilities.

4. Emergency Response. The City shall maintain personnel and equipment for emergency response 24 hours per day, seven days per week, 365 days per year. Emergencies shall include, without limitation, water leaks, water line breaks, loss of water pressure, degradation of water quality occurring within the water supply system, and blockage in the sewage collection system. Additionally, the City shall undertake reasonable efforts to respond to requests by the District or its representatives or insistent residents.

5. Materials and Supplies. The cost of all materials and supplies used to provide services under this Agreement shall be borne solely by the City

ARTICLE VII. COLLECTION, PAYMENT, AND REMITTANCE

The City and the District agree that City's compensation for retail water and wastewater operation, maintenance and management services provided by the City, shall be satisfied from, and shall equal, the revenues collected by the City from the District's retail water and wastewater customers for retail water and wastewater service, excluding any amounts collected by the City on behalf of the District. All fees and charges assessed the District's retail water and wastewater customers by the City shall be set by the District to recover the costs of operating the District, operating and maintaining District facilities, obtaining wholesale water and sewer service, and compensating the City for services provided under this Agreement. No additional charges, fees or the like shall be assessed against Developer or the District for such services. The City shall collect all revenues arising from rates set by the District, pay all expenses arising from the services provided under this Agreement, including amounts set by the District to compensate the City, and remit any remainder to the District.

ARTICLE VIII.
OPERATION AND MAINTENANCE OF DRAINAGE FACILITIES

At the option of the District, the City shall operate and maintain the District drainage and water detention facilities. Upon election of this option, the District and the City shall set mutually acceptable fees and charges to compensate the City for operating and maintaining the District's drainage and water detention facilities. The City shall collect such rates and disburse such revenues as provided in this Agreement for other rates collected by the City.

ARTICLE IX.
MISCELLANEOUS PROVISIONS

1. Responsibilities.

A. City Responsibilities. The City shall exercise a reasonable degree of care and diligence in the operation and maintenance of the System in conformity with applicable laws, rules and regulations.

B. District Responsibilities. The District represents that the System is in good working order, does not contain any known defective equipment or facilities, is suitable and adequate for the needs of its customers and that all of its facilities are, or shall be, built in accordance with local, state and federal regulations. The District shall provide:

i. All utilities and plant facilities necessary to commence operation of the System in a manner required to meet applicable regulations.

ii. A complete set of record drawings of the System and any other information necessary for the administration of the System.

2. Relationship of the District and the City. The City shall serve in the capacity of an independent contractor for the District during the period of this Agreement.

3. Insurance.

A. The City shall at all times during the effectiveness of the Agreement maintain in full force and effect Liability and Worker's Compensation Insurance covering the City's performance under this Agreement. All insurance shall be provided by insurers licensed and approved to do an insurance business in the State of Texas. Before commencement of work hereunder, the City agrees to furnish the District Certificates of Insurance or other evidence satisfactory to the District to the effect that such insurance has been procured and is in force. The City shall carry the following types of insurance in at least the limits specified below:

| <u>Coverages</u> | <u>Limits of Liability</u> |
|--|--|
| Worker's Compensation | Statutory |
| Employers' Liability | \$500,000.00 |
| Bodily Injury Liability Except Automobile | \$500,000.00 each occurrence \$1,000,000.00 aggregate |
| Property Damage Liability Except Automobile | \$500,000.00 each occurrence \$1,000,000.00 aggregate |
| Automobile Bodily Injury Liability | \$500,000.00 each person \$1,000,000.00 each occurrence |
| Automobile Property Damage Liability | \$250,000.00 each occurrence |
| Excess Umbrella Liability | \$2,000,000.00 each occurrence |

B. The District shall carry insurance in amounts adequate to cover the costs of repair or replacement of District facilities.

4. Indemnity. To the extent allowed by law, the City shall indemnify and save harmless the District and its officers, agents, and employees from all suits, actions, losses, damages, claims, or liability of any character, type, or description, including without limitation, any claim and damages arising from strict liability imposed in the District by statute, regulations, or common law, and all expenses of litigation, court costs, and attorney's fees for injury or death to any person, or injury to any property, received or sustained by any person or persons or property, arising out of, or occasioned by, the negligent acts of City, its agents or employees, in the execution or performance of this Agreement. The liability that is assumed by City under the terms of this Paragraph shall not exceed the sum of \$2,000,000.00 which sum is the amount of liability insurance coverage required to be carried by City pursuant to this Agreement or maximum liability allowed by law, whichever is less.

5. Force Majeure. In the event that the City or the District is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, it is agreed that each party shall give written notice of such force majeure to the other party as soon as possible after the occurrence of the cause relied on and shall, therefore, be relieved of its obligations, so far as they are affected by such force majeure, during the continuance of any inabilities so caused, but for no longer. The term "force majeure," as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the government of the United States or of the state or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or

different cause not reasonably within the control of the party claiming such inability.

6. Full Compensation. The compensation to be paid to the City herein is inclusive of any tax, assessment, or other charge which may be imposed upon the City by any governmental authority as a result of performing its obligations pursuant to this Agreement.
7. Applicable Law. Venue and jurisdiction of any suit, right or cause of action arising under, or in connection with this Agreement shall lie exclusively in Travis County, Texas.
8. Notice. Whenever the provisions of this Agreement require notice to be given, such notice shall be given in writing by certified or registered mail and addressed to the party for whom intended at its then address of record and such notice shall be deemed to have been given when the notice was then mailed.
9. Term of Agreement. This Agreement shall take effect when executed by the City and District and shall continue in force for three years after execution unless terminated earlier as provided in this Agreement. Unless either party gives written notice of its election to terminate this Agreement at least 180 days prior to the end of any three-year period, this Agreement shall automatically be renewed for an additional three-year period at the expiration of each period.
10. No Additional Waiver Implied. The failure of any party hereto to insist, in any one or more instances, upon performance of any of the terms, covenants or conditions of the Agreement, shall not be construed as a waiver or relinquishment of the future performance of any such term, covenant or condition by any other party hereto, but the obligation of such other party with respect to such future performance shall continue in full force and effect.
11. Modification. Except as otherwise provided in this Agreement, this Agreement shall be subject to change or modification only with the mutual written consent of the parties hereto or their successors and assigns.
12. Captions. The captions appearing at the first of each numbered section in this Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing this Agreement, or any provision hereof, or in connection with the duties, obligations or liabilities of the respective parties hereto or in ascertaining intent, if any question of intent should arise.
13. Severability. The provisions of this Agreement are severable, and if any provision or part of this Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall be not affected thereby.
14. Construction of Agreement. The parties agree that this Agreement shall not be construed in favor of or against any party on the basis that the party did or did not author this Agreement.

15. Other Instruments. The parties hereto covenant and agree that they shall take such further actions, and shall execute and deliver such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the intent of this Agreement.

16. Conflict Among Agreements. In the event a conflict is determined to exist between the terms and conditions of the Consent Agreement and this Agreement, the parties agree that the language of the Consent Agreement shall be controlling.

17. Termination. This Agreement shall be terminated at the time the land within the District has been annexed by the City of Pflugerville. Additionally, this Agreement may be terminated by the District if the City has failed to adequately operate and maintain the District's system pursuant to the terms and conditions of this Agreement; provided, however, that this right of termination may be enforced only after written notice has been given to the City of such failure and a reasonable opportunity is given to the City to cure the deficient performance, which in no event shall be less than ninety (90) days from the date of the notice.

EXECUTED in multiple copies, each of which shall constitute an original, on the dates set forth below:

ATTEST:

CITY OF PFLUGERVILLE, TEXAS

Karen Thompson

By: St. Jones

Its: City Manager

Date: 6/20/00

ATTEST:

LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

Lenny Jett

By: Scott E. Russell

Its: President

Date: 5-24-00

1415-000-006.AGT

ATTACHMENT E

October 28th, 2013.

Utility Certification and Rate Design Section
Water Utilities Division
Texas Natural Resource Conservation Commission
P.O. Box 13087
Austin, Texas 78711-3087

Re: Transfer of a Portion of the Certified Water Service Area Under CCN No. 11144

Manville Water Supply Corporation consents to the transfer of a portion of the water service area under Certificate of Convenience and Necessity No. 11144 to Lakeside Water Control and Improvement District No. 1. The service area to be transferred is located in Travis and Williamson Counties and is described on the attached Exhibit "A." Lakeside Water Control and Improvement District No. 1 is hereby designated the agent of Manville Water Supply Corporation for the purpose of prosecuting any required application to transfer this service area.

Sincerely,



President
Board of Directors

ATTACHMENT F

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TRAVIS

I hereby certify that this is a true and correct copy of a
Texas Commission on Environmental Quality document,
which is filed in the permanent records of the Commission.
Given under my hand and the seal of office on

Labonne Castaneda NOV 18 2003
Labonne Castaneda, Chief Clerk
Texas Commission on Environmental Quality

AN ORDER APPROVING AN ENGINEERING PROJECT AND THE ISSUANCE OF \$2,825,000 UNLIMITED TAX BONDS FOR LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1 OF TRAVIS COUNTY

An application by Lakeside Water Control and Improvement District No. 1 (hereafter "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (hereafter "Commission") for consideration of approval pursuant to TEX. WATER CODE ANN. §§ 5.122 and 49.181 (Vernon 2000). The District requests approval of an engineering project and the issuance of \$3,330,000 of bonds to finance: creation and operation costs; the District's share of off-site wastewater lines and detention; water and wastewater connection fees; and water, wastewater, drainage, clearing and grubbing costs for Meadows of Blackhawk, Phases 2, 3 and 4. The Commission has jurisdiction to consider this matter, and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation:

FINDINGS OF FACT

1. The District filed an application with the Commission on July 24, 2003, for approval of a proposed engineering project and the issuance of \$3,330,000 of bonds.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined. The project site was visited and carefully inspected by a member of the Utilities and Districts Section on September 23, 2003, and a full written memorandum was prepared on the project dated September 24, 2003, a copy of which is attached and made a part hereof.
4. The District's project and the issuance of bonds in the reduced amount of \$2,825,000 of bonds at a maximum net effective interest rate of 5.70% to finance the project should be approved.
5. The District should be directed not to purchase facilities or assume facility contracts from the developer until the Commission staff has inspected the project, reviewed contract administration, and given written authorization to finalize the purchase or assumption in accordance with 30 Tex. Admin. Code § 293.69.

6. The District's Board of Directors should be directed to review to its satisfaction the detailed calculations of the developer's interest to assure that the costs are authorized District expenditures and in accordance with 30 Tex. Admin. Code § 293.50 before payment to the developer is made.

7. The District should be advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report.

8. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction to consider the engineering project and bond application pursuant to TEX. WATER CODE ANN. § 49.181 (Vernon 2000).

2. The Executive Director has investigated the District, and the Commission has found it legally organized and feasible.

3. The Utilities and Districts Section's memorandum dated September 24, 2003, on this engineering project and bond issue, and this Order should be adopted as the written Commission project report in compliance with TEX. WATER CODE ANN. § 49.181 (Vernon 2000).

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Utilities and Districts Section's memorandum dated September 24, 2003, on this engineering project and bond issue, and this Order are adopted as the written Commission project report. The engineering project of Lakeside WCID No. 1 is hereby approved together with the issuance of \$2,825,000 of bonds at a maximum net effective interest rate of 5.70% under TEX. WATER CODE ANN. § 49.181 (Vernon 2000). The District is directed not to purchase facilities or assume facility contracts from the developer until the Commission staff has inspected the project, reviewed contract administration, and given written authorization to finalize the purchase or assumption in accordance with 30 Tex. Admin. Code § 293.69. The District's Board of Directors is directed to review to its satisfaction the detailed calculation of the developer's interest to assure that the costs are authorized District expenditures and in accordance with 30 Tex. Admin. Code § 293.50 before payment to the developer is made. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds. The approval of the sale of bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the Commission staff.

BE IT FURTHER ORDERED that pursuant to TEX. WATER CODE ANN. § 5.701 (Vernon Supp. 2002), the District shall pay to the Commission 0.25% of the principal amount of bonds actually issued not later than the seventh (7th) business day after receipt of the bond proceeds. The fee shall be paid by check payable to the Texas Commission on Environmental Quality.

BE IT FURTHER ORDERED that to enable the Commission to carry out the responsibilities imposed by TEX. WATER CODE ANN. §§ 49.181 and 49.182 (Vernon 2000), the District shall (1) furnish to the Utilities and Districts Section copies of all bond issue project construction documents outlined under 30 Tex. Admin. Code § 293.62, including detailed progress reports and as-built plans required by TEX. WATER CODE ANN. § 49.277 (Vernon 2000), which have not already been submitted; (2) notify the Utilities and Districts Section and obtain approval of the Texas Commission on Environmental Quality for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by TEX. WATER CODE ANN. § 49.277 (Vernon 2000), that all construction financed with the proceeds from the sale of these bonds is completed by the construction contractor according to the plans and specifications contracted.

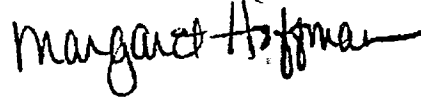
BE IT FURTHER ORDERED that failure of said District to comply with all applicable laws and with the provisions of this Order shall subject the District and its directors to all the penalties that are provided by law and shall further be considered by the Commission as grounds for refusal to approve other bonds of the District.

The Chief Clerk of the Commission is directed to forward the District a copy of this Order.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **November 13, 2003**

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY



For the Commission

Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Margaret Hoffman, Executive Director Date: September 24, 2003
Texas Commission on Environmental Quality

Thru: ^{RC} Doug Holcomb, P.E., Manager, Utilities & Districts Section
^{RC} Robert Cummins, P.E., Leader, Districts Review Team

From: Andrew R. Lutringer, Districts Review Team

Subject: Lakeside Water Control and Improvement District No. 1 of Travis County;
Application for Approval of \$3,300,000 Unlimited Tax Bonds, First Issue, 5.70%
Net Effective Interest Rate, Series 2003. Pursuant to Texas Water Code, Section
49.181
TCEQ Internal Control No. 07242003-D01 (TC)

A. GENERAL INFORMATION

The District's engineering report requests Commission approval of the issuance of a reduced amount of \$2,825,000 in unlimited tax bonds to finance the District's share of costs for the following projects:

1. Creation and operation costs;
2. District's share of off-site wastewater lines; and
3. District's share of off-site detention;
4. Water and wastewater connection fees, and
5. Water, wastewater, drainage and clearing facilities for the following:

| <u>Section</u> | <u>Type of Development</u> | <u>Acreage</u> | <u>Active ESFCs⁽¹⁾</u> | <u>Ultimate ESFCs</u> |
|----------------------------------|----------------------------|----------------|-----------------------------------|-----------------------|
| Meadows of Blackhawk, Phase 2 | Single Family | 27.970 | 91 | 91 |
| Meadows of Blackhawk, Phase 3 | Single Family | 10.226 | 33 | 33 |
| Meadows of Blackhawk, Phase 4 | Single Family | <u>23.180</u> | <u>77</u> | <u>77</u> |
| Total | | 61.376 | 201 | 201 |

Note ⁽¹⁾ Equivalent single family connections.

This is the District's first bond issue. At ultimate development, the District is projected to serve 554 ESFCs on 164.78 acres.

B. ECONOMIC ANALYSIS

Tax Rate Analysis

According to build-out information provided, the feasibility of this bond issue is based on the existing 213 ESFCs as of July 8, 2003 and an estimated assessed valuation of \$33,409,458 by January 1, 2003.

The District's January 1, 2003 certified estimated assessed valuation is \$33,409,458. The annual debt service requirements for the proposed first bond amount of \$2,825,000 averages \$222,567 for the 23-year life of the District's bond debt. The District levied a \$0.87 maintenance tax in 2002, and according to the engineering report, is projecting to levy a \$0.15 maintenance tax in the future.

The District's financial advisor submitted cash flow schedules considering the requested \$2,825,000 bond issue, no-growth to \$33,409,458 assessed valuation as of January 1, 2003, 18 months of capitalized interest, a bond interest rate of 5.50%, a 3% bond discount, and a projected tax rate of \$0.72 per \$100 assessed valuation. The Utilities and Districts Section's financial analyst has reviewed the financial information submitted and concluded that the following level debt service tax rates would be sufficient.

| | <u>Tax Rate</u> |
|----------------------|-------------------------|
| District | |
| Debt Service | \$0.7120 ⁽¹⁾ |
| Maintenance | \$0.3023 ⁽²⁾ |
| Total District Taxes | \$1.0143 ⁽³⁾ |

- Notes:
- (1) Based on a net effective interest rate of 5.70%, a 98% tax collection rate, no-growth to an assessed valuation of \$33,409,458, and at least a 25% ending debt service fund balance.
 - (2) The 2003 fiscal year operating budget includes \$139,200 of operating expenses (excluding Manville, Pflugerville and Kelly Lane fees). Staff estimates that no-growth revenue (excluding tap revenue) based on estimated 213 ESFCs is \$38,186 at 10,000 gallons per month. The difference of \$101,014 is converted to a maintenance tax rate based on no-growth in the assessed valuation of \$33,409,458.
 - (3) Represents the combined projected and no-growth tax rate as defined by Commission Rule 30 TAC Section 293.59(f) and (e).

Additional Financial Comments

According to the rate order provided with the application, a single family resident's cost for 10,000 gallons of water and wastewater service per month is \$87.80.

The District is exempt from the 25% build-out requirements of Commission Rules 293.59(k)(7) based on its combined no-growth tax rate of \$1.0143 being less than \$1.20 pursuant to Commission Rules 293.59(l) and 293.59(k)(11)(C). The 75% build-out requirement of Commission Rule 293.59(l)(4) does not apply since this is the first bond issue. A recorded copy of an exemption agreement required by Commission Rule 293.59(k)(8) has been provided.

C. ENGINEERING ANALYSIS

Water Supply

The District's treated water is provide by Manville Water Supply Corporation pursuant to a contract dated October 7, 1996. The District's existing water supply system appears adequate to serve the 213 ESFCs on which the feasibility of this bond issue is based.

Wastewater Treatment

The District's wastewater treatment is provided by Kelly Lane Utility Company and the City of Pflugerville through a 500,000 gpd and 2.5 mgd wastewater treatment plants, respectively. The wastewater treatment plants is currently permitted under TCEQ Permit No. 11845-003 and No. 11845-002, respectively. The District's current share of capacity in the plant is sufficient to serve 213 ESFCs on which the feasibility of this bond issue is based.

Storm Drainage

Storm water within the District generally is collected by its system of underground lines, detention ponds, and drainage channels which discharges into Willbarger Creek.

Purchase of Existing Facilities/Assumption of Contracts

| <u>Contract Description</u> | <u>Contractor</u> | <u>% Complete as of (Date)</u> | <u>Contract Amount⁽¹⁾</u> | <u>Amt. Subject to Dist. Share⁽²⁾</u> |
|---|---------------------------------|------------------------------------|--|--|
| Meadows of Blackhawk, Phase 2 Water, WW, & Dr. | G.H. Contracting, Inc. | 6/9/00 | \$627,219 | \$600,061 ⁽²⁾ |
| Meadows of Blackhawk, Phases 3 and 4 Water, WW, & Dr. | Rogers Construction Co., LTD | 9/25/01 | \$787,573 | \$412,982 ⁽³⁾ |

Notes:

- (1) Final contract amount reflects change orders and final quantity adjustments.
- (2) Excludes developers share of clearing and grubbing.
- (3) Excludes developers share of clearing and grubbing, shared wastewater line and internal lines to be funded in the future.

Plans, specifications, plats, and other required construction and preconstruction documents for the projects are on file.

Facilities to be Constructed

- Off-site detention pond, appraised at \$451,000 with the District's share is \$269,548.
- Off-site wastewater line, appraised at \$161,000 with the District's share is \$104,271.

Approved plans and specifications, preconstruction agreements, and various construction contract documents

have been provided and are on file.

Inspection

The District was inspected by a member of the Commission's Districts Review Team staff on September 24, 2003. Home building was observed in various sections of the District. Utilities and streets appeared to be complete within the projects included in this bond issue.

D. SUMMARY OF COSTS

Construction Costs

Amount

A. Developer Contribution Items

| | |
|---|---------------------|
| 1. Meadows of Blackhawk, Phase 2 | |
| a. Water, Wastewater and Drainage | \$ 572,903 |
| b. Clearing and Grubbing | <u>27,158</u> |
| Total | \$ 600,061 |
| 2. Meadows of Blackhawk, Phases 3 and 4 | |
| a. Water and Drainage | \$ 359,355 |
| b. Clearing and Grubbing | <u>41,522</u> |
| Total | \$ 400,877 |
| 3. Off-site detention pond | \$ 269,548 |
| 4. Engineering and permitting (17.8% of Item 1-3) | \$ 226,248 |
| Total | \$ 1,496,734 |

B. District Items

| | |
|--|---------------------|
| 1. Off-site wastewater line for Meadows Phase 1 | \$ 104,271 |
| 2. Off-site wastewater line for Meadows Phases 3 & 4 | 12,105 |
| 3. Water and wastewater connection fees | 495,300 |
| 4. Engineering (0.2% of Item 1-3) | <u>1,381</u> |
| Total | \$ 613,057 |
| Total Construction Costs (74.6% of BIR) | \$ 2,109,791 |
| Less: Operating Funds | \$ (160,000) |

| | |
|---|--------------------------|
| Net Construction Costs | \$ 1,949,791 |
| <u>Non-construction Costs</u> | |
| A. Legal Fees | \$ 59,125 ⁽¹⁾ |
| B. Financial Advisor Fees | 56,500 ⁽²⁾ |
| C. Interest Cost | |
| 1. Capitalized | 233,062 ⁽³⁾ |
| 2. Developer | 338,303 ⁽⁴⁾ |
| D. Bond Discount (3%) | 84,850 |
| E. Creation, Operational and Organizational Costs | 37,110 |
| F. Bond Report Engineering Fees | 35,000 |
| G. Bond Issuance Costs | 23,697 |
| H. 0.25% TCEQ Bond Issuance Fee | <u>7,562</u> |
| Total Non-construction Costs | \$ 875,209 |
| <u>Total Bond Issue Requirement</u> | \$ 2,825,000 |

Notes:

- ⁽¹⁾ Contract provides for a fee of 3% of the first \$1,500,000, plus 2% for the next \$500,000 plus 0.5% thereafter.
- ⁽²⁾ Contract provides for a fee of 2% of the first \$3,000,000, plus 1½% thereafter.
- ⁽³⁾ Eighteen months of interest cost is estimated at 5½% of a principal amount of \$2,825,000.
- ⁽⁴⁾ Developer interest is estimated at 5½% through October 30, 2003 or a maximum of two years. The District has requested to reimburse more than two years in accordance with Commission Rule 293.50(b).

E. SPECIAL CONSIDERATIONS

None.

F. CONCLUSIONS

1. Based on \$6,670,000 in unlimited tax bonds approved by voters, the District has sufficient voter authorized bonds for the proposed bond issue.
2. Based on the review of the engineering report, plans, specifications, and supporting documents, the project is considered feasible and meets the criteria established by the Commission's economic feasibility rules, 30 TAC Section 293.59.

G. RECOMMENDATIONS

1. Approve the bond issue in the requested amount of \$2,825,000 in accordance with the recommended summary of costs, at a maximum net effective interest rate of 5.70%.
2. Direct the District to levy an initial ad valorem debt service tax of not less than \$0.712 per \$100 assessed valuation.
3. Grant a waiver of the 30% developer contribution requirement, pursuant to Commission Rule 30 TAC, Section 293.47(a)(1).
4. Standard recommendations regarding purchase of facilities, developer interest, consultant fees, surplus proceeds, time of approval, and 0.25% bond proceeds fee apply.



Andy Lutringer
Districts Review Team

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TRAVIS

I hereby certify that this is a true and correct copy of a
Texas Commission on Environmental Quality document,
which is filed in the permanent records of the Commission.
Given under my hand and the seal of office on

Libertha Castanuela **FEB 18 2005**
Libertha Castanuela, Chief Clerk
Texas Commission on Environmental Quality

AN ORDER APPROVING AN ENGINEERING PROJECT AND THE ISSUANCE OF \$1,470,000 UNLIMITED TAX BONDS FOR LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 1.

An application by Lakeside Water Control and Improvement District No. 1 of Travis County (hereafter "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (hereafter "Commission") for consideration of approval pursuant to TEX. WATER CODE ANN. §§ 5.122 and 49.181 (Vernon 2000). The District requests approval to issue \$1,470,000 of bonds and use \$170,000 in surplus funds to finance: off-site 12" force main serving the District (Meadows at Blackhawk, Section 6); design and construction of off-site wastewater lines serving the District (Lakeside, Section 1 and 2); off-site wastewater lines serving the District (Park at Blackhawk, Section 1, 2 and 3); off-site wastewater lift station access road serving the District; access road as required by the City of Pflugerville; and water and wastewater connection fees serving Meadows of Blackhawk, Sections 5 and 6. The Commission has jurisdiction to consider this matter, and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation:

FINDINGS OF FACT

1. The District filed an application with the Commission on June 29, 2004, for approval of a proposed engineering project and the issuance of \$1,470,000 of bonds. Additional information was provided on January 25, 2005.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined. The project site was visited and carefully inspected by a member of the Utilities and Districts Section on August 23, 2004 and a full written memorandum was prepared on the project dated September 10, 2004, along with Addendum No. 1 dated January 27, 2005, copies of which is attached and made a part hereof.

4. The District's project and the issuance of bonds in the amount of \$1,470,000 at a maximum net effective interest rate of 5.70% to finance the project should be approved.
5. The 30% developer contribution requirement associated with this bond issue should be waived pursuant to 30 Tex. Admin. Code § 293.47(a)(1).
6. The use of \$170,000 in surplus funds to be applied toward projects in this bond issue (in accordance with the recommended summary of costs), to reduce the bond issue requirement, should be approved, subject to final action by the Districts Board.
7. The District should be advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report.
8. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed, shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds.
9. The District should be directed not to purchase facilities or assume facility contracts from the developer until the Commission staff has inspected the project, reviewed contract administration, and given written authorization to finalize the purchase or assumption in accordance with 30 Tex. Admin. Code § 293.69.
10. The District's Board of Directors should be directed to review to its satisfaction the detailed calculations of the developer's interest to assure that the costs are authorized District expenditures and in accordance with 30 Tex. Admin. Code § 293.50 before payment to the developer is made.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction to consider the engineering project and bond application pursuant to TEX. WATER CODE ANN. § 49.181 (Vernon 2000).
2. The Executive Director has investigated the District, and the Commission has found it legally organized and feasible.

3. The Utilities and Districts Section's memorandum dated September 10, 2004, along with Addendum No. 1 dated January 27, 2005, on this engineering project and bond issue, and this Order should be adopted as the written Commission project report in compliance with TEX. WATER CODE ANN. § 49.181 (Vernon 2000).

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Utilities and Districts Section's memorandum dated September 10, 2004, along with Addendum No. 1 dated January 27, 2005, on this engineering project and bond issue and this Order are adopted as the written Commission project report. The engineering project of Lakeside Water Control and Improvement District No. 1 of Travis County is hereby approved together with the issuance of \$1,470,000 of bonds at a maximum net effective interest rate of 5.70% under TEX. WATER CODE ANN. § 49.181 (Vernon 2000). The 30% developer contribution requirement associated with this bond issue is waived pursuant to 30 Tex. Admin. Code § 293.47(a)(1). The use of \$170,000 in surplus funds to be applied towards projects in this bond issue (in accordance with the recommended summary of costs), to reduce the bond issue requirement, is approved subject to final action by the District Board. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed, shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds. The District is directed not to purchase facilities or assume facility contracts from the developer until the Commission staff has inspected the project, reviewed contract administration, and given written authorization to finalize the purchase or assumption in accordance with 30 Tex. Admin. Code § 293.69. The District's Board of Directors is directed to review to its satisfaction the detailed calculation of the developer's interest to assure that the costs are authorized District expenditures and in accordance with 30 Tex. Admin. Code § 293.50 before payment to the developer is made. The approval of the sale of bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the Commission staff.

BE IT FURTHER ORDERED that pursuant to TEX. WATER CODE ANN. § 5.701 (Vernon Supp. 2002), the District shall pay to the Commission 0.25% of the principal amount of bonds actually issued not later than the seventh (7th) business day after receipt of the bond proceeds. The fee shall be paid by check payable to the Texas Commission on Environmental Quality.

BE IT FURTHER ORDERED that to enable the Commission to carry out the responsibilities imposed by TEX. WATER CODE ANN. §§ 49.181 and 49.182 (Vernon 2000), the District shall (1) furnish to the Utilities and Districts Section copies of all bond issue project construction documents outlined under Title 30 Tex. Admin. Code § 293.62, including detailed progress reports and as-built plans required by TEX. WATER CODE ANN. § 49.277 (Vernon 2000), which have not already been submitted; (2) notify the Utilities and Districts Section and obtain approval of the Texas Commission

on Environmental Quality for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by TEX. WATER CODE ANN. § 49.277 (Vernon 2000), that all construction financed with the proceeds from the sale of these bonds is completed by the construction contractor according to the plans and specifications contracted.

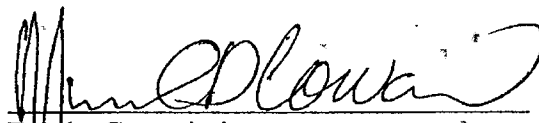
BE IT FURTHER ORDERED that failure of said District to comply with all applicable laws and with the provisions of this Order shall subject the District and its directors to all the penalties that are provided by law and shall further be considered by the Commission as grounds for refusal to approve other bonds of the District.

The Chief Clerk of the Commission is directed to forward the District a copy of this Order.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: February 2, 2005

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY


For the Commission

Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Glenn Shankle, Executive Director
Texas Commission on Environmental Quality

Date: September 10, 2004

Thru: *E/LM/oc* Earl Lott, Section Manager, Utilities and Districts Section
RC Robert Cummins, P.E., Leader, Districts Review Team

From: *RL* Districts Review Team

Subject: Lakeside Water Control and Improvement District No. 1 of Travis County; Application for Approval of \$1,470,000 Unlimited Tax Bonds, Second Issue, 5.70% Net Effective Interest Rate, Series 2004; Pursuant to Texas Water Code, Section 49.181.
TCEQ Internal Control No. 06292004-D03 (TC)
CN:600665491 RN:101224665

A. GENERAL INFORMATION

The application requests Commission approval of the issuance of \$1,470,000 in unlimited tax bonds to finance the District's share of costs associated with the following projects:

- Off-site 12" force main serving the District (Meadows at Blackhawk, Section 6).
- Design and construction of off-site wastewater lines serving the District (Lakeside, Section 1 and 2).
- Off-site wastewater lines serving the District (Park at Blackhawk, Section 1, 2 and 3).
- Off-site wastewater lift station access road serving the District
- Force main and lift station access road serving the District.
- Access road as required by the City of Pflugerville.
- Water and wastewater connection fees serving Meadows of Blackhawk, Section 5 and 6.

No internal facilities will be financed with funds in this bond issue.

The District's previous bond issue financed underground utilities for 201 ESFCs on 61.376 net developable acres. The proposed bond issue does not include any additional underground facilities. According to the engineering report, the District is projecting 552 ESFCs on 162.23 net developable acres at build out.

B. ECONOMIC ANALYSIS

Tax Rate Analysis

According to build-out information provided, the feasibility of this bond issue is based on the existing 233 ESFCs as of January 1, 2004 and an estimated assessed valuation of \$43,000,000, plus build-out of 150 houses for a total of 383 ESFCs with a projected January 1, 2006 assessed valuation of \$63,250,000.

The District's January 1, 2004 certified estimated assessed valuation is \$43,000,000. The annual debt service requirements for the proposed bond amount of \$1,470,000 and existing debt averages \$320,362 for the 23-year life of the District's bond debt. The District did not levied a maintenance tax in 2003, and according to the engineering report, is projecting to levy a \$0.31 maintenance tax in the future.

The District's financial advisor submitted cash flow schedules considering the requested \$1,470,000 bond issue, growth as indicated above, 12 months of capitalized interest, a bond interest rate of 5.50%, a 3% bond discount, and a projected tax rate of \$0.56 per \$100 assessed valuation. The Utilities and Districts Section's financial analyst has reviewed the financial information submitted and concluded that the following level debt service tax rates would be sufficient.

| | <u>Growth Tax Rate</u> | <u>No-Growth Tax Rate</u> |
|----------------------|-------------------------|---------------------------|
| District- | | |
| Debt Service | \$0.5300 ⁽¹⁾ | \$0.7200 ⁽²⁾ |
| Maintenance | \$0.3100 ⁽³⁾ | \$0.3100 ⁽⁴⁾ |
| Total District Taxes | \$0.8400 | \$1.0300 |

Notes:

- (1) Based on a net effective interest rate of 5.70%, a 98% tax collection rate, growth as indicated above, and at least a 25% ending debt service fund balance.
- (2) Based a net effective interest rate of 5.70%, a 100% tax collection rate, no-growth to an assessed valuation of \$43,000,000, and at least a 25% ending debt service fund balance.
- (3) Represents the combined projected tax rate as defined by Commission Rule 30 TAC Section 293.59(f).
- (4) Represents the combined no-growth tax rate as defined by Commission Rule 30 TAC Section 293.59(e).

Additional Financial Comments

According to the rate order provided with the application, a single family resident's cost for 10,000 gallons of water and wastewater service per month is \$52.90 (\$12.90 water + \$40 wastewater).

The District is exempt from the 75% and 25% build-out requirements of Commission Rules 293.59(1)(4) and 293.59(k)(7), respectively, based on its combined no-growth tax rate of \$1.03 being less than \$1.20, pursuant to Commission Rules 293.59(l) and 293.59(k)(11)(C).

C. ENGINEERING ANALYSIS

Water Supply

Water is supplied to the District through interconnects with Manville Water Supply Corporation pursuant to an Agreement for Providing Wholesale Water Service, dated October 7, 1996. Current capacities for Manville Water Supply Corporation are generated from 15 water wells and a contribution of 600 gpm from the City of Austin, totaling 5,700 gpm. According to a letter from J.F. Fontaine & Associates, Inc., Manville Water Supply Corporation has 7,600 active connections as of February 2004, and has capacity to serve up to 9,500 connections. Additionally, Manville Water Supply has a project underway that will provide an additional 4 MGD by fall of 2004 and the capability of increasing to 10.7 MGD when needed, with future supply from deep wells in Lee County.

The District's water supply appears adequate for the 383 ESFCs upon which the feasibility of this bond issue is based.

Wastewater Treatment

Pursuant to the "Agreement for Providing Wholesale Wastewater Service" dated October 10, 1996, Kelly Lane Utility Company agrees to receive the waste from the area currently within the boundaries of the District and dispose of the waste. The Kelly Lane Treatment Plant (TPDES Permit No. 11845-003 for 0.5 MGD) is currently at or near its capacity.

According to a letter from the City of Pflugerville (the City), dated February 23, 2004, the City purchased the Kelly Lane Wastewater Treatment Plant. The City is also in the process of constructing a lift station and force main that will direct all of the flow currently going to the Kelly Lane Plant to the City's Central Wastewater Treatment Plant. The improvements are expected to be completed in the summer of 2004. At the completion of the improvements, the Kelly Lane Plant will discontinue service. Additionally, the City is in the process of expanding the capacity of the Central Wastewater Treatment Plant and discharge permit (TPDES Permit No. 11845-002 for 2.5 MGD), to approximately 4.36 MGD by the fall of 2004 with construction to begin soon after permit approval.

Once flows are directed to the City's Central Plant, the wastewater capacity serving the District appears adequate for the 383 ESFCs upon which the feasibility of this bond issue is based.

Storm Drainage

Storm water within the District is collected by underground piping, detention ponds, and drainage channels which discharge into Willbarger Creek.

Purchase of Existing Facilities/Assumption of Contract

| <u>Project</u> | <u>Contractor</u> | <u>% of Completion (Date)</u> | <u>Final Pay Estimate</u> | <u>District Share</u> |
|--|--|---------------------------------------|-------------------------------|---------------------------|
| Meadows of Blackhawk, Section 6, Off-Site Wastewater 12" Force Main | Rogers Construction Company, LTD. | 100% (8/21/2003) | \$1,041,130 ⁽¹⁾ | \$12,081 ⁽²⁾ |
| Lakeside, Section 1 and 2 - Off-Site Wastewater Lines and Off-Site Force Main and Lift Station Access Road | C.C. Carlton Industries, LTD. | 100% (4/13/2002) | \$1,254,849 ⁽³⁾ | \$164,570 ⁽⁴⁾ |
| Park at Blackhawk, Section 1, 2, and 3 - Off- Site Wastewater Lines | Cash Construction Company of Texas, Inc. | 100% (1/14/2003) | \$1,448,087 ⁽⁵⁾ | \$135,095 ⁽⁶⁾ |
| Lakeside Lift Station | Keystone Construction Inc. | 100% (2/7/2003) | \$842,474 ⁽⁷⁾ | \$80,842 ⁽⁸⁾ |
| Lift Station Access Road Paving | C.C. Carlton Industries LTD. | 100% (4/23/2002) | \$45,968 ⁽⁹⁾ | \$4,411 ⁽¹⁰⁾ |

- Notes: 1. Original contract amount of \$1,031,146 plus Change Order No. 1 (\$9,984) for substitution of 48" RCP CL IV drainage pipe for 48" RCP drainage pipe
2. Final Pay estimate amount of \$1,041,130; less \$886,671 for facilities to be financed in a future bond issue (water: \$173,377, wastewater: \$222,119, drainage: \$448,318, erosion control: \$14,297; and District's 50% share of clearing and excavation: \$28,560); less \$28,560 for developer's 50% share of clearing and excavation; and less \$113,818 for other districts' share of an off-site 12" force main. The District's share of off-site force main is based on ESFCs (equivalent single family connections) (349 ESFCs / 3,637 ESFCs or 9.60%) as reflected in the Cost Sharing Agreement dated May 19, 2004.
3. Original contract amount of \$1,217,909 plus alternate bid items (totaling \$18,700) and plus Change Order No.1 (\$18,240) for replacing excavated material in street (\$5,014), adding irrigation sleeves (\$2,580), additional labor to install master meter (\$2,689), and additional time required to tie into water line (\$7,957).
4. Final contact amount of \$1,254,849: less \$538,813 for other districts' water and drainage facilities; less \$68,386 for developer's share of excavation (50%), culverts, plus credit for channel in lieu of the culvert (Section 1); less \$5,440 for developer's share of excavation (Section 2); less \$96,912 for other districts' share of detention pond per agreement; less \$8,884 for developer's share of additional excavation; less \$157,555 for other districts' share of trunk wastewater lines per agreement; less \$177,120 for other districts' share of lift station access

- road and force main; and less \$37,168 for District's share of detention ponds. The District's share of detention ponds is based on acreage benefitted (51.2 acres/184.7 acres or 27.2%). The District's share of off-site wastewater lines is based on an engineering allocation by Equivalent Single Family Connections (ESFCs) served by each line as reflected in the Cost Sharing Agreement dated April 22, 2003. The District's share of off-site force main is based on ESFCs (349 ESFCs/3,637 ESFCs or 9.60%) as reflected in the Cost Sharing Agreement dated April 22, 2003.
5. Original Contract amount of \$1,437,587 plus Change Order No.1 (\$3,000) for wastewater staking; plus Change Order No. 2 (\$7,500) for fire line meter.
 6. Final contract amount of \$1,448,087; less \$832,462 for other districts' water and drainage facilities; less \$87,604 for developer's share of excavation (50%), plus box culverts at Rowe Lane (Section 1); less \$16,915 for developer's share of excavation (Section 2); Less \$6,092 for developer's share of excavation (Section 3); less \$6,215 for developer's share of excavation for off-site wastewater line; and less \$363,705 for other districts' share of wastewater lines per agreement. The District's share of off-site wastewater lines is based on an engineering allocation by ESFC served by each line as reflected in the Cost Sharing Agreement dated April 22, 2003.
 7. Original contract amount of \$787, 560 plus Change Order No.1 (\$20, 014) for additional valves and foundation footing; plus Change Order No.2 (\$10,000) for changing the coating type; plus Change Order No. 3 (\$24,90) for upgrading the retaining wall to concrete.
 8. Final contract amount of \$842,474 less \$ 761, 632 for other districts' share per agreement. The District's share of the lift station is based on ESFCs (349 ESFCs/3,637 ESFCs or 9.60%) as reflected in the Cost Sharing Agreement dated April 22, 2003.
 9. This project was not publicly advertised for bid; however, bids were received from six contractors as shown by the bid tabulations included as an attachment behind the developer interest table (**Attachment XIII**). The City of Pflugerville required that the access road to the lift Station be paved. The paving was completed by C.C. Carlton Industries, Inc. as part of their paving contract for Lakeside at Blackhawk Phase 1 & 2. Original contract amount of \$44,469 plus Change Order No. 1 (\$1,500) for remobilization.
 10. Final contract amount of \$45,968 less \$41,557 for other districts' share of lift station access road paving per agreement.

Approved plans and specifications, plats, recorded easements and related construction documents have been provided.

Facilities to be Constructed

None.

Inspection

The District was inspected by the Commission's Utilities and Districts Section staff on August 23, 2004. An active building program was observed and appeared consistent with the build-out projections. Utilities and streets appeared complete within those areas funded in previous bond issues, funded in this bond issue, and used in the build-out projections. District name signs were observed.

D. SUMMARY OF COSTS

Construction Costs

| | <u>Amount⁽¹⁾</u> |
|--|-----------------------------|
| A. Developer Contribution Items | |
| 1. None | |
| B. District Items | |
| 1. Off-site Wastewater (Meadows Section 6) | \$12,081 |
| 2. Off-site Wastewater (lakeside Section 1 and 2) | 145,770 |
| 3. Off-site Wastewater (Park Section 1,2, and 3) | 135,095 |
| 4. Lakeside Lift Station ⁽¹⁾ | 80,842 |
| 5. Force Main & Access Road (Lakeside Section 1 and 2) | 18,800 |
| 6. Lakeside Lift Station Access Road Paving | 4,411 |
| 7. Water and Wastewater Connection Fees | 791,380 |
| 8. Engineering & Permitting (3.15% of items 1-7) | <u>37,394</u> |
| Total District Items | \$1,225,773 |
| TOTAL CONSTRUCTION COSTS | \$1,225,773 |
| Less Surplus Funds Available | (\$170,000) |
| Net Total Construction Costs (71.8% of BIR) | \$1,055,773 |

Nonconstruction Costs

| | |
|--|--------------|
| A. Bond Counsel Fees (2.68%) ⁽²⁾ | \$39,400 |
| B. Financial Agent Fees (2%) ⁽³⁾ | 29,400 |
| C. Interest Costs | |
| 1. Capitalized Interest (1 yr. @ 5.5%) | 80,850 |
| 2. Developer Interest (up to 5 yrs at 5.5%) ⁽⁴⁾ | 150,233 |
| D. Underwriter's Discount (3.0%) | 44,100 |
| E. Bond Issuance Expense (Estimated) | 31,069 |
| F. Bond Engineering Report | 35,000 |
| G. TCEQ Fee (0.25% BIR + \$500) | <u>4,175</u> |

| | |
|---|--------------------|
| H. Creation , Organizational; and Operational | \$0 |
| TOTAL NON-CONSTRUCTION COSTS | \$414,227 |
| TOTAL BOND ISSUE REQUIREMENT | \$1,470,000 |

- Notes:
1. The District has requested a waiver of the 30% developer contribution requirements.
 2. Bond Counsel fees of 3% for first \$1,000,000; 2% for next \$500,000; and 1/4% for all amounts over \$1,500,000.
 3. Fiscal Agent fees are 2% of the first \$3,000,000, plus 1.5% for amounts over \$3,000,000.
 4. Estimated at 5.5% through November 30, 2004 or a maximum of 5 years pursuant to Commission Rule 293.50(b).

E. SPECIAL CONSIDERATION

1. Waiver of 30% Developer Contribution and Market Study Requirements

By resolution dated May 19, 2004, the District requests a waiver of the 30% developer contribution requirement pursuant to Commission Rule 293.47(a) based on having a debt to certified assessed valuation ratio of 10% or less prior to bond sale. Since the District's debt to assessed valuation ratio of 9.98% (\$2,825,000 of existing debt plus \$1,470,000 of proposed debt divided by January 1, 2004 certified estimate of assessed valuation (AV) of \$43,000,000) is less than 10%, a waiver of the 30% developer contribution requirement should be granted pursuant to Commission Rule 293.47(a)(1).

By resolution dated May 19, 2004, the District requests a waiver of a current market study requirement pursuant to 30 TAC Sections 293.59(k)(11) and 293.59 (1), because the District has a combined no growth tax rate less than \$1.20. The District's combined no-growth tax rate is \$1.03; therefore, a market study is not required and granting a waiver is not necessary.

2. Use of Available Funds

The District's requested cost summary includes the use of \$170,000 in available surplus funds to supplement the District's cost of the proposed projects in order to reduce the bond issue requirement. By letter dated June 8, 2004, the District's bookkeeper reported a General Operating fund balance in excess of \$250,000. The request should be approved subject to final District Board action.

3. Available Wastewater Plant Capacity

Information provided indicates that wastewater from within the District is currently treated at the City of Pflugerville's Kelly Lane Plant, and the plant is at or near its capacity. Projects are reportedly nearing completion to allow the Kelly Plant to be taken off-line and flows diverted to the City of Pflugerville's central plant. Commission Rule 293.59(k)(6)(c) requires there to be existing capacity adequate to accommodate 18 months of projected growth, and that this requirement be met at the time of the Commission approval. The District has not shown this requirement to be met, i.e.

flows diverted to the city's plant; therefore approval should be delayed.

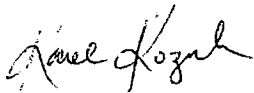
F. CONCLUSIONS

1. Based on \$6,670,000 in unlimited tax bonds approved by voters and \$2,825,000 previously approved by the Commission and issued by the District, the District has sufficient voter authorized bonds (\$1,470,000) for the proposed bond issue.
2. Based on a review of plans and specifications, the engineering report, and supporting information, the project is considered feasible and meets the criteria established by the Commission's economic feasibility rules, 30 TAC Section 293.59.

G. RECOMMENDATIONS

Conditioned upon the receipt of evidence that wastewater lines, a lift station and force main projects are complete, and that wastewater from within the District is being conveyed to and treated at the City of Pflugerville's Central Plant, the following recommendations are offered.

1. Approve the bond issue in the requested amount of \$1,470,000 in accordance with the recommended summary of costs, at a maximum net effective interest rate of 5.70 %.
2. Direct the District to levy an initial debt service tax rate of not less than \$0.53 per \$100 valuation.
3. Grant a waiver of the 30% developer contribution requirement pursuant to Commission Rule 30 TAC 293.47(a)(1).
4. Approve the use of \$170,000 in surplus funds to be applied toward projects in this bond issue, in accordance with the recommended summary of costs, to reduce the bond issue requirement, subject to final action by the District's Board.
5. Standard recommendations regarding inspection of facilities, developer interest, consultant fees, surplus proceeds, time of approval, and bond proceeds fee apply.



Karel Kozuh
Districts Review Team

Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Glenn Shankle, Executive Director
Texas Commission on Environmental Quality

Date: January 27, 2005

Thru: ~~Re~~ Earl Lott, Section Manager, Utilities and Districts Section
~~Re~~ Robert Cummins, P.E., Leader, Districts Review Team

From: Districts Review Team

Subject: Addendum No. 1 to Memorandum to the Commission dated September 10, 2004. Subject: "Lakeside Water Control and Improvement District No. 1 of Travis County; Application for Approval of \$1,470,000 Unlimited Tax Bonds, Second Issue, 5.70% Net Effective Interest Rate, Series 2004; Pursuant to Texas Water Code, Section 49.181." TCEQ Internal Control No. 06292004-D03 (TC)(ADD) CN:600665491 - RN:101224665

The captioned application is pending consideration by the Commission. Based on a January 25, 2005 letter from the City Engineer of the City of Pflugerville indicating the 95% completion of the wastewater line along Weiss Lane, the memorandum is revised as follows:

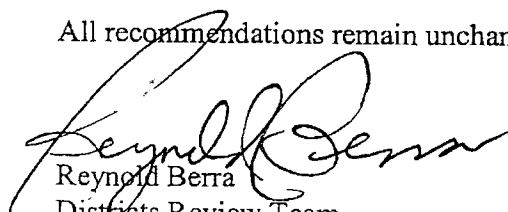
E. SPECIAL CONSIDERATION

Item No. 3 Available Wastewater Plant Capacity is deleted.

G. RECOMMENDATIONS

The first paragraph: "Conditioned upon the receipt of evidence that wastewater lines, a lift station and force main projects are complete, and that wastewater from within the District is being conveyed to and treated at the City of Pflugerville's Central Plant, the following recommendations are offered" is deleted.

All recommendations remain unchanged.


Reynold Berra
Districts Review Team

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS

COUNTY OF TRAVIS

I hereby certify that this is a true and correct copy of a Texas Commission on Environmental Quality document, which is filed in the permanent records of the Commission. Given under my hand and the seal of office on

LaDonna Castanuela

LaDonna Castanuela, Chief Clerk
Texas Commission on Environmental Quality

FEB 09 2006

AN ORDER APPROVING AN ENGINEERING PROJECT AND THE
ISSUANCE OF \$2,375,000 UNLIMITED TAX BONDS FOR
LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
OF TRAVIS COUNTY

An application by Lakeside Water Control and Improvement District No. 1 of Travis County (hereafter "District") was presented to the Executive Director of the Texas Commission on Environmental Quality (hereafter "Commission") for consideration of approval pursuant to TEX. WATER CODE §§ 5.122 and 49.181 (Vernon Supp. 2004-2005). The District requests approval of an engineering project and the issuance of \$2,375,000 of bonds to finance: water connection fees serving Meadows of Blackhawk, Section 7; and water, wastewater, drainage, clearing and grubbing facilities to serve Meadows at Blackhawk, Sections 5 and 6. The Commission has jurisdiction to consider this matter; and the following Findings of Fact and Conclusions of Law are appropriate after examining the application and supporting documentation:

FINDINGS OF FACT:

1. The District filed an application with the Commission on November 18, 2005, for approval of a proposed engineering project and the issuance of \$2,375,000 of bonds.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined. A full written memorandum was prepared on the project dated January 24, 2006, a copy of which is attached and made a part hereof.
4. The District's project and the issuance of bonds in the amount of \$2,375,000 at a maximum net effective interest rate of 5.69% to finance the project should be approved. Further, the District should be directed that the bonds are to be sold only upon the District receiving an acceptable credit rating or a credit enhanced rating on the bonds in accordance with 30 TEX. ADMIN. CODE § 293.47 (2005).
5. The request for a waiver of the 30% developer contribution and market study requirements should be granted, pursuant to 30 TEX. ADMIN. CODE § 293.47(a)(3) and 30 TEX. ADMIN. CODE § 293.59(1)(5)(B), respectively, if the District obtains an acceptable credit rating or a credit enhanced rating on the bonds in accordance with 30 TEX. ADMIN. CODE § 293.47.
6. The District should be directed not to purchase facilities or assume facility contracts from the developer until the Commission's staff has inspected the project, reviewed contract

administration and given written authorization to finalize the purchase or assumption as required by 30 TEX. ADMIN. CODE § 293.69.

7. The District's Board of Directors should be directed to review to its satisfaction the detailed calculations of the developer's interest to assure that the costs are authorized District expenditures and in accordance with 30 Tex. ADMIN. CODE § 293.50 before payment to the developer is made.

8. The District should be advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report.

9. The District should be directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction to consider the engineering project and bond application pursuant to TEX. WATER CODE § 49.181.

2. The Executive Director has investigated the District, and the Commission has found it legally organized and feasible.

3. The Utilities and Districts Section's memorandum dated January 24, 2006, on this engineering project and bond issue, and this Order should be adopted as the written Commission project report in compliance with TEX. WATER CODE § 49.181.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Utilities and Districts Section's memorandum dated January 24, 2006, on this engineering project and bond issue, and this Order are adopted as the written Commission project report. The engineering project of Lakeside Water Control and Improvement District No. 1 is hereby approved together with the issuance of \$2,375,000 of bonds at a maximum net effective interest rate of 5.69% under TEX. WATER CODE § 49.181. The District is directed that the bonds are to be sold only upon the District receiving an acceptable credit rating or a credit enhanced rating on the bonds in accordance with 30 Tex. Admin. Code § 293.47. The request for a waiver of the 30% developer contribution and market study requirements associated with this bond issue is granted, pursuant to 30 Tex. Admin. Code § 293.47(a)(3) and 30 Tex. Admin. Code § 293.59(1)(5)(B), respectively, if the District obtains an acceptable credit rating or a credit enhanced rating on the bonds in accordance with 30 Tex. Admin. Code § 293.47. The District is directed not to purchase facilities or assume facility contracts from the developer until the Commission's staff has inspected the project, reviewed contract administration and given written authorization to finalize the purchase or assumption as required by 30 TEX. ADMIN. CODE § 293.69. The District's Board of Directors is directed to review to its satisfaction the detailed calculation of the developer's interest to assure that the costs are authorized District expenditures and in accordance with 30 TEX. ADMIN.

CODE § 293.50 before payment to the developer is made. The District is advised that the legal, fiscal agent, and engineering fees have not been evaluated to determine whether these fees are reasonable or competitive. These fees are included as presented in the engineering report. The District is directed that any surplus bond proceeds resulting from the sale of bonds at a lower interest rate than that proposed shall be shown as a contingency line item in the Official Statement and the use of such funds shall be subject to approval pursuant to Commission rules on surplus funds. The approval of the sale of bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the Commission staff.

BE IT FURTHER ORDERED that pursuant to TEX. WATER CODE § 5.701 (Vernon Supp. 2004-2005), the District shall pay to the Commission 0.25% of the principal amount of bonds actually issued not later than the seventh (7th) business day after receipt of the bond proceeds. The fee shall be paid by check payable to the Texas Commission on Environmental Quality.

BE IT FURTHER ORDERED that to enable the Commission to carry out the responsibilities imposed by TEX. WATER CODE §§ 49.181 and 49.182, the District shall (1) furnish to the Utilities and Districts Section copies of all bond issue project construction documents outlined under 30 TEX. ADMIN. CODE § 293.62, including detailed progress reports and as-built plans required by TEX. WATER CODE § 49.277 (Vernon Supp. 2004-2005), which have not already been submitted; (2) notify the Utilities and Districts Section and obtain approval of the Texas Commission on Environmental Quality for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by TEX. WATER CODE § 49.277, that all construction financed with the proceeds from the sale of these bonds is completed by the construction contractor according to the plans and specifications contracted.

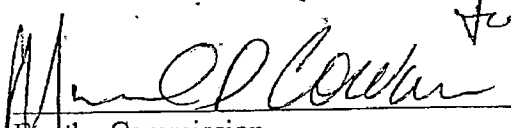
BE IT FURTHER ORDERED that failure of said District to comply with all applicable laws and with the provisions of this Order shall subject the District and its directors to all the penalties that are provided by law and shall further be considered by the Commission as grounds for refusal to approve other bonds of the District.

The Chief Clerk of the Commission is directed to forward the District a copy of this Order.

If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **January 31, 2006**

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY


For the Commission

Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Michael D. Cowan, Director
Water Supply Division

Date: January 24, 2006

Thru: ~~PC~~ Doug Holcomb, P.E., Manager, Utilities and Districts Section
~~PC~~ Robert Cummins, P.E., Leader, Districts Review Team

From: ~~W~~ Andrew R. Lutringer, Districts Review Team

Subject: Lakeside Water Control and Improvement District No. 1; Application for Approval of \$2,375,000 Unlimited Tax Bonds, Third Issue, 5.69% Net Effective Interest Rate, Series 2006; Pursuant to Texas Water Code, Section 49.181. TCEQ Internal Control No. 11182005-D05 (TC) RN 101224665 CN 600665491

A. SUMMARY OF COSTS

Construction Costs

District's Share

A. Developer Contribution Items

| | | |
|---|-----------|------------------|
| 1. Meadows at Blackhawk, Section 5 – Water, Wastewater and Drainage | \$ | 819,495 |
| 2. Meadows at Blackhawk, Section 6 – Water, Wastewater and Drainage | | 885,071 |
| 3. Engineering (18.3% of Items 1-10) | | <u>136,330</u> |
| Total | \$ | 1,840,896 |

B. District Items

| | | |
|---|-----------|----------------|
| Water Connection Fees for Meadows at Blackhawk, Section 7 | \$ | <u>217,800</u> |
| Total | \$ | 217,800 |

Total Construction Costs (86.7% BIR) \$ **2,058,696**

Non-construction Costs

| | | |
|-----------------------------------|----|------------------------|
| A. Legal Fees | \$ | 42,188 ⁽¹⁾ |
| B. Financial Advisor Fees | | 47,500 ⁽²⁾ |
| C. Interest Cost | | |
| 1. Capitalized (12 months @ 5.5%) | | 130,625 |
| 2. Developer | | 254,889 ⁽³⁾ |
| D. Bond Discount (3%) | | 71,250 |
| E. Bond Report Engineering Fees | | 28,414 |
| F. Bond Issuance Costs | | 35,000 |