

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:

Karen Thompson

CITY OF PFLUGERVILLE, TEXAS

By: St Jones
Its: City Manager
Date: 6/20/00

ATTEST:

Larry Jett

LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

By: Scott E. Rudall
Its: President
Date: 5-24-00

1415-000-006.AGT

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:

CITY OF PFLUGERVILLE, TEXAS

Karen Thompson

By: St. Louis

Its: CITY MANAGER

Date: 04/02/03

ATTEST:



LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

By: 

Its: President

Date: February 5, 2003

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:

Karen Thompson

CITY OF PFLUGERVILLE, TEXAS

By: David B...
Its: City Manager
Date: 4-17-06

ATTEST:

Jerry L. Fitts

LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

By: [Signature]
Its: President
Date: November 8, 2005

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.

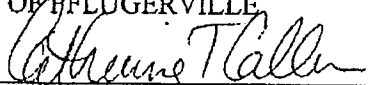
3. Defined Terms. All terms delineated with initial capital letters in this Amendment that are defined in the Agreement have the same meanings in this Amendment as in the Agreement. Other terms have the meanings commonly ascribed to them.

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.

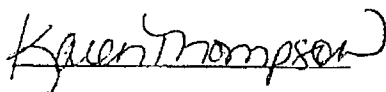
CITY OF BFLUGERVILLE

By: 

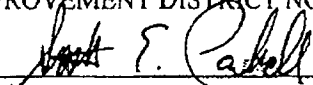
Its: MAYOR

Date: AUGUST 8th, 2006

ATTEST:



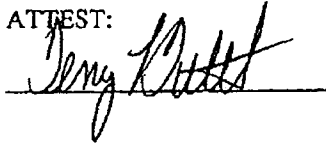
LAKESIDE WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1

By: 

Its: President

Date: 4-11-06

ATTEST:



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

LaDonna Gastanuela APR 05 2005
LaDonna Gastanuela, Chief Clerk
Texas Commission on Environmental Quality

AN ORDER APPROVING AN ENGINEERING PROJECT
AND THE ISSUANCE OF \$2,970,000 UNLIMITED TAX BONDS FOR
LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT 2-B OF TRAVIS COUNTY

An application by Lakeside Water Control & Improvement District 2-B (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 (Vernon 2000) and 49.181 (Vernon Supp. 2004-2005). The District requests approval of an engineering project and the issuance of \$2,970,000 in bonds to finance: the District's pro rata share of a joint-use lift station and access road serving the Lakeside subdivisions; the District's pro rata share of a joint-use offsite wastewater line serving Meadows of Blackhawk Sections 3 and 4; the District's pro rata share of a joint-use offsite 12-inch force main serving Meadows of Blackhawk Section 6; the District's pro rata share of joint-use wastewater lines serving Park at Blackhawk Sections 1, 2 and 3; and water, wastewater and drainage facilities serving the single family development of Lakeside at Blackhawk Sections 1 and 2. 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 September 10, 2004 for approval of a proposed engineering project and the issuance of \$2,970,000 in 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 February 18, 2005, and a full written memorandum was prepared on the project dated February 23, 2005, 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 \$2,970,000 at a maximum net effective interest rate of 6.20% to finance the project should be approved.
5. A waiver of the 30% developer contribution requirement should be granted pursuant to 30 Tex. Admin. Code §§ 293.47(a)(1).
6. 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.

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'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 Supp. 2004-2005).

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 February 23, 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 Supp. 2004-2005).

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Utilities and Districts Section's memorandum dated February 23, 2005 on this engineering project and bond issue, and this Order are adopted as the written Commission project report. The engineering project for Lakeside Water Control & Improvement District 2-B of Travis County is hereby approved together with the issuance of \$2,970,000 of bonds at a maximum net effective interest rate of 6.20% under TEX. WATER CODE ANN. § 49.181 (Vernon Supp. 2004-2005). A waiver of the 30% developer contribution requirement is granted pursuant to 30 Tex. Admin. Code §§ 293.47(a)(1). 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 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's Board of Directors is 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. 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. 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 ANN. §§ 49.181 (Vernon Supp. 2004-2005) 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: **March 23, 2005**

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY


For the Commission

orig.

Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

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

Date: February 23, 2005

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

From: Districts Review Team

Subject: Lakeside Water Control & Improvement District No. 2-B of Travis County;
Application for Approval of \$2,970,000 Unlimited Tax Bonds, First Issue, 6.20% Net
Effective Interest Rate, Series 2005; Pursuant to Texas Water Code, Section 49.181.
TCEQ Internal Control No. 09102004-D02 (TC)

A. GENERAL INFORMATION

The Commission received an application from Lakeside WCID No. 2-B of Travis County (the "District") requesting Commission approval of the issuance of \$2,970,000 in unlimited tax bonds to finance the following projects:

1. The District's pro rata share of a joint-use lift station and access road serving the Lakeside subdivisions;
2. The District's pro rata share of a joint-use offsite wastewater line serving Meadows of Blackhawk Sections 3 and 4.
3. The District's pro rata share of a joint-use offsite 12-inch force main serving Meadows of Blackhawk Section 6;
4. The District's pro rata share of joint-use wastewater lines serving Park at Blackhawk Sections 1, 2 and 3;
5. Water, wastewater and drainage facilities to serve the following development:

<u>Section</u>	<u>Type of Development</u>	<u>Acreage</u>	<u>Active ESFCs⁽¹⁾</u>	<u>Ultimate ESFCs</u>
Lakeside at Blackhawk, Sect. 1	Single Family	12.75	14	23
Lakeside at Blackhawk, Sect. 2	Single Family	9.64	7	14
Total		22.39	21 ⁽²⁾	37

Notes:

1. Equivalent Single Family Connections.
2. As seen during inspection on February 18, 2005.

This is the District's first bond issue. According to the engineering report and based on the current District acreage of 179.63 acres, the District's ultimate development is projected to serve approximately 471 equivalent single family connections (ESFCs) on 140 developable acres.

B. ECONOMIC ANALYSIS

Tax Rate Analysis

According to build-out information provided, the feasibility of this bond issue is based on the existing 187 ESFCs as of February 18, 2005, plus build-out of 83 houses (effectively building out Lakeside at Blackhawk Sections 1 and 2, and The Park at Blackhawk Sections 1 through 4) for a total of 270 ESFCs with a projected January 1, 2006 assessed valuation of \$40,885,000. A market study has been provided which generally supports the projections contained in the build-out schedule.

The District's January 1, 2004 Travis Central Appraisal District's certified assessed valuation is \$22,056,544. The District has also provided a June 1, 2004 certificate of estimated taxable valuation in the amount of \$30,260,000. The annual debt service requirements for the proposed first bond amount of \$2,970,000 averages \$241,852 for the 23-year life of the District's bond debt. The District levied a \$0.87 maintenance tax in 2003, and according to the engineering report, is projecting to levy a \$0.20 maintenance tax in the future.

The District's financial advisor submitted cash flow schedules considering the requested \$2,970,000 bond issue, growth as indicated above, 18 months of capitalized interest, a bond interest rate of 6.0%, a 3% bond discount, and a projected tax rate of \$0.67 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	\$0.6500 ⁽¹⁾	\$0.7800 ⁽²⁾
Maintenance	\$0.2000 ⁽⁴⁾	\$0.4300 ⁽³⁾
Total District Taxes	\$0.8500	\$1.2100 ⁽⁵⁾

Notes:

1. Based on a net effective interest rate of 6.20%, a 90% 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 6.20%, a 100% tax collection rate, no-growth to an estimated assessed valuation of \$30,260,000 as of June 1, 2004, and at least a 25% ending debt service fund balance.
3. The 2004 fiscal year operating budget includes \$70,000 from maintenance tax and \$60,000 from tap revenue. The sum of \$130,000 is converted to a maintenance tax rate based on no-growth in the estimated assessed valuation of \$30,260,000.
4. Represents the combined projected tax rate as defined by Commission Rule 30 TAC Section 293.59(f).
5. 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 \$87.80 (\$47.80 water + \$40 wastewater).

75% Build-Out Requirement

This is the District's first bond issue, therefore, the 75% build-out requirement of Commission Rule, 30 TAC Section 293.59(l)(4) does not apply.

25% Build-out Requirement

The feasibility of this bond issue is based on the existing 187 ESFCs as of February 18, 2005, plus build-out of 83 houses for a total of 270 ESFCs with a projected January 1, 2006 assessed valuation of \$40,885,000. As previously stated, the District has approximately 187 ESFCs existing, which meets the 25% build-out requirement of Commission Rule, 30 TAC Section 293.59(k)(7).

C. ENGINEERING ANALYSIS

Water Supply

The District's water supply is ground water provided by Manville Water Supply Corporation. Pursuant to the "Agreement for Providing Wholesale Water Service" (agreement), dated October 7, 1996 between Tiemann Land & Cattle Development, Inc. (developer) and Manville Water Supply Corporation (Manville WSC), all water supply needs to serve an 1,113-acre tract within the Manville WSC service area will be provided by interconnects with Manville WSC. The agreement further states that a capital improvement fee per ESFC is required at the time of final plat approval. Pursuant to the "Assignment of Utility Services" agreement dated January 31, 2001, the developer has assigned to Lakeside WCID 2-B a total of 480 ESFCs of wholesale water capacity from the terms of the original "Agreement for Providing Wholesale Water Service".

Current capacities for Manville WSC 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., dated February 11, 2004, Manville WSC has 7,600 active connections, and has capacity to serve up to 9,500 connections. Additionally, Manville WSC is in the process constructing facilities to provide an additional 4 MGD of water capacity.

The District's water supply appears adequate for the 270 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, between Tiemann Land & Cattle Development, Inc. (developer) and Kelly Lane Utility Company, Inc., all wastewater treatment requirements of the District will be provided by the Kelly Lane Utility Company wastewater treatment plant (TPDES Permit No. 11845-003 which authorizes an average discharge of 0.5 MGD). According to information provided, the Kelly Lane wastewater treatment plant is currently at or near its capacity.

Pursuant to the "North Pflugerville Wastewater Project Participating Agreement" dated November 12, 2002, the City of Pflugerville agreed to purchase the Kelly Lane wastewater treatment plant. The City is in the process of constructing a lift station and force main that will direct all of the flow currently going to the Kelly Lane wastewater treatment plant directly to the City's Central Wastewater Treatment Plant. At the completion of the improvements, the Kelly Lane Plant will be removed. In order to provide capacity at the Kelly Lane wastewater treatment plant to serve additional growth within the District, the City has recently completed a lift station which diverts certain wastewater flows originally leading to the Kelly Lane plant directly to the City's wastewater treatment plant. 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 which authorizes an average discharge of 3.0 MGD), to approximately 4.36 MGD.

Based on recent wastewater collection modifications completed by the City of Pflugerville, the wastewater capacity serving the District appears adequate for the 270 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 Contracts

<u>Project</u>	<u>Contractor</u>	<u>% Complete</u>	<u>Contract Amount</u>	<u>Amt. Subj. to Dist. Contrib.</u>
Lakeside Sections 1 and 2 -W, WW, D & Force Main, Offsite wastewater lines	C.C. Carlton Industries	100%	\$1,254,849 ⁽¹⁾	\$ 693,448 ⁽²⁾
Lakeside Lift Station	Keystone Construction	100%	\$ 842,474 ⁽³⁾	\$ 110,724 ⁽⁴⁾
Lift Station Access Road Paving	C.C. Carlton Industries	100%	\$ 45,968 ⁽⁵⁾	\$ 6,041 ⁽⁶⁾
Meadows of Blackhawk Sections 3 and 4 -Offsite wastewater lines	Rogers Construction	100%	\$ 787,573 ⁽⁷⁾	\$ 15,429 ⁽⁸⁾
Meadows of Blackhawk Section 6 -Offsite 12-inch force main	Rogers Construction	100%	\$1,041,130 ⁽⁹⁾	\$ 16,547 ⁽¹⁰⁾

Park at Blackhawk Section 1, 2 & 3 -Shared wastewater lines	Cash Construction	100%	\$1,448,087 ⁽¹¹⁾	\$ 113,463 ⁽¹²⁾
Retaining Walls	KRM Concrete	100%	\$ 8,475	\$ 8,475

Notes:

1. Original contract amount of \$1,217,909 plus alternate bid item plus change order no.1 and quantity adjustments.
2. Final contract amount of \$1,254,849 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 \$70,779 for other districts' share of detention pond per agreement; less \$8,884 for developer's share of additional excavation; less \$174,439 for other districts' share of trunk wastewater lines per agreement; and less \$170,171 for other districts' share of lift station access road and force main. The District's share of detention ponds is based on acreage benefitted (87.2 acres/184.7 acres or 47.21%). The District's share of shared 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 \$63,302 share of detention pond costs to be funded in a future bond issue.
3. Original contract amount of \$787,560 plus change order nos.1 through 3.
4. Final contract amount of \$842,474 less \$731,750 for other districts' share per agreement. The District's share of the lift station is based on ESFCs (478 ESFCs/3,637 ESFCs or 13.14%) as reflected in the Cost Sharing Agreement dated April 22, 2003.
5. According to the District's engineer, 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.
6. Represents the District's 13.14% pro rata share.
7. Original contract amount of \$764,983 plus change order no. 1 less final quantity adjustments.
8. Represents the District's 14.54% pro rata share of offsite wastewater lines.
9. Original contract amount of \$1,031,146 plus change order no. 1.
10. Represents the District's 13.14% pro rata share of offsite force main.
11. Original Contract amount of \$1,437,587 plus change order nos. 1 and 2.
12. The District is requesting funding for the District's pro rata share of the shared wastewater lines contained in the contract. The remaining District portion of the contract will be funded in a future bond issue.

Preconstruction agreements, approved and recorded plats, approved plans and specifications, and various contract documents are on file.

Facilities to be Constructed

N/A

Inspection

The District was inspected by a member of the Commission's Districts Review Team on February 18, 2005. Utilities and streets were seen as being complete in all sections used to support the financial feasibility of this bond issue. All projects being funded in the bond issue were observed as being complete. An active home building program was observed in several sections of development. District name signs were observed at primary entrances to the District.

D. SUMMARY OF COSTS

<u>Construction Costs</u>	<u>Amount</u>
A. Developer Contribution Items	
1. Lakeside at Blackhawk Sections 1 and 2 -W, WW & D	\$ 693,448
2. Retaining Walls	8,475
3. Engineering (13.74% of Item 1)	\$ 95,304
Total Developer Items	\$ 797,227
B. District Items	
1. Lakeside Lift Station	\$ 110,724
2. Lakeside Lift Station Access Road Paving	6,041
3. Offsite wastewater (Meadows Sections 3 and 4)	15,429
4. Offsite 12-inch force main (Meadows Section 6)	16,547
5. Shared wastewater lines (Park Sections 1,2 & 3)	113,463
6. Water and wastewater Connection Fees	870,300 ⁽¹⁾
7. Engineering (13.33% of Items 1, 3, 4 & 5)	34,157
Total District Items	\$1,166,661
TOTAL CONSTRUCTION COSTS (66.12% of BIR)	\$1,963,888

Nonconstruction Costs

1. Legal Fees (2.02%)	\$ 59,850 ⁽²⁾
2. Financial Advisor Fees (2%)	59,400
3. Interest Costs	
a. Capitalized Interest (1.5 years @ 6.0%)	267,300
b. Developer Interest	408,827 ⁽³⁾
4. Bond Discount (3.0%)	89,100
5. Creation costs	47,899
6. Bond Issuance Expenses	30,811
7. Bond Application Report	35,000
8. TCEQ Fees (0.25%)	7,925
TOTAL NONCONSTRUCTION COSTS	\$1,006,112
TOTAL BOND ISSUE REQUIREMENT	\$2,970,000

Notes:

1. Represents Manville WSC capital improvement fees totaling \$315,700 (37 ESFCs @ \$1,100 Lakeside Sections 1 & 2; 151 ESFCs @ \$1,100 The Park Sections 1, 2 & 3; and 55 ESFCs @ 1,980 The Park Section 4) and Kelly Lane Utilities capital improvement fees totaling \$554,600 (37 ESFCs @ \$1,500 Lakeside Sections 1 & 2; 38 ESFCs @ \$1,500 The Park Section 1 (partial); 113 ESFCs @ \$2,955 The Park Sections 1(partial), 2 & 3; 55 ESFCs @ \$1,967 The Park Section 4.
2. Represents 3% of the first \$1,500,000 plus 2% of the next \$500,000 plus ½% of bonds in excess of \$2,000,000.
3. Based on estimated interest of 6.0%, and projected funding date of February 28, 2005. By resolution, the District has requested developer interest in excess of two years.

E. SPECIAL CONSIDERATIONS

1. Waiver of 30% Developer Contribution Requirement

The District has requested a waiver of the 30% developer contribution requirement (Commission Rule 30 TAC 293.47) based on the District having a debt to assessed valuation ratio of 10% or less. The District's debt to assessed valuation ratio is currently 9.8% (\$2,970,000 of proposed debt divided by 2004 assessed valuation of \$30,260,000). Therefore, the District's request for a waiver of the 30% developer contribution requirement should be granted pursuant to Commission Rule 30 TAC Section 293.47(a)(1).

F. CONCLUSIONS

1. Based on a total amount of \$13,300,000 in unlimited tax bonds approved by voters on November 6, 2001, and this being the first bond issue, the District has sufficient voter authorized unlimited tax 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 \$2,970,000 in accordance with the recommended summary of costs, at a maximum net effective interest rate of 6.20%.
2. Direct the District to levy an initial ad valorem debt service tax of not less than \$0.65 per \$100 assessed valuation.
3. Grant a waiver of the 30% developer contribution requirement, pursuant to Commission Rule 30 TAC Sections 293.47(a)(1).

Glen Shankle, Executive Director, Texas Commission on Environmental Quality

February 23, 2005

Page 8

4. Standard recommendations regarding purchase of facilities, developer interest, consultant fees, surplus bond proceeds, time of approval, and 0.25% bond proceeds fee apply.

A handwritten signature in black ink, appearing to read "Mike Byrne", with a long horizontal flourish extending to the right.

Mike Byrne
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

LeDonna Castanuela
LeDonna Castanuela, Chief Clerk
Texas Commission on Environmental Quality

MAR 28 2006

AN ORDER APPROVING AN ENGINEERING PROJECT;
THE ISSUANCE OF \$2,075,000 UNLIMITED TAX BONDS;
AND USE OF \$100,000 IN SURPLUS FUNDS FOR
LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT 2-B OF TRAVIS COUNTY

An application by Lakeside Water Control & Improvement District 2-B (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. The District requests approval of an engineering project, the issuance of \$2,075,000 in bonds and the use of \$100,000 in surplus funds to finance: the District's pro rata share of construction costs of a detention pond serving the Lakeside Sections 1 and 2 subdivisions; and water, wastewater and drainage facilities serving the single family development of the Park at Blackhawk, Sections 1, 2 and 3. 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 December 22, 2005 for approval of a proposed engineering project and the issuance of \$2,075,000 in 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 February 28, 2006, and a full written memorandum was prepared on the project dated March 2, 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 \$2,075,000 at a maximum net effective interest rate of 5.66% to finance the project should be approved. The District should further be directed that the bonds are to be sold only upon the District receiving a credit enhanced rating on the bonds as indicated in 30 TEX. ADMIN. CODE § 293.47(b)(5).
5. Waivers of the 30% developer contribution and market study requirements should be granted pursuant to 30 TEX. ADMIN. CODE § § 293.47(a)(3) and 293.59(1)(5)(B), if the District obtains a credit enhanced rating on the bonds in accordance with 30 TEX. ADMIN. CODE § 293.47.

6. Approval of the use of \$100,000 in surplus funds to finance a portion of the project costs should be approved.

7. 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.

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.

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.

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 March 2, 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 ANN. § 49.181.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Utilities and Districts Section's memorandum dated March 2, 2006 on this engineering project and bond issue, and this Order are adopted as the written Commission project report. The engineering project for Lakeside Water Control & Improvement District 2-B of Travis County is hereby approved together with the issuance of \$2,075,000 of bonds at a maximum net effective interest rate of 5.66% under TEX. WATER CODE ANN. § 49.181. The District is further directed that the bonds are to be sold only upon the District receiving a credit enhanced rating on the bonds as indicated in 30 TEX. ADMIN. CODE § 293.47(b)(5). Waivers of the 30% developer contribution and market study requirements are granted pursuant to 30 TEX. ADMIN. CODE § § 293.47(a)(3) and 293.59(1)(5)(B). The District is authorized to use \$100,000 in surplus

funds to finance a portion of the project costs. 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 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's Board of Directors is 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. 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, 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, 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, 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, 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: **March 20, 2006**

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY


For the Commission

On 9

Texas Commission on Environmental Quality

INTEROFFICE MEMORANDUM

To: Michael D. Cowan, Director
Water Supply Division

Date: March 2, 2006

Thru: *RW* Doug Holcomb Manager, Utilities & Districts Section
RW Robert Cummins, P.E., Leader, Districts Review Team

From: Districts Review Team

Subject: Lakeside Water Control & Improvement District No. 2-B of Travis County; Application for Approval of \$2,075,000 Unlimited Tax Bonds, Second Issue, 5.66% Net Effective Interest Rate, Series 2006; Pursuant to Texas Water Code, Section 49.181.
TCEQ Internal Control No. 12222005-D03 (TC)
CN 601528755 RN 102986973

A. GENERAL INFORMATION

The Commission received an application from Lakeside WCID No. 2-B of Travis County (the "District") requesting Commission approval of the issuance of \$2,075,000 in unlimited tax bonds to finance the following projects:

1. The District's pro rata share of construction costs of a detention pond serving the Lakeside Sections 1 and 2 subdivisions;
2. Water, wastewater and drainage facilities to serve the following development:

<u>Section</u>	<u>Type of Development</u>	<u>Acreage</u>	<u>Active ESFCs⁽¹⁾</u>	<u>Ultimate ESFCs</u>
Park at Blackhawk, Sect. 1	Single Family	35.42	76	76
Park at Blackhawk, Sect. 2	Single Family	13.33	50	52
Park at Blackhawk, Sect. 3	Single Family	<u>5.13</u>	<u>23</u>	<u>23</u>
Total		53.88	149 ⁽²⁾	151

Notes:

1. Equivalent Single Family Connections.
2. As seen during inspection on February 28, 2006.

The District's previous bond issue funded utilities to serve approximately 37 ESFCs on 22 acres. Including this bond issue, the District will have funded utilities to serve approximately 188 ESFCs on 75 acres. According to the engineering report and based on current District acreage of 180.56 acres, the District's ultimate development is projected to serve approximately 471 ESFCs on 140 net developable acres.

B. ECONOMIC ANALYSIS

Tax Rate Analysis

According to build-out information provided, the feasibility of this bond issue is based on the existing 294 ESFCs as of February 28, 2006, plus build-out of 30 houses (effectively building out Lakeside at Blackhawk Sections 1 and 2, and The Park at Blackhawk Sections 1 through 5) for a total of 324 ESFCs with a projected January 1, 2007 assessed valuation of \$53,410,054. The District has requested a waiver of the market study requirement. Commission staff has determined that a waiver should be granted (see "Special Considerations No. 1" below).

The District's October 1, 2005 Travis Central Appraisal District's estimated assessed valuation is \$48,805,054. The annual debt service requirements for the proposed bond amount of \$2,075,000 averages \$325,772 for the 28-year life of the District's bond debt. The District levied a \$0.22 maintenance tax in 2005, and according to the engineering report, is projecting to levy a \$0.13 maintenance tax in the future.

The District's financial advisor submitted cash flow schedules considering the requested \$2,075,000 bond issue, growth as indicated above, 12 months of capitalized interest, a bond interest rate of 5.5%, a 3% bond discount, and a projected tax rate of \$0.74 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	\$0.7400 ⁽¹⁾	\$0.7600 ⁽²⁾
Maintenance	\$0.1300 ⁽⁴⁾	\$0.3100 ⁽³⁾
Total District Taxes	\$0.8700	\$1.0700 ⁽⁵⁾

Notes:

1. Based on a net effective interest rate of 5.66%, a 98% tax collection rate, growth as indicated above, and at least a 25% ending debt service fund balance.
2. Based on a net effective interest rate of 5.66%, a 100% tax collection rate, no-growth to an estimated assessed valuation of \$48,805,054 as of October 1, 2005, and at least a 25% ending debt service fund balance.
3. The 2005 fiscal year operating budget includes \$70,000 from maintenance tax and \$80,000 from tap revenue. The sum of \$150,000 is converted to a maintenance tax rate based on no-growth in the estimated assessed valuation of \$48,805,054.
4. Represents the combined projected tax rate as defined by Commission Rule 30 TAC Section 293.59(f).
5. Represents the combined no-growth tax rate as defined by Commission Rule 30 TAC Section 293.59(e).

Additional Financial Comments

A single family resident's cost for 10,000 gallons of water and wastewater service per month is \$87.80 (\$47.80 water + \$40 wastewater).

75% Build-Out Requirement

The feasibility of the District's first bond issue was based on a projected build-out of 270 ESFCs and a January 1, 2006 assessed valuation of \$40,885,000. The District has provided an October 1, 2005 Travis Central Appraisal District estimated taxable value of \$48,805,054, which meets the 75% build-out requirement of Commission Rule 30 TAC Section 293.59(l)(4).

25% Build-out Requirement

The feasibility of this bond issue is based on the existing 294 ESFCs as of February 28, 2006, plus build-out of 30 houses for a total of 324 ESFCs with a projected January 1, 2007 assessed valuation of \$53,410,054. As previously stated, the District has approximately 294 ESFCs existing, which meets the 25% build-out requirement of Commission Rule, 30 TAC Section 293.59(k)(7).

C. ENGINEERING ANALYSIS

Water Supply

The District's water supply is ground water provided by Manville Water Supply Corporation. Pursuant to the "Agreement for Providing Wholesale Water Service" (agreement), dated October 7, 1996 between Tiemann Land & Cattle Development, Inc. (developer) and Manville Water Supply Corporation (Manville WSC), all water supply needs to serve an 1,113-acre tract within the Manville WSC service area will be provided by interconnects with Manville WSC. The agreement further states that a capital improvement fee per ESFC is required at the time of final plat approval. Pursuant to the "Assignment of Utility Services" agreement dated January 31, 2001, the developer has assigned to Lakeside WCID 2-B a total of 480 ESFCs of wholesale water capacity from the terms of the original "Agreement for Providing Wholesale Water Service".

Current capacities for Manville WSC are generated from 19 water wells and a contribution of 600 gpm from the City of Austin, totaling 8,500 gpm. According to a letter from J.F. Fontaine & Associates, Inc., dated October 27, 2005, Manville WSC has 8,400 active connections, and has capacity to serve up to 14,167 connections.

The District's water supply appears adequate for the 324 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, between Tiemann Land & Cattle Development, Inc. (developer) and Kelly Lane Utility Company, Inc., all wastewater treatment requirements of the District was to be provided by the Kelly Lane Utility Company wastewater treatment plant. Pursuant to the "Assignment of Utility Services" agreement dated January 24, 2001, the developer assigned to Lakeside WCID 2-B a total of 480 ESFCs of

wastewater capacity from the terms of the original "Agreement for Providing Wholesale Wastewater Service".

Pursuant to the "North Pflugerville Wastewater Project Participating Agreement" dated November 12, 2002, the City of Pflugerville has purchased the Kelly Lane wastewater treatment plant. The City has constructed a lift station and force main that directs all of the flow previously going to the Kelly Lane wastewater treatment plant directly to the City's Central Wastewater Treatment Plant. The Kelly Lane Plant has been taken off-line. Pursuant to the "Agreement for Payment of Impact Fees between the City of Pflugerville and Rowe Lane Development" dated August 26, 2003, as amended, an impact fee per ESFC is required at the time of final plat approval. The City has recently amended the discharge permit to expand the capacity of the Central Wastewater Treatment Plant (TPDES Permit No. 11845-002) to 4.36 MGD. The construction process of the Central Wastewater Treatment Plant to an expanded capacity of 4.36 MGD is underway.

Based on recent wastewater collection modifications completed by the City of Pflugerville, the wastewater capacity serving the District appears adequate for the 324 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 Contracts

<u>Project</u>	<u>Contractor</u>	<u>% Complete</u>	<u>Contract Amount</u>	<u>Amt. Subj. to Dist. Contrib.</u>
Park at Blackhawk Section 1, 2 & 3 -W, WW & D	Cash Construction	100%	\$1,448,087 ⁽¹⁾	\$1,052,317 ⁽²⁾
Lakeside Sections 1 and 2 -W, WW, D, Detention & Offsite wastewater lines	C.C. Carlton Industries	100%	\$1,254,849 ⁽³⁾	\$ 41,850 ⁽⁴⁾

Notes:

1. Original contract amount of \$1,437,587 plus change order nos. 1 and 2.
2. Excludes \$113,463 for District's pro rata share of shared wastewater lines (funded in the previous bond issue); \$87,604 for developer's share of excavation and box culverts (Section 1); \$16,915 for developer's share of excavation (Section 2); \$6,092 for developer's share of excavation (Section 3); \$6,215 for developer's share of excavation for offsite wastewater line; and \$165,481 for other districts' share wastewater lines per agreement.
3. Original contract amount of \$1,217,909 plus alternate bid item plus change order no. 1 and quantity adjustments.
4. The District's pro rata share of the detention pond is 47.21% which is further prorated based on a detention/amenity lake ratio of 66.11% (detention) and 33.89% (amenity). Total District pro rata share of the detention pond is 31.21% (47.21% x .6611).

Preconstruction agreements, approved and recorded plats, approved plans and specifications, and various contract documents are on file.

Facilities to be Constructed

N/A

Inspection

The District was inspected by a member of the Commission's Districts Review Team on February 28, 2006. Utilities and streets were seen as being complete in all sections used to support the financial feasibility of this bond issue. All projects being funded in the bond issue were observed as being complete. An active home building program was observed in several sections of development. District name signs were observed at primary entrances to the District.

D. SUMMARY OF COSTS

<u>Construction Costs</u>	<u>District's Amount⁽¹⁾</u>
A. Developer Contribution Items	
1. Park at Blackhawk Sections 1, 2 and 3 -W, WW & D	\$ 1,052,317
2. Lakeside at Blackhawk, Section 1 and 2 -Detention Pond	41,850
3. Engineering (11.83% of Items 1 and 2)	<u>129,436</u>
Total Developer Contribution Items	\$ 1,223,603
B. District Contribution Items	
1. Water and Wastewater Connection Fees ⁽²⁾	\$ 283,707
Total District Items	<u>\$ 283,707</u>
TOTAL CONSTRUCTION COSTS (72.64% of BIR)	\$ 1,507,310

Non Construction Costs

A. Legal Fees (2.0%)	\$ 41,438 ⁽³⁾
B. Financial Advisor Fees (2.0%)	41,500 ⁽⁴⁾
C. Interest	
1. Capitalized Interest (1 year @ 5.5%)	114,125
2. Developer Interest	334,137 ⁽⁵⁾
D. Bond Discount (3.0%)	62,250
E. Bond Issuance Fees	33,552
F. Bond Application Costs	35,000
G. TCEQ Bond Issuance Fee (0.25% + \$500)	<u>5,688</u>
TOTAL NON CONSTRUCTION COSTS	\$ 667,690
Less Surplus Funds	\$ (100,000)
TOTAL BOND ISSUE REQUIREMENT	\$ 2,075,000

Notes:

1. The District has requested to reimburse 100% of developer contribution items.
2. Represents Manville WSC capital improvement fees totaling \$160,380 (81 ESFCs @ \$1,980 The Park Section 5) and Kelly Lane Utilities capital improvement fees totaling \$123,282 (81 ESFCs @ \$1,522.56 The Park Section 5).
3. Represents 3% of the first \$1,000,000 plus 2% of the next \$500,000 plus 1/4% of bonds in excess of \$1,500,000.
4. Represents 2% of the first \$3,000,000 in bonds.
5. Based on estimated interest of 5.5%, and projected funding date of June 1, 2006. By resolution, the District has requested developer interest in excess of two years.

E. SPECIAL CONSIDERATIONS

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

The District has requested waivers of the market study requirement (Commission Rule 30 TAC 293.59(k)(10)) and 30% developer contribution requirement (Commission Rule 30 TAC 293.47) based on the District receiving a credit enhanced rating on the proposed bond issue. Commission Rule 30 TAC Sections 293.59(l)(5)(B) and 293.47(a)(3) allow for waivers of the market study and the 30% developer contribution requirements, respectively, based on the District obtaining a credit enhanced rating. By letter dated December 2, 2005, the District's financial advisor indicated that the District can reasonably be expected to qualify for a credit enhanced rating. Therefore, Commission staff recommends waiving the market study and 30% developer contribution requirements.

2. Use of Surplus Funds

The District's board resolution included a request for approval of the use of \$100,000 in surplus funds to finance a portion of the proposed projects. By letter dated November 15, 2005 the District's bookkeeper indicated that the District has in excess of \$104,000 in unallocated surplus funds. Commission staff recommends that approval of the use of \$100,000 in surplus funds to fund a portion of the proposed projects be granted.

3. Engineer's Certificate of Completion

Commission requirements for bond applications include the District consultants providing an engineer's certificate of completion for utility and street construction projects associated with the bond issue. The District's engineer indicated that engineer's certificates of completion for certain projects have been provided in the subject bond issue. Commission staff has reviewed the provided documentation and has determined that the engineer's concurrence letters and/or acceptance letters do not satisfy the requirements of a engineer's certificate of completion. A letter sealed by an engineer certifying that specific utilities and/or streets are at least 95% complete and clearly stating the project was constructed in accordance with plans and specifications approved by all authorities having jurisdiction is required. The District is advised to include the appropriate form of engineer's certificates of completion in future bond applications.

F. CONCLUSIONS

1. Based on a total amount of \$13,300,000 in unlimited tax bonds approved by voters on November 6, 2001, and a total of \$ 2,970,000 approved by the Commission and issued by the District, the District has sufficient voter authorized unlimited tax bonds for the \$2,075,000 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

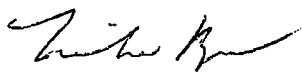
1. Approve the bond issue in the requested amount of \$2,075,000 in accordance with the recommended summary of costs, at a maximum net effective interest rate of 5.66%. Further, direct that the bonds are to be sold only upon the District receiving a credit enhanced rating on the bonds in accordance with Commission Rule 293.47.
2. Direct the District to levy an initial ad valorem debt service tax of not less than \$0.74 per \$100 assessed valuation.

Michael D. Cowan, Director Water Supply Division

March 2, 2006

Page 8

3. Grant waivers of the market study and 30% developer contribution requirements pursuant to Commission Rule 30 TAC Section 293.59(1)(5)(B) and Section 293.47(a)(3), respectively, if the District receives a credit enhanced rating on the bonds in accordance with Commission Rule 30 TAC Section 293.47.
4. Grant approval of the use of \$100,000 in surplus funds to finance a portion of the projects contained in the cost summary.
5. Standard recommendations regarding purchase of facilities, developer interest, consultant fees, surplus bond proceeds, time of approval, and 0.25% bond proceeds fee apply.



Mike Byrne
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 FEB 15 2007

LaDonna Castanuela, Chief Clerk
Texas Commission on Environmental Quality

AN ORDER APPROVING AN ENGINEERING PROJECT;
THE ISSUANCE OF \$2,165,000 UNLIMITED TAX BONDS;
AND USE OF \$111,753 IN SURPLUS FUNDS FOR
LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT 2-B OF TRAVIS COUNTY

An application by Lakeside Water Control & Improvement District 2-B 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. The District requests approval of an engineering project and the issuance of \$2,165,000 in bonds and the use of \$111,753 in surplus funds to finance: the District's pro rata share of construction costs of a detention pond and channel serving the Park at Blackhawk Section 1; construction of a 12-inch water line along Speidel Drive; water and wastewater connection fees; land costs; and water, wastewater and drainage facilities serving the single-family development of the Park at Blackhawk, Sections 4 and 5. 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 22, 2006, for approval of a proposed engineering project and the issuance of \$2,165,000 in bonds.
2. The Executive Director has investigated the District.
3. The application and accompanying documents have been examined. A written memorandum was prepared on the project dated January 31, 2007, a copy of which is attached and made a part hereof.
4. The District's project and the issuance of \$2,165,000 of bonds 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 obtaining a credit enhanced rating on the bonds, in accordance with 30 TEX. ADMIN. CODE § 293.47.
5. A waiver of the 30% developer contribution requirement associated with this bond issue should be granted pursuant to 30 TEX. ADMIN. CODE § 293.47(a)(3), if the District obtains a credit enhanced rating on the bonds in accordance with 30 TEX. ADMIN. CODE § 293.47.

6. Approval of the use of \$111,753 in surplus funds to finance a portion of the projects contained in the cost summary should be granted.

7. The District should be directed to properly escrow a total of \$1,057,306 as follows:

- a. \$833,686 for utilities serving Park at Blackhawk Sections 4 and 5 (contract with Cash Construction Company) pending Commission staff approval which is contingent upon the Commission staff's receipt and review of TCEQ water design approval, an appropriate form of "Engineer's Certificate of Completion" and a detailed justification of the Change Order No. 1 (\$34,622).
- b. \$223,620 for Park at Blackhawk Section 1 Detention (contract with Austin Filter System) pending Commission staff approval which is contingent upon the Commission staff's receipt of an appropriate form of "Engineer's Certificate of Completion".

8. The District's board should be advised to review Commission rules pertaining to construction plan and specification approval.

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 the 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 reimbursement to the developer is made.

11. 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.

12. 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 report 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 31, 2007, on this engineering project and bond issue should be adopted as the written Commission project report in compliance with TEX. WATER CODE § 49.181(d).

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY that the Utilities and Districts Section's memorandum dated January 31, 2007, on this engineering project and bond issue are adopted as the written Commission project report. The engineering project of Lakeside Water Control & Improvement District 2-B is hereby approved together with the issuance of \$2,165,000 of bonds at a maximum net effective interest rate of 5.69% under TEX. WATER CODE § 49.181. Further, the District is directed that the bonds are to be sold only upon the District obtaining a credit enhanced rating on the bonds, in accordance with 30 TEX. ADMIN. CODE § 293.47. A waiver of the 30% developer contribution requirement associated with this bond issue is granted pursuant to 30 TEX. ADMIN. CODE § 293.47(a)(3) if the District obtains a credit enhanced rating on the bonds in accordance with 30 TEX. ADMIN. CODE § 293.47(b). The District is authorized to use \$111,753 in surplus funds to finance a portion of the projects contained in the cost summary. The District is directed to properly escrow a total of \$1,057,306 as follows: \$833,686 for utilities serving Park at Blackhawk Sections 4 and 5 (contract with Cash Construction Company) pending Commission staff approval which is contingent upon the Commission staff's receipt and review of TCEQ water design approval, an appropriate form of "Engineer's Certificate of Completion" and a detailed justification of the Change Order No. 1 (\$34,622); and \$223,620 for Park at Blackhawk Section 1 Detention (contract with Austin Filter System) pending Commission staff approval which is contingent upon the Commission staff's receipt of an appropriate form of "Engineer's Certificate of Completion". The District is further directed to place these funds in one or more authorized financial institution(s) of the District's choice and to provide the Commission with a certified copy of the executed agreement(s) between the District and the financial institution(s) stating that the funds, excluding interest earnings, cannot be withdrawn for District use except by written authorization of the Commission staff. The District is allowed, from time to time, in accordance with good money management practices, to transfer these funds, or parts thereof, from one financial institution to another, provided the funds are not released to the District until the stated conditions are met and the District maintains current agreements with financial institutions in which funds are held stating the conditions for release. The District's board is advised to review Commission rules pertaining to construction plan and specification approval. The District is directed not to purchase facilities or assume facility contracts from the developer until the Commission staff has inspected the project, reviewed the 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

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 reimbursement 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 these 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, 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 fees 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 §§ 49.181–182, the District shall (1) furnish the Utilities and Districts Section copies of all bond issue project construction documentation outlined under 30 TEX. ADMIN. CODE § 293.62, including detailed progress reports and as-built plans required by TEX. WATER CODE § 49.277(b), 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(b), that all construction financed with the proceeds from the sale of 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 provisions of this Order shall subject the District and its directors to all 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 13, 2007**



For the Commission

INTEROFFICE MEMORANDUM

B. ECONOMIC ANALYSIS

Tax Rate Analysis

The economic feasibility of this bond issue is based on no additional growth to the existing 313 ESFCs and a taxable assessed valuation (AV) of \$68,726,750. Since the bond issue is based on no-growth, a market study is not required.

The District's August 30, 2006 Travis Central Appraisal District's estimated assessed valuation is \$68,726,750. The annual debt service requirements for the proposed bond amount of \$2,165,000 averages \$463,133 for the 27-year life of the District's bond debt. The District levied a \$0.17 maintenance tax in 2006, and according to the engineering report, is projecting to levy a \$0.11 maintenance tax in the future.

The District's financial advisor submitted cash flow schedules considering the requested \$2,165,000 bond issue, no additional growth in AV, one year of capitalized interest, a bond interest rate of 5.5%, a 3% bond discount, and a projected tax rate of \$0.76 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>No-Growth Tax Rate</u>	
District	
Debt Service	\$0.7600 ⁽¹⁾
Maintenance	\$0.1100 ⁽²⁾
Total District Taxes	\$0.8700

Notes:

1. Based a net effective interest rate of 5.69%, a 98% tax collection rate, no-growth to an estimated assessed valuation of \$68,726,750 as of August 30, 2006, and at least a 25% ending debt service fund balance.
2. Represents the combined projected and no-growth tax rates as defined by Commission Rule 30 TAC Section 293.59(e) and (f).

75% Build-Out Requirement

The feasibility of the District's second bond issue was based on a projected build-out of 324 ESFCs and a January 1, 2007 assessed valuation of \$53,410,054. The District has provided an August 30, 2006 Travis Central Appraisal District estimated taxable value of \$68,726,750, which meets the 75% build-out requirement of Commission Rule 30 TAC Section 293.59(1)(4).

25% Build-out Requirement

The feasibility of this bond issue is based on no additional growth to the August 30, 2006 Travis Central Appraisal District's estimated assessed valuation of \$68,726,750. Therefore, the 25% build-out requirement of Commission Rule, 30 TAC Section 293.59(k)(7) does not apply.

C. ENGINEERING ANALYSIS

Water Supply

The District's water supply is ground water provided by Manville Water Supply Corporation. Pursuant to the "Agreement for Providing Wholesale Water Service" (agreement), dated October 7, 1996 between Tiemann Land & Cattle Development, Inc. (developer) and Manville Water Supply Corporation (Manville WSC), all water supply needs to serve an 1,113-acre tract within the Manville WSC service area will be provided by interconnects with Manville WSC. The agreement further states that a capital improvement fee per ESFC is required at the time of final plat approval. Pursuant to the "Assignment of Utility Services" agreement dated January 31, 2001, the developer has assigned to Lakeside WCID 2-B a total of 480 ESFCs of wholesale water capacity from the terms of the original "Agreement for Providing Wholesale Water Service".

Current capacities for Manville WSC are generated from 19 water wells and a contribution of 600 gpm from the City of Austin, totaling 8,500 gpm. According to a letter from J.F. Fontaine & Associates, Inc., dated October 27, 2005, Manville WSC has 8,400 active connections, and has capacity to serve up to 14,167 connections.

The District's water supply appears adequate for the existing 313 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, between Tiemann Land & Cattle Development, Inc. (developer) and Kelly Lane Utility Company, Inc., all wastewater treatment requirements of the District was to be provided by the Kelly Lane Utility Company wastewater treatment plant. Pursuant to the "Assignment of Utility Services" agreement dated January 24, 2001, the developer assigned to Lakeside WCID 2-B a total of 480 ESFCs of wastewater capacity from the terms of the original "Agreement for Providing Wholesale Wastewater Service".

Pursuant to the "North Pflugerville Wastewater Project Participating Agreement" dated November 12, 2002, the City of Pflugerville has purchased the Kelly Lane wastewater treatment plant. The City has constructed a lift station and force main that directs all of the flow previously going to the Kelly Lane wastewater treatment plant directly to the City's Central Wastewater Treatment Plant. The Kelly Lane Plant has been taken off-line. Pursuant to the "Agreement for Payment of Impact Fees between the City of Pflugerville and Rowe Lane Development" dated August 26, 2003, as amended, an impact fee per ESFC is required at the time of final plat approval. The City has recently amended the discharge permit to expand the capacity of the Central Wastewater Treatment Plant (TPDES Permit No. 11845-002) to 4.36 MGD. The construction process of the Central Wastewater Treatment Plant to an expanded capacity of 4.36 MGD is underway.

Based on recent wastewater collection modifications completed by the City of Pflugerville, the wastewater capacity serving the District appears adequate for the existing 313 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 Contracts

<u>Project</u>	<u>Contractor</u>	<u>% Complete</u>	<u>Contract Amount</u>	<u>Amt. Subj. to Dist. Contrib.</u>
Park at Blackhawk Sections 4 and 5 - W, WW & D	Cash Construction	100% 07-03	\$ 862,001 ⁽¹⁾	\$ 833,686 ⁽²⁾
Park at Blackhawk Section 1 - Detention, channel & 12-inch water line	Austin Filter Systems, Inc.	100% 12-02	\$ 570,586 ⁽³⁾	\$ 223,620 ⁽⁴⁾

Notes:

1. Original contract amount of \$827,378 plus change order no. 1.
2. Excludes \$28,315 for developer's share of excavation.
3. Original contract amount of \$564,539 plus change order no. 1.
4. Represents the District's share of the 12-inch water line (\$40,600) and pro rata share of detention pond (\$183,020) based on acreage benefitted.

Preconstruction agreements, approved and recorded plats, approved plans and specifications, and various contract documents are on file.

Facilities to be Constructed

N/A