

**OFFICIAL STATEMENT**

(See "CONTINUING DISCLOSURE  
OF INFORMATION" herein)

**Dated September 11, 2013**

**Ratings:**  
**S&P: "AAA"**  
**Fitch: "AA+"**  
(see "OTHER INFORMATION  
- Ratings" herein)

**NEW ISSUE - Book-Entry-Only**

*In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.*

**THE BONDS HAVE NOT BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS"**  
**FOR FINANCIAL INSTITUTIONS**

**\$49,405,000**

**TRINITY RIVER AUTHORITY OF TEXAS  
REGIONAL WASTEWATER SYSTEM  
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2013**

**Dated Date: October 1, 2013**

**Due: August 1, as shown on Page ii**

**Interest to accrue from Delivery Date**

**PAYMENT TERMS** . . . Interest on the \$49,405,000 Trinity River Authority of Texas Regional Wastewater System Revenue Improvement and Refunding Bonds, Series 2013 (the "Bonds") will accrue from the date they are initially delivered (the "Delivery Date") to the underwriters listed below (the "Underwriters"), will be payable on February 1, 2014, and on August 1 and February 1 of each year thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Bonds are issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapter 30, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the Trinity River Authority of Texas (the "Authority" or "Issuer") on August 28, 2013. In the Bond Resolution, the Board delegated to an officer of the Authority (the "Authorized Officer") the authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate" which has been approved and executed by the Authorized Officer and completed the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the "Resolution"). Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water and wastewater treatment, collection and transportation systems, and to make contracts in reference thereto with municipalities and others.

**PURPOSE** . . . Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to acquire and construct improvements, betterments, extensions and replacements of the Authority's Central Regional Wastewater System (the "System") to provide wastewater disposal system services to cities and others; (ii) to fund the debt service reserve fund; (iii) to refund portions of certain outstanding System revenue bonds (see "SCHEDULE I"); and (iv) to pay costs associated with the issuance of the Bonds.

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**CUSIP PREFIX: 89658H**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page ii**

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**LEGALITY** . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX D, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski LLP, Dallas, Texas, a member of Norton Rose Fulbright, counsel to the Underwriters.

**DELIVERY** . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 10, 2013.

**MORGAN STANLEY**

**CITIGROUP**

**RBC CAPITAL MARKETS**

**SIEBERT BRANDFORD SHANK & CO., LLC**

## MATURITY SCHEDULE

| Maturity<br>(August 1) | Principal<br>Amount | Interest<br>Rate | Initial<br>Yield | CUSIP<br>Suffix <sup>(1)</sup> |
|------------------------|---------------------|------------------|------------------|--------------------------------|
| 2014                   | \$8,360,000         | 2.00%            | 0.22%            | SK7                            |
| 2015                   | 9,705,000           | 5.00             | 0.43             | SL5                            |
| 2016                   | 10,250,000          | 5.00             | 0.75             | SM3                            |
| 2017                   | 1,615,000           | 4.00             | 1.25             | SN1                            |
| 2018                   | 1,665,000           | 5.00             | 1.69             | SP6                            |
| 2019                   | 960,000             | 4.00             | 2.10             | SQ4                            |
| 2020                   | 995,000             | 5.00             | 2.49             | SR2                            |
| 2021                   | 1,065,000           | 5.00             | 2.85             | SS0                            |
| 2022                   | 1,110,000           | 5.00             | 3.09             | ST8                            |
| 2023                   | 1,160,000           | 5.00             | 3.28             | SU5                            |
| 2024                   | 1,010,000           | 3.25             | 3.47             | SV3                            |
| 2025                   | 1,050,000           | 5.00             | 3.64*            | SW1                            |
| 2026                   | 1,105,000           | 5.00             | 3.81*            | SX9                            |
| 2027                   | 1,150,000           | 5.00             | 3.90*            | SY7                            |
| 2028                   | 1,200,000           | 5.00             | 4.02*            | SZ4                            |
| 2029                   | 1,275,000           | 5.00             | 4.14*            | TA8                            |
| 2030                   | 1,340,000           | 5.00             | 4.25*            | TB6                            |
| 2031                   | 1,390,000           | 5.00             | 4.33*            | TC4                            |
| 2032                   | 1,465,000           | 5.00             | 4.41*            | TD2                            |
| 2033                   | 1,535,000           | 5.00             | 4.48*            | TE0                            |

(Interest to accrue from the Delivery Date)

\* Yield shown is yield to first call date, August 1, 2023.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the Authority, the Financial Advisor or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**OPTIONAL REDEMPTION** . . . The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2024, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2023, or any date thereafter, at the par value thereof plus accrued interest to date of redemption (see "THE BONDS - Optional Redemption").

*This Official Statement, which includes the cover page, Schedule I and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.*

*THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, IF ANY, CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.*

*No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.*

*The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.*

*Certain information set forth herein has been obtained from the Authority, the Contracting Cities (as defined herein) and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Contracting Cities or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Authority's and Contracting Cities' undertakings to provide certain information on a continuing basis.*

*NONE OF THE AUTHORITY, ITS FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.*

*This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Financial Advisor. Any statements made in this Official Statement or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.*

*This Official Statement contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.*

*IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.*

## TABLE OF CONTENTS

|   |    |  |     |
|---|----|--|-----|
| OFFICIAL STATEMENT SUMMARY .....                | v  | OTHER INFORMATION.....                         | 30  |
| INTRODUCTION.....                               | 1  | Ratings .....                                  | 30  |
| Description of the Authority.....               | 1  | Litigation.....                                | 30  |
| PLAN OF FINANCING.....                          | 1  | Registration And Qualification of Bonds for    |     |
| Purpose.....                                    | 1  | Sale .....                                     | 30  |
| Refunded Bonds .....                            | 1  | Legal Investments and Eligibility to Secure    |     |
| Sources and Uses of Bond Proceeds.....          | 2  | Public Funds in Texas.....                     | 31  |
| THE BONDS.....                                  | 2  | Legal Matters .....                            | 31  |
| Description of the Bonds.....                   | 2  | Authenticity of Financial Data and Other       |     |
| Authority For Issuance .....                    | 3  | Information .....                              | 32  |
| Redemption .....                                | 3  | Financial Advisor.....                         | 32  |
| Reserve Fund.....                               | 4  | Underwriting.....                              | 32  |
| Emergency Fund.....                             | 5  | Forward-Looking Statements Disclaimer .....    | 32  |
| Defeasance.....                                 | 5  | Miscellaneous .....                            | 33  |
| Book-Entry-Only System .....                    | 5  |  |     |
| Paying Agent/Registrar .....                    | 7  | SCHEDULE I REFUNDED BONDS .....                | S-1 |
| Transfer, Exchange And Registration.....        | 7  |  |     |
| Limitation on Transfer of Bonds .....           | 8  | APPENDIX A - Biographical information.....     | A-1 |
| Record Date for Interest Payment .....          | 8  | APPENDIX B - Certain Financial and Operating   |     |
| Bondholders' Remedies.....                      | 8  | Data of the Contracting Parties                |     |
| SECURITY AND SOURCE OF PAYMENT .....            | 8  | <i>City of Arlington</i>                       |     |
| Reserve Fund Requirement .....                  | 9  | <i>City of Bedford</i>                         |     |
| THE SYSTEM.....                                 | 9  | <i>City of Carrollton</i>                      |     |
| The Plant .....                                 | 9  | <i>City of Cedar Hill</i>                      |     |
| Anticipated Issuance of Additional System       |    | <i>City of Colleyville</i>                     |     |
| Revenue Bonds.....                              | 10 | <i>City of Coppell</i>                         |     |
| DEBT INFORMATION.....                           | 11 | <i>City of Dallas</i>                          |     |
| Debt Service Requirements .....                 | 11 | <i>Dallas-Fort Worth International</i>         |     |
| SELECTED CONTRACT PROVISIONS .....              | 12 | <i>Airport Board</i>                           |     |
| Parties and Terms .....                         | 12 | <i>City of Duncanville</i>                     |     |
| Certain Definitions .....                       | 12 | <i>City of Euless</i>                          |     |
| Fiscal Provisions of the Contracts .....        | 13 | <i>City of Farmers Branch</i>                  |     |
| SELECTED PROVISIONS OF THE                      |    | <i>City of Fort Worth</i>                      |     |
| RESOLUTION.....                                 | 16 | <i>City of Grand Prairie</i>                   |     |
| The Authority's Activities.....                 | 22 | <i>City of Grapevine</i>                       |     |
| The Authority's Revenue-Based Projects.....     | 22 | <i>City of Hurst</i>                           |     |
| The Future Role of the Authority .....          | 23 | <i>City of Irving</i>                          |     |
| Pension Plan .....                              | 24 | <i>City of Keller</i>                          |     |
| Other Outstanding Indebtedness of the           |    | <i>City of Mansfield</i>                       |     |
| Authority .....                                 | 25 | <i>City of North Richland Hills</i>            |     |
| TAX MATTERS .....                               | 26 | <i>City of Southlake</i> .....                 | B-1 |
| Opinion.....                                    | 26 | APPENDIX C - Certain Financial and Operating   |     |
| Federal Income Tax Accounting Treatment of      |    | Data of Central Regional                       |     |
| Original Issue Discount .....                   | 26 | Wastewater System Enterprise                   |     |
| Collateral Federal Income Tax Consequences..... | 27 | Fund.....                                      | C-1 |
| State, Local and Foreign Taxes .....            | 28 | APPENDIX D - Form of Bond Counsel's Opinion .. | D-1 |
| Future and Proposed Legislation .....           | 28 |  |     |
| CONTINUING DISCLOSURE OF                        |    |  |     |
| INFORMATION .....                               | 28 |  |     |
| Annual Reports.....                             | 28 |  |     |
| Disclosure Event Notices .....                  | 29 |  |     |
| Availability of Information.....                | 29 |  |     |
| Limitations and Amendments.....                 | 29 |  |     |
| Compliance With Prior Undertakings .....        | 30 |  |     |

The cover page hereof, this page, the schedule, the appendices included herein and any addenda, supplement or amendment hereto, are part of this Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Preliminary Official Statement.

- THE AUTHORITY**..... The Trinity River Authority of Texas (the “Authority” or “Issuer”) is a governmental agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution pursuant to Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended. The Authority is governed by a Board (the “Board”) of 25 directors who are appointed by the Governor for six-year terms.
- THE BONDS**..... The Bonds are issued as \$49,405,000 Regional Wastewater System Revenue Improvement and Refunding Bonds, Series 2013. The Bonds are issued as serial bonds maturing on August 1 in each of the years 2014 through 2033 (see “THE BONDS - Description of the Bonds”).
- PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from the date they are initially delivered to the Underwriters, and is payable February 1, 2014, and each August 1 and February 1 thereafter until maturity or prior redemption (see “THE BONDS - Description of the Bonds,”).
- AUTHORITY FOR ISSUANCE** ..... The Bonds are issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapter 30, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board on August 28, 2013. In the Bond Resolution, the Board delegated to an officer of the Authority (the “Authorized Officer”) the authority to complete the sale of the Bonds. The terms of the sale are included in a “Pricing Certificate” which has been approved and executed by the Authorized Officer and completed the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the “Resolution”) (see “THE BONDS - Authority for Issuance”).
- SECURITY FOR THE BONDS** ..... The Bonds constitute special obligations of the Authority, payable both as to principal and interest, and secured by a first lien on a pledge of the Net Revenues of the Authority under the Contracts entered into with the Contracting Parties (see “SECURITY AND SOURCE OF PAYMENT”).
- REDEMPTION** ..... The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2024, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2023 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption”).
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption “TAX MATTERS” herein, including the alternative minimum tax on corporations.
- USE OF PROCEEDS** ..... Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to acquire and construct improvements, betterments, extensions and replacements of the Authority’s Regional Wastewater System (the “System”) to provide wastewater disposal system services to cities and others; (ii) to fund the debt service reserve fund; (iii) to refund portions of certain outstanding System revenue bonds (see “SCHEDULE I”); and (iv) to pay costs associated with the issuance of the Bonds.
- RATINGS** ..... The Bonds are rated “AAA” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), and “AA+” by Fitch Ratings (“Fitch”). The Outstanding Parity Bonds of the Authority are rated “AAA” by S&P and “AA+” by Fitch, each without regard to credit enhancement (see “OTHER INFORMATION - Ratings”).

**BOOK-ENTRY-ONLY SYSTEM.....** The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

**PAYMENT RECORD .....** Neither the Authority nor any of the Contracting Parties have ever defaulted in payment of their bonds.

For additional information regarding the Authority, please contact:

Ms. Fiona M. Allen, P.E.  
Trinity River Authority of Texas  
Northern Region  
P.O. Box 240  
Arlington, Texas 76004  
(817) 493-5100

or

Mr. W. Boyd London, Jr.  
Ms. Mary Williams  
First Southwest Company  
325 North St. Paul Street, Suite 800  
Dallas, Texas 75201  
(214) 953-4000

## AUTHORITY OFFICIALS, STAFF AND CONSULTANTS

| Board Members          | Position   | Area Represented   |
|------------------------|--|--------------------|
| Harold L. Barnard      | President and Member, Executive Committee              | Ellis County       |
| Kim C. Wyatt           | Vice-President and Member, Executive Committee         | Navarro County     |
| Henry Borbolla III     | Member, Resources Development Committee                | Tarrant County     |
| William W. Collins Jr. | Member, Legal Committee                                | Tarrant County     |
| Christina Melton Crain | Member, Utility Services Committee                     | Dallas County      |
| Michael Cronin         | Member, Resources Development Committee                | Kaufman County     |
| Steve Cronin           | Member, Utility Services Committee                     | San Jacinto County |
| Amanda B. Davis        | Member, Legal Committee                                | Leon County        |
| Valerie E. Ertz        | Member, Utility Services Committee                     | Dallas County      |
| Tommy G. Fordyce       | Member, Legal Committee                                | Walker County      |
| Ronald J. Goldman      | Chairman, Legal Comm., Member, Exec. Committee,        | Director at Large  |
| Martha A. Hernandez    | Member, Administration Committee                       | Tarrant County     |
| John W. Jenkins        | Chairman, Utility Services Comm., Member, Exec. Comm., | Director at Large  |
| Jess A. Laird          | Chairman, Administration Comm., Member, Exec. Comm.    | Henderson County   |
| David B. Leonard       | Member, Administration Committee                       | Liberty County     |
| Kevin Maxwell          | Chairman, Resources Dev. Comm., Member, Exec. Comm.    | Houston County     |
| Dennis "Joe" McCleskey | Member, Resources Development Committee                | Trinity County     |
| James W. Neale         | Member, Utility Services Committee                     | Dallas County      |
| Manny Rachal           | Member, Legal Committee                                | Polk County        |
| Amir Rupani            | Member, Utility Services Committee                     | Director at Large  |
| Ana Laura Saucedo      | Member, Administration Committee                       | Dallas County      |
| Shirley K. Seale       | Member, Administration Committee                       | Chambers County    |
| Dudley K. Skyrme       | Member, Resources Development Committee                | Anderson County    |
| C. Dwayne Somerville   | Member, Legal Committee                                | Freestone County   |
| J. Carol Spillars      | Member, Resources Development Committee                | Madison County     |

### Management Officers

|                             |   |
|-----------------------------|---|
| J. Kevin Ward .....         | General Manager                                   |
| Fiona M. Allen, P.E. ....   | Regional Manager, Northern Region                 |
| Jimmie R. Sims. ....        | Regional Manager, Southern Region                 |
| Alison A. Mackey, CPA ..... | Chief Financial Officer                           |
| Thomas D. Sanders .....     | Construction Services Manager                     |
| Don A. Tucker .....         | General Services Manager                          |
| J. Sam Scott.....           | Executive Services Manager                        |
| Howard S. Slobodin .....    | Secretary, Board of Directors and General Counsel |

### Consultants and Advisors

|                           |                                       |                    |
|---------------------------|---------------------------------------|--------------------|
| Authority Counsel.....    | Booth, Ahrens & Werkenthin, P.C.....  | Austin, Texas      |
| Independent Auditors..... | Weaver and Tidwell, LLP.....          | Dallas, Texas      |
| Consulting Engineer.....  | IT Nexus, Inc. ....                   | San Antonio, Texas |
| Bond Counsel.....         | McCall, Parkhurst & Horton L.L.P..... | Dallas, Texas      |
| Financial Advisor.....    | First Southwest Company .....         | Dallas, Texas      |

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## **OFFICIAL STATEMENT**

### **RELATING TO**

**\$49,405,000**

### **TRINITY RIVER AUTHORITY OF TEXAS REGIONAL WASTEWATER SYSTEM REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2013**

### **INTRODUCTION**

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$49,405,000 Trinity River Authority of Texas Regional Wastewater System Revenue Improvement and Refunding Bonds, Series 2013 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution (defined herein), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE RESOLUTION").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Trinity River Authority of Texas (the "Authority" or "Issuer") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Authority's Financial Advisor, First Southwest Company, Dallas, Texas.

#### **Description of the Authority**

The Authority is a governmental agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Constitution pursuant to Chapter 518, Acts of the 54th Legislature of Texas, Regular Session, 1955, as amended. Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and flood waters and unappropriated flow waters in the Trinity River watershed, and as necessary aid to these purposes, the Authority has specific authority to construct, own and operate water supply, treatment and distribution facilities, and to make contracts in reference thereto with municipalities and others.

The Authority consists of all the territories in the Counties of Dallas, Tarrant, Ellis, Navarro and Chambers, and the principal watershed portions of Anderson, Freestone, Henderson, Houston, Kaufman, Leon, Madison, Polk, San Jacinto, Trinity, Walker and Liberty Counties. The Authority is governed by a Board (the "Board") of 25 directors who are appointed by the Governor with the advice and consent of the Texas Senate. The first directors were appointed for staggered terms, and directors thereafter have served six-year terms. Three of the directors are appointed from the area-at-large; three directors are from Tarrant County; four are from Dallas County; and one director is from each of the other counties.

### **PLAN OF FINANCING**

#### **Purpose**

Proceeds from the sale of the Bonds will be used for the purpose of providing funds (i) to acquire and construct improvements, betterments, extensions and replacements of the Authority's Regional Wastewater System (the "System") to provide wastewater disposal system services to cities and others; (ii) to fund the debt service reserve fund; (iii) to refund portions of certain outstanding System revenue bonds (the "Refunded Bonds") (see "SCHEDULE I"); and (iv) to pay costs associated with the issuance of the Bonds.

#### **Refunded Bonds**

A description and identification of the Refunded Bonds appears in SCHEDULE I.

The Refunded Bonds are to be redeemed on October 11, 2013 (the "Redemption Date") at par plus accrued interest to the Redemption Date. The Refunded Bonds and the interest due thereon are to be paid on the Redemption Date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Deposit Agent") pursuant to a Deposit Agreement (the "Deposit Agreement") between the Authority and the Deposit Agent. The Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriters, the Authority will deposit with the Deposit Agent an amount sufficient to accomplish the discharge and final payment of

the Refunded Bonds on the redemption date. Such funds will be held by the Deposit Agent in a trust account (the "Deposit Fund") which, under the Deposit Agreement, is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. The Deposit Agent will provide a certificate verifying the sufficiency of the Bond proceeds to pay the principal of and interest on the Refunded Bonds on the Redemption Date, which certificate Bond Counsel will rely upon as to the sufficiency of funds to be deposited with the Deposit Agent for the defeasance and redemption of the Refunded Bonds.

By the deposit of Bond proceeds with the Deposit Agent pursuant to the Deposit Agreement, the Authority will have effected the defeasance of all of the Refunded Bonds in accordance with the law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Deposit Fund and such Refunded Bonds will not be deemed as being outstanding obligations of the Authority payable from System revenues nor for the purpose of applying any limitation on the issuance of debt.

### **Sources and Uses of Bond Proceeds**

Proceeds from the sale of the Bonds are expected to be applied approximately as follows:

|                                      |                         |
|--------------------------------------|-------------------------|
| <b>Sources of Funds</b>              |                         |
| Par Amount of Bonds                  | \$ 49,405,000.00        |
| Net Reoffering Premium               | 4,058,871.85            |
| <b>Total Sources of Funds</b>        | <b>\$ 53,463,871.85</b> |
| <b>Uses of Funds:</b>                |                         |
| Deposit to Deposit Fund              | \$ 26,913,372.74        |
| Deposit to Project Fund              | 24,912,660.00           |
| Deposit to Debt Service Reserve Fund | 812,243.64              |
| Underwriters' Discount               | 228,049.76              |
| Costs of Issuance                    | 597,545.71              |
| <b>Total Uses of Funds</b>           | <b>\$ 53,463,871.85</b> |

## **THE BONDS**

### **Description of the Bonds**

The Bonds are dated October 1, 2013, and mature on August 1 in each of the years and in the amounts shown on page ii hereof. Interest will accrue from the date they are initially delivered to the Underwriters, will be payable on February 1, 2014, and on August 1 and February 1 of each year thereafter until maturity or prior redemption, and will be computed on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. Principal of and interest on the Bonds at maturity will be payable upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

## **Authority For Issuance**

The Bonds are being issued pursuant to the provisions of Chapter 518, Acts of the 54th Texas Legislature, Regular Session, 1955, as amended, Chapter 30, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended, and other applicable laws, and a bond resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board on August 28, 2013. In the Bond Resolution, the Board delegated to an officer of the Authority (the "Authorized Officer") the authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate" which has been approved and executed by the Authorized Officer and completed the sale of the Bonds (the Bond Resolution and the Pricing Certificate are jointly referred to as the "Resolution").

Under the Constitution and the statutes of the State of Texas, the Authority has broad powers to effectuate flood control and the conservation and use for all beneficial purposes of storm and flood waters in the Trinity River watershed, and as a necessary aid to these purposes, the Authority has specific authority to construct, own and operate water and wastewater treatment, collection and transportation systems, and to make contracts in reference thereto with municipalities and others. The Bonds are payable from the income to be received by the Authority under contracts (the "Contracts") with the following municipalities: Town of Addison, the Cities of Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills and Southlake and the Dallas-Fort Worth International Airport Board (the "Contracting Parties"). The Bonds are "Additional Bonds" permitted to be issued by the resolutions of the Board of Directors of the Authority authorizing the issuance of the currently outstanding Regional Wastewater System Revenue Bonds.

The outstanding Trinity River Authority of Texas Regional Wastewater System Revenue Bonds, Series 2003 (being refunded by the Bonds), Regional Wastewater System Revenue Bonds, Series 2004, Regional Wastewater System Revenue Bonds, Series 2005, Regional Wastewater System Revenue Bonds, Series 2007, Regional Wastewater System Revenue Bonds, Series 2008, Regional Wastewater System Revenue Refunding Bonds, Series 2008, Regional Wastewater System Revenue Bonds, Series 2009, Regional Wastewater System Revenue Bonds, Series 2010, Regional Wastewater System Revenue Bonds, Series 2010A, Regional Wastewater System Revenue Refunding Bonds, Series 2011, Regional Wastewater System Revenue Bonds, Series 2011A and Regional Wastewater System Revenue Bonds, Series 2012 shall be referred to as "Outstanding Parity Bonds".

## **Redemption**

The Authority reserves the right, at its option, to redeem Bonds having stated maturities on and after August 1, 2024, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 1, 2023 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the Authority may select the maturities of the Bonds to be redeemed. If less than all of the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

## **Notice of Redemption**

At least 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the day such notice of redemption is mailed and to major securities depositories, national bond rating agencies and any national information service that disseminates redemption notices; provided, however, that the failure of the registered owner to receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed

portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Resolution.

If at the time of mailing of notice of optional redemption there shall not have either been deposited with the Paying Agent/Registrar or legally authorized Deposit Agent immediately available funds sufficient to redeem all the Bonds called for redemption, such notice must state that it is conditional, and is subject to the deposit of the redemption moneys with the Paying Agent/Registrar or legally authorized Deposit Agent at or prior to the redemption date, and such notice shall be of no effect unless such moneys are so deposited on or prior to the redemption date. If such redemption is not effectuated, the Paying Agent/Registrar shall, within 5 days thereafter, give notice in the manner in which the notice of redemption was given that such moneys were not so received and shall rescind the redemption.

The Paying Agent/Registrar and the Authority, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Authority or the Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption (see "THE BONDS - Book-Entry-Only System").

#### **Reserve Fund**

There is now on deposit in the Reserve Fund created by the 1973 Bond Resolution an amount of money and investments in market value at least equal to the average annual principal and interest requirements of the Outstanding Parity Bonds. Immediately after the delivery of the Bonds, there shall be deposited into said Reserve Fund, from the proceeds from the sale of the Bonds, an amount which, together with the amount contained therein, will cause said Reserve Fund to contain an amount of money and investments in market value equal to the average annual principal and interest requirements of the Outstanding Parity Bonds and the Bonds, being all of the bonds which will be outstanding and payable from Net Revenues after the delivery of the Bonds (the "Reserve Required Amount"). Until and unless Additional Bonds are issued as permitted in the Outstanding Parity Bond Resolutions and the Resolution, no deposits shall be made into the Reserve Fund as long as the money and investments in the Reserve Fund are at least equal in market value to the Reserve Required Amount. However, if and whenever the amount of money and investments in the Reserve Fund is reduced below said Reserve Required Amount because of a decrease in market value of investments, then the Authority shall restore the Reserve Fund to the Reserve Required Amount from the Emergency Fund (see "THE BONDS - Emergency Fund") and/or the Research and Development Fund created by the 1973 Bond Resolution to the extent of amounts available therein, and if such amounts are insufficient, then the Authority shall require the Contracting Parties to increase their payments under the Contracts as soon as practicable, and in any event within one year, in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount. In the event the Reserve Fund is used to pay the principal of or interest on any bonds because of insufficient amounts being available in the Interest and Sinking Fund, then the Authority shall require the Contracting Parties to increase their payments under the Contracts in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount, and the Authority shall deposit in the Reserve Fund, in approximately equal periodic payments, not less than annually, such amounts as are required to restore the Reserve Fund to the Reserve Required Amount from said increased payments within five years from any date of the use of the Reserve Fund to pay such principal or interest. So long as the Reserve Fund contains the Reserve Required Amount, all amounts in excess thereof shall be deposited to the credit of the Claims Fund, the Emergency Fund, and the Research and Development Fund, to the extent required by Section 3.13 of the 1973 Bond Resolution, and with the remainder to be deposited to the credit of the Interest and Sinking Fund. See "SECURITY AND SOURCE OF PAYMENT - Reserve Fund Requirement" for additional details about the Reserve Fund.

## **Emergency Fund**

There is now on hand in the Emergency Fund created by the 1973 Bond Resolution an amount equal to at least \$1,000,000 (the "Required Emergency Amount"). No deposits are required to be made to the credit of the Emergency Fund so long as it contains the Required Emergency Amount. If the Required Emergency Amount is reduced below \$1,000,000 the Authority shall require the Contracting Parties to increase their payments under the Contracts in amounts sufficient to restore the Emergency Fund to the Required Emergency Amount as soon as practicable, and in all events by the end of the next following Authority fiscal year.

## **Defeasance**

The Resolution provides for the defeasance of the Bonds when the payment of all amounts due with respect to the Bonds to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized Deposit Agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Resolution provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Authority has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Authority moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the Authority to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption (to the extent the Bonds are subject to redemption) is not extinguished if the Authority: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

## **Book-Entry-Only System**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Authority and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The Authority and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in*

*the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate for each maturity will be issued for the Securities, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Authority or Agent, on payable date in accordance with their

respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Authority or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

*Use of Certain Terms in Other Sections of this Official Statement.* In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Authority or the Underwriters.

*Effect of Termination of Book-Entry-Only System.* In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the Authority, printed Bond certificates will be issued to the respective holders of the Bonds, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Resolution, summarized under "THE BONDS - Registration, Transfer and Exchange" below.

#### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Resolution, the Authority retains the right to replace the Paying Agent/Registrar. The Authority covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Authority agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

#### **Transfer, Exchange And Registration**

In the event the Book Entry Only System should be discontinued, the Bonds will be printed and delivered to the beneficial owners thereof, and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book Entry Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

### **Limitation on Transfer of Bonds**

The Paying Agent/Registrar shall not be required to make any transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date.

### **Record Date for Interest Payment**

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the fifteenth calendar day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

### **Bondholders' Remedies**

The Resolution does not specify events of default with respect to the Bonds. If the Authority defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the Authority defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel the Authority or Authority officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the Authority's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the Authority to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3<sup>rd</sup> 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the Authority's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the Authority for breach of the Bonds or Resolution covenants in the absence of Authority action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the Authority, permits the Authority to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the Authority has not waived sovereign immunity. Even if a judgment against the Authority could be obtained, it could not be enforced by direct levy and execution against the Authority's property. Further, the registered owners cannot themselves foreclose on property within the Authority or sell property within the Authority to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the Authority is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the Authority avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

### **SECURITY AND SOURCE OF PAYMENT**

The Authority has entered into the Contracts with the Contracting Parties to enable it to construct and improve a central regional wastewater system (the "System") for the benefit of the Contracting Parties (see "The System-The



Plant"). The Bonds, and interest thereon, are payable solely from the "Net Revenues" to be received by the Authority under the terms of the Contracts, and the Authority has pledged these Net Revenues to the punctual payment of these obligations, when due. The term "Net Revenues" is defined in the Bond Resolution as all of the gross revenues or payments received by the Authority from the Contracting Parties under the Contracts after deducting therefrom the amounts paid to the Authority for the purpose of paying Operation and Maintenance Expenses, with the result that the Net Revenues shall consist of the amounts necessary to pay all principal and/or interest coming due on the Bonds and the Outstanding Parity Bonds, on each principal and/or interest payment date, and any amounts payable as part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution, as defined in the Contracts, and an amount in addition thereto sufficient to restore any deficiency in any of such funds or accounts required to be accumulated and maintained by the provisions of any Bond Resolution, as defined in the Contracts.

The expense of operating the System, including administrative overhead and the amount necessary to pay debt service on any outstanding bonds, is reduced to a cost in cents per 1,000 gallons of sewage deposited into the System. Each Contracting Party is then billed monthly according to their projected annual flow with provisions for adjustment. The fiscal provisions of the Contracts with the Authority are summarized in this Official Statement. See "SELECTED CONTRACT PROVISIONS."

Actual net cost to the Contracting Parties for wastewater treatment for fiscal year 2012 was \$1.846 per 1,000 gallons. Estimated net cost of wastewater treatment to the Contracting Parties for billing purposes for fiscal year 2013 is \$1.801 per 1,000 gallons and the projected net cost for fiscal year 2014 is \$2.124 per 1,000 gallons.

#### **Reserve Fund Requirement**

There has previously been created a Reserve Fund to be used to finally retire or to pay when due debt service on Outstanding Parity Bonds and any Additional Bonds to the extent the amounts in the Interest and Sinking Fund are insufficient. The Resolution provides that so long as the market value of the money and investments in the Reserve Fund are not less than a "Required Reserve" equal to the average annual principal and interest requirements of the Outstanding Parity Bonds and any Additional Bonds, no deposit to the Reserve Fund is required (see "THE BONDS - Reserve Fund" and "SELECTED PROVISIONS OF THE RESOLUTION"). At delivery of the Bonds, the Authority will deposit Bond proceeds in an amount required to fully fund the Required Reserve.

### **THE SYSTEM**

#### **The Plant**

The Central Regional Wastewater System (the "System") is considered a large regional wastewater system currently serving approximately 1.8 million customers in Dallas, Tarrant, Ellis, Johnson, and Denton counties of North Central Texas. The System includes facilities required to transport and treat flow volumes received from portions or all of twenty cities and the Dallas-Fort Worth International Airport. The System has been in continuous operation since the original 30 MGD two stage trickling filter plant (the "Plant") was placed into operation December 1, 1959. In response to the population growth of the Contracting Parties serviced by the System, the Plant was expanded during the mid-seventies to a 100 MGD capacity when twelve additional Contracting Parties were admitted to the System. In 1987, through the addition of several equipment modifications, the Plant was upgraded to a temporary 115 MGD capacity. In late 1989, construction was initiated on the Phase III Expansion of the Plant to 135 MGD with a capability of meeting more stringent discharge limits. This expansion was completed in mid-1993. Since the Plant was last expanded, the Authority has continued to make process changes and has received an up rating from the Texas Commission on Environmental Quality. The current rated capacity of the Plant is 162 MGD. The Plant receives wastewater via a network of 210 plus miles of interceptor pipeline. These interceptors range in size from 6 to 108 inches in diameter. The flow collected by each interceptor is metered through a series of 139 meter stations distributed throughout the System; these meters are utilized for determining respective flow contributions from each of the Contracting Parties allowing subsequent proportionate segregation of System costs based upon the share of System usage.

In 1992, the Authority completed the first of several planning efforts (each referred to herein as a "System Improvement Plan") for the System. Development of this initial System Improvement Plan was a scheduled milestone in the Authority's continued long-term planning efforts for the System. Other subsequent System Improvement Plans were completed in 1998, 2001, 2004, 2007, 2009 and 2012. Generally, the projects contemplated by each System Improvement Plan were completed within three (3) years of commencement. Part of

the Bond proceeds will be used to fund a master improvement plan which will identify currently needed System improvements.

The 2012 System Improvement Plan identifies numerous improvements, including, but not limited to, improvements to the System's treatment plant and collection system. These improvements will be funded, in part, by future bond issues (See "THE SYSTEM – Anticipated Issuance of Additional System Revenue Bonds").

The National Association of Clean Water Agencies (formerly known as Association of Metropolitan Sewerage Agencies) recognized the System and the Authority with Platinum Awards for Peak Performance for the years 2007 through 2012. This Platinum Award recognized the Authority for its 100% compliance with NPDES permits over a consecutive five-year period. Aside from the awards received by the Plant, the System has received national recognition within the industry for three innovative projects:

- 1) the System's early use of fine bubble diffusion as a retrofit to the secondary treatment process to achieve greater energy efficiency and treatment capability;
- 2) the System's establishment of the largest urban reuse project in the State of Texas wherein treated effluent is pumped to a large development in Irving, Texas, for use in lake level maintenance and golf course irrigation; and
- 3) the System's completion of the Jefferson Avenue Relief Tunnel facility, a 10,500 linear foot 72-inch diameter relief diversion facility which served to facilitate the abandonment of a 20 MGD lift station and avoided the construction of approximately 30,000 linear feet of relief pipeline.

These projects have served as examples of the possibilities that can be implemented on a regionally scaled project.

#### **Central Regional Wastewater System Enterprise Fund**

|  | <b>Fiscal Year Ended November 30,</b> |              |              |              |              |
|--|---------------------------------------|--------------|--------------|--------------|--------------|
|  | <b>2012</b>                           | <b>2011</b>  | <b>2010</b>  | <b>2009</b>  | <b>2008</b>  |
| Total Operating Revenue  | \$86,126,026                          | \$83,544,801 | \$79,672,000 | \$76,559,074 | \$68,518,627 |
| Operating Expenses<br>(Exclusive of Depreciation)  | (36,205,134)                          | (34,215,189) | (34,719,130) | (36,815,936) | (34,576,449) |
| Net Non-Operating<br>Revenues/(Expenses)<br>(Exclusive of Interest and<br>Amortization Expenses) | 320,946                               | 1,018,515    | 1,163,473    | 2,232,510    | 2,773,199    |
| Net Funds Available for<br>Debt Service  | \$50,241,838                          | \$50,348,127 | \$46,116,343 | \$41,975,648 | \$36,715,377 |

For additional information with respect to the System's operating data, see APPENDIX C, "Certain Financial and Operating Data of Central Regional Wastewater System Enterprise Fund."

#### **Anticipated Issuance of Additional System Revenue Bonds**

The Authority tentatively has plans to issue an estimated \$212,880,000 in bonds (excluding the Bonds) for certain treatment plant and collection system improvements for the System during the next 2 years.

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## DEBT INFORMATION

### Debt Service Requirements

| Fiscal<br>Year<br>Ending<br>Nov. 30 | Outstanding Debt Service <sup>(1)</sup> |                      |                      |                        | Less:<br>Refunded<br>Bonds<br>Debt<br>Service <sup>(2)</sup> | The Bonds           |                     |                     | Total<br>Outstanding<br>Debt Service |
|-------------------------------------|---|----------------------|----------------------|------------------------|--|---------------------|---------------------|---------------------|--------------------------------------|
|                                     | Principal                               | Interest             | Capitalized          | Total                  |  | Principal           | Interest            | Total               |                                      |
| 2014                                | \$35,245,000                            | \$29,233,717         | \$(1,267,083)        | \$63,211,634           | \$9,791,631  | \$8,360,000         | \$1,758,954         | \$10,118,954        | \$63,538,957                         |
| 2015                                | 36,880,000                              | 27,877,380           |                      | 64,757,380             | 9,847,281  | 9,705,000           | 2,008,825           | 11,713,825          | 66,623,924                           |
| 2016                                | 38,620,000                              | 26,366,269           |                      | 64,986,269             | 9,915,788  | 10,250,000          | 1,523,575           | 11,773,575          | 66,844,056                           |
| 2017                                | 40,230,000                              | 24,946,696           |                      | 65,176,696             |  | 1,615,000           | 1,011,075           | 2,626,075           | 67,802,771                           |
| 2018                                | 41,440,000                              | 23,677,996           |                      | 65,117,996             |  | 1,665,000           | 946,475             | 2,611,475           | 67,729,471                           |
| 2019                                | 40,910,000                              | 22,569,651           |                      | 63,479,651             |  | 960,000             | 863,225             | 1,823,225           | 65,302,876                           |
| 2020                                | 42,315,000                              | 21,430,474           |                      | 63,745,474             |  | 995,000             | 824,825             | 1,819,825           | 65,565,299                           |
| 2021                                | 44,430,000                              | 20,202,137           |                      | 64,632,137             |  | 1,065,000           | 775,075             | 1,840,075           | 66,472,212                           |
| 2022                                | 45,840,000                              | 18,928,568           |                      | 64,768,568             |  | 1,110,000           | 721,825             | 1,831,825           | 66,600,393                           |
| 2023                                | 47,495,000                              | 17,571,216           |                      | 65,066,216             |  | 1,160,000           | 666,325             | 1,826,325           | 66,892,541                           |
| 2024                                | 49,245,000                              | 16,119,001           |                      | 65,364,001             |  | 1,010,000           | 608,325             | 1,618,325           | 66,982,326                           |
| 2025                                | 51,100,000                              | 14,568,714           |                      | 65,668,714             |  | 1,050,000           | 575,500             | 1,625,500           | 67,294,214                           |
| 2026                                | 53,060,000                              | 12,917,766           |                      | 65,977,766             |  | 1,105,000           | 523,000             | 1,628,000           | 67,605,766                           |
| 2027                                | 55,130,000                              | 11,167,550           |                      | 66,297,550             |  | 1,150,000           | 467,750             | 1,617,750           | 67,915,300                           |
| 2028                                | 57,605,000                              | 9,327,601            |                      | 66,932,601             |  | 1,200,000           | 410,250             | 1,610,250           | 68,542,851                           |
| 2029                                | 54,600,000                              | 7,404,705            |                      | 62,004,705             |  | 1,275,000           | 350,250             | 1,625,250           | 63,629,955                           |
| 2030                                | 56,560,000                              | 5,733,567            |                      | 62,293,567             |  | 1,340,000           | 286,500             | 1,626,500           | 63,920,067                           |
| 2031                                | 58,250,000                              | 3,993,611            |                      | 62,243,611             |  | 1,390,000           | 219,500             | 1,609,500           | 63,853,111                           |
| 2032                                | 59,550,000                              | 2,279,329            |                      | 61,829,329             |  | 1,465,000           | 150,000             | 1,615,000           | 63,444,329                           |
| 2033                                | 11,035,000                              | 552,093              |                      | 11,587,093             |  | 1,535,000           | 76,750              | 1,611,750           | 13,198,843                           |
| 2034                                | 4,705,000                               | 182,528              |                      | 4,887,528              |  |                     |                     |                     | 4,887,528                            |
| 2035                                | 5,000                                   | 1,425                |                      | 6,425                  |  |                     |                     |                     | 6,425                                |
| 2036                                | 5,000                                   | 1,270                |                      | 6,270                  |  |                     |                     |                     | 6,270                                |
| 2037                                | 5,000                                   | 1,115                |                      | 6,115                  |  |                     |                     |                     | 6,115                                |
| 2038                                | 5,000                                   | 960                  |                      | 5,960                  |  |                     |                     |                     | 5,960                                |
| 2039                                | 5,000                                   | 805                  |                      | 5,805                  |  |                     |                     |                     | 5,805                                |
| 2040                                | 5,000                                   | 650                  |                      | 5,650                  |  |                     |                     |                     | 5,650                                |
| 2041                                | 5,000                                   | 488                  |                      | 5,488                  |  |                     |                     |                     | 5,488                                |
| 2042                                | 5,000                                   | 325                  |                      | 5,325                  |  |                     |                     |                     | 5,325                                |
| 2043                                | 5,000                                   | 163                  |                      | 5,163                  |  |                     |                     |                     | 5,163                                |
|                                     | <u>\$924,290,000</u>                    | <u>\$317,057,770</u> | <u>\$(1,267,083)</u> | <u>\$1,240,080,687</u> | <u>\$29,554,700</u>  | <u>\$49,405,000</u> | <u>\$14,768,004</u> | <u>\$64,173,004</u> | <u>\$1,274,698,990</u>               |

(1) Outstanding Principal by Series as of October 1, 2013:

|                       |                             |
|-----------------------|-----------------------------|
| Series 2003           | \$26,635,000 <sup>(2)</sup> |
| Series 2004           | 104,960,000                 |
| Series 2005           | 9,525,000                   |
| Series 2007           | 117,490,000                 |
| Series 2008           | 89,980,000                  |
| Refunding Series 2008 | 22,840,000                  |
| Series 2009           | 86,765,000                  |
| Series 2010           | 106,525,000                 |
| Series 2010A          | 127,005,000                 |
| Series 2011           | 49,930,000                  |
| Series 2011A          | 108,365,000                 |
| Series 2012           | <u>74,270,000</u>           |
| Total                 | \$924,290,000               |

(2) See "SCHEDULE I."

## SELECTED CONTRACT PROVISIONS

Following is a composite summary of certain provisions of the Contract. Reference is hereby made to the full and complete Contract for further information, copies of which are available upon request from the Financial Advisor.

### Parties and Terms

The Authority has entered into contracts with the following Contracting Parties (the "Contracts"), with the effective date of each contract being as designated below:

| Contracting Parties    | Effective Date | Contracting Parties              | Effective Date |
|------------------------|----------------|----------------------------------|----------------|
| Town of Addison        | 10-24-90       | City of Fort Worth               | 10-10-73       |
| City of Arlington      | 10-10-73       | City of Grand Prairie            | 10-10-73       |
| City of Bedford        | 10-10-73       | City of Grapevine                | 1-22-75        |
| City of Carrollton     | 10-10-73       | City of Hurst                    | 5-28-75        |
| City of Cedar Hill     | 10-23-85       | City of Irving                   | 10-10-73       |
| City of Colleyville    | 5-28-75        | City of Keller                   | 6-27-84        |
| City of Coppell        | 2-1-76         | City of Mansfield                | 8-23-74        |
| City of Dallas         | 10-8-73        | City of North Richland Hills     | 5-28-75        |
| City of Duncanville    | 6-27-84        | City of Southlake                | 2-25-87        |
| City of Euless         | 10-10-73       | D-FW International Airport Board | 8-9-73         |
| City of Farmers Branch | 8-30-73        |                                  |                |

The Contracts will remain in force and effect from their date, and thereafter until any Outstanding Bonds and Bonds, as defined in each Contract have been paid in full.

Following is a summary of certain provisions of the Contracts. Certain provisions, including dates and other time references discussed below, are as expressly specified in the Contracts and have not been revised to reflect more recent dates or time periods. Certain provisions may differ slightly between Contracts in order to suit each Contracting Party's particular needs. Reference is hereby made to the full and complete Contracts. For additional information, copies of the Contracts are available upon request from the Financial Advisor.

### Certain Definitions

Certain terms and expressions used in the fiscal provisions of each of the contracts are substantially as set forth below:

"Additional Contracting Party" means any party not defined as a Contracting Party with whom Authority makes a contract for receiving, transporting, treating, and disposing of wastewater through the System.

"Adjusted Annual Payment" means the Annual Payment, as adjusted due to service to Additional Contracting Parties and/or as required during or after each Fiscal Year.

"Annual Payment" means the amount of money to be paid to the Authority by the Contracting Parties as their proportionate share of the Annual Requirement.

"Annual Requirement" means the total amount of money required for Authority to pay all Operation and Maintenance Expenses of the System and to pay the debt service on its Bonds and Outstanding Bonds, and to pay any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolution, and in resolutions authorizing Outstanding Bonds.

"Bond Resolution" means any resolution of the Board of Directors of the Authority authorizing the issuance of Bonds and providing for their security and payment, as such resolution(s) may be amended from time to time as therein permitted.

"Bonds" means any bonds to be issued by the Authority pursuant to the Contract and other contracts with the Contracting Parties and Additional Contracting Parties for the acquisition, construction, expansion, improvement, or completion of the System, whether one or more issues, or any bonds issued to refund same, or to refund such refunding bonds.

“Contracting Party” or “Contracting Parties” means one or more of the following: the Town of Addison, the cities of Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, Southlake, and the Dallas/Fort Worth International Airport Board.

“Fiscal Year” means the twelve (12) month period beginning December 1 of each year and applies only to Authority, or such other twelve (12) month period as may be established in the future to constitute Authority’s Fiscal Year.

“Month” means calendar month.

“Operation and Maintenance Expense” means all costs of operation and maintenance of the Authority’s System including, but not limited to, repairs and replacements for which no special fund is created in the Bond Resolution, the cost of utilities, supervision, engineering, accounting, auditing, legal services, and any other supplies, services, administrative costs, insurance and equipment necessary for proper operation and maintenance of the Authority’s System, and payments made by the Authority in satisfaction of judgments resulting from claims not covered by Authority’s insurance or not, paid by one particular Contracting Party or Additional Contracting Party arising in connection with the operation and maintenance of the System. The term also includes the fees of the bank or banks where the Outstanding Bonds and the Bonds are payable. Depreciation shall not be considered an item of Operation and Maintenance Expense.

“Outstanding Bonds” means all Bonds issued by the Authority prior to the date of the respective Contracts to provide funds for construction, enlargement, extension, and improvement of the System which are outstanding on the date of the Contracts.

#### **Fiscal Provisions of the Contracts**

The fiscal provisions for each of the contracts are substantially as follows:

*Financing.* The Authority will pay for the cost of construction of the improvements contemplated in the Contract, and will issue its Bonds, from time to time, in amounts necessary which, together with other available funds, will be sufficient to accomplish such construction.

*Annual Requirement.* It is acknowledged and agreed that payments to be made under the Contract and similar contracts with other Contracting Parties and Additional Contracting Parties will be the only source available to the Authority to provide the Annual Requirement; and that the Authority has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to Contracting Party hereunder so that the Annual Requirement shall at all times be not less than an amount sufficient to pay or provide for the payment of:

- (a) the net amount paid or payable for all Operation and Maintenance Expenses;
- (b) the principal of and the interest on Outstanding Bonds and Bonds, as such principal and interest becomes due, less interest to be paid out of Bond proceeds as permitted by the Bond Resolution and less any other funds on hand for payment of principal and interest on the Bonds and Outstanding Bonds;
- (c) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolution and/or any resolution authorizing the Bonds or Outstanding Bonds; and
- (d) an amount in addition thereto sufficient to restore any deficiency in any of such funds or accounts required to be accumulated and maintained by the provisions of the Bond Resolution and/or any resolution authorizing the Bonds or Outstanding Bonds.

#### *Payments by Contracting Party.*

(a) For services to be rendered to the Contracting Party by the Authority under the Contract, the Contracting Party agrees to pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as follows and shall constitute the Contracting Party’s Annual Payment:

For each Fiscal Year the Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing Contracting Party's estimated annual contributing flow to the System by the total estimated annual contributing flow to the System by all Contracting Parties, and by multiplying such percentage times the Annual Requirement. The resulting amount shall constitute the Contracting Party's Annual Payment for such Fiscal Year.

The following tabulation was applied for Fiscal Year 2012. Each Contracting Party's Annual Payment for the Fiscal Year 2012 was calculated by multiplying said Contracting Party's percentage from the following tabulation times the Annual Requirement.

| Contracting Party | 2012 Annual<br>Contributing Flow<br>(million gallons) | Percentage of<br>Total |
|-------------------|---|------------------------|
| Addison           | 536.731   | 1.159%                 |
| Arlington         | 13,530.448  | 29.216%                |
| Bedford           | 1,700.311   | 3.671%                 |
| Carrollton        | 4,106.634   | 8.867%                 |
| Cedar Hill        | 206.016   | 0.445%                 |
| Colleyville       | 798.197   | 1.723%                 |
| Coppell           | 1,181.234   | 2.551%                 |
| D/FW Airport      | 441.207   | 0.953%                 |
| Dallas            | 2,280.599   | 4.924%                 |
| Duncanville       | 54.485  | 0.118%                 |
| Euless            | 1,249.227   | 2.697%                 |
| Farmers Branch    | 1,180.756   | 2.550%                 |
| Fort Worth        | 1,385.931   | 2.992%                 |
| Grand Prairie     | 5,456.411   | 11.782%                |
| Grapevine         | 486.290   | 1.050%                 |
| Hurst             | 107.299   | 0.232%                 |
| Irving            | 7,592.864   | 16.395%                |
| Keller            | 969.787   | 2.094%                 |
| Mansfield         | 2,003.741   | 4.327%                 |
| N. Richland Hills | 271.900   | 0.587%                 |
| Southlake         | 772.083   | 1.667%                 |
|                   | 46,312.181  | 100.000%               |

The Contracting Party's Annual Payment shall be made to Authority in equal monthly installments for each Fiscal Year. Such payments shall be made in accordance with and at the times set forth in a schedule of payments for each Fiscal Year which will be supplied to the Contracting Party. At the close of each Fiscal Year, the Authority shall redetermine Contracting Party's percentage by dividing Contracting Party's actual metered contributing flow to the System by the total actual metered contributing flow to the System by all Contracting Parties. The Contracting Party's Adjusted Annual Payment shall be calculated by multiplying the Contracting Party's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to the Contracting Party's account with the Authority and shall be credited or debited to the Contracting Party's next subsequent monthly payment or payments for the next Fiscal Year.

(b) If, during any Fiscal Year, Authority begins providing services to an Additional Contracting Party or Parties, Contracting Party's Annual Payment for such Fiscal Year shall be redetermined in the following manner:

(i) Such Additional Contracting Party or Parties estimated contributing flow to the System for such year, or portion thereof, shall be determined by Authority;

(ii) The Contracting Party's proportionate share of the Annual Requirement shall be a percentage, redetermined by dividing the Contracting Party's estimated annual contributing flow to the System by the total estimated annual contributing flow to the System by all Contracting Parties, including that estimated for the Additional Contracting Party or Parties for the remaining portion of such Fiscal Year;

(iii) The Authority shall redetermine the Annual Requirement, taking into consideration any coats incurred on account of the Additional Contracting Party or Parties;

(iv) The Contracting Party's Annual Payment shall be redetermined by multiplying the Contracting Party's redetermined percentage times the redetermined Annual Requirement.

(c) The Contracting Party's Annual Payment shall be redetermined, in the manner set out above, at any time during any Fiscal Year if:

(i) Additions, enlargements or improvements to the System are constructed by the Authority to provide continuing service which in turn requires a redetermination of the Annual Requirement; or

(ii) Unusual or extraordinary expenditures for operation and maintenance are required which are not provided for in the Annual Budget or in the Bond Resolution; or

(iii) The Contracting Party's contributing flow to the System, after the beginning of the Fiscal Year, is estimated to be substantially different from that on which Annual Payments are based as determined by the Authority, to the extent that such difference in flow will substantially affect the Contracting Party's Budget, and consequently Contracting Party's Annual Payment to the Authority.

(d) The Annual Payment set forth in this section shall be considered the Basic Charge for service hereunder, and Contracting Party shall pay a surcharge for excess BOD (Biochemical Oxygen Demand) and/or SS (Suspended Solids) determined in the manner set forth in Section 4.05 of the Contract.<sup>1</sup>

(e) Recognizing that the Authority will use payments received from the Contracting Party to pay, secure and finance the issuance of the Bonds and to pay Outstanding Bonds, it is agreed that upon the effective date of the Contract, the Contracting Party shall be unconditionally obligated to pay its proportionate share of the Annual Requirements, regardless of whether or not the Authority is actually receiving wastewater under the Contract, or whether or not the Contracting Party actually discharges wastewater under the Contract, whether due to Force Majeure or otherwise. In such event, the amount due shall be a percentage of the Annual Requirements for the period of such failure of service under the Contract. Such percentage shall be determined by dividing the amount of wastewater actually discharged into the System by the Contracting Party in the month preceding cessation of service under the Contract by the total amount of wastewater discharged into the System by all Contracting Parties and Additional Contracting Parties for the same period.<sup>2</sup>

(f) On or before February 1 or August 1 of each year (depending upon the Contracting Party involved) the Authority will furnish the Contracting Party with an estimated schedule of monthly payments to be made by the Contracting Party for the ensuing Fiscal Year. On or before November 1 of each year, the Authority shall furnish the Contracting Party with a finalized schedule of the monthly payments to be made by such Contracting Party to the Authority for the ensuing Fiscal Year. The Contracting Party hereby agrees that it will make such payments to the Authority on or before the 10th day of each month of such Fiscal Year. If the Contracting Party at any time disputes the amount to be paid by it to the Authority, the Contracting Party shall nevertheless promptly make the payment or payments determined by the Authority, and, if it is subsequently determined by agreement, arbitration or court decision that such disputed payments made by the Contracting Party should have been less, the Authority shall promptly revise and reallocate the charges among all parties then being served by the Authority in such Contracting Party will recover its overpayment. In the event the Contracting Party is assessed a surcharge for excess BOD and/or SS, the Authority will bill the Contracting Party for such surcharge on or before the fifth (5th) day of the month following the determination of the surcharge and the Contracting Party shall pay such surcharge on or before the tenth (10th) day of the month of receipt of any such bill. Any such surcharge collected by the Authority shall be applied by the Authority against the total cost of Operation and Maintenance Expense of the System.

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<sup>1</sup> As to Cedar Hill, Southlake and Addison, additional surcharges are payable or will be payable to be used to offset previous capital costs in effect paid by other Contracting Parties. The surcharges will be applied at the end of the Fiscal Year as a credit to the amount of the Annual Requirement that would otherwise be payable during the ensuing Fiscal Year by the other Contracting Parties.

<sup>2</sup> As to certain Contracts this provision is replaced by a provision in which the Contracting Party agrees that upon the effective date of the Contract it should be unconditionally obligated to pay its proportionate share of the Annual Requirements and its applicable surcharge payment.

(g) If the Contracting Party's Annual Payment is redetermined as provided in the Contract, the Authority will promptly furnish the Contracting Party with an updated schedule of monthly payments reflecting such redetermination.

(h) All interest income earned by the investment of any Funds created in the Bond Resolution shall be taken into account in determining the Annual Requirement.

*Obligations of Contracting Party.* The Authority shall never have the right to demand payment by the Contracting Party of any obligation assumed or imposed on it under and by virtue of the Contract from funds raised or to be raised by taxation, it being expressly understood by the parties hereto that all payments due by the Contracting Party under the Contract are to be made from the revenues and income received by the Contracting Party from its waterworks and sanitary sewer systems, as authorized by Section 402.023, Texas Local Government Code, or Chapter 30, Texas Water Code.<sup>3</sup>

Payments to Constitute Operating Expenses by Contracting Party. The Contracting Party represents and covenants that the services to be obtained pursuant to the Contract are essential and necessary to the operation of the Contracting Party and its Local Wastewater Facilities, and that all payments to be made under the Contract by it will constitute reasonable and necessary "operating expenses" of the Contracting Party's waterworks and sanitary sewer system, within the meaning of Chapter 1502, Texas Government Code, as amended, and the provisions of all Ordinances authorizing the issuance of all revenue bond issues of the Contracting Party which are payable from revenues of each Contracting Party's waterworks and sewer system.<sup>3</sup>

Contracting Party to Establish Adequate Rates. Contracting Party agrees to establish and collect such rates and charges for Waterworks and Sanitary Sewer System services to be supplied by its Waterworks and Sanitary Sewer System as will make possible the prompt payment of all expenses of operating and maintaining its Waterworks and Sanitary Sewer System, including all payments contracted hereunder, and the prompt payment of the principal of and interest on its obligations, if any, payable from the revenues of its Waterworks and Sanitary Sewer System (in the case of the Airport Board, payable from the revenues of the Airport).

Use of Revenues of System. All revenues received from any source whatsoever by Authority by reason of its ownership of this System shall, to the extent permitted by law, be credited to the funds of the System as established in the Bond Resolutions. To the extent permitted by law, if the Authority receives income from the use of treated Wastewater, prior to its discharge into a public stream of the State of Texas, the Authority will apply said income against the Operating and Maintenance Expense of the System. Provided, that revenues received by Authority from the Dallas-Fort Worth International Airport Board under contract dated July 16, 1971, as amended, and any revenues received under contracts, the revenues from which are pledged to the payment of special facility bonds, as permitted in the Bond Resolutions, shall not be credited to said funds of the System and will not be a part of the pledge of revenues for payment of the Bonds. Neither shall any revenues received by the Authority under contracts where the Authority is acting as a signatory to the Texas Water Pollution Control Compact be included as a part of the pledge of revenues for payment of the Bonds. No funds derived from the Contracting Parties shall ever be used for the benefit of any project the revenues of which have been excluded from the pledge for payment of the Bonds hereunder or which may be so excluded in the future.

## **SELECTED PROVISIONS OF THE RESOLUTION**

### **ARTICLE III**

#### **ADOPTION OF PROVISIONS OF THE 1973 BOND RESOLUTION AND PLEDGE**

Section 3.01. ADOPTION OF PROVISIONS OF THE 1973 BOND RESOLUTION. Articles III through IX of the 1973 Bond Resolution are hereby adopted and made a part hereof and shall be applicable to the Bonds herein authorized except as altered or supplemented hereby.

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<sup>3</sup> As to Dallas-Fort Worth International Airport Board, the payments made to the Authority constitute an operation and maintenance expense of the Airport, payable from the revenues and income received by the Airport Board from payments made to it by the airlines served by the Airport and any other funds available to it for the payment of operating expenses.



Section 3.02. PARITY BONDS. The Bonds authorized herein are parity "Additional Bonds" permitted to be issued by the Outstanding Parity Bond Resolutions, are and shall be on a parity and of equal dignity in all respects, and are and shall be payable from and secured by a first lien on and pledge of the Net Revenues of the Authority under the Contracts.

Section 3.03. PLEDGE. (a) The Contracts provide for the payment by the Cities and the Airport Board to the Authority of (i) the net amount of all Operation and Maintenance Expenses, (ii) the amount necessary to pay all the principal and/or interest coming due on the Authority's Bonds, as defined in the Contracts and in this Resolution, on each principal and/or interest payment date as provided in this Resolution, (iii) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution, as defined in the Contracts, and (iv) an amount in addition thereto sufficient to restore any deficiency in any of such funds or accounts required to be accumulated and maintained by the provisions of any Bond Resolution, as defined in the Contracts.

The term "Net Revenues" as used in this Resolution shall mean and be defined as all of the gross revenues or payments received by the Authority from the Cities and the Airport Board under the Contracts after deducting therefrom the amounts paid to the Authority for the purpose of paying Operation and Maintenance Expenses, with the result that the Net Revenues shall consist of the amounts necessary to pay all principal and/or interest coming due on the Bonds and the Outstanding Parity Bonds, on each principal and/or interest payment date, and any amounts payable under (iii) and (iv) above. The Bonds, and the Outstanding Parity Bonds, and the interest thereon are and shall be payable from and secured by an irrevocable first lien on and pledge of said Net Revenues, and said Net Revenues are further pledged irrevocably to the establishment and maintenance of the Interest and Sinking Fund, the Reserve Fund, and the Emergency Fund.

(b) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the revenues granted by the Authority under this section, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the revenues granted by the Authority under this section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Authority agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

#### ARTICLE IV

##### INTEREST AND SINKING FUND; RESERVE FUND; AND EMERGENCY FUND

Section 4.01. INTEREST AND SINKING FUND. In addition to the amounts required to be deposited into the Interest and Sinking Fund by the Outstanding Parity Bond Resolutions, there shall be deposited into the Interest and Sinking Fund the following:

(a) immediately after the delivery of the Bonds, there shall be deposited to the credit of the Interest and Sinking Fund an amount sufficient to provide for the payment of interest on the Bonds during a period of acquisition and construction of the proposed improvements to the System as determined by the Authorized Officer; and

(b) semiannually on or before each January 25th and each July 25th hereafter, an amount sufficient, together with other amounts, if any, then on hand therein and available for such purpose, to pay the interest and/or principal and interest coming due on the Bonds on the next succeeding interest payment date.

Section 4.02. RESERVE FUND. There is now on deposit in the Reserve Fund created by the 1973 Bond Resolution an amount of money and investments in market value at least equal to the average annual principal and interest requirements of the Outstanding Parity Bonds. Immediately after the delivery of the Bonds there shall be deposited into said Reserve Fund, from the proceeds from the sale of the Bonds, an amount which, together with the amount now contained therein, will cause said Reserve Fund to contain an amount of money and investments in market value equal to the average annual principal and interest requirements of the Outstanding Parity Bonds and the Bonds, being all of the bonds which will be outstanding and payable from Net Revenues after the delivery of the Bonds (the "Reserve Required Amount"). Until and unless Additional Bonds are hereafter issued as permitted in the Outstanding Parity Bond Resolutions and this Resolution, no deposits shall be made into the Reserve Fund as long as the money and investments in the Reserve Fund are at least equal in market value to the Reserve Required

Amount. However, if and whenever the amount of money and investments in the Reserve Fund is reduced below said Reserve Required Amount because of a decrease in market value of investments, then the Authority shall restore the Reserve Fund to the Reserve Required Amount from the Emergency Fund and/or the Research and Development Fund created by the 1973 Bond Resolution to the extent of amounts available therein, and if such amounts are insufficient, then the Authority shall require the Contracting Parties to increase their payments under the Contracts as soon as practicable, and in any event within one year, in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount. In the event the Reserve Fund is used to pay the principal of or interest on any bonds because of insufficient amounts being available in the Interest and Sinking Fund, then the Authority shall restore the Reserve Fund to the Reserve Required Amount from the Emergency Fund and/or the Research and Development Fund to the extent of amounts available therein, and if such amounts are insufficient, then the Authority shall require the Contracting Parties to increase their payments under the Contracts in an amount sufficient to restore the Reserve Fund to the Reserve Required Amount, and the Authority shall deposit in the Reserve Fund, in approximately equal periodic payments, not less than annual, such amounts as are required to restore the Reserve Fund to the Reserve Required Amount from said increased payments within five years from any date of the use of the Reserve Fund to pay such principal or interest. So long as the Reserve Fund contains the Reserve Required Amount, all amounts in excess thereof shall be deposited to the credit of the Claims Fund, the Emergency Fund, and the Research and Development Fund, to the extent required by Section 3.13 of the 1973 Bond Resolution, and with the remainder to be deposited to the credit of the Interest and Sinking Fund.

Section 4.03. EMERGENCY FUND. There is now on hand in the Emergency Fund created by the 1973 Bond Resolution an amount equal to at least \$1,000,000 (the "Required Emergency Amount"). No deposits are required to be made to the credit of the Emergency Fund so long as it contains the Required Emergency Amount. If the Required Emergency Amount is reduced below \$1,000,000 the Authority shall require the Contracting Parties to increase their payments under the Contracts in amounts sufficient to restore the Emergency Fund to the Required Emergency Amount as soon as practicable, and in all events by the end of the next following Authority fiscal year.

## ARTICLE V

### BOND PROCEEDS

Section 5.01. IMPROVEMENT ACCOUNT. All remaining proceeds from the sale of the Bonds after the above deposits required by ARTICLE IV have been made shall be deposited into one or more separate and special accounts, each to be designated a "Series 2013 Bonds Regional Wastewater System Improvement Account", which are hereby directed to be created by and pursuant to this Resolution, to be established and maintained by the Issuer at a permitted FDIC-insured, official state depository institution separate and apart from all other funds and accounts of the Issuer, to be used to carry out the purposes for which the Bonds have been issued.

Section 5.02. USE OF PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Bonds (which investments shall be made as permitted by sections 8(n) and 8-B, Article 8280-188, V.A.T.C.S., as amended, and in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, and the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended), other than proceeds deposited in accordance with Sections 4.01, 4.02, and 4.03 hereof, shall be used along with other available proceeds for improving the System; provided that after such improvements have been completed if any of such interest earnings remain on hand, such interest earnings shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on bond proceeds which are required to be rebated to the United States of America pursuant to ARTICLE VII hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Resolution.

## ARTICLE VI

### BONDS ARE SPECIAL OBLIGATIONS

The Bonds authorized by this Resolution are and shall be special obligations of the Authority, and the holder or holders thereof shall never have the right to demand payment of said obligations out of any funds raised or to be raised by the levy of taxes, or from any source other than as provided in this Resolution.

## ARTICLE VII

### COVENANTS REGARDING TAX-EXEMPTION

Section 7.01. **TAX COVENANTS.** The Issuer covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Issuer covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether or not received by the Issuer, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(1) proceeds of the Bonds invested for a reasonable temporary period until such proceeds are needed for the purpose for which the bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(g) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings);

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

In order to facilitate compliance with the above covenant (h), a "Rebate Fund" is hereby established by the Issuer for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any

other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

The Issuer understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the Issuer that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Issuer will not be required to comply with any covenant contained herein to the extent that such modification or expansion, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Issuer agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Issuer hereby authorizes and directs the President of the Board of Authority, or the Authorized Officer, to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Issuer, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds. This Resolution is intended to satisfy the official intent requirements set forth in section 1.150-2 of the Treasury Regulations.

Section 7.02. ALLOCATION OF, AND LIMITATION ON, EXPENDITURES FOR THE PROJECT. The Issuer covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 2.01 of this Resolution (the "Project") on its books and records in accordance with the requirements of the Internal Revenue Code. The Issuer recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the Project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Issuer agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

Section 7.03. DISPOSITION OF PROJECT. The Issuer covenants that the property constituting the Project will not be sold or otherwise disposed in a transaction resulting in the receipt by the Issuer of cash or other compensation, unless the Issuer obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the Issuer shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

## ARTICLE VIII

### FURTHER PROCEDURES

Section 8.01. FURTHER PROCEDURES. The President, Vice President and Secretary of the Board of Directors of the Issuer, the General Manager of the Issuer and all other officers, employees and agents of the Issuer, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer a Letter of Representation with DTC regarding the Book-Entry Only System, the Paying Agent/Registrar Agreement with the Paying Agent/Registrar and all other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Letter of Representation, the Bonds, the sale of the Bonds and the Official Statement. Notwithstanding anything to the contrary contained herein, while the Bonds are subject to DTC's Book-Entry Only System and to the extent permitted by law, the Letter of Representation is hereby incorporated herein and its

provisions shall prevail over any other provisions of this Resolution in the event of conflict. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

## ARTICLE IX

### CONTINUING DISCLOSURE OF INFORMATION

Section 9.01. CONTINUING DISCLOSURE OF INFORMATION. (a) As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

(b) Pursuant to a Continuing Disclosure Agreement by and between the Issuer and the Contracting Parties, the Issuer and the Contracting Parties have undertaken for the benefit of the beneficial owners of the Bonds, to the extent set forth therein, to provide continuing disclosure of financial information and operating data with respect to the Contracting Parties in accordance with the Rule as promulgated by the SEC.

(c) The Issuer shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

## ARTICLE X

### MISCELLANEOUS

Section 10.01. EXPIRATION OF AUTHORIZATION. The authority of the Authorized Officer to sell the Bonds as described in Section 2.02(b) of this Resolution shall expire on the one-year anniversary date of the adoption of this Resolution by the Board.

Section 10.02. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and all parts of any resolutions which are in conflict or inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

## THE AUTHORITY

### The Authority's Activities

1. **Master Planning.** After a series of public hearings, the Authority adopted the original master plan in April 1958. The purpose of the Master Plan is to define and provide a course of action for the Authority to achieve water and soil conservation goals for which purpose the Authority was established by the State of Texas Legislature. The Master Plan goals can generally be described as: to improve the quality of water within the Trinity River Basin in order to provide supplies of good quality water for all beneficial purposes, conserve water and soil resources, reduce flooding, promote water oriented recreation, preserve natural areas, promote the diversity and productivity of aquatic life, and foster an understanding of the complex interrelationships among people, resources, economy and the environment in the basin. The Authority's Board of Directors reviews the status of the master plan annually and amends the master plan periodically when it is deemed necessary.

2. **Federal Projects.** By various resolutions, the Authority has agreed to serve as the local sponsor of the Navarro Mills Reservoir, Bardwell Reservoir, Joe Pool Lake and the Wallisville Salt Water Barrier Project in cooperation with local municipalities or districts that benefit from these projects.

3. **Revenue Based Projects.** The Authority, without collecting any property taxes, has implemented service projects serving cities, communities and other special districts throughout the Trinity River Basin. The majority of these funds for these projects have come from the sale of tax exempt contract service revenue bonds, service payments from customers, federal grants and long term federal loans. The Authority has responsibility for operating certain of these projects (referred to below as "Operating"). Projects referred to below as "Non-Operating" require a limited amount of Authority personnel involvement and are primarily financing arrangements with the entities. These projects and those served include:

### The Authority's Revenue-Based Projects

| <b>Project Name (Operating)</b>                   | <b>Cities and Communities Served or to be Served</b>   |
|---|--|
| Central Regional Wastewater System                | Addison, Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Dallas/Fort Worth International Airport Board, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, and Southlake |
| Ten Mile Creek Regional Wastewater System         | Cedar Hill, DeSoto, Duncanville, Ferris, and Lancaster   |
| Denton Creek Regional Wastewater Treatment System | Argyle, Circle T Municipal Utility District No. 1, Circle T Municipal Utility District No. 3, Flower Mound, Fort Worth, Haslet, Keller, Northlake, Roanoke, Southlake and Westlake.  |
| Red Oak Creek Regional Wastewater Project         | Cedar Hill, DeSoto, Glenn Heights, Lancaster, Ovilla, and Red Oak  |
| Mountain Creek Regional Wastewater System         | Grand Prairie, Midlothian and Venus  |
| Tarrant County Water Supply Project               | Bedford, Colleyville, Euless, Grapevine, and North Richland Hills  |
| Huntsville Regional Water Supply System           | Huntsville   |
| Livingston Regional Water Supply System           | Livingston   |
| Trinity County Regional Water Supply System       | Glendale Water Supply Corp, Groveton, Riverside Water Supply Corp, Trinity, Trinity Rural Water Supply Corp and Westwood Shores MUD.   |
| Lake Livingston—Wallisville Project               | Houston, 21 lakeside communities (and two industries)  |
| Livingston Recreation Facilities                  | Serving the General Public   |

| <b>Project Name (Non-Operating)</b>                             | <b>Cities and Entities Served</b>  |
|---|--|
| Walker-Calloway Branches Outfall Line                           | Hurst and North Richland Hills   |
| Northeast Lakeview Project                                      | Cedar Hill, Grand Prairie  |
| Lakeview Regional Water Supply Project                          | Cedar Hill, Duncanville, and Grand Prairie   |
| Summit Regional Water Storage Project                           | Cedar Hill and Duncanville   |
| Navarro Mills Reservoir   | Coolidge, Corsicana, Dawson, and Hubbard (and one industry)  |
| Bardwell Reservoir  | Ennis and Ellis County WCID #1   |
| Joe Pool Lake Project   | Cedar Hill, Duncanville, Grand Prairie, and Midlothian   |
| Ellis County Regional Water Supply Project                      | Cities of Ferris, Italy, Maypearl, Midlothian, Palmer and Red Oak; Ellis County WC&ID No. 1, Rockett Special Utility District, Avalon Water and Sewer Service Corporation, Boyce, Bristol, Nash-Forreston, and Buena Vista-Bethel Water Supply Corporations. |
| Freestone Raw Water Supply Project                              | Freestone Power Generation LP  |
| Ennis Raw Water Supply Project                                  | Ennis  |
| Midlothian Raw Water Supply Project                             | Midlothian   |
| Huntsville Wastewater Treatment Facilities                      | Huntsville   |
| Big Bear Creek Interceptor Project                              | Fort Worth, Keller and Southlake   |
| Southlake Sewer Project   | Southlake  |
| Lancaster Water and Sewer Project                               | Lancaster  |
| Denton Creek Wastewater Interceptor System                      | Fort Worth, Haslet, and Roanoke  |
| Denton Creek Wastewater Pressure Interceptor                    | Southlake  |
| Cade Branch Interceptor   | Fort Worth, Keller   |
| Denton Creek Wastewater Interceptor System (Fort Worth Project) | Fort Worth   |
| Fort Worth Sendera Ranch Project                                | Fort Worth   |
| Pollution Control Facilities                                    | Community Waste Disposal, Inc and Texas Utilities Electric Co.   |
| Denton Creek Wastewater Transportation Project                  | Argyle, Flower Mound and Northlake   |

### **The Future Role of the Authority**

In recognition of the fact that the Authority does not exercise control over all facets of water resource management within the Trinity River watershed, the goals of the Authority's Basin Master Plan are objectives for the Trinity River Basin, regardless of the implementing agency.

#### **1. Master Planning.**

- a. The Authority will carefully monitor the progress being made as to each master plan goal.
- b. The Authority will support the accomplishments of all institutional and financial arrangements necessary to the achievement of the goals.
- c. The Authority will amend the master plan as needed.
- d. The Authority will continue its leadership in water quality planning in the basin.

2. Revenue-based Services. When desired by others and when an adequate revenue base and other finances are available, the Authority will exercise its powers to provide needed services in the areas of water supply, wastewater treatment, parks and recreational facilities, pollution control facilities and solid waste disposal.

3. Tributary Lakes. The revised master plan calls for the construction, as needed, of thirteen lakes on mid basin tributaries. Of these thirteen, the Authority will serve as the planning and implementing agency for eleven: Upper Keechi, Big Elkhart, Hurricane Bayou, Lower Keechi, Bedias, Nelson, Harmon, Gail, Mustang, Caney, and Long King.

4. Federal Projects. The Authority will continue to serve as local sponsor of the Navarro Mills Reservoir, Bardwell Reservoir, the Wallisville Salt Water Barrier Project and Joe Pool Lake.

5. Public Information. The Authority will continue to encourage the public's understanding of the complex interrelationships among the people, resources, economy and environment of the Trinity River Basin.

6. Tax Based Services. If there is public support, the Authority will seek to obtain some form of tax-based support for specific programs which should be implemented for comprehensive management of the basin's soil and water resources: conservation of the use of water, soil conservation, water oriented recreation and adequate public access to the river and basin lakes, greenbelts, preservation of natural areas, fish and wildlife mitigation, coordination of floodwater reservoir releases, and full dissemination of flood plain information under the Flood Insurance Act throughout the Authority's territory. At this time the Authority has no plans to pursue any form of tax based support for these programs.

7. The Authority's Territory. In order to provide services on a truly basin wide basis, the Authority will support legislation to add to its territory those parts of the basin not presently within the Authority's defined territory if this is desired by any of the involved counties.

8. Financing of Flood Control and Navigation Projects. Implementation of flood control (by whatever means) and navigation projects should be through a combination of revenues, locally provided taxes and federal funds. The Authority's support of any navigation project is based on three conditions: public support, environmental soundness and economic feasibility.

#### **Pension Plan**

The Authority has a defined contribution pension plan for its employees. All full-time and permanent part time employees are eligible for participation after six months of service, provided that they work for the Authority at least 1,000 hours per year. The Authority contributes an amount equivalent to 12% of the employee's salary annually to the plan with each employee having the option to contribute up to 10% of annual salary. An employee becomes 20% vested in the plan after three years and 100% vested in the plan after seven years, or at age 55. An employee is 100% vested in all personal contributions to the plan when made.

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## Other Outstanding Indebtedness of the Authority

The Authority has Outstanding Bonds which are listed below. The Outstanding Bonds are System or Project specific and payable from each of the related System's or Project's Pledged Revenues. See "Security and Source of Payment".

| Total Outstanding Principal by System/Project:                                     | Outstanding<br>October 10, 2013 |
|--|---------------------------------|
| Central Regional Wastewater System   | \$ 897,655,000 <sup>(1)</sup>   |
| Community Waste Disposal, Inc.   | 33,565,000                      |
| Denton Creek Regional Wastewater Treatment System                                  | 144,895,000                     |
| Denton Creek Wastewater Interceptor(Fort Worth Project)                            | 960,000                         |
| Denton Creek Wastewater Pressure Interceptor System                                | 1,435,000                       |
| City of Fort Worth Water & Wastewater Transmission Contract (Sendra Ranch Project) | 6,100,000                       |
| Trinity River Authority of Texas (General Improvement Project of The Authority)    | 2,980,000                       |
| Huntsville Regional Water Supply System  | 23,610,000                      |
| Livingston Regional Water Supply Project   | 23,140,000                      |
| Mountain Creek Regional Wastewater System  | 12,720,000                      |
| Northeast Lakeview Wastewater Transportation Project                               | 14,205,000                      |
| Red Oak Creek Regional Wastewater System   | 52,040,000                      |
| Tarrant County Water Project   | 136,000,000                     |
| Ten Mile Creek Regional Wastewater System  | 114,860,000                     |
| Texas Utilities Electric Company Pollution Control                                 | 51,075,000                      |
| Town of Flower Mound Wastewater Transportation Project                             | 4,255,000                       |
| Trinity County Regional Water Supply System Project                                | 1,050,000                       |
| SUB-TOTAL  | \$ 1,520,545,000                |

Other Authority bonds are expected to be authorized and delivered during the next 30 days:

|  |                  |
|--|------------------|
| Denton Creek Regional Wastewater Treatment System Revenue Bonds, Series 2013 | \$ 4,120,000     |
| Red Oak Creek System Revenue Bonds, Series 2013                              | 4,540,000        |
| Tarrant County Water Project Revenue Bonds, Series 2013                      | 5,000,000        |
| Ten Mile Creek System Revenue Bonds, Series 2013                             | 10,540,000       |
| SUB-TOTAL  | \$ 1,544,745,000 |
| The Bonds  | \$ 49,405,000    |
| TOTAL  | \$ 1,594,150,000 |

In addition to the preceding statement of indebtedness, the Trinity River Authority has four outstanding contracts with the U. S. Army Corp of Engineers related to water rights and flood control. Contractual revenues collected annually from the entities identified next to the projects below are used to pay debt service on these contracts.

| Project:  | Outstanding<br>October 10, 2013 |
|---|---------------------------------|
| Bardwell Reservoir (City of Ennis and Ellis Co. WCID#1)                         | \$ 1,522,903                    |
| Joe Pool Lake (Cities of Cedar Hill, Duncanville, Grand Prairie and Midlothian) | 75,647,340 <sup>(2)</sup>       |
| Wallisville Lake (City of Houston)  | 9,265,140                       |
| TOTAL   | \$ 86,435,383                   |

<sup>(1)</sup> Excludes the Refunded Bonds. See Schedule I.

<sup>(2)</sup> As local sponsor for Joe Pool Lake, the Authority serves as a financial intermediary between parties that have contracted to purchase water from the lake and the U.S. Army Corps of Engineers (USACE), which owns and operates the lake. The three parties that have contracted with the Authority to purchase water from Joe Pool Lake are the Cities of Cedar Hill and Grand Prairie and the Midlothian Water District. The City of Grand Prairie and Midlothian Water District are currently diverting water from Joe Pool Lake, which obligates those parties to make payments to the Authority for both USACE capital costs (plus interest) associated with the project and annual operations and maintenance (O&M) expenses. The Authority in turn pays the amounts it collects from those parties to USACE. Pursuant to the Authority's USACE contract, the Authority's repayment obligations are contingent upon and proportionate to the amount of water diverted by the Authority's customers in Joe Pool Lake. The City of Cedar Hill has not initiated diversions from Joe Pool Lake, and the Authority is therefore not obligated to make debt service and O&M payments to USACE for the water contractually reserved for the City of Cedar Hill.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity Bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX D – Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) the Issuer's federal tax certificate and the sufficiency certificate prepared by The Bank of New York Mellon Trust Company, N.A., and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the Project. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, owners of interests in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE Bonds.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Interest on the Bonds may be subject to the "branch profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to

“market discount Bonds” to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

### **State, Local and Foreign Taxes**

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

### **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **CONTINUING DISCLOSURE OF INFORMATION**

In Continuing Disclosure Agreements entered into between the Authority and each of the Contracting Parties, each has made the following respective agreements for the benefit of the holders and beneficial owners of the Bonds. The Contracting Parties and the Authority are required to observe the agreements for so long as the Contracting Parties remain obligated to advance funds to pay the Bonds. Under the agreements, the Contracting Parties will be obligated to provide certain updated financial information and operating data annually, and the Authority and the Contracting Parties will be obligated to provide timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”).

### **Annual Reports**

The Authority and the Contracting Parties will provide certain updated financial information and operating data to the MSRB annually. The information to be provided and updated by the Contracting Parties includes all quantitative financial information and operating data with respect to the Contracting Parties of the general type included in APPENDIX B to this Official Statement and each Contracting Party’s audited financial statements, when and if available. Each of the Contracting Parties will file such information with the MSRB through its Electronic Municipal Market (“EMMA”) system within six months after the end of each respective Contracting Party’s fiscal year, beginning with the fiscal year ending in 2013. In addition, the Authority will file its audited financial statements with the MSRB through its EMMA system within six months after the end of the Authority’s fiscal year, beginning with the fiscal year ending in 2013.

The financial information and operating data to be provided and updated by the Contracting Parties may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by the Rule. The updated information will include audited financial statements, if the Authority and/or the Contracting Parties commission an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority and/or each Contracting Party will provide unaudited financial statements within the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with generally accepted accounting principles in effect at the time or that the Authority or the Contracting Parties may be required to employ from time to time pursuant to State law or regulation.

The Authority’s fiscal year end is November 30 and each of the Contracting Party’s fiscal year end is September 30. Accordingly, each Contracting Party must provide updated information by March 31 in each year and the Authority must provide updated information by May 31 in each year, unless any Contracting Party or the Authority, as

applicable, changes its fiscal year. If any Contracting Party or the Authority change their fiscal year, such Contracting Party or the Authority, as applicable, will notify the MSRB of the change.

#### **Disclosure Event Notices**

The Authority and the Contracting Parties will provide timely notices of certain events to the MSRB. The Authority will provide notice in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event), of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Authority; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

As used in clause (12) in the preceding paragraph, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if jurisdiction has been assumed by leaving the Board and officials or officers of the Authority in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority. In addition, the Contracting Parties will provide timely notice of any failure by the Contracting Parties to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.” The Authority or the Contracting Parties will provide each notice described in this paragraph to the MSRB.

#### **Availability of Information**

The Authority and the Contracting Parties have agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

The Authority and the Contracting Parties have agreed to update information and to provide notices of certain events only as described above. The Authority and the Contracting Parties have not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority and the Contracting Parties make no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority and the Contracting Parties disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of their continuing disclosure agreement or from any statement made pursuant to their agreement, although holders of Bonds may seek a writ of mandamus to compel the Authority or the Contracting Parties to comply with its agreement.

The Authority or the Contracting Parties may amend their continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Contracting Parties, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding

Bonds consent to the amendment or (b) any person unaffiliated with the Authority or the Contracting Parties (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority or the Contracting Parties may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Authority or the Contracting Parties so amend the agreement, the Contracting Parties have agreed to include with the next financial information and operating data provided in accordance with their respective agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance With Prior Undertakings**

In its past continuing disclosure undertakings relating to its Outstanding Parity Bonds, the Authority assumed certain responsibilities and the Contracting Parties assumed certain responsibilities. During the last five years, the Authority has complied in all material respects with all continuing disclosure undertakings made by it relating to its Outstanding Parity Bonds in accordance with the Rule.

During the last five years, the Contracting Parties have complied in all material respects with all continuing disclosure undertakings made by them in accordance with the Rule.

## **OTHER INFORMATION**

### **Ratings**

The Bonds are rated "AAA" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "AA+" by Fitch Ratings ("Fitch"). The Outstanding Parity Bonds of the Authority are rated "AAA" by S&P and "AA+" by Fitch, each without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

### **Litigation**

It is the opinion of the Authority Attorney and Authority Staff that there is no pending litigation against the Authority that would have a material adverse financial impact upon the Authority or its operations. No pending litigation against the Contracting Parties that would have a material adverse financial impact upon the Authority or its operations of the System has been brought to the attention of the Authority.

At the time of the initial delivery of the Bonds, the Authority will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

### **Registration And Qualification of Bonds for Sale**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Authority assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

## **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 Texas Government Code, provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Ratings" above). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, provides that the Bonds are eligible to secure deposits of any public funds of the State of Texas, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Authority has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

The Authority has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Authority has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

## **Legal Matters**

The Authority will furnish a complete transcript of proceedings relating to the authorization and issuance of the Bonds, including the approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding special obligations of the Authority and, based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Authority in the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify and of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions "PLAN OF FINANCING" (excluding the information under the subcaption "Sources and Uses of Bond Proceeds"), "THE BONDS" (excluding the information under the subcaption "Book-Entry-Only System"), "SECURITY AND SOURCE OF PAYMENT," "SELECTED CONTRACT PROVISIONS," "SELECTED PROVISIONS OF THE RESOLUTION," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), and the subcaptions "Registration and Qualification of Bonds for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (excluding the last sentence of the first paragraph thereof) under the caption "OTHER INFORMATION," and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Fulbright & Jaworski LLP, Dallas, Texas, a member of Norton Rose Fulbright, whose legal fee for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **Authenticity of Financial Data and Other Information**

The financial data and other information contained herein have been obtained from Authority records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

## **Financial Advisor**

First Southwest Company is employed as Financial Advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Authority for the investment of bond proceeds or other funds of the Authority upon the request of the Authority.

The Financial Advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

## **Underwriting**

Morgan Stanley & Co., LLC, as representative of the Underwriters, has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a purchase price of \$53,235,822.09, which represents the par amount of the Bonds, plus a net premium of \$4,058,871.85, less an Underwriters' discount of \$228,049.76, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed from time to time by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, each an underwriter of the Bonds, have entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC, in addition to other retail distribution channels. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of the Bonds.

## **Forward-Looking Statements Disclaimer**

The statements contained in this Official Statement, and in any other information provided by the Authority that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. The Authority's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic,



business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

#### **Miscellaneous**

The pricing certificate executed by an Authorized Officer of the Authority, which certificate is a part of the Resolution authorizing the issuance of the Bonds, approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters.

TRINITY RIVER AUTHORITY OF TEXAS

/s/ J. Kevin Ward

J. KEVIN WARD

General Manager

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## SCHEDULE I

### REFUNDED BONDS

**Trinity River Authority  
Regional Wastewater System Revenue Refunding Bonds, Series 2003**

| <u>Original<br/>Maturity</u> | <u>Interest<br/>Rates</u> | <u>Amount<br/>Refunded</u> | <u>Redemption<br/>Date</u> | <u>Redemption<br/>Price</u> |
|------------------------------|---------------------------|----------------------------|----------------------------|-----------------------------|
| 8/1/2014                     | 5.375 %                   | \$ 8,360,000               | 10/11/2013                 | Par                         |
| 8/1/2015                     | 5.375                     | 8,865,000                  | 10/11/2013                 | Par                         |
| 8/1/2016                     | 5.375                     | <u>9,410,000</u>           | 10/11/2013                 | Par                         |
|                              |                           | \$ 26,635,000              |                            |                             |

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**APPENDIX A**

**BIOGRAPHICAL INFORMATION**

Board of Directors  
and  
Management Officers

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## **BOARD OF DIRECTORS**

**HAROLD L. BARNARD** of Waxahachie, Texas (president and member, executive committee). Barnard is president and managing officer of Ellis County Abstract and Title Company Inc. In addition to being a member of the Texas Land Title Association and the Texas Association of Abstract and Title Agents, he is past president of the Waxahachie Chamber of Commerce and past director and president of the Ellis County Museum board of directors. He is a past director and president of the Waxahachie Foundation Inc. Barnard earned a bachelor's degree from the University of Texas at Arlington. He was reappointed as director for Ellis County in 2013.

**KIM C. WYATT** of Corsicana, Texas (vice president and member, executive committee). Wyatt is president and chief executive officer of the Community National Bank & Trust of Texas. He holds a bachelor's degree from Texas A&M University and graduated from the Southwest Graduate School of Banking. He is a member of the First United Methodist Church, a member of the Corsicana Optimist Club and a member of the Independent Order of Odd Fellows. Wyatt is treasurer of the Corsicana Livestock and Agricultural Center, a board member of the Garitty Charity Association and a member of the board of the Navarro Community Foundation. He is a member of the board of Navarro Regional Hospital and a board member of Texas Healthcare Trustees. Wyatt is a former member of the planning and zoning board of the city of Corsicana, a past president of the Corsicana Area Chamber of Commerce, past president of the Navarro County United Way and past president of the Optimist Club. He is a past three-term chairman of the Navarro County Youth Exposition. He is also a past board member of Camp Fire Girls, the Navarro County Agency for Retarded Citizens and the Corsicana YMCA. Wyatt is past president of the Navarro College Booster Club and past board member and treasurer of the Navarro College Foundation. Wyatt was reappointed as director for Navarro County in 2009.

**HENRY BORBOLLA III** of Fort Worth, Texas (member, resources development committee). Henry Borbolla is a Fort Worth native and graduate of TCU. He is a banker with BB&T - Branch Banking & Trust and provides a wide range of financing, treasury management and risk management services to business clients in the greater Tarrant County area. His community involvements include board or committee positions with Big Brothers Big Sisters, Bobby Bragan Youth Foundation, Casa Manana, Catholic Charities, Community Hospice of Texas, Fort Worth Stock Show, Tarrant County Housing Partnership, and the University of North Texas Health Science Center Foundation. Others include the Fort Worth Visitors and Convention Bureau, Downtown Design Review Board, and the Trinity River Authority. He is a member of the Rotary Club of Fort Worth and the Fort Worth Stock Show Syndicate. Borbolla was reappointed as director for Tarrant County in 2013.

**WILLIAM W. COLLINS JR.** of Fort Worth, Texas (member, Legal Committee). Collins is an attorney in private practice. He is a member of the State Bar of Texas and the Tarrant County Bar Association. He has served as chairman of the Texas Motor Vehicle Commission, as a commissioner of the Texas Commission on the Arts, and as a member of the Executive Committee of the Fort Worth Transportation Authority. Collins is a former chairman of the American Cancer Society-Fort Worth and has served as a trustee of the Modern Art Museum of Fort Worth. He is a life member of the University of Texas Alumni Association and the Tarrant County Historical Society. Collins earned a Bachelor of Business Administration degree from the McCombs School of Business at the University of Texas at Austin and a law degree from the University of Tennessee. He was appointed as director for Tarrant County in 2010.

**CHRISTINA MELTON CRAIN** of Dallas, Texas (vice chair, special committee on water policy and sales and member, utility services committee). Crain is an attorney and president of Christina Melton Crain, PC. She is a director of the State Bar of Texas and a trustee of the Dallas Bar Foundation. She is a member of the Texas Transportation Advisory Committee, the University of Texas at Austin Chancellor's Council and the College of Liberal Arts Advisory Council. Crain is an executive board member of Big Brothers Big Sisters Lone Star and co-founder of Amachi Texas, a mentoring program for children of the incarcerated. She is director of the Texas Regional Advisory Board for the National Center for Missing and Exploited Children. She is chairwoman of Dallas DOORS, a nonprofit organization serving the formerly incarcerated and their families. She is chairwoman of the Dallas County Criminal Justice Advisory Board Re-entry Council. Crain is a member of the University of Texas at Dallas Center for Vital Longevity Advisory Council and a member of Altrusa International Inc. of Downtown Dallas. Crain serves as the prison representative to the UT Southwestern Medical Center Institutional Review Board. She is director of the Oklahoma City University School of Law Executive Board as well as director of the Patriot PAWS Service Dogs Organization. Crain is past chairwoman of the Texas Board of Criminal Justice and of the Windham School District board of trustees. She is past president of the Dallas Bar Association, the Dallas Women Lawyers Association and the Dallas Association of Young Lawyers. She is a former member of the Texas Correctional Managed Healthcare Committee and an alumna of Leadership Texas and Leadership Dallas. She is a former director of the Baylor Healthcare System Foundation. Crain is a sustainer of the Junior League of Dallas and a former member of the Texas Exes Council of the University of Texas at Austin. Crain received a bachelor's degree from the University of Texas at Austin and a law degree from the Oklahoma City University School of Law. Crain was appointed as director for Dallas County in 2013.

**MICHAEL CRONIN** of Terrell, Texas (chairman, special committee on water policy and sales and member, resources development committee). Cronin is vice chairman of the board of directors of American National Bank of Texas. He is a member of the Independent Bankers Association of Texas and the Texas Bankers Association. He is a past president of the Terrell Economic Development Corporation, the Terrell Industrial Foundation and the Terrell Chamber of Commerce. He currently serves as a director of the Kaufman County Tax Increment Financing Board. Cronin earned a bachelor's degree from the University of North Texas. He was reappointed as director for Kaufman County in 2013.

STEVE CRONIN of Shepherd, Texas (member, utility services committee). Cronin is an Agricultural Science teacher at Shepherd Independent School District and the owner of Magnolia Farms Sheep Farm. He is a member of the Vocational Agricultural Teachers Association of Texas. He is secretary/treasurer and past president of the County Farm Bureau, member of National Wild Turkey Federation an SJC, Advisor of Shepherd FFA Booster Club and on the San Jacinto County Fair Association Committee. He is a San Jacinto County 4-H leader, teaches hunter education classes through the Texas Parks and Wildlife Department. Cronin served more than seven years as an agriculture field representative for the Texas Farm Bureau and more than seven years as an agriculture extension agent for the Texas A&M University System. He received a bachelor's and a master's degree from Sam Houston State University. Cronin was reappointed as director for San Jacinto County in 2011.

AMANDA B. DAVIS of Buffalo, Texas (member, legal committee). Davis is a retired school administrator in the Buffalo Independent School District and member of the Texas Association of School Administrators, Texas Association of Secondary School Principals, Texas Elementary Principals and Supervisors Association, and Texas Association of Mediators. She is also a member of the State Bar of Texas Alternative Dispute Resolution Section, Texas Mediation Trainers Roundtable and Texas Farm Bureau. Davis received a bachelor's degree from Sam Houston State University, a master's degree in educational leadership and conflict resolution from Abilene Christian University and completed her superintendent certification from the University of Texas at Tyler. She was reappointed to serve for Leon County until March 15, 2017.

VALERIE E. ERTZ of Dallas, Texas (member, utility services committee). Valerie Ertz of Dallas is owner and president of VEE Services. She is a member of the State Commission on Judicial Conduct, the Society of St. Vincent DePaul, Military Order of St. John's, the Texas Women's Initiative, and the Southern Methodist University Alumni Association. She is also a past member of the Stephen F. Austin State University Board of Regents. Ertz received a bachelor's degree from Southern Methodist University and a master's degree in management from Troy State University. Ertz was appointed as director for Dallas County in 2013.

TOMMY G. FORDYCE of Huntsville, Texas (member, legal committee). Fordyce is a retired director of the Texas Criminal Justice Agribusiness Department. He is chair of the Huntsville Economic Development Council and vice president of the Lone Survivor Foundation. He is also a member of the Texas Assistive and Rehabilitative Services Council, the Kick Start for Kids program and the Huntsville Veterans' Affairs Advisory Board. He served in the U.S. Marine Corps and is a Vietnam War veteran. Fordyce earned a bachelor's degree from Sam Houston State University. Fordyce was reappointed as director for Walker County in 2013.

RONALD J. GOLDMAN of Fort Worth, Texas (member, executive committee and special committee on water policy and sales and chairman, legal committee). Goldman is president of Ronnie's LLC, a real estate management company, and also is director of Liberty Bancshares. Goldman is a member of the World President's Organization, the Fort Worth Airpower Council and the Texas Health Harris Methodist Foundation. Formerly, he was chairman of the Young President's Organization of West Texas and the Harris Methodist Development Board. He has served as a trustee for the Harris Methodist Health System and Harris Methodist, H.E.B. Goldman was founder, organizer and director of Summit Bancshares. He is past president of the Youth Orchestra of Greater Fort Worth and has served on the boards of the Fort Worth Symphony Orchestra, the Van Cliburn Association, the Arts Council of Fort Worth and Trinity Valley School. He is past president of the Seagram Family Association. Goldman earned a bachelor's degree from the University of Texas at Austin. He served in the Texas Army National Guard from 1965 to 1971. He was reappointed as director at large in 2009.

MARTHA A. HERNANDEZ of Burleson, Texas (member, administration committee). Hernandez is a retired nutritionist and jailor for the Tarrant County Sheriff's Department. She is a member of Congressman Joe Barton's Advisory Committee. Hernandez is past president of the Burleson Heritage Foundation and the Burleson Garden Club. She is also past chairman of the City of Burleson Parks Board and the Burleson Public Library Board, and she served on the Tarrant County Grand Jury. Hernandez volunteered for the U.S. Secret Service detail for a national political convention and has served at election polls since 1972. Hernandez served as a board member and organizer of the Fiesta de Burleson Cinco de Mayo Celebration from 1997 to 2003. She earned a bachelor's degree from Texas Wesleyan University. Hernandez was reappointed as director for Tarrant County in 2013.

JOHN W. JENKINS of Hankamer, Texas (member, executive committee; chairman, utility services committee; member, special committee on water policy and sales; member, Ten Mile Creek Regional Wastewater System right-of-way committee). Jenkins is a self-employed partner in a major farming enterprise. He graduated from Southwest Texas State University in 1981 with a bachelor's degree. He is a member of the Anahuac Area Chamber of Commerce. He serves on the boards of the Anahuac National Bank, the Texas Rice Council and the American Plant Food Corporation. Jenkins is also a committee chair for the Texas Gatorfest Committee. He is a former board member of the Trinity Bay Conservation District, the Devers Canal Rice Producers Association, the Trinity Valley Exposition, the Texas Rice Festival and the Chambers County Farm Bureau. Jenkins was appointed as director for TRA's Chambers County in 1997. He was reappointed as director at large in 2009. Jenkins served as president of TRA's board of directors from 2003-2005 and as vice president from 2001-2003. He was chairman of the executive committee from 2005-2007 and chairman of the resources development committee from 2000-2002. He served as chairman of the administration committee from 2007-2009 and chairman of the legal committee from 2009-2013. Jenkins was reappointed as director at large in 2009.

JESS A. LAIRD of Athens, Texas (member, executive committee and chairman, administration committee). Laird is chief executive officer and president of First State Bank in Athens, Texas. He serves on the boards of directors of First State Bank in Athens, the Independent Bankers Association of Texas, the Athens Economic Development Corporation and the Trinity Valley Community College Foundation. He is also treasurer of the Henderson County Salvation Army. Previously, Laird served as



president of the Athens Rotary Club, as president and director of the Cain Center and as president and director of the American Heart Association. He served on the board of managers for the East Texas Medical Center, and he has served on the board of directors for the Region VII Education Service Center, the Henderson County United Way and Keep Athens Beautiful. He earned a bachelor's degree from Texas A&M University and a master's degree from the University of Texas in Tyler. Laird was reappointed as director for Henderson County in 2013.

DAVID B. LEONARD of Liberty, Texas (member, administration committee). Leonard is the general manager and owner of Liberty-Dayton Chrysler, an auto dealership. He is a member of the Liberty-Dayton Chamber of Commerce and a member and past president of the Liberty Lions Club. Leonard is the director of the Knights of Columbus and a member of the Liberty Elks Lodge. He is past director of the Trinity Valley Exposition. He attended Lee College and was reappointed as director for Liberty County in 2013.

KEVIN MAXWELL of Crockett, Texas (member, executive committee and special committee on water policy and sales and chairman, resources development committee). Maxwell is president of S.C. Maxwell Co. Inc., a construction, real estate and ranching business. Maxwell is a member of the Texas Wildlife Association, a member of the Sharon Temple Shriners and a 32nd degree Scottish Rite mason. He is president of the Crockett Athletic Booster Club and a member of the Houston Livestock Show and Rodeo Go Texan Committee. In the past, Maxwell has been chairman of the Crockett Area Chamber of Commerce, president of the Crockett Merchants Little League, master of the Lothrop Masonic Lodge and member of the Crockett Rotary Club. He earned a bachelor's degree from Sam Houston State University. Maxwell was reappointed as director for Houston County in 2009.

DENNIS "JOE" MCCLESKEY of Apple Springs, Texas (member, resources development committee). McCleskey is owner of Angelina Excavating Inc. He is secretary/treasurer of the Piney Woods Chapter of the National Wild Turkey Federation and a member of the Texas Wildlife Association, the Lufkin Host Lions Club, and the Angelina County Youth Fair Buyers Group Committee. He is also past president of the Deep East Texas Association of Builders, a former committee member of the Hudson ISD Community Involvement Advisory Board, and a past volunteer with the Angelina County Habitat for Humanity. McCleskey was appointed director for Trinity County in 2013.

JAMES W. NEALE of Dallas, Texas (member, utility services committee). Neale is president and owner of Quorum Energy Company, an exploration and production company in the oil and gas business. He is chairman of the District 9 advisory council for the Dallas Independent School District and a member of the Trinity Trust Foundation. Neale served as executive assistant to Governor Bill Clements and as an executive committee member for the Dallas Blue Foundation. He served a term as foreman for the Dallas County Grand Jury in January 2005. Neale earned a bachelor's degree from the University of Texas in Austin. Neale was reappointed as director for Dallas County in 2013.

MANNY RACHAL of Livingston, Texas (member, legal committee and special committee on water policy and sales). Rachal is president of Shrimp Boat Manny's, an established seafood restaurant since 1985. He is a successful real estate developer in Polk and Angelina counties, creating both Rachal Properties and M&N Investments. He is a member of the Polk and Angelina County Chamber of Commerce. Rachal was previously an active member of the Lafayette, Louisiana, Jaycees and the Evangeline Area Boy Scouts Council. He attended the University of Southwestern Louisiana. Rachal was reappointed as director for Polk County in 2009.

AMIR RUPANI of Dallas, Texas (member, utility services committee). Rupani is chief executive officer and president of King Import Warehouse. He is also president and chief executive officer of Texas Prince Inc. He serves as chairman of the Greater Dallas Asian American Chamber of Commerce and on the board of directors for the World Affairs Council in Dallas/Fort Worth. Formerly, he served on the board of directors for the Dallas Convention and Visitor's Bureau, the Dallas Citizens Council, the Dallas Assembly and the Dallas Planning and Zoning Board. He is the founder, organizer and former president of One World Holding Inc. and former chairman of One World Bank. Rupani was named Businessman of the Year in 2005 by the Pakistan American Congress in Washington, D.C. He received the Pioneer Award in 2006 from the Dallas/Fort Worth Asian American Citizens Council and the Minority Business Leader Award in 2008 from the Dallas Business Journal. Under his leadership, King Import Warehouse was named Exemplary Importer/Exporter Firm of the Year in 2004 by the Minority Business Development Agency, a branch of the U.S. Department of Commerce. King Import Warehouse was named the Fastest Growing Company in Dallas by the Cox School of Business at Southern Methodist University in 2004. Rupani attended City College of Karachi in Pakistan. Rupani was reappointed as director at large in 2013.

ANA LAURA SAUCEDO of Dallas, Texas (member, administration committee). Saucedo invests in residential property. She is a former news reporter for KLIF and KRLD radio in Dallas. Saucedo worked for the Office of Minority Business Enterprise, and the Department of Commerce and was instrumental in developing the Texas Association of Mexican American Chambers of Commerce and the U. S. Hispanic Chamber of Commerce. She spent twelve years volunteering with the Parent Teacher Association and was awarded a Life Member Honor by the Socorro Independent School District in El Paso, Texas. She was elected trustee of Socorro ISD and was appointed to the Texas Commission on Human Rights. She is currently the president of the Pike Park Preservation League and coordinates cultural and historical activities at one of the oldest parks in Dallas. Saucedo was reappointed as director for Dallas County in 2013.

SHIRLEY K. SEALE of Anahuac, Texas (member, administration committee). Seale is a financial advisor for Edward Jones, an investments company. Seale is a member of the Chambers County Economic Development Board and a member of the West Chambers County Chamber of Commerce. She was a member of the board of directors for the Gulf Coast Waste Disposal Authority from 1997 to 2007. Seale served as a board member for the Chambers County Industrial Development Board and as fundraiser chairman for the Chambers County American Heart Association. She is a member of the Chambers County Republican Women where she served as treasurer, vice president and delegate to the State Republican Women's Association. Seale is a member of the First Baptist Church of Anahuac and has served as church treasurer for ten years. Seale is a graduate of the Southwestern Graduate School of Banking and attended Lee College, Lamar University and Bank Operations School at East Texas State University. Seale was reappointed as director for Chambers County in 2009.

DUDLEY K. SKYRME of Palestine, Texas (member, resources development committee). Skyrme is a retired sales and construction manager for United Bilt Homes, LLC, and is a volunteer of the Palestine Community Food Pantry. He served in the US Navy. Skyrme received a bachelor's degree from the University of Central Arkansas. Skyrme was appointed as director for Anderson County in 2013.

C. DWAYNE SOMERVILLE of Mexia, Texas (member, legal committee). Somerville is president and owner of Natural Alternatives, Inc., Henderson RV Sales, Palestine RV Center, Eagle Ford RV Park, South Texas Family Housing, and Wash Mart Laundry, and president of Fairfield Homes and Land, LLC. He is a member of the Coin Laundry Association, an assistant scoutmaster of the Mexia Boy Scouts of America, and a youth group leader for the First Baptist Church of Mexia. Somerville attended Kilgore College. Somerville was appointed as director for Freestone County in 2013.

J. CAROL SPILLARS of Madisonville, Texas (member, resources development committee). Spillars is a file manager for Linebarger Goggan Blair & Sampson, LLP and co-owner of Spillars Family JKBar Ranch. She retired from Madisonville Consolidated Independent School District after 26 years of service. Spillars is a past member of the Texas Association of School Business Officials and the Texas Association of School Boards. She is a certified educational office professional and a certified Texas school business specialist. Spillars was reappointed as director for Madison County in 2013.

## MANAGEMENT OFFICERS

J. KEVIN WARD, General Manager. Mr. Ward joined TRA in February 2011. Ward's role as chief executive officer of TRA tasks him with oversight of the largest river authority in Texas and the largest wholesale provider of wastewater treatment services in the state. With the support of seven staff groups and more than 400 employees, Ward drives the implementation of board policy for the operation and development of five water treatment facilities, five wastewater treatment facilities and one recreation project, plus water sales from four reservoirs – all serving 63 wholesale customers including cities, municipalities or districts throughout the Trinity River basin. Ward is also charged with managing the Authority's assets of more than \$1.7 billion and a current operating budget of more than \$199 million.

Ward served as executive administrator of the Texas Water Development Board from May 2002 to February 2011 and in various other capacities at that state agency from 1987 to 2002. Under the direction of a six-member board appointed by the governor, the TWDB is responsible for planning the statewide development of water resources, financing water-related infrastructure, and maintaining and disseminating natural resource data for Texas, which includes water-bearing formations and watersheds.

Ward was the presiding officer of the Water Conservation Implementation Task Force, created through Senate Bill 1094, 78th Texas Legislature, which produced the Report to the 79th Legislature and the Best Management Practices Guide to encourage increased use of water conservation throughout the state. He is the immediate past president of the Council of Infrastructure Financing Authorities and was an active participant on the State/Environmental Protection Agency State Revolving Fund workgroup several years ago for implementing the Clean and Drinking Water State Revolving Fund programs. Ward currently serves on the Visiting Committee for the Bureau of Economic Geology. He was honored in 2011 with the Water Environment Association of Texas Outstanding Public Official Award for actively promoting sound science in policy and regulations affecting water environment issues within the State of Texas through documented, significant contributions in the areas of legislation, public policy and government service.

FIONA M. ALLEN, P.E., regional manager, Northern Region. Allen joined the TRA in March 2011. Following eight years of consulting engineering experience early in her career, she joined the city of Arlington, Texas, as a water utilities civil engineer. Over her 20-year career at the city of Arlington, Allen served in various roles, including water utilities field operations manager, assistant director of utilities/operations and engineering, and assistant director of utilities/business services. She was promoted to director of utilities and subsequently, in 2005, served as interim deputy city manager over information technology, human resources, management services, finance and general services. In 2006, she was named deputy city manager/capital investment, overseeing public works, water utilities and environmental services. In 2009, she was named deputy city manager/economic development, overseeing aviation, convention center, planning and development, and the economic development office, with the duties of supervising public works and water utilities added in 2010. Allen retired from the city of Arlington in February 2013. She holds licenses as a professional engineer and a registered sanitarian, and holds TCEQ class B-distribution operator and class III wastewater system operator licenses. She is a member of the Texas A&M University civil engineering advisory council, the American Water Works Association, the Texas Water Conservation Association, and the American Society of Civil Engineers. She is a past board member of the Texas Municipal League, past president of the Texas Municipal Utilities Association, and former chairman of the Texas Water Utilities North Central Texas Regional School, and she also serves on various school and community boards. She holds a bachelor's degree from Texas A&M University.

ALISON A. MACKEY, CPA, chief financial officer. Mackey received a Bachelor of Business Administration Degree in Accounting from Texas Tech University as well as a Master of Business Administration Degree in Finance from the University of Texas at Arlington. Mackey became a Certified Public Accountant in 1985 and was employed by Hunt Energy Corp. for several years before joining the Authority in 2001 as Internal Auditor. She was promoted to Manager, Special Projects, then Executive Assistant to the General Manager, and Executive Project Manager before becoming Chief Financial Officer. She is currently serving as the Secretary of the Arlington Federal Credit Union Board of Directors. She has held various volunteer leadership positions with the Parent Teacher Association of Texas and the YMCA of Arlington where she was a Board Member. She is currently a member of the Texas Society of Certified Public Accountants, the Texas Water Conservation Association, the American Water Works Assoc. and the Water Environment Federation.

JIMMIE R. SIMS, regional manager, Southern Region. Sims received a bachelor's degree from Texas A&M University. He began working for the Trinity River Authority in 1973 at the Devers Canal System and became project manager for Lake Livingston recreation facilities in 1977. In 1983 he became project manager for the Lake Livingston utility services project and advanced to division manager of the water services division in 1985. Sims was promoted to assistant regional manager, Southern Region, in 1988 and advanced to his current position in 1996. Sims is a former member of the board of directors of the Huntsville-Walker County Chamber of Commerce. He has also served as chairman of the Huntsville Planning and Zoning Commission and is an active member of the American Water Works Association and the Texas Water Conservation Association. He has served on the board of directors of the Huntsville Boys Baseball Association and has been an active supporter of Huntsville area youth baseball programs. In addition, Sims served as the executive vice president of the Huntsville Amateur Baseball Association and was recognized as the 2007 Volunteer of the Year by that organization.

THOMAS D. SANDERS, construction services manager. Sanders received a bachelor's degree in education from the University of Texas at Austin and a bachelor's degree in civil engineering from the University of Texas at Arlington. Sanders joined TRA in 1979 as manager of administrative and technical services for the Northern Region. Later that year he was promoted to assistant regional manager, Northern Region. He was promoted to his current position in 1985. Sanders is a member of Tau Beta Pi and Chi Epsilon, both engineering honor fraternities. He is a board of trustee member for the William C. Martin United Methodist

Church in Bedford. He is a past member of the church's administrative board and nominating committee, and he is a past member of the Airport Area YMCA board of directors.

J. SAM SCOTT, executive services manager. Scott received a bachelor's degree from East Texas State University. He joined TRA in 1973, and his responsibilities now include managing the aircraft operation division, the public information division and the planning and environmental management division. He is also responsible for congressional and state legislative liaison activities, and he serves as TRA's chief disbursing officer. In addition, he is past chairman of the board of directors of the Arlington Federal Credit Union and is a member of the Arlington Downtown Rotary Club. Scott was an army communications specialist and served in the White House Communication Agency, which was responsible for providing communications services to the president.

HOWARD S. SLOBODIN, secretary, board of directors and general counsel. Slobodin earned a bachelor's degree, graduating cum laude and Phi Beta Kappa, from the University of Oregon and a law degree, with honors, from the University of Texas School of Law. He joined the Trinity River Authority in 2008. Prior to joining TRA, Slobodin practiced environmental and water law in both the public and private sectors. He began his practice as an assistant attorney general with the natural resources division of the Texas Attorney General's Office and subsequently represented investor-owned utilities, public utilities and districts, and private landowners in matters related to water and wastewater.

DON A. TUCKER, general services manager. Tucker received a bachelor's degree from the University of Texas at Arlington and has completed extensive graduate work in the School of Urban Studies at UTA. He served in the United States Marine Corps infantry in Vietnam. Prior to joining the Trinity River Authority, Tucker served as supervisor for the claims cost control unit for the Travelers Insurance Company and as a senior underwriter for the Mortgage Guaranty Insurance Corporation. Tucker joined TRA in 1976 as director of administration and was promoted to division manager in 1978. He advanced to his current position in 1997. Tucker has an associate's degree in risk management from the Chartered Property Casualty Underwriters/American Insurance Institute. In 1996 he was selected as Safety Manager of the Year by the Texas Safety Association and currently serves on the board of directors for that organization. He is a member of the Public Risk Insurance Management Association, and the American Society of Safety Engineers. He has served as campaign chairman and/or loaned executive for the United Way for 20 years. He has also served as a member of the board of directors of the Arlington North Little League and the American Cancer Society.

**APPENDIX B**

**TRINITY RIVER AUTHORITY OF TEXAS  
REGIONAL WASTEWATER SYSTEM  
2013 REVENUE REPORT**

*Contracting Parties:*

*Town of Addison, Texas  
City of Arlington, Texas  
City of Bedford, Texas  
City of Carrollton, Texas  
City of Cedar Hill, Texas  
City of Colleyville, Texas  
City of Coppell, Texas  
City of Dallas, Texas  
Dallas – Fort Worth International Airport Board  
City of Duncanville, Texas  
City of Euless, Texas  
City of Farmers Branch, Texas  
City of Fort Worth, Texas  
City of Grand Prairie, Texas  
City of Grapevine, Texas  
City of Hurst, Texas  
City of Irving, Texas  
City of Keller, Texas  
City of Mansfield, Texas  
City of North Richland Hills, Texas  
City of Southlake, Texas*

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## TOWN OF ADDISON, TEXAS

**TABLE 1 - WATER AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|   | Fiscal Year Ended September 30, |                     |                     |                     |                     |
|---|---------------------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2012                            | 2011                | 2010                | 2009                | 2008                |
| <u>Revenues</u>                         |                                 |                     |                     |                     |                     |
| Water Sales                             | \$6,272,622                     | \$6,140,865         | \$4,758,886         | \$4,972,519         | \$4,618,862         |
| Sewer Service                           | 4,761,033                       | 4,496,894           | 3,933,498           | 4,108,426           | 4,193,659           |
| Interest Income                         | (60,181)                        | (23,736)            | (3,796)             | 171,563             | 178,595             |
| Other Income                            | 95,045                          | 102,809             | 113,685             | 110,398             | 95,868              |
| Total Revenue                           | <u>\$11,068,519</u>             | <u>\$10,716,832</u> | <u>\$8,802,273</u>  | <u>\$9,362,906</u>  | <u>\$9,086,984</u>  |
| <u>Expenses</u>                         |                                 |                     |                     |                     |                     |
| Water Purchase                          | \$2,859,454                     | \$2,520,302         | \$2,603,155         | \$2,555,204         | \$2,408,778         |
| Sewer Treatment                         | 2,063,043                       | 1,889,041           | 1,736,262           | 1,933,859           | 1,832,671           |
| Other Expenses                          | 2,482,333                       | 2,470,905           | 2,344,165           | 2,483,206           | 2,544,386           |
| Total Operating Expenses <sup>(1)</sup> | <u>\$7,404,830</u>              | <u>\$6,880,248</u>  | <u>\$6,683,582</u>  | <u>\$6,972,269</u>  | <u>\$6,785,835</u>  |
| Net Available for Debt Services         | <u>\$ 3,663,689</u>             | <u>\$ 3,836,584</u> | <u>\$ 2,118,691</u> | <u>\$ 2,390,637</u> | <u>\$ 2,301,149</u> |
| Water Customers                         | 3,559                           | 3,512               | 3,470               | 3,466               | 3,431               |
| Sewer Customers                         | 2,568                           | 2,536               | 2,512               | 2,508               | 2,512               |

(1) Excludes depreciation.

As of September 30, 2012, the City has no water and sewer revenue bonds outstanding, however, the City does have outstanding General Obligation Bonds and Certificates of Obligation supported by the Utility Fund..

**TABLE 2 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of September 30, 2012, the City has no authorized but unissued revenue bonds.

**TABLE 3 - WATER USAGE**

| Year<br>Ended<br>30-Sep | Total<br>Water Purchased<br>In Gallons | Average Daily<br>Usage<br>In Gallons | Maximum Daily<br>Usage<br>In Gallons |
|-------------------------|--|--------------------------------------|--------------------------------------|
| 2008                    | 1,760,408,000                          | 4,846,607                            | 8,421,000                            |
| 2009                    | 1,680,000,000                          | 4,630,000                            | 8,750,000                            |
| 2010                    | 1,580,000,000                          | 4,330,000                            | 8,900,000                            |
| 2011                    | 1,830,000,000                          | 5,010,000                            | 9,400,000                            |
| 2012                    | 1,848,000,000                          | 5,021,000                            | 8,871,000                            |

**TABLE 4 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 2011)**

| <u>Residential</u>          |                          | <u>Commercial</u>    |                    |
|-----------------------------|--------------------------|----------------------|--------------------|
| <u>Single Family</u>        |                          | <u>Large</u>         |                    |
| First 2,000 gallons         | \$ 10.56 (minimum)       | First 37,000 gallons | \$ 90.36 (minimum) |
| Next 13,000 gallons         | \$ 2.28/M gallons        | Over 37,000 gallons  | 2.28/M gallons     |
| Over 15,000 gallons         | \$ 4.57/M gallons        |                      |                    |
| <u>Multi-Family (Small)</u> |                          | <u>Small</u>         |                    |
| First 15,000 gallons        | \$ 40.20 (minimum)       | First 5,000 gallons  | \$ 17.40 (minimum) |
| Over 15,000 gallons         | \$ 2.28/thousand gallons | Over 5,000 gallons   | \$ 2.28/M gallons  |
| <u>Multi-Family (Large)</u> |                          |                      |                    |
| First 37,000 gallons        | \$ 90.36 (minimum)       |                      |                    |
| Over 37,000 gallons         | \$ 2.28/thousand gallons |                      |                    |

**TABLE 5 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 2011)**

| <u>Residential</u>                 |                       | <u>Commercial</u>    |                     |
|------------------------------------|-----------------------|----------------------|---------------------|
| <u>Single Family<sup>(1)</sup></u> |                       | <u>Large</u>         |                     |
| First 2,000 gallons                | \$ 15.48 (minimum)    | First 37,000 gallons | \$ 181.38 (minimum) |
| Next 6,000 gallons                 | \$ 4.74/M gallons     | Over 37,000 gallons  | 4.74/M gallons      |
| Maximum Rate                       | \$ 43.92              |                      |                     |
| <u>Multi-Family (Small)</u>        |                       | <u>Small</u>         |                     |
| First 15,000 gallons               | \$ 77.10 (minimum)    | First 5,000 gallons  | \$ 29.70 (minimum)  |
| Over 15,000 gallons                | 4.74/thousand gallons | Over 5,000 gallons   | \$ 4.74/M gallons   |
| <u>Multi-Family (Large)</u>        |                       |                      |                     |
| First 37,000 gallons               | \$ 181.38 (minimum)   |                      |                     |
| Over 37,000 gallons                | 4.74/thousand gallons |                      |                     |

(1) Maximum 8,000 gallons

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## CITY OF ARLINGTON, TEXAS

**TABLE 1 - WATER AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS <sup>(1)</sup>**

|  | Fiscal Year Ended September 30, |                        |                        |                        |                        |
|--|---------------------------------|------------------------|------------------------|------------------------|------------------------|
|  | 2012                            | 2011                   | 2010                   | 2009                   | 2008                   |
| <b><u>Revenues</u></b>                         |                                 |                        |                        |                        |                        |
| Water Sales                                    | \$61,937                        | \$70,339               | \$57,459               | \$57,685               | \$54,312               |
| Sewer Service                                  | 47,999                          | 48,076                 | 44,890                 | 45,749                 | 42,208                 |
| Interest Income                                | 375                             | 565                    | 747                    | 1,641                  | 2,147                  |
| Other Income                                   | 4,783                           | 5,027                  | 5,451                  | 4,790                  | 5,804                  |
| Total Revenue                                  | <u>\$115,094</u>                | <u>\$124,007</u>       | <u>\$108,547</u>       | <u>\$109,865</u>       | <u>\$104,471</u>       |
| <b><u>Expenses</u></b>                         |                                 |                        |                        |                        |                        |
| Labor Costs                                    | \$13,955                        | \$13,039               | \$13,085               | \$13,464               | \$12,959               |
| Supplies                                       | 3,448                           | 3,264                  | 2,955                  | 4,077                  | 3,576                  |
| Maintenance                                    | 3,508                           | 3,487                  | 2,780                  | 3,300                  | 2,779                  |
| Water Supply (The District)                    | 17,931                          | 16,531                 | 13,676                 | 13,082                 | 11,782                 |
| Sewer Treatment Contracts                      | 23,979                          | 23,987                 | 20,873                 | 22,126                 | 19,606                 |
| Utilities                                      | 3,183                           | 3,088                  | 3,162                  | 3,181                  | 3,562                  |
| Other Expenses                                 | 4,296                           | 4,528                  | 4,199                  | 4,177                  | 3,962                  |
| Total Operating Expenses Before Depreciation   | <u>\$70,300</u>                 | <u>\$67,924</u>        | <u>\$60,730</u>        | <u>\$63,407</u>        | <u>\$58,226</u>        |
| Net Revenues of the Systems                    | \$44,794                        | \$56,083               | \$47,817               | \$46,458               | \$46,245               |
| Interest During Construction<br>Included Above | <u>304</u>                      | <u>436</u>             | <u>649</u>             | <u>1,291</u>           | <u>956</u>             |
| Net Available for Debt Service                 | <u><u>\$45,098</u></u>          | <u><u>\$56,519</u></u> | <u><u>\$48,466</u></u> | <u><u>\$47,749</u></u> | <u><u>\$47,201</u></u> |
| Water Customers                                | 99,758                          | 99,484                 | 99,288                 | 99,141                 | 98,924                 |
| Sewer Customers                                | 97,801                          | 97,343                 | 97,185                 | 96,895                 | 98,187                 |

(1) Amounts expressed in thousands.

**TABLE 2 - COVERAGE AND FUND BALANCES**

|  |                           |
|--|---------------------------|
| Waterworks and Sewer System Revenue Bonds Outstanding (as of 9/30/12)      | \$ 160,701,376            |
| Principal and Interest Requirements, 2013                                  | \$ 14,888,319             |
| Average Annual Principal and Interest Requirements, 2012-2030              | \$ 7,883,000              |
| Coverage of Average Requirements by 9/30/11 Net Available for Debt Service | 5.72 Times <sup>(1)</sup> |
| Maximum Principal and Interest Requirements, 2013                          | \$ 14,888,319             |
| Coverage of Requirements by 9/30/12 Net Available for Debt Service         | 3.03 Times <sup>(1)</sup> |
| Interest and Sinking Fund (as of 9/30/12)                                  | \$ 8,556,000              |
| Reserve Fund (as of 9/30/12)   | \$ 13,419,000             |

(1) Calculations based on preliminary numbers provided by City Officials.

**TABLE 3 - WATER USAGE**

| Year<br>Ended 30-<br>Sep | Total Production<br>in Gallons | Average Daily<br>Production in<br>Gallons | Maximum Daily<br>Production in<br>Gallons |
|--------------------------|--------------------------------|---|---|
| 2008                     | 20,888,000,000                 | 57,230,000                                | 109,490,000                               |
| 2009                     | 21,734,000,000                 | 59,540,000                                | 115,200,000                               |
| 2010                     | 20,236,000,000                 | 55,440,000                                | 102,240,000                               |
| 2011                     | 23,451,000,000                 | 64,250,000                                | 114,690,000                               |
| 2012                     | 21,166,000,000                 | 57,990,000                                | 106,450,000                               |

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**TABLE 4 – WATER RATES (EFFECTIVE OCTOBER 1, 2012)**

| Water Rates (Fixed Monthly Fee)    |                |
|------------------------------------|----------------|
| Meter Size                         | Monthly Charge |
| 3/4" ( $\leq 2,000$ gal)           | \$5.00         |
| 3/4" ( $\geq 3,000$ gal)           | 8.57           |
| 1"                                 | 15.00          |
| 1 1/2"                             | 34.28          |
| 2"                                 | 59.99          |
| 3"                                 | 140.16         |
| 4"                                 | 224.98         |
| 6"                                 | 523.07         |
| 8"                                 | 819.67         |
| 10"                                | 1,231.24       |
| Conservation Rates Block Structure |                |
| Residential                        |                |
| Usage (1,000 gallons)              | Water          |
| 0 - 2                              | \$ 1.42        |
| 3 - 10                             | 2.02           |
| 11 - 15                            | 2.98           |
| 16 - 29                            | 3.44           |
| $\geq 30$                          | 4.11           |
| Commercial                         |                |
| Usage (1,000 gallons)              | Water          |
| 0 - 15                             | \$ 2.09        |
| $\geq 16$                          | 2.40           |
| Irrigation                         |                |
| Usage (1,000 gallons)              | Rate           |
| 0 - 29                             | \$ 3.44        |
| $\geq 30$                          | 4.11           |
| Construction                       |                |
| Usage (1,000 gallons)              | Rate           |
| 0-99                               | \$ 4.78        |
| $\geq 100$                         | 6.03           |

**TABLE 5 - SEWER RATES (EFFECTIVE OCTOBER 1, 2012)**

| Sewer Rates<br>(based on water consumption) |                |
|---|----------------|
| Meter Size                                  | Monthly Charge |
| 3/4" ( $\leq 2,000$ gal)                    | \$4.20         |
| 3/4" ( $\geq 3,000$ gal)                    | 8.05           |
| 1"  | 14.09          |
| 1 1/2"                                      | 32.20          |
| 2"  | 56.35          |
| 3"  | 86.10          |
| 4"  | 149.31         |
| 6"  | 341.02         |
| 8"  | 537.07         |
| 10"   | 806.50         |

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Conservation Rates Block Structure

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Residential

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| Usage (1,000 gallons) | Wastewater |
|-----------------------|------------|
| 0 - 2                 | \$ 3.33    |
| 3 - 10                | 3.33       |
| 11 - 15               | 3.33       |
| 16 - 29               | 3.33       |
| $\geq 30$             | 3.33       |

---

Commercial

---

| Usage (1,000 gallons) | Wastewater |
|-----------------------|------------|
| 0 - 15                | \$ 3.33    |
| $\geq 16$             | 3.33       |

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## CITY OF BEDFORD, TEXAS

**TABLE 1 - WATER AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|   | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|---|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Revenues</u>                                     | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| Water Sales   | \$ 12,185,112                   | \$ 12,943,929        | \$ 10,475,115        | \$ 9,557,761         | \$ 8,460,449         |
| Charges for Sewer Services                          | 5,995,840                       | 5,884,928            | 5,364,676            | 4,430,273            | 4,117,904            |
| Interest Income                                     | 15,816                          | 35,616               | 11,783               | 36,991               | 200,812              |
| Other   | 734,183                         | 1,098,660            | 482,405              | 676,676              | 797,617              |
| Total Revenue                                       | <u>\$ 18,930,951</u>            | <u>\$ 19,963,133</u> | <u>\$ 16,333,979</u> | <u>\$ 14,701,701</u> | <u>\$ 13,576,782</u> |
| <u>Expenses</u>                                     |                                 |                      |                      |                      |                      |
| Water Supply and Distribution                       | \$ 7,914,658                    | \$ 9,102,950         | \$ 8,243,196         | \$ 7,420,914         | \$ 8,092,292         |
| Wastewater Collection and Disposal                  | 3,837,162                       | 3,744,916            | 3,629,709            | 3,576,468            | 3,177,814            |
| Billing and Collection                              | 1,155,188                       | 1,149,980            | 1,098,619            | 1,002,986            | 856,704              |
| Public Services/Engineering                         | 566,978                         | 554,722              | 560,172              | 538,904              | 493,221              |
| Total Expense                                       | <u>\$ 13,473,986</u>            | <u>\$ 14,552,568</u> | <u>\$ 13,531,696</u> | <u>\$ 12,539,272</u> | <u>\$ 12,620,031</u> |
| Net Available for Debt Service                      | \$ 5,456,965                    | \$ 5,410,565         | \$ 2,802,283         | \$ 2,162,429         | \$ 956,751           |
| Administrative Overhead/Payment<br>in Lieu of Taxes | <u>2,147,258</u>                | <u>2,057,276</u>     | <u>1,865,996</u>     | <u>1,806,316</u>     | <u>1,806,316</u>     |
| Net Operating Income                                | \$ 3,309,707                    | \$ 3,353,289         | \$ 936,287           | \$ 356,113           | \$ (849,565)         |
| Water Customers                                     | 23,046                          | 23,090               | 23,068               | 23,130               | 23,085               |
| Sewer Customers                                     | 22,577                          | 22,623               | 22,575               | 22,620               | 22,539               |

**TABLE 2 - COVERAGE AND FUND BALANCES**

As of September 30, 2012, the City has no water and sewer revenue bonds outstanding.

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of September 30, 2012, the City has no authorized but unissued revenue bonds, and pursuant to State law is not required to approve its revenue bonds through election.

**TABLE 4 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2010)**

With the exception of multi-family dwellings the minimum charge for various size meters per month shall be:

| <u>Meter Size</u>                          | <u>Rates Per Month</u>  |
|--|-------------------------|
| 5/8 inch meter                             | \$ 18.37                |
| 5/8 inch meter (Citizens aged 65 and over) | 16.70                   |
| 1 inch meter                               | 36.73                   |
| 1 inch meter (Citizens aged 65 and over)   | 33.40                   |
| 1 ½ inch meter                             | 73.47                   |
| 2 inch meter                               | 117.59                  |
| 3 inch meter                               | 220.49                  |
| 4 inch meter                               | 352.82                  |
| 6 inch meter                               | 1,323.04                |
| Fire Hydrant Meter                         | 194.60                  |
| All water used per month                   | 2.89 per 1,000 gallons. |

**TABLE 5 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2010) <sup>(1)</sup>**

| <u>Meter Size</u>                          | <u>Wastewater</u>   |
|--|---|
| 5/8 or 3/4 inch meter                      | \$ 10.88  |
| 5/8 inch meter (Citizens aged 65 and over) | 9.88  |
| 1 inch meter                               | 16.35   |
| 1 inch meter (Citizens aged 65 and over)   | 14.85   |
| 1 ½ inch meter                             | 25.49   |
| 2 inch meter                               | 36.42   |
| 3 inch meter                               | 65.58   |
| 4 inch meter                               | 98.46   |
| 6 inch meter                               | 189.72  |
| Volume Charge                              | 1.72 per 1,000 gallons<br>up to 12,000 gallons <sup>(2)</sup> |

(1) Based on average volume of water billed during December, January and February (residential).

(2) No charge over 12,000 – residential accounts only.

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## CITY OF CARROLLTON, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                 | Fiscal Year Ended September 30, |              |              |              |              |
|---------------------------------|---------------------------------|--------------|--------------|--------------|--------------|
|                                 | 2012                            | 2011         | 2010         | 2009         | 2008         |
| Revenues:                       | \$35,011,924                    | \$37,264,408 | \$33,585,356 | \$34,546,031 | \$36,108,584 |
| Expenses:                       |                                 |              |              |              |              |
| Personal Services               | 3,431,921                       | 3,510,275    | 3,573,380    | 3,726,351    | 3,648,949    |
| Supplies and Services           | 20,652,052                      | 19,265,802   | 18,359,278   | 18,792,132   | 17,597,382   |
| Utilities                       | 898,975                         | 948,136      | 905,799      | 1,233,722    | 1,287,743    |
| Allocations                     | 1,111,285                       | 1,062,926    | 1,098,674    | 1,138,529    | 1,073,111    |
| Bad Debts                       | 63,100                          | 61,893       | 59,032       | 74,325       | 66,812       |
| Transfers Out                   | 3,466,178                       | 3,346,964    | 3,265,278    | 3,282,643    | 3,270,586    |
| Total Expenses                  | \$29,623,511                    | \$28,195,996 | \$27,261,441 | \$28,247,702 | \$26,944,583 |
| Net Available for Debt Services | \$5,388,413                     | \$9,068,412  | \$6,323,915  | \$6,298,329  | \$9,164,001  |
| Customer Count Water/Sewer      | 34,971                          | 35,802       | 33,915       | 34,825       | 34,878       |
| Average Annual Debt Service     | \$ 1,609,769                    | \$ 1,775,052 | \$ 1,843,461 | \$ 1,903,950 | \$ 1,958,624 |
| Coverage                        | 3.35 Times                      | 5.11 Times   | 3.43 Times   | 3.31 Times   | 4.68 Times   |

**TABLE 2 - COVERAGE AND FUND BALANCES**

|   |              |
|---|--------------|
| Waterworks and Sewer System Revenue Bonds Outstanding (as of 9/30/12)         | \$18,795,000 |
| Principal and Interest Requirements, 2013                                     | 2,404,679    |
| Coverage of Requirements by 9/30/12 Net Available for Debt Service            | 2.24 Times   |
| Average Annual Principal and Interest Requirements, 2013-2027 (as of 9/30/12) | 1,609,769    |
| Coverage of Average Requirements by 9/30/12 Net Available for Debt Service    | 3.35 Times   |
| Maximum Principal and Interest Requirements, 2013 (as of 9/30/12)             | 2,404,679    |
| Coverage of Requirements by 9/30/12 Net Available for Debt Service            | 2.24 Times   |
| Interest and Sinking Fund (as of 9/30/12)                                     | \$1,001,949  |
| Reserve Fund (as of 9/30/12)  | \$1,610,108  |

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of September 30, 2012, the City had no authorized but unissued revenue bonds.

**TABLE 4 - TOP TEN LARGEST WATER CUSTOMERS**

| Name                          | Type                | Revenues            | % of Total<br>Water Revenues |
|-------------------------------|---------------------|---------------------|------------------------------|
| Carrollton-Farmers Branch ISD | School District     | \$ 494,344          | 2.21%                        |
| Western Extrusions Inc.       | Manufacturing       | 159,397             | 0.71%                        |
| BH Autumn Chase Apts. LP.     | Apartments          | 126,487             | 0.57%                        |
| Country Square Associates     | Property Management | 94,784              | 0.42%                        |
| Lewisville ISD                | School District     | 127,621             | 0.57%                        |
| Azure Downtree L.P.           | Apartments          | 71,309              | 0.32%                        |
| Carrollton Edentree LP        | Apartments          | 86,226              | 0.39%                        |
| Bella Vida Gardens Assoc. LLC | Apartments          | 89,033              | 0.40%                        |
| Frankel Family Trust          | Apartments          | 84,108              | 0.38%                        |
| UDR The Meridian, LLC.        | Apartments          | 84,585              | 0.38%                        |
| TOTAL                         |                     | <u>\$ 1,417,894</u> | <u>6.35%</u>                 |

**TABLE 5 - WATER USAGE**

| Fiscal<br>Year<br>Ended | Average<br>Daily Use<br>In Gallons | Maximum<br>Daily Use<br>In Gallons | Total<br>Gallons<br>For Year |
|-------------------------|------------------------------------|------------------------------------|------------------------------|
| 2008                    | 22,547,161                         | 43,175,000                         | 8,229,714,000                |
| 2009                    | 21,117,000                         | 41,162,000                         | 7,707,993,000                |
| 2010                    | 19,635,000                         | 40,022,000                         | 7,166,971,000                |
| 2011                    | 22,311,000                         | 41,106,000                         | 8,143,386,000                |
| 2012                    | 20,808,000                         | 40,680,000                         | 7,594,764,000                |

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**TABLE 6 - MONTHLY WATER RATES (EFFECTIVE NOVEMBER 1, 2012)****Monthly Water Rates:****Minimum monthly charge, including the first 2,000 gallons of use:**

|  |    |        |
|--|----|--------|
| Single-family residential domestic and irrigation use  | \$ | 10.63  |
| Commercial (including apartments and portable meters), Industrial and commercial irrigation use: |    |        |
| 5/8" meter   | \$ | 10.63  |
| 1" meter   |    | 16.38  |
| 1.5" meter   |    | 25.99  |
| 2" meter   |    | 37.50  |
| 3" meter   |    | 68.21  |
| 4" meter   |    | 102.75 |
| 6" meter   |    | 198.73 |
| 8" meter   |    | 313.91 |
| 10" meter  |    | 448.26 |
| Fire Line regardless of size   |    | 57.90  |

**Use over the 2,000 gallons included in the minimum monthly usage charge:**

## Single-family residential domestic use:

|   |    |      |
|---|----|------|
| Meter Readings from October through April:  | \$ | 2.66 |
| All Over 2,000 gallons (per 1,000 gallons)  |    |      |
| Meter Readings from May through September:  |    |      |
| Next 8,000 gallons (per 1,000 gallons)      |    | 2.66 |
| All Over 10,000 gallons (per 1,000 gallons) |    | 3.58 |
| All Over 25,000 gallons (per 1,000 gallons) |    | 4.49 |

## Irrigation use:

|  |    |      |
|--|----|------|
| Next 23,000 gallons (per 1,000 gallons)          | \$ | 2.63 |
| Next 25,000 gallons (per 1,000 gallons)          |    | 3.15 |
| Next 50,000 gallons (per 1,000 gallons)          |    | 3.55 |
| Next 100,000 gallons (per 1,000 gallons)         |    | 4.02 |
| All use over 200,000 gallons (per 1,000 gallons) |    | 4.49 |

## Commercial use (Including apartments and portable meters.

|  |    |      |
|--|----|------|
| All use over 2,000 gallons (per 1,000 gallons) | \$ | 1.81 |
|--|----|------|

Industrial Use: Industrial use rates for water service will apply to customers in the business of assembly or manufacturing of goods and for which water usage equals or exceed 750,000 gallons per month for nine out of twelve months in the year:

|  |    |      |
|--|----|------|
| All use over 2,000 gallons (per 1,000 gallons) | \$ | 1.52 |
|--|----|------|

**TABLE 7 - MONTHLY SEWER RATES (EFFECTIVE FEBRUARY 1, 2010)**

**Monthly Sewer Rates:**

Residential use:

|  |    |      |
|--|----|------|
| First 2,000 gallons, minimum                   | \$ | 9.67 |
| All use over 2,000 gallons (per 1,000 gallons) |    | 2.02 |

Commercial (including apartments), Industrial and Irrigation minimum monthly charges, including the first 2,000 gallons of use:

|            |    |        |
|------------|----|--------|
| 5/8" meter | \$ | 9.67   |
| 1" meter   |    | 13.98  |
| 1.5" meter |    | 21.15  |
| 2" meter   |    | 29.75  |
| 3" meter   |    | 52.71  |
| 4" meter   |    | 78.52  |
| 6" meter   |    | 150.22 |
| 8" meter   |    | 236.27 |
| 10" meter  |    | 336.65 |

Commercial and Industrial use:

|  |    |      |
|--|----|------|
| All use over 2,000 gallons (per 1,000 gallons) | \$ | 2.02 |
|--|----|------|

# CITY OF CEDAR HILL, TEXAS

## TABLE 1 – WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

|   | Fiscal Year Ended September 30, |                       |                       |                      |                      |
|---|---------------------------------|-----------------------|-----------------------|----------------------|----------------------|
|   | 2012 <sup>(1)</sup>             | 2011                  | 2010                  | 2009                 | 2008                 |
| <b>OPERATING REVENUES</b>                               |                                 |                       |                       |                      |                      |
| Water Sales   | \$ 9,218,197                    | \$ 10,395,866         | \$ 7,901,704          | \$ 8,575,481         | \$ 9,085,245         |
| Sewer Sales   | 6,154,191                       | 5,752,101             | 5,453,589             | 5,244,621            | 4,941,585            |
| Other Charges   | 605,410                         | 543,416               | 406,748               | 483,755              | 517,488              |
| Total Operating Income                                  | <u>\$ 15,977,798</u>            | <u>\$ 16,691,383</u>  | <u>\$ 13,762,041</u>  | <u>\$ 14,303,857</u> | <u>\$ 14,544,318</u> |
| <b>OPERATING EXPENSES</b>                               |                                 |                       |                       |                      |                      |
| Sewage Treatment  | \$ 4,882,868                    | \$ 4,677,823          | \$ 4,680,129          | \$ 4,068,763         | \$ 3,809,777         |
| Purchase of Water                                       | 3,393,318                       | 3,267,212             | 3,212,622             | 3,025,125            | 2,811,772            |
| Personnel Services                                      | 2,661,270                       | 2,602,062             | 2,690,839             | 2,537,922            | 2,370,241            |
| Depreciation  | 1,508,399                       | 1,633,013             | 1,518,792             | 1,476,514            | 1,602,646            |
| Gross Receipts Tax                                      | 688,123                         | 726,659               | 627,021               | 642,213              | 644,739              |
| Heat, Light and Power                                   | 368,785                         | 471,003               | 417,263               | 459,475              | 498,065              |
| Maintenance   | 394,343                         | 311,234               | 297,286               | 294,709              | 304,158              |
| Contractual Services                                    | 502,537                         | 557,290               | 490,723               | 437,362              | 391,466              |
| Materials and Supplies                                  | 664,817                         | 337,206               | 921,099               | 323,617              | 328,398              |
| Miscellaneous   | 74,073                          | 72,562                | 92,020                | 250,291              | 79,604               |
| Total Operating Expenses                                | <u>\$ 15,138,534</u>            | <u>\$ 14,656,064</u>  | <u>\$ 14,947,794</u>  | <u>\$ 13,515,991</u> | <u>\$ 12,840,866</u> |
| <b>OPERATING INCOME</b>                                 | <u>\$ 839,264</u>               | <u>\$ 2,035,319</u>   | <u>\$ (1,185,753)</u> | <u>\$ 787,866</u>    | <u>\$ 1,703,452</u>  |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                |                                 |                       |                       |                      |                      |
| Other Revenues  | \$ 74,167                       | \$ 62,077             | \$ 64,610             | \$ 45,274            | \$ 41,527            |
| Interest Revenue  | 119,896                         | 125,261               | 186,944               | 219,773              | 604,215              |
| Gain (Loss) on Retirement of Assets                     | -                               | (1,195,204)           | 24,117                | -                    | (11,189)             |
| Interest and Fiscal Charges                             | (536,057)                       | (523,717)             | (604,986)             | (629,480)            | (523,216)            |
| Total Non-Operating Income                              | <u>\$ (341,994)</u>             | <u>\$ (1,531,583)</u> | <u>\$ (329,315)</u>   | <u>\$ (364,433)</u>  | <u>\$ 111,337</u>    |
| <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b> | <u>\$ 497,270</u>               | <u>\$ 503,736</u>     | <u>\$ (1,515,068)</u> | <u>\$ 423,433</u>    | <u>\$ 1,814,789</u>  |
| Contributions   | \$ 397,988                      | \$ 238,020            | \$ 370,066            | \$ 1,138,633         | \$ 3,429,343         |
| Contributions, Tap Fees & Other                         | 128,281                         | 116,149               | 153,328               | 35,380               | 200,131              |
| <b>TRANSFER OUT</b>                                     | <u>(1,800,000)</u>              | <u>(1,800,000)</u>    | <u>(1,800,000)</u>    | <u>(1,800,000)</u>   | <u>(1,802,000)</u>   |
| <b>NET INCOME</b>                                       | <u>\$ (776,461)</u>             | <u>\$ (942,095)</u>   | <u>\$ (2,791,674)</u> | <u>\$ (202,554)</u>  | <u>\$ 3,642,263</u>  |
| <b>ADDITIONS</b>  |                                 |                       |                       |                      |                      |
| Depreciation  | \$ 1,508,399                    | \$ 1,633,013          | \$ 1,518,792          | \$ 1,476,514         | \$ 1,602,646         |
| Interest & Fiscal Charges                               | 536,057                         | 523,717               | 604,986               | 629,480              | 523,216              |
| Gain (Loss) on Retirement of Assets                     | -                               | -                     | (24,117)              | -                    | 11,189               |
| Capital Recovery Fees                                   | -                               | 1,053,840             | 1,621,250             | -                    | -                    |
| Transfer Out  | 1,800,000                       | 1,800,000             | 1,800,000             | 1,800,000            | 1,802,000            |
| <b>TOTAL ADDITIONS</b>                                  | <u>\$ 3,844,456</u>             | <u>\$ 5,010,570</u>   | <u>\$ 5,520,911</u>   | <u>\$ 3,905,994</u>  | <u>\$ 3,939,051</u>  |
| <b>DEDUCTIONS</b>                                       |                                 |                       |                       |                      |                      |
| Contributions   | \$ 397,988                      | \$ 238,020            | \$ 370,066            | \$ 1,138,633         | \$ 3,429,343         |
| Capital Recovery Fees                                   | 128,281                         | 221,580               | -                     | 35,380               | 199,483              |
| Interest Income-Cap. Rec. Fees                          | -                               | 81,576                | -                     | 23,351               | 117,167              |
| Interest Income-Bond Proceeds                           | -                               | -                     | 91,053                | 79,428               | 313,218              |
| <b>TOTAL DEDUCTIONS</b>                                 | <u>\$ 526,269</u>               | <u>\$ 541,176</u>     | <u>\$ 461,119</u>     | <u>\$ 1,276,792</u>  | <u>\$ 4,059,211</u>  |
| <b>NET REVENUES</b>                                     | <u>\$ 2,541,726</u>             | <u>\$ 3,527,299</u>   | <u>\$ 2,268,118</u>   | <u>\$ 2,426,648</u>  | <u>\$ 3,522,103</u>  |

(1) Preliminary numbers, provided by City officials.

**TABLE 2 – COVERAGE AND FUND BALANCES**

|  |    |           |
|--|----|-----------|
| Average Annual Principal and Interest Requirements, 2013-2028  | \$ | 803,719   |
| Net Revenue Available for Debt Service                         | \$ | 2,541,726 |
| Coverage of Average Requirements by 9/30/12 Net Revenues       |    | 3.2x      |
| Maximum Principal and Interest Requirements, 2022              | \$ | 908,959   |
| Net Revenue Available for Debt Service                         | \$ | 2,541,726 |
| Coverage of Maximum Requirements by 9/30/12 Net Revenues       |    | 2.8x      |
| Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/13 | \$ | 9,325,000 |
| Interest and Sinking Fund, 9/30/12                             | \$ | 603,982   |
| Debt Service Reserve Fund, 9/30/12                             | \$ | 1,006,380 |

**TABLE 3 – AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of January 31, 2013, the City has no voted but unissued revenue bonds, and pursuant to State law, the City is not required to approve its revenue bonds through election.

**TABLE 4 – HISTORICAL WATER USAGE (GALLONS)**

| Fiscal Year<br>Ended<br>9/30 | Daily<br>Average<br>(MGD) | Peak<br>Day<br>(MGD) | Peak<br>Month<br>(MGD) | Total<br>Usage<br>(MGD) | Water<br>Revenue |
|------------------------------|---------------------------|----------------------|------------------------|-------------------------|------------------|
| 2008                         | 8.31                      | 13.1                 | 337.5                  | 3,031.5                 | \$ 9,085,245     |
| 2009                         | 8.70                      | 14.0                 | 346.4                  | 3,175.7                 | 8,575,481        |
| 2010                         | 8.10                      | 13.2                 | 316.4                  | 2,951.0                 | 7,901,704        |
| 2011                         | 8.54                      | 12.9                 | 368.0                  | 3,118.6                 | 10,395,866       |
| 2012                         | 7.34                      | 11.1                 | 280.0                  | 2,678.0                 | 9,218,194        |

**TABLE 5 – MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2012)**

|                     | New Rates      |                 |
|---------------------|----------------|-----------------|
|                     | Inside<br>City | Outside<br>City |
| First 1,000 Gallons | \$ 7.50        | \$ 7.50         |
| Next 49,000 Gallons | 4.98           | 4.98            |
| Over 50,000 Gallons | 4.98           | 4.98            |
|                     | Old Rates      |                 |
|                     | Inside<br>City | Outside<br>City |
| First 1,000 Gallons | \$ 7.25        | \$ 7.25         |
| Next 49,000 Gallons | 4.98           | 4.98            |
| Over 50,000 Gallons | 4.93           | 4.93            |

**TABLE 6 – MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2012)**

|                                       | Residential    |                 |                |                 |
|---------------------------------------|----------------|-----------------|----------------|-----------------|
|                                       | New Rates      |                 | Old Rates      |                 |
|                                       | Inside<br>City | Outside<br>City | Inside<br>City | Outside<br>City |
| First 1,000 Gallons                   | \$ 7.75        | \$ 7.75         | \$ 7.50        | \$ 7.50         |
| Over 1,000 Gallons                    | 6.70           | 6.70            | 6.27           | 6.27            |
| Residential charges capped at \$64.00 |                |                 |                |                 |

|                     | Commercial     |                 |                |                 |
|---------------------|----------------|-----------------|----------------|-----------------|
|                     | New Rates      |                 | Old Rates      |                 |
|                     | Inside<br>City | Outside<br>City | Inside<br>City | Outside<br>City |
| First 1,000 Gallons | \$ 7.75        | \$ 7.75         | \$ 7.50        | \$ 7.50         |
| Over 1,000 Gallons  | 6.70           | 6.70            | 6.27           | 6.27            |

**TABLE 7 – CAPITAL RECOVERY FEES**

Capital Recovery Fees (As of September 30, 2004)

As of Sept. 30, 2012 the capital recovery fee funds may be used for capital projects and to pay debt service on projects for which the fee was levied and to date has produced approximately \$ \$14,935,152

|                     |                 |
|---------------------|-----------------|
| Water Sources       | \$ 8,529,911.00 |
| Sewer Sources       | 3,605,935.00    |
| Investment Earnings | 2,799,306.00    |

To Date, the City has used approximately \$14,042,683 of the funds for water and wastewater projects and has remaining funds of \$892,469.

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## CITY OF COLLEYVILLE, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM OPERATING SYSTEM**

|                                       | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|---------------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| Revenues                              |                                 |                      |                      |                      |                      |
| Metered Water Sales                   | \$ 10,150,129                   | \$ 10,721,138        | \$ 8,152,807         | \$ 7,949,903         | \$ 7,835,523         |
| Sewer Service Charges                 | 2,965,143                       | 2,802,217            | 2,583,176            | 2,770,366            | 2,368,188            |
| Miscellaneous charges and fees        | 919,328                         | 832,063              | 678,442              | 583,599              | 911,181              |
| Interest Income                       | 1,725                           | 36,492               | 12,649               | 154,414              | 337,376              |
| <b>Total Revenues</b>                 | <b>\$ 14,036,325</b>            | <b>\$ 14,391,910</b> | <b>\$ 11,427,074</b> | <b>\$ 11,458,282</b> | <b>\$ 11,452,268</b> |
| Expenses                              |                                 |                      |                      |                      |                      |
| Personal Services                     | \$ 1,577,921                    | \$ 1,604,954         | \$ 1,952,279         | \$ 2,113,507         | \$ 2,012,386         |
| Maintenance and Contractual Services  | 8,625,914                       | 8,316,414            | 7,335,146            | 6,697,536            | 7,494,429            |
| Materials and Supplies                | 191,682                         | 199,310              | 170,930              | 132,760              | 164,066              |
| <b>Total Expenses</b>                 | <b>\$ 10,395,517</b>            | <b>\$ 10,120,678</b> | <b>\$ 9,458,355</b>  | <b>\$ 8,943,803</b>  | <b>\$ 9,670,881</b>  |
| <b>Net Available for Debt Service</b> | <b>\$ 3,640,808</b>             | <b>\$ 4,271,232</b>  | <b>\$ 1,968,719</b>  | <b>\$ 2,514,479</b>  | <b>\$ 1,781,387</b>  |
| Water Customers                       | 9,285                           | 9,103                | 9,014                | 8,960                | 8,893                |
| Sewer Customers                       | 8,603                           | 8,457                | 8,389                | 8,351                | 8,138                |

**TABLE 2 - COVERAGE AND FUND BALANCES**

|  |              |
|--|--------------|
| Average Annual Principal and Interest Requirements, 2013 – 2018            | \$ 503,268   |
| Coverage of Average Requirements by 9-30-12 Net Available for Debt Service | 7.23 Times   |
| Maximum Annual Principal and Interest Requirements, 2013                   | \$ 827,824   |
| Coverage of Maximum Requirements by 9-30-12 Net Available for Debt Service | 4.40 Times   |
| Waterworks and Sewer System Revenue Bonds Outstanding (as of 9-30-12)      | \$ 2,850,000 |
| Interest and Sinking Fund (as of 9-30-12)                                  | \$ 781,289   |
| Reserve Fund (as of 9-30-12)   | \$ 662,820   |

**TABLE 3 - AUTHORIZED REVENUE BONDS**

As of September 30, 2012, the City has no authorized but unissued revenue debt.

**TABLE 4 - WATER USAGE**

| Fiscal Year End | Average Day Usage | Total Usage   |
|-----------------|-------------------|---------------|
| 2008            | 6,619,179         | 2,416,000,500 |
| 2009            | 6,578,006         | 2,400,972,500 |
| 2010            | 5,990,353         | 2,186,479,000 |
| 2011            | 7,928,015         | 2,893,725,300 |
| 2012            | 7,216,713         | 2,634,100,300 |

**TABLE 5 - MONTHLY WATER RATES (EFFECTIVE DECEMBER 1, 2012)**

|                               | In-City<br>Customers<br>\$/M Gallons | Out-City<br>Customers<br>\$/M Gallons |
|-------------------------------|--------------------------------------|---------------------------------------|
| First 2,000 Gallons (Minimum) | \$12.52                              | \$16.52                               |
| 2,001 - 20,000 Gallons        | \$3.74                               | \$3.74                                |
| 20,001 - 30,000 Gallons       | \$4.30                               | \$4.30                                |
| 30,001 - 40,000 Gallons       | \$4.86                               | \$4.86                                |
| 40,001 - 50,000 Gallons       | \$5.42                               | \$5.42                                |
| All Over 50,000 Gallons       | \$5.98                               | \$5.98                                |

**TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE DECEMBER 1, 2012)**

|                               |                  |
|-------------------------------|------------------|
| First 2,000 Gallons (Minimum) | \$9.18 (Minimum) |
| All Over 2,000 Gallons        | \$2.46 Gallons   |

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## CITY OF COPPELL, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM OPERATING SYSTEM**

|                                 | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|---------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                 | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| <u>Operating Revenues</u>       |                                 |                      |                      |                      |                      |
| Water and Sewer Sales           | \$ 13,621,094                   | \$ 14,785,377        | \$ 12,723,433        | \$ 13,383,492        | \$ 13,538,471        |
| Water and Sewer Connection Fees | 22,221                          | 18,570               | 22,173               | 22,430               | 21,760               |
| Interest and Miscellaneous      | 260,719                         | 247,630              | 284,989              | 398,147              | 663,709              |
| Capital Recovery Fees           | 125,415                         | 204,354              | 200,002              | 247,853              | 206,610              |
| Total Revenues                  | <u>\$ 14,029,449</u>            | <u>\$ 15,255,931</u> | <u>\$ 13,230,597</u> | <u>\$ 14,051,922</u> | <u>\$ 14,430,550</u> |
| <u>Operating Expenses</u>       |                                 |                      |                      |                      |                      |
| Purchase of Water               | \$ 4,827,960                    | \$ 4,575,118         | \$ 4,182,116         | \$ 4,128,468         | \$ 3,860,529         |
| Purchase of Sewer Treatment     | 2,239,910                       | 2,178,212            | 2,081,418            | 1,946,572            | 1,657,900            |
| Salaries and Wages              | 1,377,802                       | 1,300,517            | 1,396,495            | 1,377,349            | 1,251,404            |
| Supplies and Services           | 4,602,584                       | 4,619,754            | 3,707,817            | 4,111,201            | 4,551,012            |
| Total Expenses                  | <u>\$ 13,048,256</u>            | <u>\$ 12,673,601</u> | <u>\$ 11,367,846</u> | <u>\$ 11,563,590</u> | <u>\$ 11,320,845</u> |
| Net Available for Debt Service  | <u>\$ 981,193</u>               | <u>\$ 2,582,330</u>  | <u>\$ 1,862,751</u>  | <u>\$ 2,488,332</u>  | <u>\$ 3,109,705</u>  |
| Water Customers                 | 12,376                          | 12,357               | 12,308               | 12,165               | 12,094               |
| Sewer Customers                 | 11,407                          | 11,396               | 11,339               | 11,226               | 11,167               |

**TABLE 2 - COVERAGE AND FUND BALANCES <sup>(1)</sup>**

|  |              |
|--|--------------|
| Average Annual Principal and Interest Requirements, 2013 - 2019  | \$ 277,012   |
| Coverage of Average Annual Requirements by 9/30/12 Net Income    | 3.54x        |
| Maximum Principal and Interest Requirements, 2013                | \$ 368,568   |
| Coverage of Maximum Requirements by 9/30/12 Net Income           | 2.66x        |
| Waterworks and Sewer System Refunding Bonds Outstanding, 9/30/12 | \$ 1,795,000 |
| Interest and Sinking Fund, 9/30/12                               | \$ 5,109     |
| Reserve Fund, 9/30/12  | \$ -         |

(1) The City no longer has Water and Sewer revenue bonds outstanding. However, a portion of the City's outstanding General Obligation bonds are funded by Water and Sewer revenue.

**TABLE 3 - AUTHORIZED REVENUE BONDS**

As of September 30, 2012, the City has no authorized but unissued revenue debt.



**TABLE 4 - WATER USAGE**

| Fiscal<br>Year<br>Ended | Estimated<br>City<br>Population | Water Usage             |                   |                |
|-------------------------|---------------------------------|-------------------------|-------------------|----------------|
|                         |                                 | Average<br>Day<br>Usage | Peak Day<br>Usage | Total<br>Usage |
| 2007                    | 39,367                          | 6,819,364               | 14,000,000        | 2,489,068,000  |
| 2008                    | 39,565                          | 8,062,046               | 17,420,000        | 2,950,709,000  |
| 2009                    | 39,655                          | 8,088,600               | 17,315,000        | 2,952,339,000  |
| 2010                    | 39,750                          | 7,450,510               | 17,290,000        | 2,719,436,000  |
| 2011                    | 38,950                          | 8,978,682               | 18,400,000        | 3,277,219,000  |
| 2012                    | 39,050                          | 8,471,542               | 19,080,000        | 3,092,113,000  |

**TABLE 5 - MONTHLY WATER RATES**

## New Rates

(Effective December 13, 1994)

First 1,000 gallons \$12.00 (minimum)

\$2.60 per 1,000 gallons over initial 1,000 gallons

Seasonal Conservation Water Rate: (June - October Billings)

(Effective November 11, 2003)

All over 25,000 gallons \$3.25 per 1,000 gallons

## Old Rates

(Effective April 14, 1992)

First 1,000 gallons \$8.00 (minimum)

\$2.60 per 1,000 gallons over initial 1,000 gallons

**TABLE 6 - SEWAGE FLOW**

| Year<br>Ended | Amount in<br>Gallons | Average Daily<br>Sewer Flow |
|---------------|----------------------|-----------------------------|
| 2007          | 1,238,055,000        | 3,391,932                   |
| 2008          | 1,256,310,000        | 3,432,541                   |
| 2009          | 1,185,668,000        | 3,248,405                   |
| 2010          | 1,315,635,000        | 3,604,479                   |
| 2011          | 1,203,477,000        | 3,297,197                   |
| 2012          | 1,188,985,000        | 3,257,493                   |

## TABLE 7 - MONTHLY SEWER RATES

### New Rates

(Effective December 13, 1994)

|   |                   |
|---|-------------------|
| First 1,000 gallons                                 | \$12.00 (minimum) |
| \$1.80 per 1,000 gallons over initial 1,000 gallons |                   |
| Maximum Charge (Residential Only)                   | \$35.40           |
| No maximum for other customers                      |                   |

### Old Rates

(Effective April 14, 1992)

|   |                  |
|---|------------------|
| First 1,000 gallons                                 | \$8.00 (minimum) |
| \$1.80 per 1,000 gallons over initial 1,000 gallons |                  |
| Maximum Charge (Residential Only)                   | \$31.40          |
| No maximum for other customers                      |                  |

# CITY OF DALLAS, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM OPERATING SYSTEM (AMOUNTS IN THOUSANDS)**

|                                     | Fiscal Year Ended September 30, |                   |                   |                   |                   |
|-------------------------------------|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 2012                            | 2011              | 2010              | 2009              | 2008              |
| <u>Operating Revenues</u>           |                                 |                   |                   |                   |                   |
| Water                               | \$ 319,129                      | \$ 322,059        | \$ 278,419        | \$ 271,399        | \$ 265,028        |
| Wastewater                          | 208,245                         | 202,344           | 189,108           | 196,530           | 186,380           |
|                                     | <u>\$ 527,374</u>               | <u>\$ 524,403</u> | <u>\$ 467,527</u> | <u>\$ 467,929</u> | <u>\$ 451,408</u> |
| <u>Operating Expenses</u>           |                                 |                   |                   |                   |                   |
| Operation and Maintenance           | \$ 256,095                      | \$ 251,295        | \$ 258,506        | \$ 264,908        | \$ 252,652        |
| Depreciation and Amortization       | 99,619                          | 90,527            | 99,283            | 92,106            | 76,887            |
|                                     | <u>\$ 355,714</u>               | <u>\$ 341,822</u> | <u>\$ 357,789</u> | <u>\$ 357,014</u> | <u>\$ 329,539</u> |
| Earnings from Operations            | \$ 171,660                      | \$ 177,826        | \$ 109,738        | \$ 110,915        | \$ 121,869        |
| Net Interest Expense <sup>(1)</sup> | (70,841)                        | (71,032)          | (65,284)          | (52,725)          | (46,315)          |
| Capital Contribution Received       | 5,510                           | 8,040             | 10,345            | 14,825            | 20,700            |
| Net Transfers                       | (17,210)                        | (14,637)          | (12,038)          | (4,589)           | (3,213)           |
| Gain/(Loss) From Property Disposal  | (249)                           | 75                | (93)              | 93                | (905)             |
| Change in Net Position              | <u>\$ 88,870</u>                | <u>\$ 100,272</u> | <u>\$ 42,668</u>  | <u>\$ 68,519</u>  | <u>\$ 92,136</u>  |
| Water Customer Accounts             | 287                             | 292               | 293               | 291               | 288               |
| Wastewater Customer Accounts        | 272                             | 274               | 275               | 276               | 271               |
| Water Connections                   | 328                             | 331               | 331               | 330               | 328               |

(1) Interest earnings and capitalized interest are included above as a reduction of Net Interest Expense.

**TABLE 2 - PROJECTED COVERAGE AND FUND BALANCES**

|  |                  |
|--|------------------|
| Average Annual Principal and Interest Requirements, Fiscal Years 2013 - 2043 | \$ 107,100,230   |
| Coverage of Average Requirements by Fiscal Year Ended 9-30-12 Net Revenues   | 2.80 x           |
| Maximum Principal and Interest Requirements, Fiscal Year 2015                | \$ 179,214,026   |
| Coverage of Maximum Requirements by Fiscal Year Ended 9-30-12 Net Revenues   | 1.67 x           |
| Waterworks and Sewer System Revenue Bonds Outstanding (as of 9-30-13)        | \$ 2,012,863,000 |
| Interest and Sinking fund (as of 9-30-12)                                    | \$ 130,955,000   |
| Reserve Fund (as of 9-30-12)   | \$ 93,505,000    |

**TABLE 3 - SUMMARY OF PRESENT SUPPLY SOURCES**

| Water Supply Source             | Diversion Rights of Dallas | Dependable Yield to Dallas |           |
|---------------------------------|----------------------------|----------------------------|-----------|
|                                 |                            | Available                  | Connected |
| Lake Grapevine                  | 76 MGD                     | 7 MGD                      | 7 MGD     |
| Lake Ray Hubbard <sup>(1)</sup> | 80 MGD                     | 54 MGD                     | 54 MGD    |
| Lake Tawakoni                   | 170 MGD                    | 164 MGD                    | 164 MGD   |
| Lake Fork <sup>(2)</sup>        | 118 MGD                    | 107 MGD                    | 36 MGD    |
| Elm Fork System <sup>(3)</sup>  | 1037 MGD                   | 171 MGD                    | 171 MGD   |
| Lake Palestine <sup>(4)</sup>   | 102 MGD                    | 102 MGD                    | 0 MGD     |
| Total                           | 1,583 MGD                  | 605 MGD                    | 432 MGD   |

(1) In addition to the Connected Dependable Yield of Lake Ray Hubbard, Dallas has a temporary water rights permit for an additional 44 MGD. The temporary water rights permit provides for operational efficiency.

(2) Lake Fork was connected to the system in 2009; additional transmission capacity planned in future to maximize the yield from Lake Fork and Lake Tawakoni.

(3) Elm Fork System includes Lake Lewisville, Lake Ray Roberts, and Elm Fork of the Trinity River run of the river flows.

(4) Connection to the System not anticipated to occur in 2015.

**TABLE 4 - WATER PURIFICATION AND DISTRIBUTION**

| Water Treatment Plant | Treatment Capacity |
|-----------------------|--------------------|
| East Side             | 440 MGD            |
| Elm Fork              | 310 MGD            |
| Bachman               | 150 MGD            |
| Total                 | 900 MGD            |

**TABLE 5 - WHOLESALE TREATED WATER CUSTOMERS**

Treated water is now supplied on a wholesale basis to the following cities and authorities under contracts expiring in the calendar year indicated.

| Entity                                  | Year | Entity        | Year |
|---|------|---------------|------|
| Addison                                 | 2042 | Flower Mound  | 2017 |
| Carrollton                              | 2043 | Glenn Heights | 2022 |
| Cedar Hill                              | 2014 | Grand Prairie | 2042 |
| Cockrell Hill                           | 2014 | Hutchins      | 2042 |
| Combine WSC                             | 2035 | Irving        | 2033 |
| Coppell                                 | 2017 | Lancaster     | 2041 |
| Dallas County MUD 6 (Balch Springs)     | 2015 | Lewisville    | 2016 |
| Dallas/Fort Worth International Airport | 2015 | Ovilla        | 2035 |
| DeSoto                                  | 2043 | Red Oak       | 2033 |
| Duncanville                             | 2014 | Seagoville    | 2043 |
| Ellis County WCID #1                    | 2033 | The Colony    | 2040 |
| Farmers Branch                          | 2040 |               |      |

Dallas and its wholesale treated water customers negotiated and reached consensus on a thirty year memorandum of Agreement for wholesale treated water rate-setting methodology. The new Memorandum of Agreement was approved by the Dallas City Council on May 12, 2010. Wholesale rates for treated water service to all customer cities and authorities are determined per the provision of the new Memorandum Agreement.

As of August 13, 2003, the City of Red Oak, Rockett SUD and Ellis County WCID #1 entered into a contract with Dallas Water Utilities for wholesale supply of treated water. The City of Red Oak began taking water starting in spring 2009. The Contract with Rockett SUD was terminated in 2009. Ellis County WCID #1 is not yet connected to Dallas Water System. These contracts will expire in the year 2033. The contracts were approved by Dallas City Council on August 13, 2003.

In addition to a Wholesale Treated Water Contract, the Cities of Irving and Dallas adopted the Water Treatment Services Contract on January 8, 1998. This agreement allowed Irving to store 9,700 acre feet of Lake Chapman water in Lake Lewisville and for Dallas to treat Irving's water at the Elm Fork Water Treatment Plant. The effective date of the Water Treatment Services Contract and the Wholesale Treated Water Contract with Irving is June 30, 2003. Both contract terms are for thirty years.

**TABLE 6 - TREATED WATER PUMPAGE (MILLION GALLONS)**

| <u>Fiscal<br/>Year</u> | <u>Peak<br/>Day</u> | <u>Average<br/>Day</u> | <u>Total</u> |
|------------------------|---------------------|------------------------|--------------|
| 2008                   | 670                 | 416                    | 152,339      |
| 2009                   | 626                 | 406                    | 148,015      |
| 2010                   | 638                 | 388                    | 141,658      |
| 2011                   | 682                 | 428                    | 156,201      |
| 2012                   | 649                 | 395                    | 144,604      |

**TABLE 7 - TREATED WATER CONSUMPTION BY CUSTOMER CLASS (MILLION GALLONS) <sup>(1)</sup>**

|   | <u>Fiscal Year Ended September 30,</u> |                |                |                |                |
|---|--|----------------|----------------|----------------|----------------|
| <u>Retail</u>                           | <u>2012</u>                            | <u>2011</u>    | <u>2010</u>    | <u>2009</u>    | <u>2008</u>    |
| Residential                             | 27,033                                 | 29,860         | 25,543         | 27,320         | 27,783         |
| General Service                         | 35,966                                 | 37,446         | 34,552         | 37,463         | 38,715         |
| Optional General Service <sup>(2)</sup> | 5,149                                  | 5,363          | 5,222          | 4,816          | 5,012          |
| Total Retail                            | 68,148                                 | 72,669         | 65,317         | 69,599         | 71,510         |
| Wholesale                               | 54,438                                 | 58,772         | 54,601         | 57,288         | 53,600         |
| Total                                   | <u>122,586</u>                         | <u>131,441</u> | <u>119,918</u> | <u>126,887</u> | <u>125,110</u> |

(1) Source: City officials

(2) Customers consistently using one million gallons or more monthly.

**TABLE 8 - TEN LARGEST WHOLESALE TREATED WATER CUSTOMERS (MILLION GALLONS)**

| <u>Wholesale</u>              | <u>Fiscal<br/>Year 2012<br/>Water<br/>Consumption</u> | <u>Wholesale</u>       | <u>Fiscal<br/>Year 2012<br/>Water<br/>Consumption</u> |
|-------------------------------|---|------------------------|---|
| City of Carrollton            | 7,108   | City of Lewisville     | 3,172   |
| City of Grand Prairie         | 6,087   | City of Farmers Branch | 3,049   |
| City of Irving <sup>(1)</sup> | 4,058   | City of Desoto         | 2,739   |
| City of Coppell               | 3,404   | Town of Flower Mound   | 2,455   |
| City of Cedar Hill            | 3,270   | City of Duncanville    | 1,881   |
| Total                         |   |                        | <u>37,223</u>   |

(1) In addition to the 4,058 MG treated water provided under the treated water contract, Dallas Water Utilities also treated 9,643 MG of raw water from Irving's Lake Chapman under the Dallas Water Utilities/Irving treatment services contract.

**TABLE 9 - WHOLESALE WASTEWATER CUSTOMERS**

Customer Cities receiving “wholesale” wastewater services are principally as follows, with contractual terms of service now extending to calendar years indicated.

|  |      |                      |      |
|--|------|----------------------|------|
| Addison (portion)                        | 2014 | Mesquite (portion)   | 2036 |
| Cockrell Hill                            | 2014 | Richardson (portion) | 2037 |
| Dallas County WCID No. 6 (Balch Springs) | 2014 | Seagoville           | 2033 |
| Duncanville (portion)                    | 2014 | University Park      | 2014 |
| Highland Park                            | 2014 | Wilmer               | 2014 |
| Hutchins                                 | 2014 |                      |      |

**TABLE 10 - TREATED WASTEWATER FLOW (MILLION GALLONS)**

| Fiscal Year | Maximum Day Treated Effluent | Average Day Treated Effluent | Total Treated Effluent |
|-------------|------------------------------|------------------------------|------------------------|
| 2007        | 420                          | 203                          | 74,019                 |
| 2008        | 395                          | 168                          | 61,435                 |
| 2009        | 345                          | 159                          | 58,000                 |
| 2010        | 364                          | 183                          | 66,730                 |
| 2011        | 238                          | 145                          | 52,767                 |
| 2012        | 361                          | 153                          | 56,106                 |

**TABLE 11 - RETAIL CUSTOMER CHARGE (AS OF OCTOBER 1, 2012)**

|                         | Monthly Retail Customer Charge |            |          |
|-------------------------|--------------------------------|------------|----------|
|                         | Water                          | Wastewater | Combined |
| 5/8 Inch Meter          | \$ 4.40                        | \$ 4.20    | \$ 8.60  |
| 3/4 Inch Meter          | 6.15                           | 5.65       | 11.80    |
| 1 Inch Meter            | 8.95                           | 8.14       | 17.09    |
| 1 1/2 Inch Meter        | 16.67                          | 15.27      | 31.94    |
| 2 Inch Meter            | 26.01                          | 24.63      | 50.64    |
| 3 Inch Meter            | 63.50                          | 58.62      | 122.12   |
| 4 Inch Meter            | 105.50                         | 95.50      | 201.00   |
| 6 Inch Meter            | 209.50                         | 192.05     | 401.55   |
| 8 Inch Meter            | 348.20                         | 317.60     | 665.80   |
| 10 Inch Meter or larger | 535.45                         | 483.75     | 1,019.20 |

*(Remainder of page intentionally left blank.)*

**TABLE 12 - RETAIL USAGE CHARGE (AS OF OCTOBER 1, 2012)**

|   | Monthly Retail Rate Per 1,000 Gallons |                        |
|---|---------------------------------------|------------------------|
|   | Water                                 | Wastewater             |
| <u>Residential</u>                                    |                                       |                        |
| Up to 4,000 Gallons                                   | \$ 1.77                               | \$ 4.80 <sup>(1)</sup> |
| 4,001 to 10,000 Gallons                               | 3.55                                  | 4.80 <sup>(1)</sup>    |
| 10,001 to 15,000 Gallons                              | 4.92                                  | 4.80 <sup>(1)</sup>    |
| Above 15,000 Gallons                                  | 6.67                                  | 4.80 <sup>(1)</sup>    |
| <u>General Service</u>                                |                                       |                        |
| Up to 10,000 Gallons                                  | \$ 2.56                               | \$ 3.24                |
| Above 10,000 Gallons                                  | 3.07                                  | 3.24                   |
| Above 10,000 and usage<br>1.4x annual monthly average | 4.42                                  | 3.24                   |
| Wastewater metered separately                         |                                       | 3.20                   |
| <u>Optional General Service</u>                       |                                       |                        |
| 1st Million Gallons or Less                           | \$ 1,856.50 <sup>(2)</sup>            | \$ 3.07                |
| Above 1 Million Gallons<br>(Per 1,000 Gallons)        | 2.41                                  | 3.07                   |
| Wastewater metered separately                         |                                       | 3.20                   |

- (1) Wastewater rates for residential accounts are applied to average water consumption billed in December, January, February, and March, up to 40,000 gallons per month, or actual water consumption if lower.
- (2) Fixed amount, not a volume rate.

The retail usage charge applies in addition to the customer charge shown in Table 11. The usage charge is generally stated as a rate per 1,000 gallons. Both the retail water usage charge and the retail wastewater usage charge are applied to volume of water used, except for that wastewater which is metered separately. Wastewater meters are purchased by general service customers (typically large business customers) when separate wastewater metering is advantageous to them. Retail usage charges are established for three customer classes as set forth above. For residential wastewater customers, the retail usage charge is based upon average water consumption during winter months, or actual water usage for each month if lower. Each of the rates for usage charges and for customer charges is subject to 5% additional charge if not paid when due.

**TABLE 13 – WHOLESALE RETAIL CUSTOMER CHARGE (AS OF OCTOBER 1, 2012)**

Wholesale rates are as follows, for each type of wholesale service;

Treated Water Service: Customers with rate-of-flow controllers: \$0.3655 per thousand gallons of water used, plus \$202,785 annually per million gallons of daily capacity reserved.

Customers without rate-of-flow controllers (or if a flat rate is provided by contract): \$1.6329 per thousand gallons of water used.

Untreated Water Service: Customers inside or outside the City: \$0.4587 per thousand gallons of water used (\$0.2420 for interruptible service).

Wastewater Service... \$2.2697 per thousand gallons of wastewater discharged. A surcharge is applied for wastewater of excessive strength.

## **DALLAS-FORT WORTH INTERNATIONAL AIRPORT BOARD**

The Dallas-Fort Worth International Airport Board is a Contracting Party in the Regional Wastewater System.

### **The Board**

The Dallas-Fort Worth Airport is operated by a Board on behalf of the Cities of Dallas and Fort Worth (the "Cities"). The Board is authorized to plan, acquire, establish, develop, construct, maintain, equip, operate, lease, regulate and police the Airport and is charged with the responsibility of exercising these powers on behalf of the Cities.

The Board consists of 12 members, 7 from the City of Dallas and 4 from the City of Fort Worth, appointed by the respective City Councils of the Cities. In addition, the Board has one non-voting member who is selected by the Cities of Coppell, Euless, Grapevine and Irving, Texas, respectively, on a rotating basis. Members of the Board serve without compensation.

### **Rate Covenant**

The Cities have covenanted that the Board will fix and place into effect, directly or through leases, contracts or agreements with users of the Airport, a schedule of rentals, rates, fees and charges for the use, operation and occupancy of the Airport premises and Facilities and related services (the "Airport Rates"), that is reasonably estimated to produce the amounts set forth in the following two paragraphs (the "Rate Covenant"). From time to time and as often as it appears necessary, the authorized officers of the Board will make recommendations to the Board as to the revision of the Airport Rates. Upon receiving such recommendations, the Board will revise, insofar as it may legally do so, the Airport Rates for the use, operation and occupancy of the Airport, its Facilities, and related services in order to continually fulfill the requirements set forth in the Master Bond Ordinance. This rate covenant is not to be construed to require adjustment or revision in long-term agreements which by their terms are not subject to adjustment or revision.

The Master Bond Ordinance obligates the Board to set Airport Rates to levels at least sufficient to produce in each Fiscal Year Gross Revenues sufficient to pay (i) the Operation and Maintenance Expenses, plus (ii) 1.25 times the amount of Accrued Aggregate Debt Service, as adjusted by taking into consideration certain investment earnings, accruing during each Fiscal Year, respectively, plus (iii) an amount equal to the amounts required to pay any other obligations payable from Gross Revenues of the Airport, including Subordinate Lien Obligations and Net Revenue Obligations, but excluding Special Revenue Bonds and Special Facility Bonds, and plus (iv) any additional amounts required by the terms of an Additional Supplemental Ordinance.

Additionally, the Master Bond Ordinance obligates the Board to set Airport Rates to levels at least sufficient to produce in each Fiscal Year Current Gross Revenues sufficient to pay the amounts provided in clauses (i), (iii) and (iv) of the paragraph immediately above, plus 1.00 times the amount of Accrued Aggregate Debt Service accruing during each Fiscal Year, respectively.

The Board will cause all rentals, fees, rates and charges pertaining to the Airport to be collected when and as due, will prescribe and enforce rules and regulations for the payment thereof and for the consequences of nonpayment for the rental, use, operation and occupancy of and services by the Airport, and will provide methods of collection and penalties to the end that the Gross Revenues and the Current Gross Revenues will be adequate to meet these respective requirements.

### **Airline Use Agreement**

Effective October 1, 2010, the Airport and Certain Airlines entered a new Use Agreement. The Use Agreement expires September 30, 2020.



## CITY OF DUNCANVILLE, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                       | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|---------------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| <b>Revenues</b>                       |                                 |                      |                      |                      |                      |
| Water Sales                           | \$ 6,493,251                    | \$ 7,231,917         | \$ 6,030,170         | \$ 6,141,467         | \$ 6,562,111         |
| Sewer Services                        | 4,828,861                       | 4,756,780            | 4,775,447            | 4,819,134            | 4,797,385            |
| Investment Income                     | 3,739                           | 6,682                | 18,168               | 36,962               | 136,454              |
| Service Fees and Miscellaneous        | 322,705                         | 328,000              | 309,241              | 234,113              | 690,672              |
| <b>Total Revenues</b>                 | <b>\$ 11,648,556</b>            | <b>\$ 12,323,379</b> | <b>\$ 11,133,026</b> | <b>\$ 11,231,676</b> | <b>\$ 12,186,622</b> |
| <b>Expenses</b>                       |                                 |                      |                      |                      |                      |
| Water Services                        | \$ 4,175,218                    | \$ 4,157,419         | \$ 3,973,073         | \$ 3,949,899         | \$ 4,027,089         |
| Wastewater Treatment                  | 3,695,143                       | 3,760,371            | 4,224,424            | 3,076,415            | 4,852,065            |
| Administration and Fiscal             | 1,256,916                       | 1,150,797            | 1,151,122            | 1,142,836            | 1,100,227            |
| <b>Total Expenses</b>                 | <b>\$ 9,127,277</b>             | <b>\$ 9,068,587</b>  | <b>\$ 9,348,619</b>  | <b>\$ 8,169,150</b>  | <b>\$ 9,979,381</b>  |
| <b>Net Available for Debt Service</b> | <b>\$ 2,521,279</b>             | <b>\$ 3,254,792</b>  | <b>\$ 1,784,407</b>  | <b>\$ 3,062,526</b>  | <b>\$ 2,207,241</b>  |
| <br>                                  |                                 |                      |                      |                      |                      |
| Water Customers                       | 12,327                          | 11,133               | 12,254               | 12,262               | 12,242               |
| Sewer Customers                       | 11,119                          | 10,152               | 11,045               | 11,048               | 11,033               |

**TABLE 2 - DEBT COVERAGE AND FUND BALANCES**

As of September 30, 2012, the City has no outstanding Waterworks and Sewer System Revenue Debt.

**TABLE 3 - AUTHORIZED BUT UNISSUED BONDS**

| Election Date | Purpose    | Amount Authorized   | Issued to Date      | Unissued <sup>(1)</sup> |
|---------------|------------|---------------------|---------------------|-------------------------|
| 6/26/1965     | Water      | \$ 1,160,000        | \$ 964,000          | \$ 196,000              |
| 6/26/1965     | Sewer Impr | 935,000             | 341,000             | 594,000                 |
| 11/20/1971    | Sewer Impr | 1,071,000           | 868,000             | 203,000                 |
| <b>Total</b>  |            | <b>\$ 3,166,000</b> | <b>\$ 2,173,000</b> | <b>\$ 993,000</b>       |

- (1) It is unlikely that bonds authorized for Water and Sewer improvements will be issued due to the age of the authorizations and the utilization of revenue bonds for these improvements. The City has received advice from Bond Counsel that bonds authorized November 20, 1971 for the City Hall and Police Station Building not be issued due to a change in circumstances under which the authorization was voted.

**TABLE 4 - HISTORICAL WATER CONSUMPTION (IN 000'S OF GALLONS)**

| Fiscal Year Ended 30-Sep | Average Daily Usage in Gallons | Peak Daily Usage in Gallons | Total Water Treated and Purchased |
|--------------------------|--------------------------------|-----------------------------|-----------------------------------|
| 2008                     | 5,428                          | 9,691                       | 1,981,207                         |
| 2009                     | 4,890                          | 8,719                       | 1,784,846                         |
| 2010                     | 4,729                          | 8,520                       | 1,726,380                         |
| 2011                     | 5,750                          | 9,500                       | 1,789,753                         |
| 2012                     | 4,808                          | 7,872                       | 1,754,883                         |

**TABLE 5 - TOP TEN CUSTOMERS**

| Customer                       | FYE 2012<br>Water Usage<br>Gallons | Water<br>Revenue |
|--------------------------------|------------------------------------|------------------|
| WIMBERLY PARK APARTMENTS       | 36,991,000                         | \$ 143,745.05    |
| DUNCANVILLE ISD                | 26,866,000                         | \$ 144,869.70    |
| CH GUENTHER & SON              | 21,793,000                         | \$ 85,827.05     |
| VISTA RIDGE APARTMENTS         | 20,101,000                         | \$ 78,537.35     |
| CENTER RIDGE APARTMENTS        | 19,042,000                         | \$ 74,138.90     |
| COLONIAL VILLAGE AT MAIN PARK  | 13,708,000                         | \$ 52,060.95     |
| HEARTLAND REALTY INVESTOR INC  | 12,623,000                         | \$ 49,645.45     |
| ICAP WESTWOOD TOWNHOMES        | 9,804,000                          | \$ 38,405.65     |
| 1402 ACTON LP DBA              | 9,634,000                          | \$ 37,623.50     |
| LAMEXICANA TORTILLA FACTORY CO | 6,770,000                          | \$ 26,526.10     |
| Total                          | 177,332,000                        | 731,379.70       |

**TABLE 6 - WATER RATES (EFFECTIVE OCTOBER 1, 2011)****Residential** <sup>(1)</sup>

\$7.00 First 1000 Gallons (minimum charge).  
 \$2.81 per 2,000 to 7,000 gallons usage  
 \$3.63 per 8,000 to 15,000 gallons usage  
 \$4.47 per 16,000 to 30,000 gallons usage  
 \$5.30 per 31,000 and above gallons usage

**Irrigation**

\$7.00 First 1000 Gallons (minimum charge).  
 \$2.88 per 2,000 to 7,000 gallons usage  
 \$3.73 per 8,000 to 15,000 gallons usage  
 \$4.57 per 16,000 to 30,000 gallons usage  
 \$5.40 per 31,000 and above gallons usage

**Apartments & Multi Family**

\$7.00 First 1000 Gallons (minimum charge)  
 \$2.53 per 2,000 to 7,000 gallons usage  
 \$3.30 per 8,000 to 15,000 gallons usage  
 \$4.07 per 16,000 to 30,000 gallons usage  
 \$4.07 per 31,000 and above gallons usage

**Commercial**

\$7.00 First 1000 Gallons (minimum charge).  
 \$2.53 per 2,000 to 7,000 gallons usage  
 \$3.30 per 8,000 to 15,000 gallons usage  
 \$4.07 per 16,000 to 30,000 gallons usage  
 \$4.07 per 31,000 and above gallons usage

**Schools**

\$7.00 First 1000 Gallons (minimum charge).  
 \$4.10 per 2,000 to 7,000 gallons usage  
 \$4.85 per 8,000 to 15,000 gallons usage  
 \$5.60 per 16,000 to 30,000 gallons usage  
 \$6.35 per 31,000 and above gallons usage

**Municipal**

\$7.00 First 1000 Gallons (minimum charge).  
 \$4.85 per 2,000 to 7,000 gallons usage  
 \$5.60 per 8,000 to 15,000 gallons usage  
 \$6.35 per 16,000 to 30,000 gallons usage  
 \$7.10 per 31,000 and above gallons usage

(1) Residential rates are determined by meter readings / consumption based on billing for January, February, and March.

**TABLE 7 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2010)**

| <b>User Class</b>          | <b>Monthly Charge</b>    |  |
|----------------------------|--------------------------|--|
|                            | <b><u>Fixed Rate</u></b> | <b><u>Variable Rate</u></b>              |
| Residential <sup>(1)</sup> | \$9.02                   | \$3.73/1000 gallons (Max 20,000 gallons) |
| Multi-Family               | \$4.25/Unit              | \$4.20/1000 gallons@90%                  |
| Commercial                 | \$4.25/Connection        | \$4.20/1000 gallons@85%                  |
| Schools                    | \$4.25/Connection        | \$4.20/1000 gallons@85%                  |
| Municipal                  | \$4.25/Connection        | \$4.20/1000 gallons@85%                  |

(1) Residential rates are determined by meter readings / consumption based on billing for January, February, and March.

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# CITY OF EULESS, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                 | Fiscal Year Ended September 30, |               |               |               |               |
|---------------------------------|---------------------------------|---------------|---------------|---------------|---------------|
| <u>Revenues</u>                 | 2012                            | 2011          | 2010          | 2009          | 2008          |
| Water Service                   | \$ 10,936,311                   | \$ 11,563,030 | \$ 9,902,096  | \$ 9,436,938  | \$ 9,370,628  |
| Reclaimed Water Service         | 223,484                         | -             | -             | -             | -             |
| Sewer Service                   | 6,269,741                       | 6,448,051     | 5,797,861     | 5,629,893     | 5,301,281     |
| Service Fees & Miscellaneous    | 1,008,428                       | 1,967,721     | 1,544,374     | 1,091,108     | 1,177,300     |
| Interest Income                 | 50,960                          | 55,410        | 73,372        | 196,817       | 517,628       |
| Total Revenues                  | \$ 18,488,924                   | \$ 20,034,212 | \$ 17,317,703 | \$ 16,354,756 | \$ 16,366,837 |
| <u>Expenses</u>                 |                                 |               |               |               |               |
| General and Administrative      | \$ 474,381                      | \$ 499,764    | \$ 465,155    | \$ 505,069    | \$ 510,611    |
| Water Production                | 6,471,802                       | 6,825,578     | 5,926,175     | 4,870,012     | 6,083,364     |
| Water Distribution              | 867,083                         | 696,909       | 647,984       | 647,655       | 663,526       |
| Utility Engineering             | 291,176                         | 289,290       | 428,458       | 737,881       | 743,831       |
| Sewage Collection and Treatment | 2,688,988                       | 2,567,384     | 2,637,557     | 2,616,591     | 2,266,323     |
| Nondepartmental                 | 3,523,182                       | 3,357,306     | 3,103,815     | 2,876,407     | 2,900,348     |
| Geographic Information          | 451,997                         | 440,208       | 428,913       | 426,245       | 406,966       |
| Service Center                  | 1,056,115                       | 1,275,933     | 1,161,822     | 1,042,733     | 1,147,675     |
| Total Expenses                  | \$ 15,824,724                   | \$ 15,952,372 | \$ 14,799,879 | \$ 13,722,593 | \$ 14,722,644 |
| Net Available for Debt Service  | \$ 2,664,200                    | \$ 4,081,840  | \$ 2,517,824  | \$ 2,632,163  | \$ 1,644,193  |
| Water Customers                 | 25,074                          | 24,924        | 25,062        | 24,677        | 24,717        |
| Sewer Customers                 | 24,428                          | 24,339        | 24,489        | 24,211        | 24,096        |

**TABLE 2 - DEBT COVERAGE AND FUND BALANCES**

|  |              |
|--|--------------|
| Net Available for Debt Service, 9/30/12  | \$ 2,664,200 |
| Average Annual Principal and Interest Requirements, 2013 - 2033.....                   | \$ 296,261   |
| Coverage of Average Annual Requirements by 9/30/12 Net Available for Debt Service..... | 8.99x        |
| Maximum Principal and Interest Requirements, 2020.....                                 | \$ 531,673   |
| Coverage of Maximum Annual Requirements by 9/30/12 Net Available for Debt Service..... | 5.01x        |
| Projected Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/13 .....         | \$ 4,690,000 |
| Interest and Sinking Fund, 9/30/12.....  | \$ 4,821     |
| Reserve Fund, 9/30/12.....   | \$ 304,774   |

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS <sup>(1)</sup>**

| Date<br>Authorized | Purpose            | Amount<br>Authorized | Issued<br>To Date | Unissued     |
|--------------------|--------------------|----------------------|-------------------|--------------|
| 1/17/1970          | Water              | \$ 4,000,000         | \$ 3,500,000      | \$ 500,000   |
| 1/17/1970          | Sewer Improvements | 1,000,000            | 300,000           | 700,000      |
| Total              |                    | \$ 5,000,000         | \$ 3,800,000      | \$ 1,200,000 |

(1) The City has no intent to issue these bonds. Due to the age of the authorization, The City can issue Water and Sewer Revenue Bonds at any time without voted authorization.

**TABLE 4 - HISTORICAL WATER USE**

| Fiscal<br>Year<br>Ended | Daily Average | Peak Day  | Total Water<br>Consumption<br>(000's) | Water<br>Revenue | Well<br>Production<br>(000's) | Trinity<br>River<br>Authority<br>(000's) |
|-------------------------|---------------|-----------|---------------------------------------|------------------|-------------------------------|--|
| 2008                    | 7.21 MGD      | 14.87 MGD | 2,640,522                             | \$ 9,370,628     | \$ 348,548                    | 2,291,974                                |
| 2009                    | 7.36 MGD      | 15.23 MGD | 2,685,826                             | 9,436,938        | 730,291                       | 1,955,535                                |
| 2010                    | 7.14 MGD      | 14.72 MGD | 2,607,914                             | 9,902,096        | 579,154                       | 2,028,760                                |
| 2011                    | 8.34 MGD      | 16.72 MGD | 3,044,284                             | 11,563,030       | 477,914                       | 2,566,370                                |
| 2012                    | 7.49 MGD      | 13.47 MGD | 2,739,646                             | 10,936,311       | 299,107                       | 2,440,539                                |

**TABLE 5 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2012)**

| Water Service                                   |                              |                            |
|---|------------------------------|----------------------------|
| Gallons of Water                                | Residential<br>per 1,000/gal | Sprinkler<br>per 1,000/gal |
| 0-2,999   | \$2.48                       | \$3.74                     |
| 3,000 - 8,999                                   | \$3.41                       | \$3.74                     |
| 9,000 - 15,999                                  | \$3.98                       | \$3.98                     |
| 16,000 - 35,000                                 | \$4.51                       | \$4.51                     |
| Over 35,000                                     | \$5.11                       | \$5.11                     |
| Commercial, Industrial, Multi-Family            | \$3.74                       |                            |
| Fire Hydrant, Gas Well, Supplemental Irrigation | \$9.00                       |                            |
| Water Service Meter Charge                      |                              |                            |
| Meter Size<br>(Inches)                          | Monthly Base<br>Charge       |                            |
| 5/8" - 3/4" *                                   | \$8.45                       |                            |
| 1"  | \$9.88                       |                            |
| 1 1/2"  | \$13.84                      |                            |
| 2"  | \$22.93                      |                            |
| 3"  | \$46.64                      |                            |
| 4"  | \$82.22                      |                            |
| 5"  | \$129.65                     |                            |
| 6"  | \$184.99                     |                            |

\*all Residential (Including Multi Family) accounts shall be charged for a 5/8" Meter.

**TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE OCTOBER 1, 2012)**

| Sewer Rates (Effective October 1, 2012)  |  |
|--|--|
| Inside City  | Outside City   |
| \$7.25 + \$2.83 per 1,000<br>gallons of 90% of metered<br>water for residential, 100% of<br>metered water for commercial<br>and industrial | \$11.75 + \$2.83 per 1,000<br>gallons of 90% of metered<br>water for residential, 100% of<br>metered water for<br>and industrial |

## CITY OF FARMERS BRANCH, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|--------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| <u>Revenues:</u>               | <u>\$ 14,075,897</u>            | <u>\$ 14,792,683</u> | <u>\$ 13,431,136</u> | <u>\$ 14,436,773</u> | <u>\$ 13,969,800</u> |
| <u>Expenses:</u>               |                                 |                      |                      |                      |                      |
| Water Purchased                | \$ 4,500,402                    | \$ 4,372,453         | \$ 4,593,133         | \$ 4,487,328         | \$ 4,230,694         |
| Sewage Disposal Contract       | 1,892,943                       | 2,128,074            | 2,068,099            | 1,872,221            | 2,169,091            |
| Other                          | 2,966,566                       | 3,102,108            | 3,834,601            | 3,620,310            | 3,071,397            |
| Total                          | <u>\$ 9,359,911</u>             | <u>\$ 9,602,635</u>  | <u>\$ 10,495,833</u> | <u>\$ 9,979,859</u>  | <u>\$ 9,471,182</u>  |
| Net Available for Debt Service | <u>\$ 4,715,986</u>             | <u>\$ 5,190,048</u>  | <u>\$ 2,935,303</u>  | <u>\$ 4,456,914</u>  | <u>\$ 4,498,618</u>  |
| Water Customers                | 9,492                           | 9,472                | 9,471                | 9,428                | 9,441                |

As of September 30, 2012, the City has no Water and Sewer revenue debt outstanding.

**TABLE 2 - TOP TEN WATER CUSTOMERS <sup>(1)</sup>**

| Customer                           | 2012<br>Consumption<br>Gallons | % of Total<br>Consumption | 2012<br>Revenues |
|------------------------------------|--------------------------------|---------------------------|------------------|
| Maxim Integrated Products, Inc.    | 73,052,000                     | 2.4%                      | \$295,556        |
| Parish Day School                  | 46,183,000                     | 1.5%                      | 162,248          |
| Lakeview at Parkside               | 44,166,000                     | 1.4%                      | 195,375          |
| Brookhaven Country Club            | 40,545,000                     | 1.3%                      | 184,868          |
| Dallas Co Community College        | 30,197,000                     | 1.0%                      | 126,273          |
| Cooks Creek Apartments             | 28,057,000                     | 0.9%                      | 117,735          |
| Ventana at Valwood                 | 27,700,000                     | 0.9%                      | 109,001          |
| Daltex Center LP                   | 26,227,000                     | 0.9%                      | 106,509          |
| Fenton Mercer Crossing Holding Co. | 24,054,000                     | 0.8%                      | 97,964           |
| Carrollton/Farmers Branch ISD      | 23,220,000                     | 0.8%                      | 97,110           |

(1) Source: City of Farmers Branch Finance Department

**TABLE 3 - MONTHLY WATER AND SEWER RATES (EFFECTIVE OCTOBER 1, 2012)**

| Water Rates             |        | Sewer Rates            |  |
|-------------------------|--------|------------------------|--|
| 0 – 2,000               | 12.04  | 0 – 2,000              | 12.59                                      |
| 2,001 – 10,000          | \$3.27 | 2,001 – 10,000         | \$1.71                                     |
| 10,001 – 20,000         | \$3.68 | Over 10,001            | No additional charge for private residents |
| All Over 20,000         | \$3.82 | Commercial             | \$1.71                                     |
|                         |        | (All Over 2,001)       |  |
| Rates Per 1,000 Gallons |        | Rate Per 1,000 Gallons |  |

**TABLE 4 - OVERSIZED METER CHARGES (EFFECTIVE OCTOBER 1, 2012)**

| <u>Meter Size</u> | <u>Meter Charge</u> |
|-------------------|---------------------|
| 1"                | \$ 4.82             |
| 1 ½"              | 9.65                |
| 2"                | 22.88               |
| 3"                | 120.45              |
| 4"                | 156.60              |
| 6"                | 240.9               |
| 8"                | 337.26              |

**CITY OF FORT WORTH, TEXAS****TABLE 1 - WATER AND SEWER CONDENSED STATEMENT OF OPERATIONS (000'S OMITTED)**

|                                | Fiscal Year Ended September 30, |            |            |            |            |
|--------------------------------|---------------------------------|------------|------------|------------|------------|
|                                | 2012                            | 2011       | 2010       | 2009       | 2008       |
| <u>Revenues</u>                |                                 |            |            |            |            |
| Charges for Services           | \$ 345,373                      | \$ 348,650 | \$ 304,831 | \$ 303,111 | \$ 298,118 |
| Other Operating Revenue        | 71                              | 77         | 117        | 62         | 31         |
| Interest on Investments        | 3,400                           | 2,415      | 3,340      | 6,675      | 14,296     |
| Miscellaneous Revenue          | 268                             | 570        | 13,078     | 276        | 943        |
| Total Revenues                 | \$ 349,112                      | \$ 351,712 | \$ 321,366 | \$ 310,124 | \$ 313,388 |
| <u>Expenses</u>                |                                 |            |            |            |            |
| Personnel Services             | \$ 69,249                       | \$ 66,357  | \$ 66,768  | \$ 64,806  | \$ 60,877  |
| Supplies and Materials         | 19,989                          | 21,089     | 19,143     | 20,201     | 19,529     |
| Contractual Services           | 128,740                         | 109,032    | 103,418    | 98,304     | 89,663     |
| Total Expenses                 | \$ 217,978                      | \$ 196,478 | \$ 189,329 | \$ 183,311 | \$ 170,069 |
| Net Available for Debt Service | \$ 131,134                      | \$ 155,234 | \$ 132,037 | \$ 126,813 | \$ 143,319 |
| Water Accounts                 | 225,411                         | 222,585    | 220,652    | 218,683    | 217,566    |
| Sewer Accounts                 | 216,441                         | 213,690    | 211,883    | 209,743    | 208,408    |

**TABLE 2 - COVERAGE AND FUND BALANCES**

|   |                             |
|---|-----------------------------|
| Average Annual Principal and Interest Requirements, 2013 - 2032 <sup>(1)</sup>    | \$ 51,252,509               |
| Coverage of Average Annual Requirements by 9/30/12 Net Available for Debt Service | 2.56x                       |
| Maximum Principal and Interest Requirements, 2013 <sup>(1)</sup>                  | \$ 88,737,023               |
| Coverage of Maximum Requirements by 9/30/12 Net Available for Debt Service        | 1.48x                       |
| Water and Sewer System Revenue Bonds Outstanding, 9/30/12 <sup>(2)</sup>          | \$ 822,160,000              |
| <u>Prior Lien Bonds</u>   |                             |
| Interest and Sinking Fund, 9/30/12 <sup>(3)</sup>                                 | \$ 25,215,735               |
| Reserve Fund Balance, 9/30/12   | \$ 2,488,648 <sup>(4)</sup> |
| <u>Subordinate Lien Bonds</u>   |                             |
| Interest and Sinking Fund, 9/30/12 <sup>(3)</sup>                                 | \$ 3,130,391                |
| Reserve Fund Balance, 9/30/12   | \$ - <sup>(5)</sup>         |

- 1) Includes the Bonds, Outstanding Prior Lien Obligations and the Subordinate Lien Bonds.
- 2) Includes all outstanding Prior Lien Obligations and the Subordinate Lien Bonds.
- 3) Figures furnished by City staff. Shown on a cash basis, excluding accruals.
- 4) Required Reserve Amount funded with Ambac and AGM Surety Policies and Cash. Amount shown is cash balance.
- 5) Required Reserve Amount funded with Ambac, CIFG Syncora and FSA Surety Policies.

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS <sup>(1)</sup>**

| <u>Purpose of Authorization</u> | <u>Date<br/>Authorized</u> | <u>Amount<br/>Authorized</u> | <u>Amount<br/>Previously<br/>Issued</u> | <u>Unissued<br/>Balance</u> |
|---------------------------------|----------------------------|------------------------------|---|-----------------------------|
| Water Improvements              | 2/7/1978                   | \$ 20,000,000                | \$ 16,500,000                           | \$ 3,500,000                |
| Sewer Improvements              | 2/8/1978                   | 24,000,000                   | 10,000,000                              | 14,000,000                  |
| Water Improvements              | 4/14/1983                  | 25,250,000                   | 6,000,000                               | 19,250,000                  |
| Sewer Improvements              | 4/15/1983                  | 12,300,000                   | 8,000,000                               | 4,300,000                   |
| Totals                          |                            | <u>\$ 81,550,000</u>         | <u>\$ 40,500,000</u>                    | <u>\$ 41,050,000</u>        |

- (1) The City has adopted a policy whereby, consistent with the laws of the State of Texas and the City Charter, an election is no longer required for the City to issue Water and Sewer System Revenue Bonds supported by a lien on and pledge of the Pledged Revenues of the City's System. The City does not anticipate issuing any of the "Authorized but Unissued Revenue Bonds" described above.



**TABLE 4 - HISTORICAL WATER CONSUMPTION DATA (INSIDE CITY LIMITS) <sup>(1)</sup>**

| Fiscal<br>Year<br>Ending<br>9/30 | Meters<br>in<br>Service | Total<br>Water<br>Pumped,<br>M.G. | Average<br>Pumped<br>Daily,<br>M.G.D. | Maximum<br>Day's<br>Pumpage,<br>M.G.D. | Average<br>GPD<br>Per<br>Meter | Ratio<br>Maximum<br>Day to<br>Average<br>Day |
|----------------------------------|-------------------------|-----------------------------------|---------------------------------------|--|--------------------------------|--|
| 2008                             | 230,817                 | 45,326.0                          | 124.2                                 | 277.14                                 | 538                            | 2.23x  |
| 2009                             | 233,801                 | 44,167.0                          | 121.0                                 | 265.80                                 | 501                            | 2.20x  |
| 2010                             | 234,863                 | 40,312.0                          | 110.4                                 | 252.60                                 | 470                            | 2.29x  |
| 2011                             | 237,425                 | 46,183.8                          | 126.5                                 | 289.30                                 | 533                            | 2.29x  |
| 2012                             | 239,597                 | 46,087.6                          | 126.3                                 | 284.20                                 | 527                            | 2.25x  |

(1) Source: City's Water Department.

**TABLE 5 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) <sup>(1)</sup>**

| Customer                               | Total<br>2012<br>Consumption<br>(Gallons) | Revenue              | % of<br>Total<br>Water<br>Usage |
|--|---|----------------------|---------------------------------|
| Miller Brewing Company                 | 953,952,171                               | \$ 2,091,191         | 1.57%                           |
| Alcon Laboratories                     | 393,970,257                               | 1,256,973            | 0.65%                           |
| Lockheed Martin Corp Aircraft          | 310,986,292                               | 747,398              | 0.51%                           |
| Fort Worth Independent School District | 294,158,232                               | 1,234,073            | 0.48%                           |
| Chesapeake Operating Inc.              | 247,341,834                               | 1,446,522            | 0.37%                           |
| XTO Energy Inc.                        | 227,103,261                               | 1,369,908            | 0.37%                           |
| Tarrant County                         | 204,070,309                               | 685,663              | 0.34%                           |
| American Airlines                      | 189,289,723                               | 610,562              | 0.31%                           |
| Texas Christian University             | 184,718,383                               | 719,736              | 0.30%                           |
| Texas Health Resources                 | 175,224,994                               | 593,990              | 0.29%                           |
|  | <u>3,180,815,456</u>                      | <u>\$ 10,756,016</u> | <u>5.19%</u>                    |

(1) Source: City's Water Department.

**TABLE 6 - ALL WATER SOLD BY CATEGORY (MILLION GALLONS, BY FISCAL YEAR) (1)**

| Year<br>Ending<br>9/30 | Residential | Commercial | Industrial | Wholesale<br>Customers | Yard<br>Meters | Total<br>Water<br>Sales |
|------------------------|-------------|------------|------------|------------------------|----------------|-------------------------|
| 2008                   | 18,899.4    | 11,429.4   | 2,674.2    | 21,598.0               | 4,206.8        | 59,807.8                |
| 2009                   | 18,380.2    | 11,305.1   | 3,514.9    | 21,417.7               | 4,132.7        | 58,750.6                |
| 2010                   | 16,988.7    | 10,611.8   | 3,398.2    | 20,900.8               | 3,313.9        | 55,213.4                |
| 2011                   | 20,577.0    | 12,294.6   | 3,507.4    | 24,999.4               | 4,794.3        | 66,172.7                |
| 2012                   | 18,683.8    | 11,082.0   | 3,452.5    | 23,459.2               | 4,040.9        | 60,718.4                |

(1) Source: City's Water Department.

**TABLE 7 - TREATED WATER PUMPED (MILLION GALLONS) (1)**

| Fiscal<br>Year | Inside<br>City<br>Limits | Outside<br>City<br>Limits | Total<br>Water<br>Pumped |
|----------------|--------------------------|---------------------------|--------------------------|
| 2008           | 45,326.0                 | 21,638.1                  | 66,917.3                 |
| 2009           | 44,167.4                 | 20,816.4                  | 64,983.8                 |
| 2010           | 40,311.7                 | 21,999.0                  | 62,310.7                 |
| 2011           | 46,183.8                 | 28,798.4                  | 74,982.2                 |
| 2012           | 46,087.6                 | 23,381.7                  | 69,469.3                 |

(1) Source: City's Water Department.

**TABLE 8 - MONTHLY WATER RATES (EFFECTIVE JANUARY 1, 2012) (1)**

Monthly Service Charge: Based on the size of meter serving the customer.

A monthly service charge in the following amount shall be charged based on the size of the meter serving the customers (2)

| (Inside City Limits) |                              | (Outside City Limits) |                              |
|----------------------|------------------------------|-----------------------|------------------------------|
| Meter<br>Size        | Monthly<br>Service<br>Charge | Meter<br>Size         | Monthly<br>Service<br>Charge |
| 5/8" x 5/8"          | \$ 7.50                      | 5/8" x 5/8"           | \$ 9.38                      |
| 5/8" x 3/4"          | \$ 7.50                      | 5/8" x 3/4"           | \$ 9.38                      |
| 3/4" x 3/4"          | 7.55                         | 3/4" x 3/4"           | 9.69                         |
| 1"                   | 11.00                        | 1"                    | 13.75                        |
| 1 1/2"               | 19.00                        | 1 1/2"                | 23.75                        |
| 2"                   | 28.50                        | 2"                    | 35.63                        |
| 3"                   | 61.75                        | 3"                    | 77.19                        |
| 4"                   | 108.00                       | 4"                    | 135.00                       |
| 6"                   | 235.00                       | 6"                    | 293.75                       |
| 8"                   | 402.00                       | 8"                    | 502.50                       |
| 10"                  | 630.00                       | 10"                   | 787.50                       |

(1) Source: City's Water Department.

(2) Rates for outside-the-city-limit customers have a 1.25% multiplier.

**TABLE 9 - MONTHLY WATER RATES (VOLUME CHARGE<sup>ONLY</sup>) (EFFECTIVE JANUARY 1, 2012)**

Volume Charge: Based on Volume of water used<sup>(1)</sup>

(Inside City Limits)

| Residential Customers Rate |         |                 | Irrigation Rate |         |                 | Gas Well Driller Rate |         |                 |
|----------------------------|---------|-----------------|-----------------|---------|-----------------|-----------------------|---------|-----------------|
| Cubic Feet                 | Rate    |                 | Cubic Feet      | Rate    |                 | Cubic Feet            | Rate    |                 |
| First 800                  | \$ 1.97 | per 100 Cu. Ft. | First 5,000     | \$ 2.80 | per 100 Cu. Ft. | All                   | \$ 4.50 | per 100 Cu. Ft. |
| Next 1,200                 | 2.80    | per 100 Cu. Ft. | Next 5,000      | 3.48    | per 100 Cu. Ft. |                       |         |                 |
| Next 1,000                 | 3.48    | per 100 Cu. Ft. | Over 10,000     | 4.20    | per 100 Cu. Ft. |                       |         |                 |
| Over 3,000                 | 4.20    | per 100 Cu. Ft. |                 |         |                 |                       |         |                 |

| Commercial Rate |         |                 | Industrial Rate |         |                 | Superuser  |         |                 |
|-----------------|---------|-----------------|-----------------|---------|-----------------|------------|---------|-----------------|
| Cubic Feet      | Rate    |                 | Cubic Feet      | Rate    |                 | Cubic Feet | Rate    |                 |
| All             | \$ 2.23 | per 100 Cu. Ft. | All             | \$ 2.09 | per 100 Cu. Ft. | All        | \$ 1.70 | per 100 Cu. Ft. |

(Outside City Limits)

| Residential Customers Rate |         |                 | Irrigation Rate |         |                 | Gas Well Driller Rate |         |                 |
|----------------------------|---------|-----------------|-----------------|---------|-----------------|-----------------------|---------|-----------------|
| Cubic Feet                 | Rate    |                 | Cubic Feet      | Rate    |                 | Cubic Feet            | Rate    |                 |
| First 800                  | \$ 2.46 | per 100 Cu. Ft. | First 5,000     | \$ 3.50 | per 100 Cu. Ft. | First 5,000           | \$ 5.63 | per 100 Cu. Ft. |
| Next 1,200                 | 3.50    | per 100 Cu. Ft. | Next 5,000      | 4.35    | per 100 Cu. Ft. |                       |         |                 |
| Next 1,000                 | 4.35    | per 100 Cu. Ft. | Over 10,000     | 5.25    | per 100 Cu. Ft. |                       |         |                 |
| Over 3,000                 | 5.25    | per 100 Cu. Ft. |                 |         |                 |                       |         |                 |

| Commercial Rate |         |                 | Industrial Rate |         |                 | Superuser  |         |                 |
|-----------------|---------|-----------------|-----------------|---------|-----------------|------------|---------|-----------------|
| Cubic Feet      | Rate    |                 | Cubic Feet      | Rate    |                 | Cubic Feet | Rate    |                 |
| All             | \$ 2.79 | per 100 Cu. Ft. | All             | \$ 2.61 | per 100 Cu. Ft. | All        | \$ 2.13 | per 100 Cu. Ft. |

(1) Rates for outside-the-city-limit customers have a 1.25% multiplier.

Raw Water Service  
(Effective October 1, 2012)

All use per month \$0.89043 per 1,000 gallons inside Tarrant Regional Water District  
All use per month \$0.91143 per 1,000 gallons outside Tarrant Regional Water District

**TABLE 10 - RATES FOR WHOLESALE WATER CONTRACTS**

Rates for Wholesale Water Service  
(October 1, 2012)

The City of Fort Worth has a contract for raw water supply from the Regional Water District. The contract allows <sup>the District</sup> to proceed with the operation of Richland Chambers, West Fork and Cedar Creek Reservoirs.

Prior to October 1 of each year, the District will establish its operating budget and will advise the City of Fort Worth of the charge for raw water. This amount can vary each year, if the Revenue does not equal the expenditures, the rate can and will be adjusted to recover additional costs.

The District has advised the City that the charges for raw water have changed. Charges to the City for water sold to customers inside the District include a raw water component, plus a street rental charge of 5% and a system loss charge of 4% which increases the raw water cost to wholesale customers inside the District to \$0.97057 per 1,000 gallons. The Volume Charge is made up of two components:

- (1) The total raw water cost to the wholesale customer of \$0.97057 per 1,000 gallons.
  - (2) The cost of treatment, pumping etc. to deliver water to the wholesale customers meter at \$0.6785 per 1,000 gallons.
- The total volume charge will be \$1.64907 per 1,000 gallons.

Monthly charges are based on the greater of either \$1,000 of a sum equal to the Volume Charge for the actual volume of water taken plus 1/12 of the sum of the estimated Rate of use Charges and a \$25 per meter charge. For purposes of estimating the rate of use payments, the current rate of use charges will be derived from the prior Fiscal Year's Maximum Day Demand, Maximum Hour Demand and Average Daily Use.

Computations for the monthly charge based on the water used and for the Rate of Use Charge shall be made in accordance with the following rates:

|  | <u>Inside</u><br><u>District</u> | <u>Outside</u><br><u>District</u> |
|--|----------------------------------|-----------------------------------|
| Volume Charge, per 1,000 Gallons   | \$ 1.6491                        | \$ 1.672                          |
| Excess Maximum Day Demand<br>(per MGD of daily demand in excess of average day demand)                 | \$ 114,398                       | \$ 114,398                        |
| Excess Maximum Hour Demand<br>(annual charge per MGD of hourly demand in excess of maximum day demand) | \$ 30,616                        | \$ 30,616                         |
| Service Charge per Meter per Month   | \$ 25                            | \$ 25                             |

2. Annual payments will be the greater of the following:

- a. The charges calculated by applying the current Volume Charge to Annual Consumption, the appropriate meter reading and billing charge, and the Rate of Use Charge for the current Fiscal Year; or
- b. The current Fiscal Year Volume Charge, the appropriate meter reading and billing charge, and the current Fiscal Year Rate of use Charge applied to the average of the Maximum Day Demand above Average Daily Use and the average of the Maximum Hour Demand above Maximum Day Demand for the most recently completed three Fiscal Years, which include the current Fiscal Year; or
- c. If no water is taken during the year, a stand-by charge applies.

**TABLE 11 - STATUS OF CONTRACTS – WHOLESALE CUSTOMERS**

| Wholesale Customer      | Contract Expiration Date |            | Wholesale Customer                       | Contract Expiration Date |            |
|-------------------------|--------------------------|------------|--|--------------------------|------------|
|                         | Water                    | Wastewater |  | Water                    | Wastewater |
| Aledo                   | 9/30/2031                | (1)        | Northlake                                | 9/30/2031                | (1)        |
| Benbrook                | (2)                      | 5/14/2017  | North Richland Hills                     | 9/30/2031                | 5/8/2017   |
| Bethesda Water Supply   | 9/30/2031                | 4/30/2017  | Pantego                                  | (2)                      | 5/8/2017   |
| Blue Mound              | (2)                      | 6/2/2017   | Richland Hills                           | 9/30/2031                | 5/8/2017   |
| Burleson                | 9/30/2031                | 5/8/2017   | River Oaks (3)                           | 9/30/2031                | 5/8/2017   |
| Crowley                 | 9/30/2031                | 5/8/2017   | Roanoke                                  | 9/30/2031                | (1)        |
| DFW Airport             | 9/30/2031                | (1)        | Saginaw                                  | 9/30/2031                | 5/14/2017  |
| Dalworthington Gardens  | 9/30/2031                | (1)        | Sansom Park (3)                          | 9/30/2031                | 5/8/2017   |
| Edgecliffe Village      | 9/30/2031                | 5/8/2017   | Southlake                                | 9/30/2031                | (1)        |
| Everman (3)             | 9/30/2031                | 5/8/2017   | Trinity River Authority                  | (2)                      | 10/14/2017 |
| Forest Hill             | 9/30/2031                | 5/8/2017   | Trinity River Authority (Mosier Valley)  | 10/22/2017               | (1)        |
| Grand Prairie           | 9/30/2031                | (1)        | Trophy Club Municipal Utility District 1 | 9/30/2031                | (1)        |
| Haltom City             | 9/30/2031                | 5/8/2017   | Watauga                                  | (2)                      | 10/28/2013 |
| Haslet                  | 9/30/2031                | (1)        | Westlake                                 | 9/30/2031                | (1)        |
| Hurst                   | 9/30/2031                | 5/8/2017   | Westover Hills                           | 9/30/2031                | 10/1/2017  |
| Keller                  | 9/30/2031                | (1)        | Westworth Village                        | 9/30/2031                | 5/8/2017   |
| Kennedale/D. Strickland | 9/30/2031                | 9/30/2017  | White Settlement                         | 9/30/2031                | 5/12/2017  |
| Lake Worth              | 9/30/2031                | 5/8/2017   |  |                          |            |

(1) The City of Fort Worth Does not treat Wastewater from this Entity.

(2) The City of Fort Worth Does not supply Water to this Entity.

(3) Water stand-by contract with the City of Fort Worth.

Fort Worth and wholesale city councils were able to approve contracts by December 2010.

Fort Worth was able to mail out all the approved contracts to the future customers in December 2010.

**TABLE 12 - TEN LARGEST WASTEWATER CUSTOMERS (1)**

| Customer                   | Total 2012<br>Usage (Gallons) | Revenue             | % of Total<br>Wastewater Usage |
|----------------------------|-------------------------------|---------------------|--------------------------------|
| Miller Brewing Company     | 601,606,258                   | \$ 2,813,460        | 1.74%                          |
| Alcon Laboratories         | 278,576,094                   | 994,388             | 0.81%                          |
| Fort Worth ISD             | 183,828,144                   | 874,893             | 0.53%                          |
| Lockheed Martin            | 170,329,435                   | 643,216             | 0.49%                          |
| Tarrant County             | 144,884,213                   | 681,678             | 0.42%                          |
| Texas Christian University | 131,716,620                   | 618,825             | 0.38%                          |
| Texas Health Resources     | 113,675,815                   | 536,540             | 0.33%                          |
| Kroger LP                  | 98,245,205                    | 736,784             | 0.28%                          |
| American Airlines          | 98,045,462                    | 396,271             | 0.28%                          |
| Bell Helicopter Textron    | 91,292,910                    | 400,192             | 0.26%                          |
|                            | <u>1,912,200,156</u>          | <u>\$ 8,696,247</u> | <u>5.55%</u>                   |

(1) These accounts represent retail (inside City) customers only.

**TABLE 13 - WASTEWATER SALES BY CUSTOMER CLASS FROM FISCAL YEAR 2012 BILLING RECORDS**

| Customer Class       | Number of<br>Accounts | Volume<br>Billed MG | Sales          |
|----------------------|-----------------------|---------------------|----------------|
| Residential          | 201,971               | 11,088.1            | \$ 52,504,100  |
| Commercial           | 13,447                | 8,826.6             | 44,972,147     |
| Commercial Monitored | 652                   | 383.6               | 2,171,665      |
| Industrial           | 173                   | 140.5               | 719,028        |
| Industrial Monitored | 168                   | 2,059.1             | 9,866,313      |
| Municipalities       | 24                    | 11,715.2            | 20,737,547     |
| Effluent             | 6                     | 234.6               | 418,934        |
| Total                | 216,441               | 34,447.7            | \$ 131,389,734 |

**TABLE 14 - WASTEWATER RETAIL SERVICE RATES (EFFECTIVE JANUARY 1, 2013)****Rates for Sewerage Service Only (1)**

That Chapter 35, "Water and Sewers", Article III, "Charges", Section <sup>35-56</sup> "Water and Sewer Rates within the City", subsections (c) and (d) of the Code of the City of Fort Worth (1986), as amended, is hereby further amended to be as follows:

(c) The following schedule of rates per month, or fraction thereof, shall be the charges to all residential and nonresidential customers for furnishing sewerage service to such customers located within the city. The residential monthly volume charge for sewerage service shall be the charges to the residential class, as defined in this chapter, for furnishing sewerage service to nonresidential sewer customers located within the City.

Monthly service charge for Sewerage Service only.

| (Inside City Limits) |                | (Outside City Limits) |                |
|----------------------|----------------|-----------------------|----------------|
| Meter Size (inches)  | Monthly Charge | Meter Size (inches)   | Monthly Charge |
| 5/8 x 5/8            | \$ 5.10        | 5/8 x 5/8             | \$ 6.38        |
| 5/8 x 3/4            | \$ 5.10        | 5/8 x 3/4             | \$ 6.38        |
| 3/4 x 3/4            | \$ 5.40        | 3/4 x 3/4             | \$ 6.75        |
| 1                    | \$ 6.00        | 1                     | \$ 7.50        |
| 1 ½                  | \$ 7.50        | 1 ½                   | \$ 9.38        |
| 2                    | \$ 9.30        | 2                     | \$ 11.63       |
| 3                    | \$ 17.55       | 3                     | \$ 21.94       |
| 4                    | \$ 27.00       | 4                     | \$ 33.75       |
| 6                    | \$ 52.50       | 6                     | \$ 65.63       |
| 8                    | \$ 88.50       | 8                     | \$ 110.63      |
| 10                   | \$ 130.50      | 10                    | \$ 163.13      |
| 12                   | \$ 163.50      | 12                    | \$ 204.38      |

A monthly volume charge shall also be charged to residential customers in the amount of two dollars and eighty-five cents (\$2.85) per one hundred (100) cubic feet of water used, and to nonresidential/non-monitored customers in the amount of three dollars and fifty-eight cents (\$3.58) per one hundred (100) cubic feet of water used, or wastewater produced, as more specifically set forth hereinafter.

The monthly volume charges for residential class customers will be based on the individual customer's average monthly water use during the preceding winter quarter months of December, January and February, but in no event shall the volume used to compute this monthly charge for a single family residential unit or a duplex unit exceed three thousand (3,000) cubic feet. The volumes used to compute these charges are based on the amount of water used by the residential class customer as measured by a meter. Where no preceding winter quarter average is available from records, the director shall estimate a volume to be used for this monthly volume charge.

The monthly charges to the nonresidential/non-monitored customers will be based on total water use as measured by appropriate meters, with the provision that if a customer can prove, to the satisfaction of the director, that a significant portion of the metered water usage does not enter the sanitary sewers, the customer will be charged for only that volume entering the sewers, as determined by a method approved by the director.

**TABLE 15 - WASTEWATER WHOLESALE SERVICE RATES (EFFECTIVE OCTOBER 1, 2012)**

| Rates for Wholesale Wastewater Contracts <sup>(1)</sup> |          |
|---|----------|
| Volume (\$/1,000 gallons)                               | \$1.1633 |
| BOD (\$/pound)  | \$0.4062 |
| Total Suspended Solids (\$/pound)                       | \$0.1779 |
| Customer (\$/month)                                     | \$75.00  |

Rates for outside-the-city-limit customers have a 1.25% multiplier.

# CITY OF GRAND PRAIRIE, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                   | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|-----------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                   | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| <b>Revenues <sup>(1)</sup></b>    |                                 |                      |                      |                      |                      |
| Sales to Customers                | \$ 34,304,231                   | \$ 33,135,212        | \$ 27,286,204        | \$ 27,499,827        | \$ 24,727,528        |
| Wastewater Charges to Customers   | 20,610,386                      | 19,297,083           | 17,212,075           | 16,464,165           | 15,385,150           |
| Water Surcharge/Monitoring        | 682,994                         | 634,476              | 601,095              | 594,851              | 589,489              |
| Impact Fees                       | 1,084,505                       | 1,017,779            | 1,174,693            | 1,073,689            | 2,250,784            |
| Other                             | 2,018,959                       | 1,700,687            | 1,670,055            | 2,902,368            | 4,683,852            |
| <b>Total Revenues</b>             | <b>\$ 58,701,075</b>            | <b>\$ 55,785,237</b> | <b>\$ 47,944,122</b> | <b>\$ 48,534,900</b> | <b>\$ 47,636,803</b> |
| <b>Expenses <sup>(2)</sup></b>    |                                 |                      |                      |                      |                      |
| Salaries & Personnel Benefits     | \$ 6,038,321                    | \$ 5,944,242         | \$ 5,924,300         | \$ 5,810,814         | \$ 5,741,064         |
| Professional Services             | 4,977,428                       | 4,957,262            | 4,423,934            | 3,748,373            | 4,451,387            |
| Franchise Fees                    | 2,193,337                       | 2,092,534            | 1,770,765            | 1,784,329            | 1,594,601            |
| Water Purchase                    | 10,951,192                      | 10,919,425           | 10,209,116           | 10,456,160           | 9,214,660            |
| Wastewater Treatment              | 11,581,458                      | 10,894,876           | 9,576,287            | 8,260,418            | 8,359,440            |
| Other <sup>(3)</sup>              | 4,626,210                       | 4,342,913            | 4,136,047            | 3,696,714            | 2,593,240            |
| <b>Total Expenses</b>             | <b>\$ 40,367,946</b>            | <b>\$ 39,151,252</b> | <b>\$ 36,040,449</b> | <b>\$ 33,756,808</b> | <b>\$ 31,954,392</b> |
| <b>Available for Debt Service</b> | <b>\$ 18,333,129</b>            | <b>\$ 16,633,985</b> | <b>\$ 11,903,673</b> | <b>\$ 14,778,092</b> | <b>\$ 15,682,411</b> |

(1) Includes operating and non-operating revenue.

(2) Excludes depreciation and debt service expense.

(3) Includes payments with respect to TRA Water Contract Bonds secured by surplus revenues and; if needed, by an ad valorem tax.

**TABLE 2 - COVERAGE AND FUND BALANCES**

Average Annual Principal and Interest Requirements, all Water and Wastewater System Revenue Bonds Fiscal Year Ended 9/30/2013 \$ 4,189,562  
 Coverage of Average Annual Requirements based on 9/30/2012 Revenue Available for Debt Service 4.38x

Total Principal and Interest Requirements of all debt obligations paid from Water and Wastewater Treatment Fund (Water and Wastewater System Revenue Bond, Contract and Tax Obligations issued for System Improvements), Fiscal Year Ended 9/30/13 \$ 6,130,849  
 Coverage of Total Requirements based on 9/30/2012 Revenue Available for Debt Service 2.99x

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of September 30, 2012, the City has no authorized revenue bonds.

**TABLE 4 - DALLAS WATER UTILITIES**

| Year<br>Ended<br>9/30 | Dallas Water Utilities |                | City of Ft. Worth<br>Volume Charges | Total Cost<br>of Water<br>Purchased |
|-----------------------|------------------------|----------------|-------------------------------------|-------------------------------------|
|                       | Volume Charges         | Demand Charges |                                     |                                     |
| 2008                  | \$ 2,785,551           | \$ 5,458,801   | \$ 1,063,445                        | \$ 9,307,797                        |
| 2009                  | 3,119,852              | 5,904,883      | 1,431,425                           | 10,456,160                          |
| 2010                  | 2,883,426              | 6,090,162      | 1,235,527                           | 10,209,115                          |
| 2011                  | 3,342,225              | 6,329,489      | 1,239,437                           | 10,919,425                          |
| 2012                  | 2,780,668              | 6,758,580      | 1,411,944                           | 10,951,192                          |



**TABLE 5 - WATER AND WASTEWATER RATES (EFFECTIVE OCTOBER 1, 2011) <sup>(1)</sup>**

| Water Rates (Per 1,000 Gallons)  | Previous<br>(10/1/2011) | Present<br>(10/1/2012) |
|--|-------------------------|------------------------|
| Classification   |                         |                        |
| Residential  |                         |                        |
| Per 1,000 gallons, total usage 3,000 gallons or less   | \$ 0.12                 | \$ 0.12                |
| Per 1,000 gallons, total usage more than 3,000 gallons,<br>and up and including 20,000 gallons | 3.16                    | 3.29                   |
| Per 1,000 gallons, all quantities over 20,000 gallons  | 5.43                    | 5.65                   |
| Commercial   | 3.18                    | 3.31                   |
| Industrial   | 3.18                    | 3.31                   |
| Governmental   | 2.86                    | 2.97                   |
| Fire Hydrant   | 6.27                    | 6.52                   |
| Minimum Monthly Charge (Based on Meter Size):  |                         |                        |
| 5/8" or 3/4"   | \$ 11.08                | \$ 11.52               |
| 1"   | 14.25                   | 14.82                  |
| 1 1/4"   | 17.05                   | 17.73                  |
| 1 1/2"   | 18.50                   | 19.24                  |
| 2"   | 29.27                   | 30.44                  |
| 3"   | 90.77                   | 94.40                  |
| 4"   | 112.55                  | 117.05                 |
| 6"   | 168.72                  | 175.47                 |
| 8"   | 234.82                  | 244.21                 |
| 10"  | 245.00                  | 254.80                 |
| 12"  | 257.80                  | 268.11                 |
| Wastewater Rates (Per 1,000 Gallons)   |                         |                        |
| Classification   |                         |                        |
| Residential  | \$ 3.10                 | \$ 3.22                |
| Commercial   | 3.76                    | 3.91                   |
| Industrial   | 3.76                    | 3.91                   |
| Governmental   | 3.32                    | 3.46                   |
| Wastewater Minimum charges based on meter size   |                         |                        |
| 5/8" or 3/4"   | \$ 10.10                | \$ 10.50               |
| 1"   | 10.94                   | 11.37                  |
| 1 1/4"   | 12.75                   | 13.26                  |
| 1 1/2"   | 13.29                   | 13.82                  |
| 2"   | 15.24                   | 15.85                  |
| 3"   | 22.56                   | 23.46                  |
| 4"   | 29.93                   | 31.13                  |
| 6"   | 46.45                   | 48.31                  |
| 8"   | 65.73                   | 69.31                  |
| 10"  | 84.13                   | 87.50                  |
| 12"  | 94.27                   | 98.04                  |

(1) Source: City Staff.

**TABLE 6 - AVERAGE DAILY WATER USAGE (GALLONS)**

| Year<br>Ended<br>9/30 | Average<br>Daily Usage | Maximum<br>Day's Use | Total<br>Pumped In |
|-----------------------|------------------------|----------------------|--------------------|
| 2008                  | 25,635,000             | 44,151,814           | 9,356,809,823      |
| 2009                  | 25,450,905             | 43,362,871           | 9,289,580,390      |
| 2010                  | 22,893,436             | 40,412,439           | 8,356,104,040      |
| 2011                  | 27,883,942             | 40,645,201           | 10,177,638,838     |
| 2012                  | 23,927,897             | 42,138,818           | 8,733,682,560      |

**TABLE 7 - AVERAGE DAILY WASTEWATER FLOW**

| Fiscal<br>Year<br>Ended<br>9/30 | Average<br>Daily Flow |
|---------------------------------|-----------------------|
| 2008                            | 14,176,500            |
| 2009                            | 15,090,031            |
| 2010                            | 15,184,720            |
| 2011                            | 16,242,375            |
| 2012                            | 15,214,182            |

**TABLE 8 - WASTEWATER TREATMENT**

| Fiscal<br>Year<br>Ended<br>9/30 | Operation<br>and<br>Maintenance | Wastewater Treatment |            | Joe Pool<br>Intake | Joe Pool<br>Corp of<br>Engineers | Total      |
|---------------------------------|---------------------------------|----------------------|------------|--------------------|----------------------------------|------------|
|                                 |                                 | Debt<br>Service      | Subtotal   |                    |                                  |            |
| 2008                            | 3,628,734                       | 4,009,898            | 7,638,632  | 6,810              | 366,430                          | 8,011,872  |
| 2009                            | 3,687,602                       | 4,849,504            | 8,537,106  | 6,450              | 370,440                          | 8,913,996  |
| 2010                            | 3,803,188                       | 5,678,184            | 9,481,372  | 24,000             | 395,860                          | 9,901,232  |
| 2011                            | 4,146,626                       | 6,660,202            | 10,806,828 | 11,010             | 383,062                          | 11,200,900 |
| 2012                            | 4,316,782                       | 6,383,008            | 10,699,790 | 7,660              | 306,680                          | 11,014,130 |

**TABLE 9 - TEN LARGEST WATER AND WASTEWATER CUSTOMERS**

| Customers                      | Fiscal Year Ended September 30, 2012 |               |              |              |
|--------------------------------|--------------------------------------|---------------|--------------|--------------|
|                                | Total                                | Amount Billed |              |              |
|                                | Consumption <sup>(1)</sup>           | Billed        | Water        | Wastewater   |
| Bell Helicopter                | 121,123                              | \$ 752,336    | \$ 388,011   | \$ 364,326   |
| Coca-Cola North America        | 92,964                               | 450,176       | 297,260      | 152,916      |
| Apple Residential Investment   | 52,209                               | 455,831       | 299,643      | 156,188      |
| Lockheed-Martin                | 48,403                               | 306,614       | 158,744      | 147,869      |
| Poly America Inc.              | 40,184                               | 262,652       | 131,242      | 131,410      |
| North Texas Healthcare Laundry | 39,847                               | 246,787       | 127,756      | 119,031      |
| Amerisouth VI, LTD             | 33,560                               | 287,116       | 187,756      | 99,361       |
| Mountain Creek                 | 33,205                               | 299,009       | 198,206      | 100,803      |
| Manor Redevelopment LLC        | 31,858                               | 282,680       | 181,970      | 100,710      |
| Quail Ridge Apts               | 27,554                               | 251,589       | 160,628      | 90,961       |
| Totals                         | 520,907                              | \$ 3,594,790  | \$ 2,131,216 | \$ 1,463,575 |

(1) In 1,000 Gallons.

# CITY OF GRAPEVINE, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|   | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|---|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Revenues:</u>                                    | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| Charges for Services                                | \$ 20,481,210                   | \$ 21,167,790        | \$ 18,523,000        | \$ 17,950,381        | \$ 18,893,000        |
| <u>Operating Expenses: <sup>(1)</sup></u>           |                                 |                      |                      |                      |                      |
| Salaries and Benefits                               | \$ 2,830,003                    | \$ 2,721,601         | \$ 2,856,000         | \$ 2,795,000         | \$ 2,512,000         |
| Maintenance, Repairs and Supplies                   | 9,191,991                       | 10,150,560           | 8,818,000            | 8,427,000            | 8,919,000            |
| General and Administrative                          | 3,396,529                       | 3,153,168            | 3,030,000            | 2,877,000            | 2,857,000            |
| Total Operating Expenses                            | <u>\$ 15,418,523</u>            | <u>\$ 16,025,329</u> | <u>\$ 14,704,000</u> | <u>\$ 14,099,000</u> | <u>\$ 14,288,000</u> |
| Net Revenue from Operations                         | \$ 5,062,687                    | \$ 5,142,461         | \$ 3,819,000         | \$ 3,851,381         | \$ 4,605,000         |
| Investment Income                                   | 67,292                          | 73,804               | 82,000               | 398,000              | 1,036,000            |
| Impact Fee - Balance                                | 7,808,747                       | 6,878,687            | 6,396,000            | 6,329,666            | 6,128,145            |
| Other Net   | -                               | -                    | 281,000              | 545,000              | 163,000              |
| Net Available for Debt Service                      | <u>\$ 12,938,726</u>            | <u>\$ 12,094,952</u> | <u>\$ 10,578,000</u> | <u>\$ 11,124,047</u> | <u>\$ 11,932,145</u> |
| Average Annual Debt                                 | \$ 284,764                      | \$ 285,008           | \$ 351,378           | \$ 284,764           | \$ 1,119,023         |
| Average Annual Debt Coverage                        | 45.44x                          | 42.44x               | 30.10x               | 39.06x               | 10.66x               |
| Average Annual Debt Coverage<br>without Impact Fees | 18.01x                          | 18.30x               | 11.90x               | 16.84x               | 5.19x                |
| Water Customers                                     | 14,460                          | 14,384               | 14,343               | 14,314               | 13,995               |
| Wastewater Customers                                | 13,103                          | 13,081               | 13,130               | 13,107               | 12,946               |

(1) Excludes depreciation and amortization.

**TABLE 2 - COVERAGE AND FUND BALANCES**

|  |            |
|--|------------|
| Average Annual Principal and Interest Requirements, 2013-2015 .....      | \$ 284,764 |
| Coverage of Average Requirements by 9/30/12 Net Available .....          | 45.44x     |
| Maximum Principal and Interest Requirements, 2014 .....                  | \$ 286,670 |
| Coverage of Maximum Requirements by 9/30/12 Net Available .....          | 45.13x     |
| Waterworks and Sewer System Revenue Bonds Outstanding as of 2/1/13 ..... | \$ 790,000 |
| Interest and Sinking Fund, 9/30/12 <sup>(1)</sup> .....                  | \$ 923,927 |
| Reserve Fund, 9/30/12 <sup>(1)</sup> .....                               | \$ 284,764 |

(1) Amounts are cash balance in accounts.

**TABLE 3 - WATER USAGE**

| <u>Fiscal<br/>Year</u> | <u>Peak<br/>Day<br/>Usage</u> | <u>Average<br/>Day<br/>Usage</u> | <u>Total<br/>Usage<sup>(1)</sup></u> |
|------------------------|-------------------------------|----------------------------------|--------------------------------------|
| 2008                   | 20,661,000                    | 10,749,000                       | 3,934,128,000                        |
| 2009                   | 19,650,000                    | 10,366,000                       | 3,783,510,000                        |
| 2010                   | 22,664,000                    | 10,234,000                       | 3,735,308,000                        |
| 2011                   | 21,890,000                    | 11,739,000                       | 4,284,915,000                        |
| 2012                   | 20,919,000                    | 10,766,000                       | 3,929,509,000                        |

(1) Water consumption pumped or treated.

**TABLE 4 - MONTHLY WATER RATES (EFFECTIVE SEPTEMBER 18, 2001)**

| <u>General Water Consumption</u> |               |                  |
|----------------------------------|---------------|------------------|
| First                            | 2,000 gallons | \$9.75 (Minimum) |
| Over                             | 2,000 gallons | \$2.74/M gallons |

  

| <u>Size of Meter</u>                 | <u>Minimum<br/>Gallons</u> | <u>Minimum<br/>Monthly<br/>Charges</u> |
|--------------------------------------|----------------------------|--|
| 3/4" or Less                         | 2,000                      | \$ 9.75                                |
| 1"                                   | 9,000                      | 28.89                                  |
| 1½"                                  | 21,000                     | 61.73                                  |
| 2"                                   | 34,000                     | 97.29                                  |
| 3"                                   | 78,000                     | 211.67                                 |
| 4"                                   | 100,000                    | 277.85                                 |
| 6"                                   | 134,000                    | 370.87                                 |
| 8"                                   | 239,000                    | 658.13                                 |
| Larger than 8"                       |                            | To be agreed upon<br>by contract.      |
| Fire Sprinkler Connections - \$32.40 |                            |  |

**TABLE 5 - MONTHLY SEWER RATES (EFFECTIVE AUGUST 15, 2006)**

| <u>Residential Service</u> |                |                  | <u>Commercial Service</u> |               |                   |
|----------------------------|----------------|------------------|---------------------------|---------------|-------------------|
| First                      | 2,000 gallons  | \$7.80 (Minimum) | First                     | 2,000 gallons | \$11.52 (Minimum) |
| Next                       | 13,000 gallons | \$3.26/M gallons | Over                      | 2,000 gallons | \$ 3.26/M gallons |

**TABLE 6 - APPLICATION AND COST DEPOSIT FOR WATER, WASTEWATER AND REFUSE SERVICE**

|  |          |
|--|----------|
| Single-family residential, minimum               | \$ 50.00 |
| Multi-family (apartments), minimum per 2" tap *  | 40.00    |
| Industrial, minimum                              | 230.00   |
| 3/4" Construction Meter                          | 125.00   |
| 2" Construction Meter                            | 750.00   |
| Master deposit account                           | 250.00   |
| Commercial account/sprinkler systems (per meter) | 40.00    |
| *Per dwelling unit                               |          |

## CITY OF HURST, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                  | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|----------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Revenues</u>                  | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| Water Sales                      | \$ 18,777,841                   | \$ 19,888,409        | \$ 15,556,443        | \$ 15,623,362        | \$ 15,995,988        |
| Sewer Service Charges            | -                               | -                    | -                    | -                    | -                    |
| Storm Water Drainage             | -                               | -                    | -                    | 500,094              | -                    |
| Interest on Investments          | 132,898                         | 177,002              | 206,807              | 478,868              | 715,963              |
| Miscellaneous                    | 454,686                         | 491,644              | 451,812              | 505,227              | 524,158              |
| Total Revenue                    | <u>\$ 19,365,425</u>            | <u>\$ 20,557,055</u> | <u>\$ 16,215,062</u> | <u>\$ 17,107,551</u> | <u>\$ 17,236,109</u> |
| <u>Expenses</u>                  |                                 |                      |                      |                      |                      |
| Personnel Services               | \$ 3,593,948                    | \$ 3,716,479         | \$ 3,695,552         | \$ 3,572,994         | \$ 3,447,177         |
| Contractual Services             | 6,483,580                       | 6,240,410            | 6,810,627            | 5,502,334            | 5,616,183            |
| Repairs and Maintenance          | 527,951                         | 450,445              | 356,025              | 521,630              | 489,441              |
| Materials and Supplies           | 169,459                         | 158,692              | 132,870              | 147,448              | 186,991              |
| Indirect Cost/Street Rental Fees | 3,495,076                       | 3,503,054            | 3,289,855            | 3,367,142            | 3,216,231            |
| Other                            | 1,020,958                       | 1,139,878            | 1,150,337            | 1,215,875            | 1,268,368            |
| Total Expense                    | <u>\$ 15,290,972</u>            | <u>\$ 15,208,958</u> | <u>\$ 15,435,266</u> | <u>\$ 14,327,423</u> | <u>\$ 14,224,391</u> |
| Net Available for Debt Service   | <u>\$ 4,074,453</u>             | <u>\$ 5,348,097</u>  | <u>\$ 779,796</u>    | <u>\$ 2,780,128</u>  | <u>\$ 3,011,718</u>  |
| Water Customers                  | 12,155                          | 12,240               | 12,245               | 12,238               | 12,094               |
| Sewer Customers                  | 11,856                          | 11,847               | 12,034               | 12,028               | 11,887               |

**TABLE 2 - COVERAGE AND FUND BALANCES**

As of September 30, 2012, there is no Water and Sewer revenue debt outstanding.

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of September 30, 2012, the City has no authorized but unissued revenue debt.

**TABLE 4 - HISTORICAL WATER USAGE**

| Fiscal<br>Year<br>Ended | Water Usage        |                    |                    |
|-------------------------|--------------------|--------------------|--------------------|
|                         | Average            | Peak Day           | Total              |
|                         | Day                | Usage              | Usage              |
|                         | Usage<br>(Gallons) | Usage<br>(Gallons) | Usage<br>(Gallons) |
| 9/30                    |                    |                    |                    |
| 2008                    | 5,660,000          | 8,770,000          | 2,067,793,100      |
| 2009                    | 5,420,000          | 8,845,000          | 1,981,799,000      |
| 2010                    | 6,110,000          | 9,056,000          | 2,230,843,136      |
| 2011                    | 5,920,000          | 9,130,000          | 2,158,797,390      |
| 2012                    | 5,750,000          | 8,963,000          | 2,099,841,000      |

**TABLE 5 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2012)**

| All customers |                 |                          |
|---------------|-----------------|--------------------------|
| Minimum       | 2,000 gallons * | \$14.60                  |
| Over          | 2,000 gallons   | \$5.87 per 1,000 gallons |

\* An additional base fee of \$2.00 for meter size 1 inch or smaller and \$7.00 for meter size 1½ inch and above will be charged to Commercial Accounts only.

**TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE NOVEMBER 1, 2012)\***

|           |                           |
|-----------|---------------------------|
| Minimum   | \$ 10.58                  |
| All Flows | \$ 3.39 per 1,000 gallons |

\* An additional base fee of \$2.00 for meter size 1 inch or smaller and \$5.00 for meter size 1½ inch and above will be charged to Commercial Accounts only.

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# CITY OF IRVING, TEXAS

**TABLE 1 - CONDENSED STATEMENT OF OPERATIONS**

|   | Fiscal Year Ended September 30 |                |                |                 |                |
|---|--------------------------------|----------------|----------------|-----------------|----------------|
|   | 2012                           | 2011           | 2010           | 2009            | 2008           |
| Operating Revenues:                     |                                |                |                |                 |                |
| Charges for Services                    | \$ 84,381,762                  | \$ 85,403,844  | \$ 75,512,845  | \$ 75,900,831   | \$ 71,658,774  |
| Total Operating Revenues                | \$ 84,381,762                  | \$ 85,403,844  | \$ 75,512,845  | \$ 75,900,831   | \$ 71,658,774  |
| Operating Expenses:                     |                                |                |                |                 |                |
| Water Purchases                         | 8,018,642                      | 9,635,543      | 11,890,064     | 10,015,350      | 11,559,385     |
| Sewer Treatment Costs                   | 14,403,431                     | 14,329,478     | 12,928,652     | 13,903,746      | 12,659,184     |
| Personnel Services                      | 9,408,743                      | 9,628,746      | 10,070,950     | 9,893,608       | 9,650,308      |
| Supplies                                | 1,305,252                      | 1,370,684      | 3,049,485      | 3,066,574       | 2,627,084      |
| Maintenance                             | 2,132,832                      | 1,680,139      | 1,654,632      | 1,969,512       | 1,960,938      |
| Light and Power                         | 3,099,777                      | 4,319,576      | 3,767,676      | 4,031,565       | 3,680,462      |
| Depreciation                            | 12,654,622                     | 12,363,480     | 12,774,248     | 12,319,400      | 11,572,922     |
| Sundry Charges                          | 428,401                        | 295,756        | 413,308        | 589,617         | 706,048        |
| Administrative Charges                  | 5,397,346                      | 4,895,820      | 4,804,298      | 4,166,024       | 4,018,809      |
| Other                                   | 2,710,136                      | 2,644,943      | 3,455,454      | 2,668,208       | 3,227,384      |
| Total Operating Expenses                | \$ 59,559,182                  | \$ 61,164,165  | \$ 64,808,767  | \$ 62,623,604   | \$ 61,662,524  |
| Non-Operating Revenues (Expenses):      |                                |                |                |                 |                |
| Interest Income                         | \$ 115,339                     | \$ 137,352     | \$ 249,328     | \$ 953,229      | \$ 2,792,518   |
| Interest Expense                        | (6,736,734)                    | (6,681,132)    | (7,479,818)    | (7,661,197)     | (8,380,086)    |
| Loss on Disposal of Fixed Assets        | -                              | -              | -              | -               | -              |
| Transfers Out                           | -                              | (228,825)      | -              | (4,812,653)     | -              |
| Total Non-Operating Revenues            | \$ (6,621,395)                 | \$ (6,772,605) | \$ (7,230,490) | \$ (11,520,621) | \$ (5,587,568) |
| Net Income                              | \$ 18,201,185                  | \$ 17,467,074  | \$ 3,473,588   | \$ 1,756,606    | \$ 4,408,682   |
| Add:                                    |                                |                |                |                 |                |
| Depreciation                            | \$ 12,654,622                  | \$ 12,363,480  | \$ 12,774,248  | \$ 12,319,400   | \$ 11,572,922  |
| Interest Expense                        | 6,736,734                      | 6,681,132      | 7,479,818      | 7,661,197       | 8,380,086      |
| Transfers Out                           | -                              | 228,825        | -              | 4,812,653       | -              |
| (Gain) Loss on Disposal of Fixed Assets | -                              | -              | -              | -               | -              |
| Net Revenue Available for Debt Service  | \$ 37,592,541                  | \$ 36,740,511  | \$ 23,727,654  | \$ 26,549,856   | \$ 24,361,690  |
| Average Annual Debt Service Requirement | \$ 12,934,467                  | \$ 12,753,787  | \$ 12,435,135  | \$ 12,732,594   | \$ 12,595,323  |
| Coverage Ratio                          | 2.91                           | 2.88           | 1.91           | 2.09            | 1.93           |
| Maximum Annual Debt Service Requirement | \$ 21,956,960                  | \$ 20,271,009  | \$ 18,511,491  | \$ 18,511,491   | \$ 17,536,229  |
| Coverage Ratio                          | 1.71                           | 1.81           | 1.28           | 1.62            | 1.39           |

## CONNECTIONS

|                 | Fiscal Year Ended September 30, |                     |                     |                     |                     |
|-----------------|---------------------------------|---------------------|---------------------|---------------------|---------------------|
|                 | 2012 <sup>(1)</sup>             | 2011 <sup>(2)</sup> | 2010 <sup>(3)</sup> | 2009 <sup>(4)</sup> | 2008 <sup>(5)</sup> |
| Water Customers | 44,529                          | 44,039              | 43,585              | 43,096              | 42,886              |
| Sewer Customers | 42,060                          | 41,593              | 41,178              | 40,678              | 40,631              |

(1) Includes 1,055 master meters (excluding private fire) serving 50,868 apartments and other multiple units.

(2) Includes 1,028 master meters (excluding private fire) serving 51,115 apartments and other multiple units.

(3) Includes 1,037 master meters (excluding private fire) serving 50,544 apartments and other multiple units.

(4) Includes 1,077 master meters serving 50,104 apartments and other multiple units.

(5) Includes 1,080 master meters serving 51,247 apartments and other multiple units.

## TABLE 2 - COVERAGE AND FUND BALANCES

|   |    |             |
|---|----|-------------|
| Average Annual Principal and Interest Requirements, 2013 - 2033                 | \$ | 12,934,467  |
| Coverage of Average Requirements by 2012 Net Revenue Available for Debt Service |    | 2.91x       |
| Maximum Principal and Interest Requirements, 2015 <sup>(1)</sup>                | \$ | 21,956,960  |
| Coverage of Maximum Requirements by 2012 Net Revenue Available for Debt Service |    | 1.71x       |
| Waterworks and Sewer System Revenue Bonds Outstanding, September 30, 2012       | \$ | 184,455,000 |
| New Lien Bond Interest and Sinking Fund, 9/30/12                                | \$ | 2,758,410   |
| New Lien Bond Reserve Fund, 9/30/12   | \$ | 6,890,108   |

(1) Any shortfall in the amount required for the New Lien Bond Reserve Fund will be funded in 60 equal monthly installments as provided for in the Ordinance.

## TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of September 30, 2012, the City does not have any authorized but unissued revenue bonds.

## TABLE 4 - HISTORICAL WATER CONSUMPTION (THOUSANDS OF GALLONS)

| Fiscal Year<br>Ended 9/30 | Daily Average | Peak Day | Peak Month | Water Pumped | Water Billed | Water Revenue |
|---------------------------|---------------|----------|------------|--------------|--------------|---------------|
| 2008                      | 35,370        | 65,642   | 1,971,620  | 15,022,696   | 12,909,885   | 42,947,265    |
| 2009                      | 34,480        | 64,570   | 1,716,460  | 14,188,610   | 12,585,097   | 43,811,006    |
| 2010                      | 33,623        | 63,040   | 1,759,538  | 14,086,062   | 12,278,807   | 44,208,152    |
| 2011                      | 36,631        | 67,030   | 1,828,620  | 14,227,138   | 13,410,005   | 51,977,039    |
| 2012                      | 33,532        | 64,340   | 1,555,060  | 12,736,698   | * 12,083,861 | 50,495,223    |



**TABLE 5 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)**

| Customer                        | Type of Industry       | Water Usage<br>(000's) | % of<br>Total<br>Water<br>Usage | Water Revenue | % of Total<br>Water<br>Revenue |
|---------------------------------|------------------------|------------------------|---------------------------------|---------------|--------------------------------|
| Dr. Pepper                      | Soft Drink Bottler     | 341,187                | 2.82%                           | \$ 1,042,831  | 2.07%                          |
| Irving ISD                      | Public School District | 171,767                | 1.42%                           | 614,012       | 1.22%                          |
| America's Beverage              | Soft Drink Bottler     | 155,128                | 1.28%                           | 474,530       | 0.94%                          |
| Las Colinas Association         | Homeowners Association | 68,443                 | 0.57%                           | 246,082       | 0.49%                          |
| University of Dallas            | University             | 66,073                 | 0.55%                           | 245,827       | 0.49%                          |
| Valley Ranch Master Association | Homeowners Association | 63,488                 | 0.53%                           | 226,899       | 0.45%                          |
| Four Seasons Resort             | Hotel/Resort           | 55,663                 | 0.46%                           | 204,139       | 0.40%                          |
| Oak Villas Apartments LLC       | Apartments             | 55,567                 | 0.46%                           | 202,340       | 0.40%                          |
| The Shores at Las Colinas       | Apartments             | 49,624                 | 0.41%                           | 181,766       | 0.36%                          |
| Lincoln Property                | Apartments             | 47,238                 | 0.39%                           | 170,877       | 0.34%                          |
| Total                           |                        | 1,074,178              | 8.89%                           | \$ 3,609,303  | 7.15%                          |

**TABLE 6 - MONTHLY WATER RATES**

|  | Previous Rates<br>(Effective 10/1/2010) | Present Rates<br>(Effective 10/1/2011) |
|--|---|--|
| <b>(a) Monthly Service Charge</b>              |   |  |
| First 3,000 gallons of water, or less          |   |  |
| 5/8" and 3/4" Meter                            | \$8.82                                  | \$9.00                                 |
| 1" Meter                                       | \$10.69                                 | \$10.91                                |
| 1 1/2" Meter                                   | \$15.00                                 | \$15.30                                |
| 2" Meter                                       | \$21.16                                 | \$21.59                                |
| 3" Meter                                       | \$34.07                                 | \$34.76                                |
| 4" Meter                                       | \$47.70                                 | \$48.66                                |
| 6" Meter                                       | \$83.43                                 | \$85.10                                |
| 8" Meter                                       | \$105.38                                | \$107.49                               |
| 10" Meter                                      | \$153.17                                | \$156.24                               |
| 12" Meter                                      | \$228.07                                | \$232.64                               |
| <b>(b) Residential water rates:</b>            |   |  |
| Next 7,000 gallons , per 1,000 gallons         | \$3.62                                  | \$3.73                                 |
| Next 10,000 gallons, per 1,000 gallons         | \$3.81                                  | \$3.95                                 |
| All over 20,000 gallons:                       |   |  |
| October-May consumption, per 1,000 gallons     | \$3.97                                  | \$4.13                                 |
| June -September consumption, per 1,000 gallons | \$4.31                                  | \$4.49                                 |
| <b>(c) Apartment water rates:</b>              |   |  |
| Next 7,000 gallons , per 1,000 gallons         | \$3.62                                  | \$3.73                                 |
| Next 10,000 gallons, per 1,000 gallons         | \$3.81                                  | \$3.95                                 |
| All over 20,000 gallons:                       |   |  |
| October-May consumption, per 1,000 gallons     | \$3.97                                  | \$4.13                                 |
| June -September consumption, per 1,000 gallons | \$4.20                                  | \$4.37                                 |
| <b>(d) Commercial water rates:</b>             |   |  |
| Next 7,000 gallons , per 1,000 gallons         | \$3.62                                  | \$3.73                                 |
| Next 10,000 gallons, per 1,000 gallons         | \$3.81                                  | \$3.95                                 |
| All over 20,000 gallons:                       |   |  |
| October-May consumption, per 1,000 gallons     | \$3.97                                  | \$4.13                                 |
| June -September consumption, per 1,000 gallons | \$4.20                                  | \$4.37                                 |
| <b>(e) Large Industrial water rates:</b>       |   |  |
| All over 3,000 gallons, per 1,000 gallons      | \$3.40                                  | \$3.51                                 |

**TABLE 7 - WASTEWATER USAGE (THOUSANDS OF GALLONS)**

| Fiscal Year<br>Ended 9/30 | Daily<br>Average | Monthly<br>Average | Total Usage | Total Revenues |
|---------------------------|------------------|--------------------|-------------|----------------|
| 2008                      | 22,662           | 689,300            | 8,271,601   | 20,703,801     |
| 2009                      | 22,419           | 681,914            | 8,182,971   | 24,416,158     |
| 2010                      | 22,409           | 681,603            | 8,179,240   | 23,565,981     |
| 2011                      | 20,570           | 625,656            | 7,507,877   | 26,080,130     |
| 2012                      | 20,527           | 624,377            | 7,492,524   | 27,080,218     |

**TABLE 8 - MONTHLY SEWER RATES**

|                                  | <u>Previous Rates</u><br><u>(Effective 10/1/2010)</u><br>per 1,000 gallons |       | <u>Current Rates</u><br><u>(Effective 10/1/2011)</u><br>per 1,000 gallons |       |
|----------------------------------|--|-------|---|-------|
| Residential: First 2,000 gallons | \$   | 5.13  | \$  | 5.29  |
| Over 2,000 gallons               | \$   | 2.81  | \$  | 2.90  |
| Commercial: First 10,000 gallons | \$   | 26.65 | \$  | 27.45 |
| Over 10,000 gallons              | \$   | 2.93  | \$  | 3.02  |
| Industrial: First 15,000 gallons | \$   | 39.99 | \$  | 41.19 |
| Over 15,000 gallons              | \$   | 2.93  | \$  | 3.02  |

Residential and Commercial rates are based on average monthly metered water sales for January, February and March.

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## CITY OF KELLER, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|  | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|--|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| Gross Revenue <sup>(1)</sup>           | \$ 20,061,423                   | \$ 21,624,050        | \$ 17,422,422        | \$ 18,213,479        | \$ 19,041,462        |
| Expenses <sup>(2)</sup>                |                                 |                      |                      |                      |                      |
| Water Purchased                        | 7,147,763                       | 7,377,420            | 5,163,957            | 5,321,387            | 5,075,159            |
| Other                                  | 5,618,520                       | 6,297,840            | 6,229,895            | 5,941,970            | 5,996,841            |
| Total Expenses                         | <u>\$ 12,766,283</u>            | <u>\$ 13,675,260</u> | <u>\$ 11,393,852</u> | <u>\$ 11,263,357</u> | <u>\$ 11,072,000</u> |
| Net Revenue Available for Debt Service | <u>\$ 7,295,140</u>             | <u>\$ 7,948,790</u>  | <u>\$ 6,028,570</u>  | <u>\$ 6,950,122</u>  | <u>\$ 7,969,462</u>  |
| Water Customers                        | 14,490                          | 14,311               | 14,110               | 13,868               | 13,741               |
| Sewer Customers                        | 12,050                          | 11,902               | 11,620               | 11,403               | 11,190               |

(1) Operating revenues, investment interest, and miscellaneous income.

(2) Total operating expenses, plus payments on contractual obligations, exclusive of depreciation.

**TABLE 2 - COVERAGE AND FUND BALANCES**

As of September 30, 2012, the City of Keller, Texas, has no water and sewer revenue debt outstanding.

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of September 30, 2012, the City has no authorized but unissued revenue bonds.

**TABLE 4 - WATER USAGE <sup>(1)</sup>**

| Year Ended 30-Sep | Total Number of Pumped Gallons | Average Daily Pumped | Peak Daily Pumped |
|-------------------|--------------------------------|----------------------|-------------------|
| 2008              | 3,007,045,000                  | 8,216,000            | 18,785,000        |
| 2009              | 2,848,262,000                  | 7,683,700            | 19,661,400        |
| 2010              | 2,731,016,200                  | 7,482,000            | 18,204,000        |
| 2011              | 3,571,275,900                  | 9,784,000            | 22,565,000        |
| 2012              | 3,225,916,200                  | 8,814,000            | 20,551,000        |

(1) Information provided by City Staff.

**TABLE 5 - TEN LARGEST WATER CUSTOMERS**

| Customer                      | Type of Industry             | Fiscal 2012<br>Water Usage<br>(000's) | Estimated<br>Percent of<br>Water Usage | Water<br>Revenues<br>Received |
|-------------------------------|------------------------------|---------------------------------------|--|-------------------------------|
| City of Keller                | Municipal Government         | 61,835                                | 1.98%                                  | \$ 239,521                    |
| Keller ISD                    | School District              | 58,968                                | 1.89%                                  | 305,513                       |
| Capri W DTC, LLC              | Real Estate                  | 25,765                                | 0.83%                                  | 119,377                       |
| Hidden Lakes Home Owner Ass'n | Residential                  | 17,767                                | 0.57%                                  | 116,922                       |
| Keller Enid, LTD              | Multi-Family residential     | 17,222                                | 0.55%                                  | 67,921                        |
| Keller Senior Community, LP   | Multi-Family residential     | 9,393                                 | 0.30%                                  | 56,779                        |
| Grand Estates at Keller, LP   | Multi-Family Residential     | 8,126                                 | 0.26%                                  | 32,811                        |
| Keller Oaks Healthcare Center | Nursing Home/Assisted Living | 6,834                                 | 0.22%                                  | 30,150                        |
| Southwest LTC Keller, LLC     | Nursing Home/Assisted Living | 6,407                                 | 0.21%                                  | 26,457                        |
| Kwik Car Wash                 | Car Wash                     | 6,320                                 | 0.20%                                  | 25,976                        |
|                               |                              | <u>218,637</u>                        | <u>7.01%</u>                           | <u>\$ 1,021,427</u>           |
|                               | All Other Customers          | 2,898,809                             | 92.99%                                 | 13,386,055                    |
|                               | Total Water Sold             | <u>3,117,446</u>                      | <u>100.00%</u>                         | <u>\$ 14,407,482</u>          |

**TABLE 6 - MONTHLY WATER RATES (EFFECTIVE FEBRUARY 1, 2013)**

|                          | Residential      | Commercial       |
|--------------------------|------------------|------------------|
| 0 to 2,000 gallons       | \$16.88 Minimum* | \$16.88 Minimum* |
| 0 to 2,000 gallons       | \$1.96/M gallons | \$1.96/M gallons |
| 2,001 to 10,000 gallons  | \$3.13/M gallons | \$3.13/M gallons |
| 10,001 to 20,000 gallons | \$3.45/M gallons | \$3.77/M gallons |
| 20,001 to 25,000 gallons | \$3.88/M gallons | \$4.40/M gallons |
| 25,001 to 40,000 gallons | \$4.99/M gallons | \$4.99/M gallons |
| +40,000 gallons          | \$5.42/M gallons | \$5.42/M gallons |

The above rates include the current wholesale pass-through rate of \$1.96 per 1,000 gallons.

\*Minimum varies according to meter size. Rates indicated are for a 5/8 inch meter.

**TABLE 7 - MONTHLY SEWER RATES (EFFECTIVE FEBRUARY 1, 2013)**

|   |   |
|---|---|
| Residential:                                    | \$11.85 Minimum* plus \$3.00/M Gallons<br>(Based on December, January and February average<br>water consumption): Maximum to 20,000 Gallons |
| Non Residential:                                | \$11.85 Minimum* plus \$3.00/M Gallons<br>(Based on monthly water consumption, no maximum.)   |
| Outside City Limits 1.15 times the above rates. |   |

The above rates include the current wholesale pass-through rate of \$1.37 per 1,000 gallons.

Outside City limits 1.15 times the above rates.

\*Minimum varies according to meter size. Rates indicated are for a 5/8 inch meter.

## CITY OF MANSFIELD, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                       | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|---------------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                       | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| <b>Revenues</b>                       |                                 |                      |                      |                      |                      |
| Water Service                         | \$ 14,966,864                   | \$ 15,982,205        | \$ 12,124,532        | \$ 12,528,530        | \$ 10,539,996        |
| Sewer Service                         | 8,220,411                       | 8,250,025            | 6,287,626            | 5,917,858            | 5,044,677            |
| Charges for Services                  | 1,172,611                       | 1,094,104            | 1,077,498            | 1,057,891            | 1,147,407            |
| Interest Earnings                     | 23,832                          | 4,497                | 6,484                | 96,431               | 413,313              |
| Impact Fees                           | 1,297,649                       | 1,067,671            | 1,619,455            | 1,550,911            | 2,373,004            |
| <b>Total Revenues</b>                 | <b>\$ 25,681,367</b>            | <b>\$ 26,398,502</b> | <b>\$ 21,115,595</b> | <b>\$ 21,151,621</b> | <b>\$ 19,518,397</b> |
| <b>Expenses</b>                       |                                 |                      |                      |                      |                      |
| Water Distribution                    | \$ 841,334                      | \$ 827,503           | \$ 788,773           | \$ 834,110           | \$ 695,026           |
| Wastewater Collection                 | 4,528,682                       | 4,117,479            | 4,215,893            | 3,949,616            | 3,360,465            |
| Water Quality Control                 | 6,111,884                       | 5,413,935            | 4,781,233            | 5,145,885            | 4,392,187            |
| Administration                        | 2,552,547                       | 2,086,397            | 1,760,464            | 1,987,097            | 2,014,130            |
| <b>Total Expenses</b>                 | <b>\$ 14,034,447</b>            | <b>\$ 12,445,314</b> | <b>\$ 11,546,363</b> | <b>\$ 11,916,708</b> | <b>\$ 10,461,808</b> |
| <b>Net Available for Debt Service</b> | <b>\$ 11,646,920</b>            | <b>\$ 13,953,188</b> | <b>\$ 9,569,232</b>  | <b>\$ 9,234,913</b>  | <b>\$ 9,056,589</b>  |
| <br>                                  |                                 |                      |                      |                      |                      |
| Water Customers                       | 19,247                          | 19,097               | 18,911               | 18,559               | 18,303               |
| Sewer Customers                       | 17,154                          | 16,987               | 16,802               | 16,457               | 16,102               |

**TABLE 2 - COVERAGE AND FUND BALANCES**

|   |               |
|---|---------------|
| Average Annual Principal and Interest Requirements, 2013-2030 | \$ 4,519,618  |
| Coverage of Average Requirements by 9/30/12 Net Income        | 2.58x         |
| <br>  |               |
| Maximum Principal and Interest Requirements, 2015             | \$ 6,324,720  |
| Coverage of Maximum Requirements by 9/30/12 Net Income        | 1.84x         |
| <br>  |               |
| Waterworks and Sewer System Bonds Outstanding, 1/31/13        | \$ 56,405,000 |
| <br>  |               |
| Water and Sewer Sinking and Reserve Fund, 9/30/12             | \$ 2,846,779  |

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

| Purpose            | Date       | Amount               | Amount      | Amount      | Unissued                 |
|--------------------|------------|----------------------|-------------|-------------|--------------------------|
|                    | Authorized | Authorized           | Previously  | Being       | Balance <sup>(2)</sup>   |
|                    |            |                      | Issued      | Issued      |                          |
| Water              | 2/17/1979  | 9,000,000            | -           | -           | 9,000,000 <sup>(1)</sup> |
| Sewer Improvements | 2/17/1979  | 9,000,000            | -           | -           | 9,000,000 <sup>(1)</sup> |
|                    |            | <u>\$ 18,000,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 18,000,000</u>     |

(1) Due to the age of the authorizations, the City does not anticipate the issuance of the February 17, 1979 authorizations.

**TABLE 4 - HISTORICAL WATER CONSUMPTION**

| Fiscal Year<br>Ended<br>9/30 | Total<br>Usage | Peak Day   | Average<br>Day |
|------------------------------|----------------|------------|----------------|
| 2008                         | 3,566,496,000  | 20,009,000 | 9,771,222      |
| 2009                         | 3,626,911,000  | 21,664,000 | 9,937,000      |
| 2010                         | 3,030,214,523  | 19,235,000 | 8,986,562      |
| 2011                         | 4,521,164,000  | 24,752,000 | 11,793,000     |
| 2012                         | 1,015,353,000  | 21,944,000 | 10,360,000     |

**TABLE 5 - TEN LARGEST WATER CUSTOMERS <sup>(1)</sup>**

| Customer                          | 2012<br>Water<br>Usage | % of Total<br>Water<br>Usage | Water<br>Revenue  | Percent<br>of Water<br>Revenues |
|-----------------------------------|------------------------|------------------------------|-------------------|---------------------------------|
| City of Mansfield                 | 103,008,000            | 2.57%                        | \$ 99,678         | 0.67%                           |
| Walnut Creek Country Club         | 102,578,000            | 2.55%                        | 98,723            | 0.66%                           |
| Mansfield National Golf Club      | 68,831,000             | 1.71%                        | 66,734            | 0.45%                           |
| Carrizo Oil & Gas                 | 24,236,000             | 0.60%                        | 84,293            | 0.56%                           |
| Mid America Apartments LP         | 20,207,580             | 0.50%                        | 75,977            | 0.51%                           |
| Johnson County SUD                | 20,129,000             | 0.50%                        | 59,545            | 0.40%                           |
| Equistar Chemicals                | 17,934,970             | 0.45%                        | 53,007            | 0.35%                           |
| GEM Microelectronics              | 17,112,300             | 0.43%                        | 45,932            | 0.31%                           |
| Breezy Oaks Mobile Home Community | 13,798,000             | 0.34%                        | 61,293            | 0.41%                           |
| LTF Club Operations               | 12,469,110             | 0.31%                        | 46,501            | 0.31%                           |
|                                   | <u>751,755,260</u>     | <u>9.97%</u>                 | <u>\$ 691,683</u> | <u>4.62%</u>                    |

(1) Golf Course and Gas companies purchase non-potable water and they pay a discounted rate for non-potable water.

**TABLE 6 - MONTHLY WATER RATES**

| Meter Size   | Rates<br>Effective as of<br>February 2010 | Rates<br>Effective as of<br>October 2010 | Increase |
|--|---|--|----------|
| Residential < 2,000 Gallons                                      | \$6.90                                    | \$7.15                                   | \$0.25   |
| 3/4" & 5/8"  | \$16.93                                   | \$21.17                                  | \$4.24   |
| 1"   | \$42.32                                   | \$52.90                                  | \$10.58  |
| 1 1/2"   | \$84.65                                   | \$105.82                                 | \$21.17  |
| 2"   | \$135.44                                  | \$169.30                                 | \$33.86  |
| 3"   | \$270.87                                  | \$338.59                                 | \$67.72  |
| 4"   | \$465.56                                  | \$581.95                                 | \$116.39 |
| 6"   | \$953.13                                  | \$1,191.42                               | \$238.29 |
|  | -   | -  |          |
|  | -   | -  |          |
| Volume Rate per 1,000 Gallons<br>Water (Effective February 2010) |   |  |          |
|  | Industrial                                | Residential /<br>Commercial              |          |
| First 2,000 Gallons  | \$0.00                                    | \$0.00                                   |          |
| Next 30,000 Gallons  | \$2.06                                    | \$2.74                                   |          |
| Over 32,000 Gallons  | \$2.58                                    | \$3.43                                   |          |

**TABLE 7 - WASTEWATER USAGE (GALLONS)**

| <u>Year Ending</u><br><u>9/30</u> | <u>Amount in</u><br><u>Gallons (000)</u> |
|-----------------------------------|--|
| 2008                              | 1,890,373                                |
| 2009                              | 2,018,181                                |
| 2010                              | 2,086,742                                |
| 2011                              | 1,885,862                                |
| 2012                              | 1,994,587                                |

**TABLE 8 - MONTHLY SEWER RATES**

|  | <u>Rates</u><br><u>Effective as of</u><br><u>February 2010</u> | <u>Rates</u><br><u>Effective as of</u><br><u>October 2010</u> |
|--|--|---|
| Residential Minimum Charge < 2,000 Gallons                               | \$6.90   | \$7.15  |
| Minimum Charge > 2,000 Gallons   | \$14.24  | \$21.45   |
| <br>Volumetric Rate per 1,000 Gallons<br>Sewer (Effective February 2010) |  |   |
|  | <u>Industrial</u>  | <u>Residential /</u><br><u>Commercial</u>                     |
| First 2,000 Gallons  | \$0.00   | \$0.00  |
| Over 2,000 Gallons   | \$2.41   | \$2.41  |

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# CITY OF NORTH RICHLAND HILLS, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|  | Fiscal Year Ended September 30, |               |               |               |               |
|--|---------------------------------|---------------|---------------|---------------|---------------|
| Operating Revenues                       | 2012                            | 2011          | 2010          | 2009          | 2008          |
| Water and Sewer Service Sales            | \$ 27,831,190                   | \$ 27,639,394 | \$ 23,188,158 | \$ 23,861,531 | \$ 23,440,190 |
| Water and Sewer Connections              | -                               | 278,431       | 191,754       | 148,758       | 316,341       |
| Service Charges                          | 936,136                         | 887,937       | 848,634       | 911,619       | 863,717       |
| Inspection Fees                          | 67,467                          | 4,958         | 10,569        | 10,887        | 33,886        |
| Assessment Revenue                       | -                               | 1,950         | 1,950         | 1,934         | 811           |
| Other Intergovernmental                  | 80,660                          | 106,959       | 74,260        | 124,431       | 1,645,800     |
| Other Revenues                           | 15,782                          | 1,539         | 9,312         | 1,738         | 949           |
| Other Income(Expense)                    | -                               | -             | -             | -             | -             |
| Investment Income                        | 38,304                          | 132,420       | 191,986       | 132,420       | 732,511       |
| Total Revenues                           | \$ 28,969,539                   | \$ 29,053,588 | \$ 24,516,623 | \$ 25,193,318 | \$ 27,034,205 |
| <b>Operating Expenses <sup>(1)</sup></b> |                                 |               |               |               |               |
| Contractual Services                     | \$ 1,628,276                    | \$ 1,491,576  | \$ 2,147,631  | \$ 2,752,682  | \$ 15,054,545 |
| Water Purchases                          | 7,922,294                       | 8,842,147     | 7,145,638     | 6,756,058     | -             |
| Wastewater treatment services            | 3,845,819                       | 3,747,701     | 4,696,923     | 4,561,547     | -             |
| Personal Services                        | 5,038,489                       | 4,970,322     | 5,125,165     | 4,634,623     | 4,654,648     |
| Repairs and Maintenance                  | 4,707,076                       | 3,140,541     | 3,140,541     | 1,719,103     | 2,683,674     |
| Supplies                                 | 258,760                         | 268,840       | 266,245       | 222,611       | 91,877        |
| Franchise Fees                           | -                               | -             | -             | -             | 691,337       |
| Payments in Lieu of Taxes                | -                               | -             | -             | -             | -             |
| Administration Fees                      | -                               | 1,719,707     | 1,637,816     | 1,559,825     | 1,485,548     |
| Total Operating Expenses                 | \$ 23,400,714                   | \$ 24,180,834 | \$ 24,159,959 | \$ 22,206,449 | \$ 24,661,629 |
| Net Available for Debt Service           | \$ 5,568,825                    | \$ 4,872,754  | \$ 356,664    | \$ 2,986,869  | \$ 2,372,576  |
| Water Connections                        | 20,792                          | 20,522        | 20,420        | 20,302        | 20,282        |
| Sewer Connections                        | 19,469                          | 19,240        | 19,141        | 19,068        | 19,053        |

(1) Excludes Depreciation.

**TABLE 2 - COVERAGE AND FUND BALANCES**

As of September 30, 2012, there is no Water and Sewer revenue debt outstanding.

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of September 30, 2012, the city has no authorized but unissued revenue bonds.

**TABLE 4 - TOP TEN WATER USERS**

| Customer                                | Type of Property   | FYE 9/30/12<br>Water Usage<br>(In Gallons) | Percent of<br>Total Water<br>Usage |
|---|--------------------|--|------------------------------------|
| Doskocil Food                           | Food Processor     | 135,555,874                                | 3.79%                              |
| BISD                                    | Schools            | 58,787,392                                 | 1.64%                              |
| North Hills Hospital                    | Hospital           | 44,599,261                                 | 1.25%                              |
| Chesapeake Operations Inc.              | Oil Field Services | 37,585,746                                 | 1.05%                              |
| BGPC Equestrian GP LLC                  | Apartments         | 35,940,600                                 | 1.00%                              |
| Remington Oaks Apartments               | Apartments         | 26,917,513                                 | 0.75%                              |
| Alliance PP2 FX2 LP (DBS Hill Top Apts) | Apartments         | 25,610,031                                 | 0.72%                              |
| Towne Oaks                              | Apartments         | 22,250,210                                 | 0.62%                              |
| Silver Creek Apartments                 | Apartments         | 21,219,765                                 | 0.59%                              |
| APWP Green Reit LLC                     | Apartments         | 20,168,331                                 | 0.56%                              |
|   |                    | <u>428,634,723</u>                         | <u>11.98%</u>                      |

**TABLE 5 - WATER USAGE**

| Fiscal<br>Year | Peak<br>Day<br>Usage | Average<br>Day<br>Usage | Total<br>Usage |
|----------------|----------------------|-------------------------|----------------|
| 2008           | 22,169,000           | 9,855,816               | 3,607,228,530  |
| 2009           | 20,580,000           | 9,078,458               | 3,313,637,380  |
| 2010           | 19,655,000           | 9,014,177               | 3,290,174,670  |
| 2011           | 23,121,000           | 11,378,727              | 4,153,235,190  |
| 2012           | 21,977,000           | 9,772,799               | 3,576,844,560  |

**TABLE 6 - MONTHLY WATER RATES (EFFECTIVE OCTOBER 1, 2012)**

1. Billing policy where only one user or building is tied to the same meter:

The billing policy where only one user or building is tied to the same meter shall be as provided in this section. The monthly bill will be computed as follows: the minimum bill set out in Appendix A plus a volume charge as established in Appendix A per 100 cubic feet on monthly volume greater than the minimum volume from that set out in Appendix A.

2. Billing policy where more than one user or building is tied onto the same meter:

It shall be the policy of the city to bill each home, homes, duplex, triplex, offices or any other building where more than one user is tied on the same meter at the rate as established in Appendix A per unit per month minimum for the first 267 cubic feet of water used per unit, plus a volume charge calculated from Appendix A.

3. Billing for apartment complexes and trailer parks:

- A. *Generally.* A charge as established in Appendix A, per month, is billed for each apartment or trailer and the minimum volume of 267 cubic feet times the number of apartments or trailers plus a volume charge calculated from Appendix A.
- B. Apartment house or trailer park owner shall furnish a certified statement of occupancy prior to the 10<sup>th</sup> of each month. Failure to file occupancy statement will result in billing for 100% occupancy.

### Appendix A

|                                      |                    | Meter Size (inches) |           |               |           |           |           |           |           |
|--------------------------------------|--------------------|---------------------|-----------|---------------|-----------|-----------|-----------|-----------|-----------|
|                                      |                    | <u>3/4"</u>         | <u>1"</u> | <u>1 1/2"</u> | <u>2"</u> | <u>3"</u> | <u>4"</u> | <u>6"</u> | <u>8"</u> |
| <u>Volume used in<br/>Cubic Feet</u> |                    |                     |           |               |           |           |           |           |           |
| 0 - 267                              | Minimum            | \$ 9.75             |           |               |           |           |           |           |           |
| 0 - 446                              | Minimum            |                     | 16.28     |               |           |           |           |           |           |
| 0 - 889                              | Minimum            |                     |           | 32.47         |           |           |           |           |           |
| 0 - 1,423                            | Minimum            |                     |           |               | 51.97     |           |           |           |           |
| 0 - 2,670                            | Minimum            |                     |           |               |           | 97.50     |           |           |           |
| 0 - 2,849                            | Minimum            |                     |           |               |           |           | 104       |           |           |
| 0 - 8,899                            | Minimum            |                     |           |               |           |           |           | 325       |           |
| 0 - 16,020                           | Minimum            |                     |           |               |           |           |           |           | 585.00    |
| 268 - 3,000                          | per 100 cubic feet | 2.95                |           |               |           |           |           |           |           |
| 447 - 3,000                          | per 100 cubic feet |                     | 2.95      |               |           |           |           |           |           |
| 890 - 3,000                          | per 100 cubic feet |                     |           | 2.95          |           |           |           |           |           |
| 1,423 - 3,000                        | per 100 cubic feet |                     |           |               | 2.95      |           |           |           |           |
| 2,671 and over                       | per 100 cubic feet |                     |           |               |           | 3.01      |           |           |           |
| 2,850 and over                       | per 100 cubic feet |                     |           |               |           |           | 3.01      |           |           |
| 3,001 and over                       | per 100 cubic feet | 3.01                | 3.01      | 3.01          | 3.01      |           |           |           |           |
| 8,900 and over                       | per 100 cubic feet |                     |           |               |           |           |           | 3.01      |           |
| 16,021 and over                      | per 100 cubic feet |                     |           |               |           |           |           |           | 3.01      |

**TABLE 7 - SEWER RATES (EFFECTIVE FEB 1, 2011)**

1. A monthly service charge shall be paid by all customers in the amount of \$7.70.
2. A monthly volume charge shall also be charged to all customers in the amount of \$1.30 per 100 cubic feet of water used, or wastewater produced, as more specifically set forth hereinafter.

The monthly volume charge for residential customers will be based on the individual customer's average monthly water use during the previous winter quarter months of December, January and February; but in no event shall the volume used to compute this monthly charge exceed 2,500 cubic feet. The volumes used to compute these charges are based on the amount of water used by the residential customer as measured by a meter. Where no previous winter quarter average is available from the records, the volume to be used for this monthly volume charge shall be estimated, such estimated volume not to exceed 2,500 cubic feet per customer.

3. The monthly charges to commercial and industrial customers will be based on total water use for each month as measured by appropriate meters, with the provision that if a customer can show, to the satisfaction of the Director of Utilities, that a significant portion of the metered water usage does not enter the sanitary sewer system, the customer will be charged for only that volume entering the sewers, as determined by a method approved by the Director of Utilities.

**4. All Industrial Users:**

To be served on system only by specific contract approved by Council for the particular Industrial Sewage or Water involved.

5. In the event a commercial customer is introducing sewage into the sewage system that creates unusual conditions or problems such as excessive oils, greases, or chemicals, the Director of Utilities shall advise the customer of his options.

A. To correct at his own expense, the conditions causing the excess.

B. To pay a monthly rate to be determined by the Director of Utilities to the City equal to the expense of maintaining and/or treating the excessive waste.

6. Billing policy where more than one user or building is tied onto the same water meter:

It shall be the policy of North Richland Hills to bill each home, homes, duplex, triplex, offices, or any other buildings where more than one user is tied onto the same water meter at \$7.70 per month for each customer unit for sewer, plus a monthly

volume charge of \$1.30 per 100 cubic feet of water used by the building. The monthly volume charge to be calculated as noted in paragraph B (2) above with the exception that there shall be no volume limit as is the case for residential customers.

7. Billing for apartment complexes and trailer parks:

- A. \$10.00 per month service charge plus \$7.70 per month per apartment or trailer plus a monthly volume charge of \$1.30 per 100 cubic feet of water used by the apartment complex or park.
- B. Apartment or trailer park owner shall furnish a certified statement of occupancy prior to the 10<sup>th</sup> of each month. Failure to file occupancy statement will result in billing for 100% occupancy.

8. A Sewer pass through rate of \$0.7851 per 100 cubic feet will also be applied.

**Service Charge**

\$ 7.70 Flat Rate  
\$ 0.7851 per 100 cubic feet Pass Through Rate

**Volume Charge**

*Residential*

\$1.30/100 CF based on average monthly water use during the previous winter quarter months of December, January, and February, not to exceed 2,500 CF.

*Commercial and Industrial*

\$1.30/100 CF based on total water use for each month as measured by appropriate meters, with the provision that if a customer can show, to the satisfaction of the Director of Utilities, that a significant portion of the metered water usage does not enter the sanitary sewer system, the customer will be charged for only that volume entering the sewer, as determined by a method approved by the Director of Utilities.

**TABLE 8 - DEPOSITS**

Schedule B  
(Water and Sewer Deposits)  
(Effective Jan 1, 2009)

| Customer Type      | Water    | Sewer without BOD/TSS | Total Deposit without BOD/TSS | Customer Type      | Water    | Sewer with BOD/TSS | Total Deposit with BOD/TSS |
|--------------------|----------|-----------------------|-------------------------------|--------------------|----------|--------------------|----------------------------|
| Residential:       | \$ 60.00 | \$ 40.00              | \$ 100.00                     | Residential:       | \$ -     | \$ -               | \$ -                       |
| All sizes:         |          |                       |                               | All sizes:         |          |                    |                            |
| Commercial:        |          |                       |                               | Commercial:        |          |                    |                            |
| 3/4"               | \$ 70.00 | \$ 50.00              | \$ 120.00                     | 3/4"               | \$ 70.00 | \$ 200.00          | \$ 270.00                  |
| 1"                 | 200.00   | 100.00                | 300.00                        | 1"                 | 200.00   | 275.00             | 475.00                     |
| 1 1/2"             | 380.00   | 350.00                | 730.00                        | 1 1/2"             | 380.00   | 700.00             | 1,080.00                   |
| 2"                 | 800.00   | 600.00                | 1,400.00                      | 2"                 | 800.00   | 1,200.00           | 2,000.00                   |
| 3"                 | 800.00   | 700.00                | 1,500.00                      | 3"                 | 800.00   | 1,300.00           | 2,100.00                   |
| 4-8"               | 3,300.00 | 3,000.00              | 6,300.00                      | 4-8"               | 3,300.00 | 6,000.00           | 9,300.00                   |
| Multi-family:      |          |                       |                               | Multi-family:      |          |                    |                            |
| All Sizes/Per Unit | \$ 50.00 | \$ 30.00              | \$ 80.00                      | All Sizes/Per Unit | \$ -     | \$ -               | \$ -                       |

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## CITY OF SOUTHLAKE, TEXAS

**TABLE 1 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|--------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| <u>Revenues</u>                | 2012                            | 2011                 | 2010                 | 2009                 | 2008                 |
| Water and Sewer                | \$ 22,388,851                   | \$ 22,550,002        | \$ 18,815,054        | \$ 19,276,241        | \$ 18,400,304        |
| Service Fees                   | 62,887                          | 21,054               | 82,302               | 32,992               | 141,548              |
| Interest Income                | 46,212                          | 123,805              | 155,106              | 593,538              | 594,891              |
| Other Revenues                 | 10,811                          | 42,530               | 71,938               | 372,063              | 1,173                |
| Total Revenues                 | <u>\$ 22,508,761</u>            | <u>\$ 22,737,391</u> | <u>\$ 19,124,400</u> | <u>\$ 20,274,834</u> | <u>\$ 19,137,916</u> |
| <u>Expenses</u>                |                                 |                      |                      |                      |                      |
| Water Purchased                | \$ 8,252,217                    | \$ 7,734,229         | \$ 6,520,881         | \$ 6,059,407         | \$ 6,410,944         |
| Other Expenses                 | 10,741,371                      | 9,681,242            | 9,639,823            | 8,883,655            | 8,408,937            |
| Total Expenses                 | <u>\$ 18,993,588</u>            | <u>\$ 17,415,471</u> | <u>\$ 16,160,704</u> | <u>\$ 14,943,062</u> | <u>\$ 14,819,881</u> |
| Net Available for Debt Service | <u>\$ 3,515,173</u>             | <u>\$ 5,321,920</u>  | <u>\$ 2,963,696</u>  | <u>\$ 5,331,772</u>  | <u>\$ 4,318,035</u>  |
| Water Customers                | 9,543                           | 9,515                | 9,223                | 9,207                | 9,209                |
| Sewer Customers                | 7,522                           | 7,410                | 7,091                | 7,075                | 6,945                |

**TABLE 2 - COVERAGE AND FUND BALANCES**

As of September 30, 2012, the City no longer has water and sewer revenue debt outstanding.

**TABLE 3 - AUTHORIZED BUT UNISSUED REVENUE BONDS**

As of September 30, 2012, the City has no authorized but unissued revenue bonds.

**TABLE 4 - HISTORICAL WATER CONSUMPTION DATA**

| Year<br>Ended<br>9/30 | Total<br>Number of<br>Pumped Gallons<br>(in Billions) | Average<br>Daily<br>Pumped | Peak<br>Daily<br>Pumped | Revenues<br>Received |
|-----------------------|---|----------------------------|-------------------------|----------------------|
| 2008                  | 3,711,816   | 10,141,574                 | 26,865,000              | 12,523,990           |
| 2009                  | 3,238,063   | 10,241,268                 | 25,247,000              | 13,482,665           |
| 2010                  | 4,191,076   | 11,482,401                 | 27,824,000              | 12,844,190           |
| 2011                  | 4,456,000   | 12,210,744                 | 21,925,000              | 16,025,193           |
| 2012                  | 3,573,648   | 9,764,065                  | 23,091,000              | 15,764,701           |

**TABLE 5 - TEN LARGEST WATER CUSTOMERS**

| Customer                        | Fiscal 2012<br>Water Usage |            | Revenue    | % of Revenue |
|---------------------------------|----------------------------|------------|------------|--------------|
|                                 | Gallons                    | % of Usage |            |              |
| Carroll ISD                     | 61,094,400                 | 1.71%      | \$ 319,964 | 2.03%        |
| RPAI Southwest Management       | 32,304,436                 | 0.90%      | 179,045    | 1.14%        |
| City of Southlake-Parks         | 28,125,491                 | 0.79%      | 163,364    | 1.04%        |
| Sabre Inc.                      | 20,378,564                 | 0.57%      | 99,303     | 0.63%        |
| Timarron Owners Assoc           | 19,308,973                 | 0.54%      | 97,474     | 0.62%        |
| Gateway Church                  | 19,194,420                 | 0.54%      | 94,967     | 0.60%        |
| Verizon Wireless                | 19,099,544                 | 0.53%      | 89,924     | 0.57%        |
| Heartland Hotel Corp DBA Hilton | 14,103,500                 | 0.39%      | 66,228     | 0.42%        |
| Cencor Realty Services, Inc.    | 10,861,687                 | 0.30%      | 58,087     | 0.37%        |
| CB Richland Ellis               | 9,603,327                  | 0.27%      | 45,914     | 0.29%        |

**TABLE 6 - MONTHLY WATER RATES (EFFECTIVE JANUARY 1, 2012)**

|                                |         |          |                        | Residential             |                   |          |
|--------------------------------|---------|----------|------------------------|-------------------------|-------------------|----------|
|                                |         |          | Inside City (1" METER) | Outside City (1" METER) |                   |          |
| First 2,000                    | gallons |          | \$ 28.35 (Minimum)     | \$ 36.13 (Minimum)      |                   |          |
| 2,001-10,000                   | gallons |          | 3.33 per 1,000 gallons | 3.33 per 1,000 gallons  |                   |          |
| 10,001-25,000                  | gallons |          | 3.85 per 1,000 gallons | 3.85 per 1,000 gallons  |                   |          |
| 25,001-40,000                  | gallons |          | 4.12 per 1,000 gallons | 4.12 per 1,000 gallons  |                   |          |
| Over 40,001                    | gallons |          | 4.64 per 1,000 gallons | 4.64 per 1,000 gallons  |                   |          |
| Elderly/Hardship Waiver Rates: |         |          |                        |                         |                   |          |
| First 2,000                    | gallons |          | \$12.37 (Minimum)      |                         |                   |          |
| 2,001-10,000                   | gallons |          | 3.33 per 1,000 gallons |                         |                   |          |
| 100,000 +                      | gallons |          | 3.59 per 1,000 gallons |                         |                   |          |
| Commercial                     |         |          |                        |                         |                   |          |
| Meter Size                     |         |          |                        |                         |                   |          |
| 1.0"                           | 1.5"    | 2.0"     | 3.0"                   | 4.0"                    | 6.0"              | 8.0"     |
| \$44.58                        |         |          |                        |                         |                   |          |
|                                | \$73.63 |          |                        |                         |                   |          |
|                                |         | \$102.67 |                        |                         |                   |          |
|                                |         |          | \$147.26               |                         |                   |          |
|                                |         |          |                        | \$176.31                |                   |          |
|                                |         |          |                        |                         | \$220.89          |          |
|                                |         |          |                        |                         |                   | \$265.48 |
| Excess required gallons-       |         |          |                        |                         |                   |          |
| 3,001 - 10,000                 | gallons |          |                        | \$3.33                  | per 1,000 gallons |          |
| 10,001 - 25,000                | gallons |          |                        | 3.85                    | per 1,000 gallons |          |
| 25,001 - 40,000                | gallons |          |                        | 4.12                    | per 1,000 gallons |          |
| Over - 40,001                  | gallons |          |                        | 4.64                    | per 1,000 gallons |          |

**TABLE 7 - MONTHLY SEWER RATES**

| Residential and Commercial |         |
|----------------------------|---------|
| First 2,000 gallons        | \$26.16 |
| 2,001-10,000               | \$3.00  |

**APPENDIX C**

**CERTAIN FINANCIAL AND OPERATING DATA OF  
CENTRAL REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND**

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**CENTRAL REGIONAL  
WASTEWATER SYSTEM  
ENTERPRISE FUND**

**TRINITY RIVER AUTHORITY OF TEXAS**  
**CENTRAL REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND**

**STATEMENT OF NET ASSETS**  
**NOVEMBER 30, 2012**

---

**ASSETS**

**CURRENT ASSETS:**

|   |  |    |                   |
|---|--|----|-------------------|
| Cash                                      |  | \$ | 250               |
| Equity in Pooled Cash and Investments     |  |    | 13,943,402        |
| Accounts Receivable - Contracting Parties |  |    | 509,827           |
| Accounts Receivable - Other               |  |    | 35,792            |
| Prepays and Other Assets                  |  |    | 139,716           |
| Inventory                                 |  |    | 714,289           |
| Due from Other Authority Funds            |  |    | 112,825           |
| Due to Interest and Sinking Funds         |  |    | (337,270)         |
| Total Current Assets                      |  |    | <u>15,118,831</u> |

**RESTRICTED ASSETS:**

**Interest and Sinking Funds:**

|                                       |    |                  |               |
|---------------------------------------|----|------------------|---------------|
| Equity in Pooled Cash and Investments | \$ | 25,011,595       |               |
| Accrued Investment Income             |    | 39,145           |               |
| Due from Current Assets               |    | 337,270          |               |
| Due to Reserve Fund                   |    | <u>(168,753)</u> | \$ 25,219,257 |

**Reserve Funds:**

|  |  |                |            |
|--|--|----------------|------------|
| Equity in Pooled Cash and Investments                              |  | 1,427,184      |            |
| United States Government Agency<br>and Instrumentality Obligations |  | 40,124,021     |            |
| Due from Interest and Sinking Fund                                 |  | <u>168,753</u> | 41,719,958 |

**Construction Funds:**

|  |  |              |             |
|--|--|--------------|-------------|
| Equity in Pooled Cash and Investments                              |  | 139,260,805  |             |
| Money Market Fund  |  | 198,099,859  |             |
| Accrued Investment Income  |  | 74,976       |             |
| United States Government Agency<br>and Instrumentality Obligations |  | 45,038,000   |             |
| Due to Arbitrage Rebate Fund                                       |  | (4,500)      |             |
| Accounts Receivable  |  | 9,605        |             |
| Prepays  |  | <u>2,454</u> | 382,481,199 |

**Arbitrage Rebate Fund:**

|                                       |  |              |         |
|---------------------------------------|--|--------------|---------|
| Equity in Pooled Cash and Investments |  | 135,500      |         |
| Due from Construction Funds           |  | <u>4,500</u> | 140,000 |

**Emergency Fund:**

|                                       |  |  |           |
|---------------------------------------|--|--|-----------|
| Equity in Pooled Cash and Investments |  |  | 1,000,000 |
|---------------------------------------|--|--|-----------|

**Research and Development Fund:**

|                                       |  |  |                |
|---------------------------------------|--|--|----------------|
| Equity in Pooled Cash and Investments |  |  | <u>100,000</u> |
|---------------------------------------|--|--|----------------|

Total Restricted Assets 450,660,414

**CAPITAL ASSETS:**

|                              |    |               |             |                |
|------------------------------|----|---------------|-------------|----------------|
| Land and Easements           |    | \$            | 20,009,207  |                |
| Sewage System and Extensions | \$ | 893,760,529   |             |                |
| Accumulated Depreciation     |    | (334,260,194) | 559,500,335 |                |
| Machinery and Equipment      |    | 7,882,718     |             |                |
| Accumulated Depreciation     |    | (5,812,344)   | 2,070,374   |                |
| Construction-in-Progress     |    |               | 163,570,593 |                |
| Total Capital Assets - Net   |    |               |             | \$ 745,150,509 |

DEFERRED CHARGES - Unamortized Bond Expense 17,171,478

TOTAL ASSETS 1,228,101,232

**LIABILITIES****CURRENT LIABILITIES:**

|  |            |            |  |            |
|--|------------|------------|--|------------|
| Payable from Current Assets:           |            |            |  |            |
| Accounts Payable and Accrued Expenses  | 2,071,073  |            |  |            |
| Accounts Payable - Contracting Parties | 2,634,410  |            |  |            |
| Unearned Revenue                       | 1,842      |            |  |            |
| Due to Other Authority Funds           | 478,096    | 5,185,421  |  |            |
| Payable from Restricted Assets:        |            |            |  |            |
| Accounts and Retainage Payable         | 16,028,151 |            |  |            |
| Revenue Bonds - Current Maturities     | 28,020,000 |            |  |            |
| Accrued Interest on Bonds Payable      | 10,206,752 | 54,254,903 |  |            |
| Total Current Liabilities              |            |            |  | 59,440,324 |

**LONG-TERM LIABILITIES:**

|  |  |             |             |  |
|--|--|-------------|-------------|--|
| Revenue Bonds, Less Current Maturities |  | 924,290,000 |             |  |
| Unamortized Bond Premium (Discount)    |  | 8,227,817   |             |  |
| Deferred Amount on Refunding           |  | (5,355,780) |             |  |
| Accounts Payable and Accrued Expenses  |  | 537,785     |             |  |
| Total Long-Term Liabilities - Net      |  |             | 927,699,822 |  |

TOTAL LIABILITIES 987,140,146

**NET ASSETS**

|   |            |             |  |  |
|---|------------|-------------|--|--|
| Invested in Capital Assets, Net of Related Debt |            | 173,592,998 |  |  |
| Restricted for:                                 |            |             |  |  |
| Debt Service                                    | 56,732,463 |             |  |  |
| Other Purposes                                  | 1,100,000  | 57,832,463  |  |  |
| Unrestricted                                    |            | 9,535,625   |  |  |

TOTAL NET ASSETS \$ 240,961,086

The accompanying notes are an integral part of the financial statements.

**TRINITY RIVER AUTHORITY OF TEXAS**  
**CENTRAL REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEAR ENDED NOVEMBER 30, 2012**

---

**OPERATING REVENUE:**

**Wastewater Contract Revenue:**

|   |                   |
|---|-------------------|
| Irving  | \$ 13,528,882     |
| Grand Prairie                                 | 9,634,108         |
| Arlington                                     | 25,016,378        |
| Farmers Branch                                | 2,047,162         |
| Dallas  | 3,989,859         |
| Euless  | 2,204,979         |
| Carrollton                                    | 7,209,521         |
| Dallas/Fort Worth International Airport Board | 768,408           |
| Bedford                                       | 2,994,698         |
| Coppell                                       | 2,068,541         |
| Colleyville                                   | 1,408,413         |
| Fort Worth                                    | 2,511,401         |
| Grapevine                                     | 856,962           |
| Mansfield                                     | 3,561,019         |
| Hurst   | 190,200           |
| North Richland Hills                          | 480,385           |
| Duncanville                                   | 95,123            |
| Keller  | 1,714,861         |
| Southlake                                     | 1,360,755         |
| Cedar Hill                                    | 366,215           |
| Addison                                       | 977,135           |
| Total   | <u>82,985,005</u> |
| Water Reuse Revenue                           | 690,240           |
| Overstrength Surcharge                        | 940,895           |
| Professional Fees                             | 566,098           |
| Operating Overhead                            | <u>943,788</u>    |
| Total Operating Revenue                       | <u>86,126,026</u> |

**OPERATING EXPENSES:**

|                            |                   |
|----------------------------|-------------------|
| Personal Services          | \$ 11,183,283     |
| Supplies                   | 5,664,829         |
| Other Services and Charges | 18,869,955        |
| Depreciation               | <u>23,093,946</u> |
| Total Operating Expenses   | <u>58,812,013</u> |

**OPERATING INCOME** **27,314,013**

**EXHIBIT 9-2**

---

**NON-OPERATING REVENUE (EXPENSES):**

|   |                     |                              |
|---|---------------------|------------------------------|
| Investment Income                                     | \$ 989,632          |                              |
| Interest Expense                                      | (25,923,734)        |                              |
| Paying Agent Fees                                     | (5,647)             |                              |
| SEC Disclosure Fees                                   | (22,167)            |                              |
| Amortization of Bond Sale Expense                     | (1,071,892)         |                              |
| Other   | 38,902              |                              |
| Total Non-Operating Revenue (Expense) - Net           |                     | \$ <u>(25,994,906)</u>       |
| INCOME BEFORE TRANSFERS                               |                     | 1,319,107                    |
| TRANSFERS IN  |                     | 51,110                       |
| TRANSFERS OUT   |                     | <u>(22,750)</u>              |
| CHANGE IN NET ASSETS                                  |                     | 1,347,467                    |
| NET ASSETS - DECEMBER 1, 2011, as previously reported | 265,161,337         |                              |
| RESTATEMENT ADJUSTMENT:                               |                     |                              |
| Capitalization of Interest                            | <u>(25,547,718)</u> |                              |
| NET ASSETS - DECEMBER 1, 2011, as restated            |                     | <u>239,613,619</u>           |
| NET ASSETS - NOVEMBER 30, 2012                        |                     | \$ <u><u>240,961,086</u></u> |

The accompanying notes are an integral part of the financial statements.

**TRINITY RIVER AUTHORITY OF TEXAS**  
**CENTRAL REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED NOVEMBER 30, 2012**

---

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|   |                    |               |
|---|--------------------|---------------|
| Cash Received from Customers                          | \$ 88,494,813      |               |
| Cash Received from Other Authority Funds for Services | 927,739            |               |
| Cash Payments to Suppliers for Goods and Services     | (22,389,408)       |               |
| Cash Payments for Employee Services                   | (10,540,822)       |               |
| Cash Payments to Other Authority Funds for Services   | (2,277,184)        |               |
| Cash Payments to Customers                            | <u>(3,031,036)</u> |               |
| Net Cash Provided by Operating Activities             |                    | \$ 51,184,102 |

**CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:**

|   |               |        |
|---|---------------|--------|
| Transfer from Other Authority Funds                   | 28,360        |        |
| Other Cash Receipts                                   | <u>41,499</u> |        |
| Net Cash Provided by Non-Capital Financing Activities |               | 69,859 |

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

|  |              |              |
|--|--------------|--------------|
| Acquisition and Construction of Capital                    |              |              |
| Assets Exclusive of Capitalized Interest                   | (63,613,645) |              |
| Principal Paid on Revenue Bond Maturities                  | (26,050,000) |              |
| Interest Paid on Revenue Bonds and Related Fees            | (30,765,112) |              |
| Bond Sales Expenses Paid                                   | (390,610)    |              |
| Proceeds from Issuance of Bonds                            | 72,920,962   |              |
| Proceeds from Sale of Capital Assets                       | 3,608        |              |
| Paying Agent Fees  | (5,647)      |              |
| SEC Disclosure Fees  | (22,167)     |              |
| Refund of Bond Sales Expenses                              | <u>8,212</u> |              |
| Net Cash Used for Capital and Related Financing Activities |              | (47,914,399) |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|   |                  |                    |
|---|------------------|--------------------|
| Purchases of Investments                          | (40,085,000)     |                    |
| Proceeds from Sales and Maturities of Investments | 166,567,028      |                    |
| Cash Received for Investment Income               | <u>1,726,770</u> |                    |
| Net Cash Provided by Investing Activities         |                  | <u>128,208,798</u> |

**NET INCREASE IN CASH AND CASH EQUIVALENTS** **131,548,360**

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** **247,430,235**

**CASH AND CASH EQUIVALENTS AT END OF YEAR** **\$ 378,978,595**

**RECONCILIATION OF OPERATING INCOME****TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

|                  |               |
|------------------|---------------|
| Operating Income | \$ 27,314,013 |
|------------------|---------------|

**Adjustments to Reconcile Operating Income to Net****Cash Provided by Operating Activities:**

|              |               |
|--------------|---------------|
| Depreciation | \$ 23,093,946 |
|--------------|---------------|

**Change in Assets and Liabilities:**

|   |           |
|---|-----------|
| Accounts Receivable - Contracting Parties | 992,568   |
| Accounts Receivable - Other               | 45,260    |
| Prepays and Other Assets                  | 16        |
| Inventory                                 | (31,600)  |
| Due from Other Authority Funds            | 26,340    |
| Accounts Payable and Accrued Expenses     | 21,848    |
| Accounts Payable - Contracting Parties    | (751,051) |
| Unearned Revenue                          | 266       |
| Due to Other Authority Funds              | 472,496   |

|                   |                   |
|-------------------|-------------------|
| Total Adjustments | <u>23,870,089</u> |
|-------------------|-------------------|

|   |                      |
|---|----------------------|
| Net Cash Provided by Operating Activities | <u>\$ 51,184,102</u> |
|---|----------------------|

**SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:**

|   |             |
|---|-------------|
| Loss on Disposal of Capital Assets              | \$ 13,343   |
| Amortization of Bond Premium/Discount           | (2,462,350) |
| Amortization of Deferred Amount on Refunding    | (1,018,302) |
| Change in Fair Value of Investments             | 444,125     |
| Change in Estimated Arbitrage Liability         | (4,500)     |
| Change in Liabilities Related to Capital Assets | 5,761,940   |
| Bond Selling Costs Retained from Bond Proceeds  | 1,349,038   |

**RECONCILIATION OF CASH AND CASH EQUIVALENTS AT END OF YEAR:****Current Assets:**

|                                       |            |
|---------------------------------------|------------|
| Cash                                  | \$ 250     |
| Equity in Pooled Cash and Investments | 13,943,402 |

**Restricted Assets:**

|  |             |
|--|-------------|
| Interest and Sinking Funds - Equity in Pooled Cash and Investments | 25,011,595  |
| Reserve Funds - Equity in Pooled Cash and Investments              | 1,427,184   |
| Construction Funds:  |             |
| Equity in Pooled Cash and Investments                              | 139,260,805 |
| Money Market Fund  | 198,099,859 |
| Arbitrage Rebate Fund - Equity in Pooled Cash and Investments      | 135,500     |
| Emergency Fund - Equity in Pooled Cash and Investments             | 1,000,000   |
| Research and Development - Equity in Pooled Cash and Investments   | 100,000     |

|  |                       |
|--|-----------------------|
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 378,978,595</u> |
|--|-----------------------|

The accompanying notes are an integral part of the financial statements.

**TRINITY RIVER AUTHORITY OF TEXAS**  
**CENTRAL REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED NOVEMBER 30, 2012**

1. See Exhibit 1-10, Note 1 for summary of significant accounting and reporting policies.
2. The Authority has entered into waste disposal contracts with the cities of Addison, Arlington, Bedford, Carrollton, Colleyville, Dallas, Euless, Coppell, Farmers Branch, Fort Worth, Grand Prairie, Irving, Grapevine, Mansfield, Hurst, North Richland Hills, Duncanville, Cedar Hill, Southlake, and Keller and the Dallas-Fort Worth International Airport Board ("Contracting Parties") whereby the Contracting Parties have agreed to pay the Authority their proportionate share of the net cost of operation and maintenance of the system and the debt service for its outstanding bonds – See Note 4. Accounts receivable/payable – Contracting Parties at November 30, 2012 represents the difference between the amounts received from the Contracting Parties and the amounts they were actually required to pay for their portion of debt service and operation and maintenance expenses.

Bonded debt for which the Contracting Parties have agreed to pay consists of revenue refunding bonds and revenue bonds that were originally issued to provide funding for construction associated with the Central Regional Wastewater System. All outstanding debt is secured by and payable from net revenues of the fund. Specifically, net revenues from contracts between the Authority and Contracting Parties have been pledged for repayment of the bonds, and the amount of the pledge is equal to the remaining outstanding debt service requirements. For the year ended November 30, 2012, debt service of \$51,357,980 was secured by pledged revenues of \$44,922,752, escrowed cash of \$6,176,481, and interest income earned on accounts restricted for debt service of \$258,747. The pledge continues for the life of the bonds.

3. Capital asset activity and the related changes in accumulated depreciation for the year ended November 30, 2012 were as follows:

|                                 | Balance<br>December 1, 2011,<br><u>as restated</u> | Additions<br>and Transfers  | Deletions<br>and Transfers    | Balance<br>November 30, 2012 |
|---------------------------------|--|-----------------------------|-------------------------------|------------------------------|
| Land and Easements              | \$ 19,153,185                                      | \$ 856,022                  |                               | \$ 20,009,207                |
| Sewage System<br>and Extensions | 879,943,903  | 13,816,626                  |                               | 893,760,529                  |
| Accumulated<br>Depreciation     | (311,711,394)                                      | (22,548,800)                |                               | (334,260,194)                |
| Machinery and<br>Equipment      | 7,778,612  | 487,067                     | \$ (382,961)                  | 7,882,718                    |
| Accumulated<br>Depreciation     | (5,633,208)  | (545,146)                   | 366,010                       | (5,812,344)                  |
| Construction-in-<br>Progress    | <u>105,936,941</u>                                 | <u>72,306,300</u>           | <u>(14,672,648)</u>           | <u>163,570,593</u>           |
| <b>Total</b>                    | <b><u>\$ 695,468,039</u></b>                       | <b><u>\$ 64,372,069</u></b> | <b><u>\$ (14,689,599)</u></b> | <b><u>\$ 745,150,509</u></b> |



EXHIBIT 9-4

**Sewage System and Extensions:**

|  |    |              |                       |
|--|----|--------------|-----------------------|
| Balance December 1, 2011, as previously reported | \$ | 905,491,621  |                       |
| Restatement Adjustment                           |    | (25,547,718) |                       |
| Balance December 1, 2011, as restated            |    |              | \$ <u>879,943,903</u> |

4. The outstanding bonds of the Central Regional Wastewater System Enterprise Fund as of November 30, 2012 are comprised of the following:

| <u>Series</u>  | <u>Original<br/>Principal<br/>Amount</u> | <u>Outstanding<br/>Principal<br/>Amount</u> | <u>Interest Rates</u> |
|--|--|---|-----------------------|
| <b>Regional Wastewater System<br/>System Revenue Bonds:</b>    |  |   |                       |
| Series 2004  | \$ 106,475,000                           | \$ 104,965,000                              | 1.45% - 3.85%         |
| Series 2005  | 9,525,000                                | 9,525,000                                   | 4.20% - 5.00%         |
| Series 2007  | 120,000,000                              | 118,990,000                                 | 2.95% - 3.60%         |
| Series 2008  | 90,000,000                               | 89,985,000                                  | 1.65% - 3.55%         |
| Series 2009  | 86,780,000                               | 86,770,000                                  | 0.80% - 4.15%         |
| Series 2010  | 107,180,000                              | 106,875,000                                 | 0.30% - 3.85%         |
| Series 2010A   | 127,005,000                              | 127,005,000                                 | 0.10% - 3.25%         |
| Series 2011A   | 108,395,000                              | 108,395,000                                 | 0.00% - 3.05%         |
| Series 2012  | 74,270,000                               | 74,270,000                                  | 0.10% - 1.87%         |
| <b>Regional Wastewater System<br/>Revenue Refunding Bonds:</b> |  |   |                       |
| Series 2003  | 135,885,000                              | 35,155,000                                  | 4.00% - 5.50%         |
| Series 2008  | 62,020,000                               | 29,000,000                                  | 4.00% - 5.00%         |
| Series 2011  | 69,280,000                               | 61,375,000                                  | 3.00% - 5.00%         |
| <b>Total</b>   |  | <b>\$ <u>952,310,000</u></b>                |                       |

Changes in long-term debt during the year ended November 30, 2012 were as follows:

| <b>Series</b>            | <b>Balance<br/>December 1, 2011</b> | <b>Additions</b>     | <b>Reductions</b>    | <b>Balance<br/>November 30, 2012</b> | <b>Current<br/>Portion</b> |
|--------------------------|-------------------------------------|----------------------|----------------------|--------------------------------------|----------------------------|
| 2003 Ref                 | \$ 43,200,000                       |                      | \$ 8,045,000         | \$ 35,155,000                        | \$ 8,520,000               |
| 2004                     | 104,970,000                         |                      | 5,000                | 104,965,000                          | 5,000                      |
| 2005                     | 9,525,000                           |                      | NIL                  | 9,525,000                            | NIL                        |
| 2007                     | 119,990,000                         |                      | 1,000,000            | 118,990,000                          | 1,500,000                  |
| 2008                     | 89,990,000                          |                      | 5,000                | 89,985,000                           | 5,000                      |
| 2008 Ref                 | 37,780,000                          |                      | 8,780,000            | 29,000,000                           | 6,160,000                  |
| 2009                     | 86,775,000                          |                      | 5,000                | 86,770,000                           | 5,000                      |
| 2010                     | 107,180,000                         |                      | 305,000              | 106,875,000                          | 350,000                    |
| 2010A                    | 127,005,000                         |                      | NIL                  | 127,005,000                          | NIL                        |
| 2011 Ref                 | 69,280,000                          |                      | 7,905,000            | 61,375,000                           | 11,445,000                 |
| 2011A                    | 108,395,000                         |                      | NIL                  | 108,395,000                          | 30,000                     |
| 2012                     | NIL                                 | \$ 74,270,000        | NIL                  | 74,270,000                           | NIL                        |
|                          | <u>904,090,000</u>                  | <u>74,270,000</u>    | <u>26,050,000</u>    | <u>952,310,000</u>                   | <u>28,020,000</u>          |
| Premium/<br>Discount     | 10,690,167                          | NIL                  | 2,462,350            | 8,227,817                            | NIL                        |
| Deferred<br>Amount       | (6,374,082)                         | NIL                  | (1,018,302)          | (5,355,780)                          | NIL                        |
| Arbitrage<br>Liabilities | 135,500                             | 4,500                | NIL                  | 140,000                              | NIL                        |
| Compensated<br>Absences  | <u>787,660</u>                      | <u>623,355</u>       | <u>522,222</u>       | <u>888,793</u>                       | <u>491,008</u>             |
| Total Long-<br>Term Debt | <u>\$ 909,329,245</u>               | <u>\$ 74,897,855</u> | <u>\$ 28,016,270</u> | <u>\$ 956,210,830</u>                | <u>\$ 28,511,008</u>       |

On August 1, 2012, the Authority issued \$74,270,000 of Regional Wastewater System Revenue Bonds, Series 2012, for the purpose of improving existing plant facilities, providing additional interceptor capacity, and paying costs of issuance. The bonds bear interest at a rate of 0.10% to 1.87% per annum and mature serially on August 1 of each year.

Long-term arbitrage liabilities are reported with accounts payable and accrued expenses in the Statement of Net Assets. Current arbitrage liabilities are reported with accounts and retainage payable in the Statement of Net Assets.

Compensated absences are reported with accounts payable and accrued expenses in the Statement of Net Assets.

**EXHIBIT 9-4**

Annual debt service requirements to maturity, including interest, for each series are set forth in Exhibit 50 and are summarized as follows:

| <u>Year Ending<br/>November 30</u> | <u>Interest</u>       | <u>Principal</u>      |
|------------------------------------|-----------------------|-----------------------|
| 2013                               | \$ 30,620,254         | \$ 28,020,000         |
| 2014                               | 29,233,718            | 35,245,000            |
| 2015                               | 27,877,379            | 36,880,000            |
| 2016                               | 26,366,271            | 38,620,000            |
| 2017                               | 24,946,695            | 40,230,000            |
| 2018-2022                          | 106,808,823           | 214,935,000           |
| 2023-2027                          | 72,344,248            | 256,030,000           |
| 2028-2032                          | 28,738,809            | 286,565,000           |
| 2033-2037                          | 738,430               | 15,755,000            |
| 2038-2042                          | 3,228                 | 25,000                |
| 2043                               | 162                   | 5,000                 |
|                                    | <u>\$ 347,678,017</u> | <u>\$ 952,310,000</u> |

Each series matures serially, generally in graduated amounts.

5. The Central Regional Wastewater System construction program includes various improvements to the treatment plant facilities and construction of additional interceptors and extensions. At November 30, 2012, the Authority was committed under construction contracts for \$158,245,463 of which \$116,029,007 has been incurred, and engineering contracts for \$73,262,416 of which \$56,200,489 has been incurred.
6. The Authority capitalized interest in 2012 in connection with construction in the Central Regional Wastewater System. The net interest capitalized for the year in connection with this project was \$3,460,013.
7. As of November 30, 2012, Central Regional Wastewater System owed \$566 to the Livingston-Wallisville Project for a refund of excess amounts received for equipment repair and maintenance services, and \$477,530 to the Staywell Health Insurance Internal Service Fund for anticipated increases related to healthcare costs. In addition, amounts due from other Authority funds for construction costs and lab and maintenance services are:

|   |          |
|---|----------|
| Clean Rivers Program Special Revenue Fund | \$ 6,392 |
| Water Sales Special Revenue Fund          | 3,195    |
| Denton Creek Regional Wastewater System   | 15,523   |
| Walker-Calloway Branch                    | 4,114    |
| Red Oak Creek Regional Wastewater System  | 14,047   |
| Mountain Creek Regional Wastewater System | 12,794   |
| Ten Mile Creek Regional Wastewater System | 56,760   |

8. In 2012, Central Regional Wastewater System received a transfer of \$51,110 from Risk Retention Fund as a rebate of insurance premiums.

9. In 2012, Central Regional Wastewater System transferred \$22,750 to the General Fund to compensate the General Fund for the use of general facilities.
10. During fiscal year 2012, the Authority changed its method of calculating capitalized interest. This change in accounting requires a restatement of prior financial statements for prior period impacts of this change. As a result, the Authority has restated the beginning net assets in 2011 for the Central Regional Wastewater System Enterprise Fund to reflect the accumulated prior year impact of the change as follows:

|   |                              |
|---|------------------------------|
| Net Assets at November 30, 2011, as previously reported | \$ 265,161,337               |
| Restatement Adjustment:                                 |                              |
| Capitalization of Interest                              | <u>(25,547,718)</u>          |
| Net Assets at November 30, 2011, as restated            | <u><u>\$ 239,613,619</u></u> |

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**TRINITY RIVER AUTHORITY OF TEXAS**  
**CENTRAL REGIONAL WASTEWATER SYSTEM ENTERPRISE FUND**

**SCHEDULE OF EXPENSES - BUDGETED AND ACTUAL**  
**YEAR ENDED NOVEMBER 30, 2012**

|   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET | ACTUAL       |
|---|--------------------|-----------------|--------------|
| <b>SEWAGE TREATMENT:</b>                  |                    |                 |              |
| <b>Personal Services:</b>                 |                    |                 |              |
| Salaries                                  | \$ 8,443,180       | \$ 8,443,180    | \$ 8,040,143 |
| Payroll Taxes - FICA                      | 645,900            | 645,900         | 593,495      |
| Employee Benefit - Health/Life Insurance  | 1,605,760          | 1,605,760       | 1,605,759    |
| Employee Benefit - Pension                | 940,380            | 940,380         | 829,302      |
| Unemployment Compensation                 | 25,000             | 25,000          | 4,453        |
| Employee Recognition Program              | 116,160            | 116,160         | 102,863      |
| Employee Benefit - Education              | 19,620             | 19,620          | 7,268        |
| Total                                     | 11,796,000         | 11,796,000      | 11,183,283   |
| <b>Supplies:</b>                          |                    |                 |              |
| Office Supplies                           | 51,700             | 51,700          | 30,963       |
| Dues and Subscriptions                    | 76,600             | 76,600          | 72,247       |
| Fees - O/T Dues and Subscriptions         | 121,840            | 121,840         | 119,933      |
| Maintenance and Operating Supplies        | 217,690            | 217,690         | 206,972      |
| Laboratory Supplies                       | 332,980            | 332,980         | 378,338      |
| Process Chemicals and Supplies            | 5,329,070          | 5,329,070       | 4,286,772    |
| Fuel, Oil and Lubricants                  | 348,470            | 348,470         | 349,991      |
| Instrumentation Maintenance & Supplies    | 75,610             | 75,610          | 149,298      |
| Computer Software, Lic. & Instr. Supplies | 72,000             | 72,000          | 70,315       |
| Total                                     | 6,625,960          | 6,625,960       | 5,664,829    |
| <b>Other Services and Charges:</b>        |                    |                 |              |
| Auditing                                  | 52,900             | 52,900          | 58,359       |
| Engineering                               | 457,000            | 457,000         | 451,353      |
| Legal                                     | 21,200             | 21,200          | 9,970        |
| Outside Services                          | 370,670            | 370,670         | 558,114      |
| Other Professional Services               | 285,630            | 285,630         | 340,555      |
| IT Support Services                       | 585,500            | 585,500         | 585,500      |
| Telephone and Telemetering                | 64,110             | 64,110          | 71,647       |
| Postage                                   | 12,190             | 12,190          | 19,400       |
| Printing and Binding                      | 2,680              | 2,680           | 2,781        |
| Insurance                                 | 306,060            | 306,060         | 305,387      |
| Travel                                    | 32,470             | 32,470          | 26,039       |
| Laundry, Uniforms and Ind. Equipment      | 51,650             | 51,650          | 49,162       |
| Training                                  | 65,150             | 65,150          | 48,851       |
| Utilities                                 | 74,500             | 74,500          | 96,438       |
| Power                                     | 5,572,660          | 5,572,660       | 4,872,828    |
| Repairs and Maintenance - Collection      | 667,480            | 667,480         | 1,854,742    |
| Repairs and Maintenance - Equipment       | 214,530            | 214,530         | 263,156      |
| Repairs and Maintenance - Plant & Bldgs.  | 1,852,400          | 1,852,400       | 1,860,730    |
| Total Forward                             | 10,688,780         | 10,688,780      | 11,475,012   |

## EXHIBIT 9-5

|   | ORIGINAL<br>BUDGET   | FINAL<br>BUDGET      | ACTUAL               |
|---|----------------------|----------------------|----------------------|
| <b>Total Forward</b>  | <b>\$ 10,688,780</b> | <b>\$ 10,688,780</b> | <b>\$ 11,475,012</b> |
| <b>Other Services and Charges (Continued):</b>                |                      |                      |                      |
| Repairs and Maintenance - Vehicles                            | 41,600               | 41,600               | 34,970               |
| Repair and Maintenance - Electrical                           | 750,700              | 750,700              | 771,459              |
| Off-site Bio-Solid Land Application                           | 4,386,730            | 4,386,730            | 4,220,649            |
| Rent - Machinery and Equipment                                | 62,940               | 62,940               | 75,686               |
| Interfund Service Charges                                     |                      |                      | 20,029               |
| Administrative Overhead                                       | 2,272,150            | 2,272,150            | 2,272,150            |
| <b>Total</b>  | <b>18,202,900</b>    | <b>18,202,900</b>    | <b>18,869,955</b>    |
| <b>TOTAL OPERATING EXPENSES EXCLUSIVE<br/>OF DEPRECIATION</b> | <b>36,624,860</b>    | <b>36,624,860</b>    | <b>35,718,067</b>    |
| <b>CAPITAL OUTLAYS -<br/>Machinery and Equipment*</b>         | <b>566,900</b>       | <b>566,900</b>       | <b>487,067</b>       |
| <b>DEBT SERVICE:</b>  |                      |                      |                      |
| Bond Principal Payments                                       | 26,050,000           | 26,050,000           | 26,050,000           |
| Interest on Long-Term Debt**                                  | 24,646,220           | 24,646,220           | 24,651,314           |
| Paying Agent Fees   | 4,100                | 4,100                | 5,647                |
| SEC Disclosure Fees   | 16,400               | 16,400               | 22,167               |
| <b>TOTAL DEBT SERVICE</b>                                     | <b>50,716,720</b>    | <b>50,716,720</b>    | <b>50,729,128</b>    |
| <b>TRANSFERS TO OTHER AUTHORITY FUNDS</b>                     | <b>21,600</b>        | <b>21,600</b>        | <b>22,750</b>        |
| <b>TOTAL</b>  | <b>\$ 87,930,080</b> | <b>\$ 87,930,080</b> | <b>\$ 86,957,012</b> |

\* Capital outlays for construction and certain other financing costs are excluded. Those budgets are adopted on a project basis.

\*\* RECONCILIATION OF INTEREST ON LONG-TERM DEBT:

|  |               |               |
|--|---------------|---------------|
| Interest Expense                             | \$ 25,923,734 |               |
| Interest Paid from Escrow                    | (6,176,481)   |               |
| Amortization of Bond Premium/Discount        | 2,462,350     |               |
| Amortization of Deferred Amount on Refunding | (1,018,302)   |               |
| Capitalized Interest                         | 3,460,013     |               |
| Interest on Long-Term Debt                   |               | \$ 24,651,314 |

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**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINION**

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## **Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*

LAW OFFICES

### **McCALL, PARKHURST & HORTON L.L.P.**

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TRINITY RIVER AUTHORITY OF TEXAS REGIONAL WASTEWATER SYSTEM  
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2013, DATED  
OCTOBER 1, 2013, IN THE PRINCIPAL AMOUNT OF \$49,405,000

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which mature and bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates as stated in the text of the Bonds, with the Bonds being subject to redemption prior to maturity, all as provided in the resolution of the Issuer authorizing the issuance of the Bonds, including the Pricing Certificate of General Manager authorized thereby (collectively, the "Resolution").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Number R-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditor's rights generally or by principles of equity which permit the exercise of judicial discretion, (i) the covenants and agreements in the Resolution constitute valid and binding obligations of the Issuer, and the Bonds constitute valid and legally binding special obligations of the Issuer, which, together with other bonds, are payable from and secured by a first lien on and pledge of the Issuer's "Net Revenues" from "Contracts" between the Issuer and the Contracting Parties specified in the Resolution, being the Town of Addison and the Cities of Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, and Southlake, Texas, and the Dallas-Fort Worth International Airport Board, and which may in the future include additional parties and (ii) said Contracts are authorized by law, have been duly executed, are valid, and are legally binding upon and enforceable by the parties thereto in accordance with their terms and provisions.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is (a) included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

THE ISSUER has reserved the right, subject to the restrictions stated in the Resolution, to issue additional revenue bonds payable from and secured by a first lien on and pledge of the aforesaid Net Revenues from the Contracts on a parity with the Bonds.

THE ISSUER also has reserved the right to amend the Resolution, subject to the restrictions stated in the Resolution.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Resolution.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the bonds described above under the Constitution and laws of the State of Texas, and with respect to the exemption of the interest on such bonds from federal income taxes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Contracting Parties, or the adequacy of the pledged Net Revenues from Contracts, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the sufficiency of the Net Revenues.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of a result and are not binding on the Internal Revenue Service (the "Service"). Rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,



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